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***published in***

Journal of International Business Studies  
2006

***DOI (link to publisher)***

[10.1057/palgrave.jibs.8400230](https://doi.org/10.1057/palgrave.jibs.8400230)

***document version***

Publisher's PDF, also known as Version of record

[Link to publication in VU Research Portal](#)

***citation for published version (APA)***

Waldman, D. A., Sully De Luque, M., Washburn, N., House, R. J., de Hoogh, A. H. B., & Koopman, P. L. (2006). Cultural and leadership predictors of corporate social responsibility values of top management: A GLOBE study of 15 countries. *Journal of International Business Studies*, 37, 823-837.  
<https://doi.org/10.1057/palgrave.jibs.8400230>

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# Cultural and leadership predictors of corporate social responsibility values of top management: a GLOBE study of 15 countries

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## Abstract

This paper examines cultural and leadership variables associated with corporate social responsibility values that managers apply to their decision-making. In this longitudinal study, we analyze data from 561 firms located in 15 countries on five continents to illustrate how the cultural dimensions of institutional collectivism and power distance predict social responsibility values on the part of top management team members. CEO visionary leadership and integrity were also uniquely predictive of such values.

*Journal of International Business Studies* (2006) 37, 823–837.

doi:10.1057/palgrave.jibs.8400230

Received: 22 August 2005  
Revised: 28 February 2006  
Accepted: 28 February 2006

**Keywords:** culture; leadership; values; corporate social responsibility

## Introduction

Corporate social responsibility (CSR) has garnered increased attention from both academics and managers in recent years. This attention stems largely from the realization on the part of organizational leaders of the potential strategic value in pursuing CSR policies (McWilliams and Siegel, 2001; McWilliams *et al.*, 2006). For example, firms may achieve a favorable image or relationship with constituent groups (e.g., customers), while pursuing CSR. Although most of the academic attention on CSR focuses on its linkage to performance (e.g., Rowley and Berman, 2000), it is possible for firms to engage in CSR on largely moral or ethical grounds, without clear strategic rationale (Donaldson and Preston, 1995).

The globalization of firms is encouraging the spread of CSR practices, and it is becoming increasingly clear that we need to understand the antecedents of such practices (Gunther, 2005). By addressing antecedents, we develop a better theoretical understanding of the processes through which CSR is practiced. In this article, we examine antecedents of managerial values associated with CSR in the decision-making of firms located in 15 countries. Finkelstein and Hambrick (1996) argue that firm-level actions, including those relevant to CSR, are partially the product of managerial decisions and discretion. Thus values that managers use to guide their decision-making are critical for insight into CSR practices (Pant and Lachman, 1998; Agle *et al.*, 1999). This notion is relevant to the work of Wood (1991), who articulates the need to determine how managers perceive choices to pursue CSR decisions and strategies. Specifically, she notes that managers are likely to vary in such choices, and that 'personal and organizational characteristics might be related to these varying perceptions in ways that would help to more clearly express the conditions of corporate social responsibility' (p. 702). Our goal is to provide an understanding of how managers may differ across cultural and leadership contexts in terms of using CSR values in decision-making.

## Defining managerial values in the context of CSR

Rowley and Berman (2000) lament that CSR research has been made difficult by a lack of clear definition or consideration of dimensionality, as well as by problematic measurement procedures. Numerous definitions of CSR have been advanced in the literature, making theoretical and methodological development somewhat challenging

(McWilliams *et al.*, 2006). Building upon stakeholder theory (Donaldson and Preston, 1995) and the work of McWilliams and Siegel (2001), we describe CSR as actions on the part of the firm that further the needs or goals of an identifiable stakeholder group, or a larger societal collective. We further delineate CSR as actions that go beyond the immediate legal requirements of the firm. We include shareholders or other owners as constituting a stakeholder group relevant to CSR, along with broader stakeholder groups described below.

Wood (1991) and Thomas and Simerly (1995) posit that there is a lack of research on managerial variables directly relevant to CSR actions. Agle *et al.* (1999) suggest that instead of focusing on social performance, as has largely been the case in prior research, investigators should examine managerial tendencies toward using CSR values in their decision-making, because managers are largely responsible for CSR implementation. The current study heeds this advice by focusing on CSR values rather than CSR performance. Thus our work is grounded in the notion that values are strong mechanisms that shape actions (Triandis, 1995).

Stakeholder theory is relevant to understanding the dimensionality of CSR values, as well as examining it within a framework of managerial decision-making or values. It specifies that a firm consists of a variety of different constituencies, such as employees, suppliers, customers, shareholders, and the broader community (Freeman, 1984, 1994; Donaldson and Preston, 1995). All of these constituencies have a strategic and/or moral stake in the firm, and each is guided by its own interests and values. Senior management often faces problems, such as enhancing the viability of the firm while simultaneously balancing the needs of the various stakeholders.

Based on our above description of stakeholder theory, we use three key dimensions of managerial values relevant to CSR. First, following from classic economic theory (e.g., Friedman, 1970, 2002), the *shareholder/owner* dimension represents values reflecting responsibility to shareholders or private owners to maintain or increase sales and control costs in an effort to maximize economic returns. Second, we propose a broader *stakeholder relations* dimension, which represents values dealing with responsibility to identifiable, non-financial stakeholders. These values refer to ethical and positive relations directed toward broader groups of stakeholders, such as employees, consumer groups, and groups concerned with the effect of the firm on the



physical environment. Such constituents can have a direct influence on the viability and survival of firms (Hillman and Keim, 2001).

Third, we suggest a *community/state welfare* dimension that represents values relevant to a larger, societal entity – beyond particular stakeholder groups. Responsibility at this level is more amorphous in nature, reflecting such values and actions as philanthropy or engaging in community-based development projects. This dimension follows from the principle of public responsibility that suggests that CSR is delineated according to primary involvement or stakeholder groups, versus secondary involvement or higher-level societal entities, such as the community at large and its welfare (Wood, 1991).

Using this conceptualization of managerial CSR values, we direct our attention to antecedents by examining cultural and leadership variables that may be predictive of such values. These variables were selected based on the model of House *et al.* (1999), which emphasizes the interplay between culture and leadership, as well as their effects on the values and practices of organizations. In particular, values are often culturally based (Triandis, 1995, 1998; Hofstede, 2001), and we are interested in country- or societal-level culture influences on firm-level CSR values as manifested in managerial decision-making. We argue that some cultural dimensions may foster, while others may diminish, CSR values in managers. Furthermore, researchers have found that leadership can influence the emergence of values (Shamir *et al.*, 1993). Thus we also propose leadership as a predictor of managerial CSR values. We derive recommendations for multinational firms faced with the challenge of responding to an increasing global interest in CSR through an understanding of how managers may differ across cultural and leadership contexts in CSR decision-making processes (Gunther, 2005).

### Societal culture and CSR values

We address our research goals in the context of the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program (House *et al.*, 2004). Previous work from GLOBE shows that the characterization of societal culture can be complex in that it includes both (1) ongoing practices and behaviors and (2) values or strongly held beliefs of how the culture should be. Cultural practices inform us about the current perceptions of specific cultures, whereas cultural values tell of the

aspirations and direction that cultures wish to develop (Javidan *et al.*, 2005). Although cultural practices may be related to what people of a culture value, differences between what people say they value and what they actually practice often occur (House and Javidan, 2004). For example, practices or behaviors of a particular dimension of culture (e.g., power distance) can be relatively high, whereas values of what ‘should be’ occurring may be relatively low for a given society. For the current study, we focused on cultural *values* and their relationship with managerial *values* pertaining to CSR in decision-making at the firm level. Thus we propose that societal-level values should be predictive of values held at the firm level.

Our specific premise is that societal-level values and beliefs held by members of a culture can influence more specific values and beliefs relevant to the functioning of organizations, such as how CSR enters the decision-making of executives (Triandis, 1995; House *et al.*, 1999; Javidan *et al.*, 2005). Institutional theory suggests that organizations will adopt societal-level values as a way to gain legitimacy with their environment (Dickson *et al.*, 2004). Therefore we posit that societal cultural values will influence the emergence of values in organizations.

We examine this premise by forming theoretical and empirical associations between CSR decision-making values and three dimensions of societal-level culture that have been prominent in the literature as a means of characterizing cultures:

- (1) institutional-level collectivism (House *et al.*, 2004);
- (2) in-group collectivism (Hofstede, 1980; Markus and Kitayama, 1991; Triandis, 1995; House *et al.*, 2004); and
- (3) power distance (Hofstede, 1980; House *et al.*, 2004).

The cultural dimension of collectivism has been widely researched across the social sciences (Earley and Gibson, 1998) and has been linked to economic growth (Hofstede, 1980, 2001; House *et al.*, 2004). Recent findings suggest that collectivism is composed of separate dimensions (Triandis and Gelfand, 1998; Gelfand *et al.*, 2004), and we believe these dimensions may influence the emergence of CSR values. Power distance is also a cultural dimension that has been researched in multiple disciplines (Carl *et al.*, 2004), and it has important ramifications for values present in organizations (Dickson *et al.*, 2004). In the following discussion,

we describe the theoretical bases of these cultural dimensions, as well as their relevance to CSR.

### ***Institutional and in-group collectivism***

Given that CSR furthers socially based purposes, the cultural dimension of collectivism is likely to be linked to the three key dimensions (i.e., shareholder/owner, stakeholder, community/state welfare) of managerial values relevant to CSR decision-making. The collectivism construct is increasingly finding favor as being multidimensional (House *et al.*, 2004) rather than unidimensional (Triandis, 1995; Triandis and Gelfand, 1998). Through theoretical and empirical support, Gelfand *et al.* (2004) propose that this construct is indeed multidimensional, identifying two dimensions: institutional and in-group collectivism. This complements empirical research by scholars who have focused on non-kin factors of collectivism, as well as work that shows family integrity as a component that distinguishes societies (e.g., Realo *et al.*, 1997). Javidan and his associates describe the two dimensions of collectivism. The first, *institutional* collectivism values, pertains to the extent to which a collective should believe in encouraging and rewarding the collective distribution of resources and collective action, and emphasizes group performance and rewards (Javidan *et al.*, 2006). This dimension involves the belief that the self should be interdependent with others and should have duties and obligations to the greater collective that outweigh personal concerns. By contrast, *in-group* collectivism values involve the extent to which individuals should express pride, loyalty, and cohesiveness to their families, or particular groups within a society such as the organizations in which they are employed.

We expect these dimensions of collectivism to differentially predict CSR values. Managers in cultures characterized by higher institutional collectivistic values should stress long-term relationships with stakeholders (e.g., employees and customers), and recognize that they should have a responsibility for the community/state welfare when making decisions. That is, the institutional nature of their collectivistic background would lead them to value greater, societal-level entities in their decision-making. However, we expect that managers in cultures stressing institutional collectivism would not differ significantly from those in non-collectivist cultures in the way they consider shareholders/owners in their decision-making. In other words, there is nothing inherent in the

concept of institutional collectivism that either promotes or limits concerns for shareholders/owners. In contrast, when in-group collectivism values are particularly strong, greater stakeholder and societal or community issues should not be of inherent concern in managerial decision-making. Managers in these cultures would be more concerned with the needs of their in-group members when making decisions. As our study deals with top management team members, it is likely that they conceptualize shareholders/owners (and their immediate performance concerns) as a part of their in-group. Therefore we generally posit the following:

**H1a:** Societies stressing institutional collectivist values will have a positive relationship with stakeholder relations and community/state welfare CSR values.

**H1b:** Societies stressing in-group collectivist values will have a positive relationship with shareholder relations CSR values.

### ***Power distance***

Another prolific area of cultural research has focused on the dimension of power distance (Hofstede, 2001; House *et al.*, 2004). Power distance values reflect the extent to which it is believed that power should be unequally distributed in a culture. Higher power distance cultures accept that the hierarchy that exists between superiors and subordinates is extensive, customary, and legitimate. Notably, employees in cultures with higher power distance values will recognize that existing barriers should regulate attempts to form relationships with superiors (Begley *et al.*, 2001). In line with Carl *et al.* (2004), we define power distance values as the extent to which societal members believe that power should be concentrated in the hands of only a few people in a culture, and that those people should be obeyed without question and afforded special privileges. Javidan *et al.* (2006, p. 70) note that societies that scored high on this cultural dimension are 'more stratified economically, socially, and politically; those in positions of authority expect, and receive, obedience.' Accordingly, such societies would be prone to the manipulative use of power, a lack of equal opportunities for minorities and women, and a lack of personal or professional development within the organization (Carl *et al.*, 2004).

An argument could be made that high power distance culture values might induce an obligation on the part of those in charge to look out for the needs of society or greater social purposes. That is, as the nobility of society, they will feel an obligation to pursue CSR policies in their decision-making. However, we propose that managers in societies characterized by high power distance values are not likely to value CSR in the course of their decision-making: thus power distance should be negatively predictive of the three CSR values dimensions defined above. For example, managers in cultures with high power distance values may be less concerned with the shareholders'/owners' needs than with their own. Where power distance value norms are less prominent, we might expect institutional pressure to guide managers to be good agents of the firm and look out for the shareholder/owner interests when making decisions (Jensen and Meckling, 1976). In addition, we expect that managers in cultures valuing power distance will be less concerned about long-term relationships with stakeholders (e.g., employees and customers) and feel less responsibility for the community/state welfare. In short, these managers will more plausibly want to use power for the pursuit of personal benefit (Carl *et al.*, 2004). Specifically, we suggest that:

**H2:** High power distance values in a culture will be negatively related to shareholder/owner, stakeholder relations, and community/state welfare CSR values.

### Leadership and CSR values

We base our conceptualization of leadership on the neo-charismatic paradigm. This paradigm stresses how an exceptionally effective leader articulates vision that is based on strongly held ideological values and powerful imagery, stimulates thinking that fosters innovative solutions to major problems, and emphasizes high-performance expectations. Further, this leader generates high degrees of follower confidence, intrinsic motivation, trust and admiration in the leader, and emotional appeal (Shamir *et al.*, 1993; Conger and Kanungo, 1998). Recent research demonstrates a relationship between aspects of neo-charismatic leadership on the part of CEOs and the social responsibility performance of their firms (Waldman *et al.*, 2006). In the present study, we focus on two key aspects of the paradigm that may be especially relevant to the formation of CSR values on the part

of followers: visionary leadership and integrity on the part of the CEOs of our respective firms.

Visionary leadership involves a *relationship* between an individual (leader) and one or more followers based on leader behaviors that engender intense, favorable reactions and attributions on the part of followers (House, 1996; House and Aditya, 1997). Key behaviors commonly associated with visionary leadership include:

- (1) providing a sense of mission or purpose based on opportunities and constraints in the larger environment;
- (2) articulating an inspirational vision that challenges the *status quo* and is based on powerful imagery and a sense of purpose;
- (3) showing determination when accomplishing goals or change, including acting decisively; and
- (4) questioning assumptions.

Favorable attributional effects on the part of followers may include the generation of confidence, perceptions of intelligence or foresight, instilling optimism, and strong admiration, respect, or trust.

We also propose integrity as a second dimension of leadership relevant to the CSR values of senior managers. The concept of integrity *per se* has been somewhat overlooked in neo-charismatic theories. Indeed, its absence prompts some theorists to suggest that integrity is inconsistent with charisma (see e.g., Sankar, 2003). On the other hand, recent conceptualizations of authentic leadership suggest that integrity should be more carefully incorporated into charismatic leadership theory (Avolio *et al.*, 2004). We define leader integrity behavior as

- (1) being open and sharing critical information with followers;
- (2) keeping one's word; and
- (3) serving the interests of followers, rather than oneself.

Favorable attributional reactions on the part of followers likely include perceptions of selflessness, as well as trust in the leader (Gottlieb and Sanzgiri, 1996).

An expected outcome of visionary leadership and integrity is the building of social responsibility values in an organization. Further, such leadership influence should occur beyond the effects of societal cultural values. Shamir (1991) and Shamir *et al.* (1993) put forward a theory of neo-charismatic leadership that was based on the

self-concepts of followers. The essence of their work suggests that such leaders communicate or symbolize messages that contain many references to values and moral justifications. These leaders have motivational effects on followers by presenting goals or a vision through the values that they represent. Subsequently, the intrinsic valence of effort and goals, and the follower's self-concept, become linked to values, resulting in value internalization of the follower (Lord and Brown, 2004). As such, the salience of values espoused by the leader becomes greater for followers.

Values are likely to be enduring over time. Based on the work of Shamir *et al.* (1993), we propose that the vision and integrity of a leader will indeed enhance the social responsibility values of followers, especially pertaining to shareholders and other stakeholders. The coalescence of vision and integrity is expected to provide a sense of identity linking the self-concept of followers and their ultimate behavior. This link with behavior results from frame alignment processes whereby the effect on follower values serves to organize experience and guide actions, including decision-making.

In the current study, we examine the relationship between the leadership demonstrated by the CEOs of firms and the CSR values of immediate followers, who are typically top management team members. House *et al.* (1999) and others (e.g., Waldman and Yammarino, 1999) note that leadership can be a significant, firm-level force in the shaping of follower values and behaviors. In line with Wood's (1991) consideration of the principle of public responsibility, such leadership will show integrity by demonstrating that a firm's CSR policies and related expenditure of resources should not be defined by the whims or personal preferences of leaders. Instead, they will stress how the firm's social responsibilities should be directed toward identifiable constituency groups (including shareholders/owners, as well as broader stakeholder groups) relevant to its specific strategic interests (McWilliams and Siegel, 2001). Such leaders may excite followers by engaging their self-concepts based on a vision stressing responsibility both to shareholders or owners, and to other relevant and identifiable stakeholder groups. Conversely, visionary leadership may not be related to more amorphous, community/state welfare CSR values because such leadership is company specific. Leaders' valuing of broader community or society issues may not be relevant to the perception of

their being visionary or having integrity. In short, we predict that:

**H3:** Visionary leadership and integrity on the part of CEOs will add variance to the prediction of follower shareholder/owner and stakeholder CSR values, beyond the effects of national cultural values.

## Method

### Participating firms and investigators

GLOBE is a multi-year, multi-phase research program, driven by an interest in examining culture and leadership around the world. All of the country co-investigators (CCIs) from the 62 societies from the first two phases of the GLOBE project were invited to participate in the current Phase III, as well as several additional scholars representing other countries not in Phases I and II of GLOBE. We should note that, for the purpose of GLOBE, a CCI is a researcher from management or related disciplines (e.g., economics or psychology) for a respective country. There were typically two CCIs per country. Based on their interest in cross-cultural research and their willingness to provide infrastructure support, CCIs from 20 countries agreed to coordinate the scheduling of data collection for the greater research project. To be included in the current research study, countries were required to have participated in the Phase II study, because data from that phase were necessary for our longitudinal analysis. Of these, 15 countries provided complete data, representing multiple regions of the world. These countries are Austria, Brazil, China, Germany, Greece, Guatemala, India, Mexico, the Netherlands, Nigeria, Russia, Slovenia, Spain, Taiwan, and Turkey.

The CCIs collected data from approximately 40 firms in each country. Wholly owned government firms as well as organizations from the education sector were restricted from the sample. Surveys were collected from 660 participating firms (several countries having more than 40 participating companies) from a variety of industries, including such diverse sectors as manufacturing, information systems, and tourism. However, because of missing data, especially for the firm performance control variable described below, the final sample used in the analysis consisted of 561 firms. The average firm in our sample comprised approximately 500 employees. With six or more respondents from

each firm, the final sample of 4656 individuals completed the surveys described below.

### Procedure

Initially, all surveys were translated using the back-translation procedure (Brislin, 1976). The surveys were first translated from English into the native languages of each of the respective cultures participating in the study. They were then back-translated into English to ensure accuracy and intent. Discussions were held with the respective CCIs, and adjustments were made in cases where translations were not correct.

A multiple survey and respondent approach was used to gather information in this study. Names of the members of the top management team were obtained from the CEO (i.e., immediate subordinates and advisors). Several subordinates were then contacted by CCIs to complete one of three surveys. Three subordinates of a respective CEO were randomly selected to complete leadership survey A, and three more were assigned to complete leadership survey B (described in detail below). Further, CCIs were asked to select three more members of the top management team for the purpose of completing an additional survey (survey C), comprising measures to assess such outcome variables as performance. Within all the surveys, respondents also answered questions designed to assess values that they apply to their decision-making. The CCIs were asked to dispense the surveys to three subordinates (separate subordinates for the respective surveys) in an attempt to ensure that at least two responses were subsequently obtained for each of the three distinctive surveys. In total, we were able to attain between six and nine respondents per firm. The purpose of our data collection strategy was to avoid single-source bias problems (Podsakoff *et al.*, 2003).

### Measures

#### Cultural factors

We attained scores for cultural values of institutional collectivism, in-group collectivism, and power distance from the work of House *et al.* (2004). These values are the 'should be' scores for each of the 15 countries used in the current research, and they are shown in Table 1. As can be seen, scores tend to be somewhat lower for power distance, as compared with the other cultural factors. This suggests an overall trend for societies to desire or value less power distance, although

**Table 1** Scores for GLOBE culture factors

Country	Institutional collectivism	In-group collectivism	Power distance
Austria	4.73	5.27	2.44
Brazil	5.62	5.15	2.35
China	4.56	5.09	3.10
Germany	4.68	5.22	2.69
Greece	5.40	5.46	2.39
Guatemala	5.23	6.14	2.35
India	4.71	5.32	2.64
Mexico	4.92	5.95	2.85
Netherlands	4.55	5.17	2.45
Nigeria	5.03	5.48	2.69
Russia	3.89	5.79	2.62
Slovenia	4.38	5.71	2.57
Spain	5.20	5.79	2.26
Taiwan	5.15	5.45	3.09
Turkey	5.26	5.77	2.41

Source: House *et al.* (2004).

All scores are on 1–7-point scales, with higher scores indicating greater societal values.

some degree of variance is evident (Javidan *et al.*, 2005).

Institutional collectivism values, as reported in House *et al.* (2004), focus on the extent to which institutional practices at the societal level encourage and reward collective action. In particular, the questions assess whether the economic system should emphasize collective or individual interests, whether group loyalty should be emphasized at the expense of individual goals, whether being accepted by other group members should be important, and whether group cohesion or individualism should be valued more in the society (Gelfand *et al.*, 2004). The societal in-group collectivism values assess the extent to which individuals should express loyalty, pride, and interdependence within their families. These items evaluate whether parents should take pride in the accomplishments of their children, and conversely whether children should take pride in the individual accomplishments of their parents. Also, they assess whether children believe they should live at home with their parents until they get married, and whether parents believe they should live with their children as they grow elderly (Gelfand *et al.*, 2004).

The power distance values as reported by House *et al.* (2004) measure concentration and privileges of power, as well as the effect of power on influence and interpersonal behaviors (Carl *et al.*, 2004). In particular, this construct assesses whether power

should converge at the upper levels of society, and whether people should believe in the ability to question superiors. Power distance also measures whether people in positions of authority should maintain distance from those under them, and whether these people should expect unique privileges in these positions of power (Carl *et al.*, 2004). Firms in their respective countries were assigned cultural values scores based on the data shown in Table 1.

### **Leadership and CSR values**

Visionary leadership and integrity were two factors universally endorsed (i.e., leadership perceived to be effective across cultures) in terms of prototypical leadership in earlier phases of GLOBE. Items for these factors were modified and rescaled to assess actual (instead of prototypical) leadership behaviors for the current study. The survey items were randomly divided and separated into the two leadership surveys mentioned above. The original goal was to have items for a common factor (e.g., visionary leadership) in both surveys. The respondents were told that the purpose of the research was to learn about leadership practices of CEOs and reactions to these practices in different cultures. They were informed that their responses were confidential and anonymous. The rating instructions asked the respondents to indicate their level of agreement with items describing their respective CEO on a seven-point Likert scale, with responses ranging from 'strongly disagree' to 'strongly agree'.

Visionary leadership and integrity items were identified on the basis of Q-sort analyses (Fontana and Frey, 1994), as well as exploratory factor analyses of surveys A and B. We subsequently split our formation of leadership scores on the basis of the two separate surveys, as well as separate respondents, to avoid single-source bias problems (Podsakoff *et al.*, 2003). Thus visionary leadership was tapped using the respondents to survey A, and integrity was assessed using the respondents to survey B. On the basis of confirmatory factor analysis described below, we computed visionary leadership scores on six items from survey A, and leader integrity scores were derived from six items from survey B. A sample visionary leadership item is 'anticipates; attempts to forecast events; considers what will happen in the future'. A sample integrity item is 'deserves trust; can be believed and relied upon to keep his/her word'.

A separate values section was included in each of the surveys (i.e., surveys A, B and C mentioned

above) to assess values regarding CSR decision-making. The items were based on interviews with the CEOs of the firms, existing literature dealing with corporately responsible values (Waddock and Graves, 1997; Agle *et al.*, 1999; Johnson and Greening, 1999; Hillman and Keim, 2001), and our above conceptualization of CSR. We posited three factors:

- (1) shareholder/owner CSR (four items);
- (2) stakeholder CSR (five items); and
- (3) community/state welfare CSR (two items).

Participants indicated how much importance should be assigned when making critical management decisions to each of the respective items, with seven-point scaling ranging from 'none: of no importance' to 'of most importance: should be considered more important than all other considerations'. Sample items included the following: 'effect on firm profitability' and 'effect on sales volume' for shareholder/owner CSR; 'employee relations issues (well-being, safety, working conditions)' and 'effect on the environment' for stakeholder CSR; and 'contribution to the economic welfare of the nation' and 'the welfare of the local community' for community/state welfare CSR.

The psychometric properties of the two leadership and the three CSR values measures were assessed using reliability and confirmatory factor analyses. Cronbach's alpha for these five scales ranged from 0.79 to 0.90. Results of the confirmatory factor analysis also provided support for a five-factor model. All items loaded on their predicted latent constructs with values of 0.59 or better and an average loading of 0.74 (one reverse-coded item originally predicted to load on the integrity measure only loaded at 0.45, so this item was dropped from the scale and not included in subsequent analyses). The goodness-of-fit indices reflected a strong model ( $\chi^2=903.32$ ,  $P<0.01$ ; CFI=0.96; NFI=0.95; RMSEA=0.065). As a comparison, we also tested a two-factor model, loading both leadership measures onto one construct, and the three CSR values measures onto another construct. The fit indices suggested that the two-factor model did not fit the data (CFI=0.85; NFI=0.84; RMSEA=0.15).

### **Control variables**

Our analyses included control variables to add precision to our model. First, at the societal level we included a measure of per capita gross domestic product (CGDP). For a given nation, CGDP



measures the per capita monetary value of the total consumption, investment, government, and exports, while subtracting imports. As suggested by McWilliams and Siegel (2001), when the overall affluence and spending of a society are high, there should be stronger demand for CSR. Accordingly, we expected CSR interests to accompany managerial decision-making in countries with high CGDP. In contrast, countries with lower CGDP are more interested in basic subsistence and economic growth. Given that our interest in this paper is on the cultural rather than economic effects, and also that these are theoretically linked, it was important to control for overall affluence. For each of the 15 sampled countries, CGDP values for 1996 were taken from a database compiled by the Center for International Comparisons ([http://pwt.econ.upenn.edu/php\\_site/pwt61\\_form.php](http://pwt.econ.upenn.edu/php_site/pwt61_form.php)) at the University of Pennsylvania. These CGDP data reflect the approximate time period over which the data were gathered for the GLOBE societal-level culture values.

Second, we controlled for firm performance. Within the strategic leadership literature, researchers have shown that prior organizational performance can act as a stimulus for executive decision-making and organizational transformations (Finkelstein and Hambrick, 1996). In addition, McGuire *et al.* (1988) showed how prior profitability was more closely related to CSR, as compared with subsequent performance. Performance was evaluated over the prior 3 years in terms of two items in survey C relative to competitors: (1) sales, and (2) return on investment from operations. These items were evaluated by two or three managers, reporting adequate levels of inter-rater consistency as described below.

Third, we controlled for the average age of the respondents to the three surveys. Relevant to CSR, advancing age could be commensurate with a broader perspective on the issues and entities surrounding decision-making, including multiple constituent groups – and thus stronger CSR values. Fourth, we controlled for the average education level of respondents, because higher levels of education could also be associated with such a broader perspective. Fifth, we controlled for gender, with the expectation that firms with a high percentage of females in the top management team might have stronger values pertaining to CSR, especially stakeholder and community/state welfare CSR. In short, by controlling for CGDP, performance, average age, average education, and

average gender, we can show the effects of culture and leadership on CSR values, above and beyond such contextual and demographic variables.

### Analyses

Several aspects of our analyses are worthy of mention. First, all analyses are based on raw data scores, which is helpful in the interpretation of means and standard deviations. However, as follow-up analyses, and prior to any aggregation of data, all survey items were standardized (i.e., z-scores) by country in order to control for potential differences in item scores and rating processes between countries. The possibility of cultural differences in response styles to Likert scales presents a potential artifactual phenomenon that could affect our findings. For example, respondents from more collectivist cultures may be less likely than those from individualistic cultures to use the extreme points in a scale (Chen *et al.*, 1995). Thus standardization of survey item scores by country, prior to forming scale scores (e.g., a scale score for visionary leadership for a given firm in a given country), provides a means of controlling for such rating processes. In general, these analyses revealed results highly similar to those reported below, which are based on raw, unstandardized scores.

Second, all analyses reported below are at the firm level. To determine the appropriateness of aggregation to the firm level, we conducted intraclass correlation (ICC) analyses for all multi-rater items and scales derived from the surveys. For the purposes of the current study, ICC1 reveals the extent of between firm differences, whereas ICC2 reveals an estimate of the overall reliability of mean scores produced by raters within firms (Bliese, 2000). Results for ICC1 ranged from 0.21 to 0.44, whereas those for ICC2 ranged from 0.68 to 0.82. F-values associated with ICC1 scores were statistically significant, suggesting significant between-firm variance in relation to the total variance. Together, our analyses suggest acceptable levels of ICC values, especially as the relatively few raters within firms can restrict ICC2 levels (Klein *et al.*, 2000). Accordingly, these variables were aggregated for data-analytic purposes.

Third, hypothesis testing proceeded with the use of hierarchical regression analyses. Control variables were entered in the first step. The control variables represent factors that accrued or developed prior to the survey measurement of social responsibility values, and thus it is especially appropriate to enter them in an initial regression

step. Culture variables were then entered in the second step, prior to entering leadership in the final, third step. This research therefore represents a longitudinal study of leadership and cultural predictors of CSR. The societal-level culture data were gathered from 1995 to 1997, whereas the leadership and CSR values were collected from 1999 to 2003. Thus our rationale for this order of entry is that culture may have effects on decision-makers prior to the leadership that they experience in their respective organizations (Cohen and Cohen, 1983).

**Results**

Means, standard deviations, and correlations among study variables are shown in Table 2. Hierarchical regression analyses were used to test hypotheses, and the results of the final regression steps are shown in Table 3. We should note that all VIF statistics are in the range 0.87–0.98, suggesting little potential problem with multicollinearity among predictors. In predicting shareholder/owner CSR values, the control variables together account for 5% of the variance ( $P < 0.01$ ), with significant betas for both CGDP and average education of firm

**Table 2** Means, standard deviations, and correlations

Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12
CGDP (Center for Int. Comparisons)	10 804	7 754	—											
Firm performance (C)	4.56	1.38	-0.05	—										
Age of respondents (A, B, C)	38.70	6.47	0.21	-0.11	—									
Education of respondents (A, B, C)	14.01	4.23	-0.52	0.09	-0.07	—								
Gender of respondents (A, B, C)	1.32	0.27	0.06	-0.02	-0.30	-0.09	—							
Institutional collectivism (GLOBE)	4.85	0.43	-0.04	0.09	-0.11	0.19	-0.11	—						
In-group collectivism (GLOBE)	5.47	0.32	-0.13	0.18	-0.15	0.24	0.06	0.12	—					
Power distance (GLOBE)	2.63	0.28	-0.31	-0.10	-0.07	0.06	0.05	-0.37	-0.39	—				
Leadership vision (A)	5.84	0.78	0.03	0.10	0.08	0.06	0.00	0.05	0.14	-0.12	—			
Leadership integrity (B)	5.41	0.89	-0.01	0.03	0.12	0.06	-0.07	0.10	0.11	-0.05	0.34	—		
Shareholder/owner values (A, B, C)	5.84	0.48	0.10	0.02	0.02	0.10	-0.05	0.23	0.19	-0.28	0.31	0.22	—	
Stakeholder values (A, B, C)	5.41	0.61	0.12	0.09	0.11	0.09	-0.09	0.38	0.24	-0.52	0.30	0.31	0.64	—
Community/state welfare values (A, B, C)	4.61	0.87	-0.37	0.10	0.04	0.22	-0.15	0.23	0.16	-0.11	0.15	0.20	0.21	0.56

Correlations  $\geq |0.09|$  are significant at  $P < 0.05$ ;  $\geq |0.11|$  are significant at  $P < 0.01$ . Age is in years. Education is in years. GLOBE=societal cultural value scores from House *et al.* (2004); A=subordinate survey A; B=subordinate survey B; C=subordinate survey C. All analyses are at the firm level ( $N=561$ ).

**Table 3** Culture and leadership predicting CSR values

	Shareholder/owner CSR values	Stakeholder CSR values	Community/state welfare CSR values
<i>Control variables</i>			
CGDP (Center for Int. Comparisons)	0.15**	0.01	-0.48**
Firm performance (C)	-0.05	0.01	0.05
Age of respondents (A, B, C)	-0.03	0.06	0.09*
Education of respondents (A, B, C)	0.13**	0.09*	-0.04
Gender of respondents (A, B, C)	-0.05	-0.02	-0.08*
<i>Main effects</i>			
Institutional collectivism (GLOBE)	0.13**	0.18**	0.13**
In-group collectivism (GLOBE)	0.07	-0.05	-0.03
Power distance (GLOBE)	-0.14**	-0.47**	-0.20**
Leadership vision (A)	0.23**	0.18**	0.08*
Leadership integrity (B)	0.13**	0.20**	0.13**
F	15.06**	45.21**	21.07**
R <sup>2</sup>	0.22	0.45	0.28

Coefficients are standardized beta weights. \* $P < 0.05$ ; \*\* $P < 0.01$ . GLOBE=societal cultural value scores from House *et al.* (2004); A=subordinate survey A; B=subordinate survey B; C=subordinate survey C. All analyses are at the firm level ( $N=561$ ).



respondent. In the second regression step, cultural variables provide 8% additional variance that is accounted for ( $P < 0.01$ ); however, in-group collectivism, although in the predicted direction, is not significant. Thus Hypothesis 1b is not confirmed. Confirming Hypothesis 2, power distance was significantly and negatively related to shareholder/owner CSR values. Moreover, confirming Hypothesis 3, the leadership variables combine to add 9% additional variance accounted for ( $P < 0.01$ ). Both leadership vision and integrity produced significant beta coefficients: 0.23 and 0.13, respectively. A total of 22% of the variance in shareholder/owner CSR values is accounted for by the predictors.

We conducted further hierarchical regression to examine the predictive power of cultural and leadership variables with stakeholder CSR values. The control variables jointly accounted for 7% of the variance ( $P < 0.05$ ), with a significant beta coefficient for average education, as shown in Table 3. Together, the culture variables add 29% of the variance accounted for in the second regression step. Institutional collectivism positively predicts stakeholder CSR values, providing support for Hypothesis 1a. Power distance is negatively predictive of stakeholder CSR values, confirming Hypothesis 2. The leadership variables together add 9% of the variance accounted for in the third regression step ( $P < 0.01$ ), confirming Hypothesis 3. The beta coefficients for leadership vision and integrity are 0.18 and 0.20, respectively. A total of 45% of the variance in CSR stakeholder values is accounted for by the predictors.

Finally, we show hierarchical regression analyses for community/state welfare CSR values in Table 3. In contrast to the above analyses, our control variables account for a preponderance of the variance (i.e., 18%,  $P < 0.01$ ). Age of respondents is positively predictive of community/state welfare CSR values, whereas both gender and CGDP are negatively predictive. Indeed, the  $-0.48$   $\beta$  coefficient for CGDP suggests a relatively strong tendency for managers in firms in wealthier countries to place less emphasis on community/state welfare in their decision-making. Together, the culture variables add 7% of the variance accounted for in the second regression step. Institutional collectivism has a positive  $\beta$  coefficient of 0.13 ( $P < 0.01$ ), confirming Hypothesis 1a. In support of Hypothesis 2, power distance is negatively predictive of community/state welfare CSR values ( $\beta = -0.20$ ,  $P < 0.01$ ). Moreover, leadership variables added 3%

unique variance in the third step, which is statistically significant ( $P < 0.01$ ), although in practical terms this effect is relatively marginal. A total of 28% of the variance in community/state welfare CSR values is accounted for by the predictors.

## Discussion

Our study contains several interesting findings relevant to our understanding of CSR values, demonstrating how managers across several countries may ultimately come to possess such values and use them in their subsequent decision-making. First, these results help shed light on the dimensionality of CSR. As mentioned earlier, one concern regarding CSR research is the lack of clarity with respect to the definition and dimensionality of CSR (Rowley and Berman, 2000; McWilliams *et al.*, 2006). We found through confirmatory factor analyses that, when framed in terms of managerial decision-making values, CSR appears to be a multi-dimensional construct, composed of concern for:

- (1) shareholder/owners;
- (2) stakeholders; and
- (3) the community/state welfare.

These components were shown to be differentially predicted by our control variables, as well as national culture-level and firm-level leadership variables. Prior research has treated CSR in a unidimensional manner (e.g., Waddock and Graves, 1997), or has blended stakeholder and community relations/welfare issues into a common factor (e.g., Hillman and Keim, 2001).

Second, in line with suggestions by McWilliams and Siegel (2001), our research suggests that managers in wealthier countries may be slightly more in tune with shareholder/owner CSR issues as they pursue their decision-making. Specifically, higher per capita gross domestic product is positively associated with managerial values focusing on shareholders. However, there is no significant relationship between CGDP and stakeholder CSR values. It may be that this CSR dimension largely captures ethical aspects dealing with broader stakeholder entities, but is not directly connected with the prosperity of a country. In addition, the results show how managers in wealthier countries are clearly less inclined to think about the welfare of the greater community or society in their decision-making. Perhaps they focus their attention 'closer to home' in terms of shareholders/owners, while leaving greater community or societal concerns to the government or other institutions. In contrast, in

poorer countries, managers may feel more of a personal responsibility toward the community and society at large, especially as governmental institutions or other agencies in such countries may be less able to deal with these concerns.

Third, our findings suggest that managers in cultures valuing institutional collectivism value most aspects of CSR in the decision-making process. Such cultures encourage delaying immediate needs or gratification for future concerns and priorities, and they promote thinking about how managerial actions pertain to the concerns of the larger collective or society. We found significant relationships between institutional collectivism values and each of the three dimensions of CSR values, whereas no important relationships appeared for in-group collectivism. CSR as an overall construct is more clearly relevant to broader collective or societal-level concerns, as is the case with institutional collectivism. In contrast, no significant relationship emerged between in-group collectivism values and concern for CSR. Such constituencies may be viewed as part of the out-group, and thus not consistently considered in the decision-making of managers in cultures stressing high in-group values (Gelfand *et al.*, 2004). Moreover, in such cultures, there is no consistent concern for community or societal issues, because such concerns are beyond the realm of the in-group (e.g., families). The present findings are in line with suggestions by Gelfand *et al.* (2004) to distinguish between institutional and in-group collectivism in relation to various outcomes in organizational research.

Fourth, as expected, we found managers in cultures stressing values of greater power distance tend to devalue all three aspects of CSR. When there is a strong belief in society that there should be distance among people in terms of power, relatively high-level managers who have the power (such as our respondents) may be more self-centered or lacking in concern for shareholders/owners, broader stakeholder groups, and the community/society as a whole as they make decisions. Thus, in such societies, there may be more tendencies toward the manipulative use of power on the part of managers without concern for constituencies (Carl *et al.*, 2004). These findings may raise concerns for proponents of CSR in a global context, pointing toward power distance values as a strong cultural variable relevant to managerial decision-making, particularly for stakeholder CSR. Our findings are especially suggestive

that cultures with stronger power distance values may induce managers to show little concern for such identifiable stakeholders as employees, environmentalists, and customers. To the extent that stakeholder management is relevant to profitability (Hillman and Keim, 2001), firms in such contexts may be at a disadvantage in the global economy.

Fifth, the current findings suggest that organizational-level variables are likely to account for variance in managerial values pertaining to CSR, beyond individual- or societal-level factors. Specifically, CEO leadership in the form of vision and integrity may be a driver of how subordinate managers view the importance of CSR in their decision-making. As expected, such forms of leadership appear to be more closely linked to shareholder/owner and stakeholder CSR values, as compared with community/state welfare CSR values. As articulated by Sankar (2003), integrity may be an under-researched variable in the leadership literature. Indeed, when we analyze CSR stakeholder values and shareholder/owner values, both vision and integrity are significant, unique predictors. Leader integrity is perhaps associated with other, more tangible types of organizational outcome, such as the reduction of business costs (Thomas *et al.*, 2004). Future research might examine the extent to which CSR values mediate the relation between leader integrity and various firm-level outcomes.

Note that the findings in Table 3 clearly show that our hypothesized cultural and leadership variables have the most predictive power in terms of explaining stakeholder CSR values. Beyond control variables, main effects account for 38% of the variance in stakeholder CSR values, whereas only 17% of the variance is accounted for in shareholder/owner CSR values and 10% in community/state welfare CSR values. In sum, our model appears to work best for stakeholder CSR values.

An advantage of our longitudinal study was the use of multiple databases for the purpose of collecting a variety of relevant demographic, economic, cultural, behavioral, and values variables. Moreover, when using ratings, we generally employed different sources for different types of variable and rating format, thus avoiding problems associated with common methods/single-source biases (Podsakoff *et al.*, 2003). In addition, the timing of our data collection was such that, for the most part, our control and hypothesized predictors accrued or developed prior to the assessment of managerial CSR values (e.g., age of respondents), or



were drawn from databases put together prior to the database containing CSR values (e.g., per capita gross domestic product and cultural factors).

Several limitations should also be noted. First, we did not measure actual CSR actions or performance. Therefore the relationship between our predictors and CSR performance remains to be demonstrated. However, managerial values have been shown to be relevant to strategic choice in general (Pant and Lachman, 1998), and CSR performance in particular (Agle *et al.*, 1999). Thus there is reason to believe that the specific CSR values assessed in the current study are quite germane to the actual strategic choices and actions on the part of managers that are indicative of CSR. Second, although we examined national-level cultural variables, our analyses were limited to only 15 countries. Third, firms in respective countries were not sampled on the basis of industry stratification. That said, sampled firms did represent a wide range of industries. Fourth, our data are at multiple levels, and there may be additional insights that could be gained through analyses that address these levels issues.

In this article, we demonstrate that demographic, economic, cultural, and leadership factors are critical determinants of the CSR values of managers. A key implication for multinational firms is that it might be wise to assess such variables for managers based in different countries. For example, stakeholder-based CSR values and policies of a

multinational firm could be strong, and this may be in line with the home country's high institutional collectivism and low power distance. However, in contrast, managers in a subsidiary country might have weaker stakeholder CSR values in line with that country's weak institutional collectivism and high power distance. Although such discrepancies could result in conflicting policies, our findings also suggest that leadership in the form of vision and integrity may help drive CSR values beyond economic or cultural factors. Such leadership could emanate from the home country, the subsidiary country, or both. Perhaps leadership phenomena could help align CSR values in decision-making processes, as well as subsequent actions based on those values, despite cultural differences. In sum, we conjecture that an understanding of leadership and managerial CSR values across societal contexts represents an area worthy of additional research.

### Acknowledgements

We thank the National Science Foundation and the Center for International Business, Education Research at Thunderbird, and the Indian Institute of Management, Indore, India for providing funding for this study. We also thank Mansour Javidan and other individuals present at the 13 January 2006 special issue workshop for their helpful comments on an earlier version of this article.

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*Accepted by Lorraine Eden, Amy Hillman, Peter Rodriguez and Donald Siegel, Guest Editors, 28 February 2006. This paper has been with the authors for two revisions.*