

**Effects of International Exposure on Corporate Social Responsibility of the
Chinese Corporate Sector: The Moderating Role of CEO Duality**

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ABSTRACT

International exposure of a firm into new environments is one of the most important paths to firm growth. It provides growth opportunities and learning, and poses challenges of managing uncertainties of the new institutional environment, and demands of diverse domestic and international stakeholders. Despite the abundance of research on the effects of international exposure of a firm on its performance, the effects on corporate social responsibility (CSR) are not well understood. In addition to examining the direct effects of the international exposure of a firm on CSR activities in the home country, this study also examines the moderating role of Chief Executive Officer (CEO) duality in the association between international exposure of a firm and CSR activities in the home country.

Drawing from institutional theory and agency theory, this study argues that international exposure of a firm leads to a decrease in CSR activities in the home country. It further posits that CEO duality also negatively affects CSR activities in the home country. Further, the proposed moderation hypotheses argue that the negative effects of international exposure of a firm on CSR activities in the home country are stronger for firms with CEO duality as compared to non-duality. The proposed hypotheses are tested with data from 240 publicly listed Chinese firms between 2008 and 2016, consisting of 1920 firm-years. The panel data is analysed using Linear Mixed Modelling (LMM) with the SPSS software. The findings support all the proposed hypotheses.

This study makes three key contributions. Firstly, the study uses the institutional theory and agency theory to provide evidence for the negative effects of international exposure of a firm and CEO duality on CSR activities in the home country. Secondly, it enhances the understanding of how CEO duality acts as a boundary condition between international exposure of a firm and CSR relationships. Thirdly, it contributes to the emerging economy multinational enterprises literature by enhancing understanding of the proposed relationships in the context of the Chinese corporate sector.

Keywords: Corporate social responsibility (CSR), international exposure, CEO duality, institutional theory, agency theory, China.

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DEDICATION

This thesis is dedicated to my Gurus who mean everything to me.

To,

His Holiness Sathguru Swami Gnanananda Giri of Tapovanam

And

His Holiness Swami Haridhos Giri of Thennangur

TABLE OF CONTENTS

ABSTRACT	I
ACKNOWLEDGEMENTS	II
DEDICATION.....	III
TABLE OF CONTENTS	IV
LIST OF TABLES	VI
LIST OF FIGURES	VII
ABBREVIATIONS AND ACRONYMS	VIII
CHAPTER 1: INTRODUCTION	1
1.1 PROBLEM ORIENTATION	1
1.2 RESEARCH OBJECTIVES	3
1.3 RESEARCH METHODOLOGY	3
1.4 OUTLINE OF THE RESEARCH	4
CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL DEVELOPMENT .	5
2.1 INTRODUCTION	5
2.2 CORPORATE SOCIAL RESPONSIBILITY	5
2.3 THEORETICAL UNDERPINNINGS	7
2.3.1 Institutional theory.....	7
2.3.2 Agency theory	10
2.4 EMPIRICAL UNDERPINNINGS	14
2.4.1 Antecedents and outcomes of CSR – An overview	14
2.4.2 International exposure and CSR	15
2.4.3 CEO duality and CSR	17
2.5 CONCEPTUAL DEVELOPMENT	19
2.5.1 Direct effects	20
2.5.2 Interactive effects	22
2.5.3 Control variables	23
2.6 CHAPTER SUMMARY	24
CHAPTER 3: RESEARCH METHODOLOGY	26
3.1 INTRODUCTION	26

3.2 RESEARCH DESIGN	26
3.3 RESEARCH CONTEXT	27
3.4 SAMPLE SELECTION AND DATA COLLECTION PROCESS	28
3.5 MEASUREMENTS OF CONSTRUCTS	29
3.5.1 Dependent variable – CSR	29
3.5.2 Independent variable – International exposure	30
3.5.3 Moderator variable – CEO duality	30
3.5.4 Control variables	31
3.6 DATA PROCESSING AND ANALYSIS	32
3.7 CHAPTER SUMMARY	35
CHAPTER 4: DATA ANALYSIS AND RESULTS	36
4.1 INTRODUCTION	36
4.2 DATA SCREENING AND PRELIMINARY ANALYSIS	36
4.2.1 Data cleaning	36
4.2.2 Examining assumptions	37
4.2.3 Sample characteristics	38
4.2.4 Correlation matrix	39
4.3 RESULTS	40
4.4 CHAPTER SUMMARY	45
CHAPTER 5: DISCUSSION AND CONCLUSIONS	46
5.1 INTRODUCTION	46
5.2 DISCUSSION	46
5.3 IMPLICATIONS AND CONTRIBUTIONS	48
5.3.1 Theoretical implications	49
5.3.2 Managerial implications	50
5.3.3 Key contributions	51
5.4 LIMITATIONS AND FUTURE RESEARCH	52
5.5 CONCLUSIONS AND REFLECTIONS	52
5.5.1 Conclusions	52
5.5.2 Reflections	53
REFERENCES	54

LIST OF TABLES

Table 1: Sample Characteristics	38
Table 2: Correlation Matrix	41
Table 3: Results	43

LIST OF FIGURES

Figure 1: Agency Theory Model	11
Figure 2: Conceptual Model	20
Figure 3: Moderating Effect of CEO Duality	44

ABBREVIATIONS AND ACRONYMS

AIC: Akaike's Information Criteria

AICC: Huryich and Tsai's Criterion

BIC: Schwartz Bayesian Information Criterion

CAIC: Bozdogan's Criterion

CEO: Chief Executive Officer

CSMAR: Chinese Stock Market and Accounting Research Database

CSR: Corporate Social Responsibility

CSY: China Statistical Yearbook

LMM: Linear Mixed Modelling

LOF: Liability of Foreignness

ML: Maximum Likelihood

NYSE: New York Stock Exchange

NASDAQ: National Association of Securities Dealers Automated Quotations

REML: Restricted Maximum Likelihood

RKS: Rankins CSR Ratings

SOE: State-owned Enterprises

SME: Small and Medium Enterprises

SPSS: Statistical Package for the Social Sciences

VIF: Variance Inflation Factor

WTO: World Trade Organisation

CHAPTER 1

INTRODUCTION

1.1 Problem Orientation

Corporate Social Responsibility (CSR), is the responsibility that firms have for their impact on the wider society. Concerns about CSR have grown significantly over the last two decades. Not only has the issue become commonplace in the business press, among business and political leaders (Buhr & Grafstrom, 2004), but a body of academic literature has also emerged around it (Margolis & Walsh, 2003; Walsh, Weber & Margolis, 2003). Most of the existing research has focused on investigating the connection between corporate social responsibility and corporate financial performance (Rowley & Berman, 2000; Walsh et al., 2003). Nevertheless, little attention has been paid to the institutional mechanisms that influence how firms act in socially responsible ways (Campbell, 2007).

This study focuses on examining the impact of two key institutional mechanisms, namely international exposure of a firm and CEO duality on CSR. International exposure of a firm and firm performance have been well documented in prior literature (Glaum & Oesterle, 2007; Hsu, Chen & Cheng, 2013; Lu & Beamish, 2001) however, the influence of international exposure of a firm on CSR activities has received minimal attention. It is critical to understand the effect of international exposure as when firms internationalise, they have conflicting institutional demands from both domestic and international environments and stakeholders (Peng & Pleggenkuhle-Miles, 2009). This implies that due to the additional pressures from international stakeholders, it is likely that interest of domestic stakeholders may be compromised. Thus, it would be interesting to understand how international exposure influences CSR activities in the home country.

CEO duality depends on whether the position of the Chief Executive Officer (CEO) and Chairman of the Board are held by two different individuals or both held by the same individual. When both positions are held by the same individual, the firm is referred to as having 'CEO duality.' Most of the research on CEO duality has focused on investigating the connection between corporate social responsibility and how it affects company performance (Abor, 2007; Harjoto & Jo, 2008; Yusoff & Alhaji, 2012), but not on CSR and how CEO duality plays a role in CSR activities. The current literature around CEO duality arises a lot of debate and disagreement about this leadership approach by firms (Davis, Schoorman &

Donaldson, 1997; Donaldson & Davis, 1991; Ahmad, Rashid, & Gow, 2017; Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015; Sundarasan, Je-Yen & Rajangam, 2016).

The type of leadership structure adopted (duality or non-duality), will influence CSR activities as individuals in these positions have the authority and power to make significant decisions regarding the way in which a firm operates. In the case of CEO duality, as both the CEO and Chairman of the Board roles rest with one person, the decision management and control are not separated (Davis et al., 1997; Donaldson & Davis, 1991). Thus, there is less control, and more liberty, power and independence with the CEO which may result in actions that do not cater to the broader set of stakeholders, and thus is likely to affect CSR.

Past studies (Davis et al., 1997; Donaldson & Davis, 1991), suggest a strong relationship between CEO duality and the formulation and implementation of CSR activities. Top team management are influential of major decisions in regard to CSR activities domestically in firms with international exposure (Yeung, 2002). CEOs in dual roles face a lot of challenges from domestic and international stakeholders to conform to their respective institutional environments. This situation appears to lead to interesting actions from CEOs which is a contribution this study makes to the existing literature. Thus, this study examines interactive effects of CEO duality and international exposure of a firm on CSR activities in the home country.

The main theoretical lenses used to guide this study are the institutional theory and the agency theory. The institutional theory is appropriate because CSR is a highly contextual field. The main argument in institutional theory is that organisations are influenced and shaped by their “institutional context” (Haak-Saheem & Festing, 2018). In other words, organisations are driven to incorporate the practices and procedures defined by the prevailing rationalised concepts of organisational work and institutionalised in society. This theory guides this study by improving the understanding of the institutional mechanisms that influence how firms act in socially responsible ways. This is especially important when firms in emerging markets are looking to internationalise as they experience different institutional environments resulting in different pressures for CSR activities in the host country. Agency theory, on the other hand, helps explaining the influence of CEO duality on firm’s CSR activities in response to international exposure of a firm. Both of these theories are discussed in detail in Chapter 2.

The study is set in the context of China being the biggest emerging economy in the world. China has a distinct institutional environment compared to other countries, with distinctive

political and regulative policies which offers a suitable context for contributing to CSR literature (Gao, 2009). This study serves as an attempt to present the current state of CSR activities performed by most publicly listed Chinese firms aiming to reveal and understand the influences which guide their CSR activities. Yin and Zhang (2012), state that Chinese companies are getting started with a learning process on CSR initiatives, and these efforts are picking up momentum particularly among state-owned enterprises (SOEs) and export-oriented small and medium enterprises (SMEs) in economically advanced regions. This shows that since these companies have an exposure in the public eye, it makes more sense and reasoning to get started with doing CSR activities to improve their reputation, not only domestically but also internationally.

This study makes three key contributions. Firstly, the study uses the institutional theory and the agency theory to provide evidence for the negative effects of international exposure of a firm and CEO duality on CSR activities in the home country. Secondly, this study enhances the understanding of how CEO duality acts as a boundary condition between international exposure of a firm and the CSR relationship. Thirdly, the study contributes to the emerging economy multinational enterprises literature by enhancing understanding of the proposed relationships in the context of the Chinese corporate sector.

1.2 Research Objectives

The main research question this study examines is the moderating role that CEO duality plays in the international exposure of a firm and CSR relationship. To address this question, the study first reviews the relevant literature and proposes a conceptual model. The proposed conceptual model argues for the direct effects of international exposure of a firm and CEO duality on CSR activities in the home country. The model then examines the interactive effects of international exposure of a firm and CEO duality on CSR activities in the home country. The model is tested in the context of publicly listed Chinese firms, one of the main emerging markets.

1.3 Research Methodology

Due to the state of theory on the topic and nature of the research objectives (Edmondson & McManus, 2007), a post positivist approach of testing the hypotheses is adopted. The field may be considered as mature and the proposed model is testing causal relationships which

justifies the use of a quantitative method for the study. The data is secondary in nature which is collected from archival data, sourced from online databases. The data consists of 1920 firm-years from 240 publicly listed Chinese firms during the period 2008 to 2016. As the dataset is panel data in nature, it is analysed using Linear Mixed Modelling (LMM) with fixed effects on the SPSS statistical software programme.

1.4 Outline of the Research

The format of this study is as follows. This study consists of five chapters which collaborate the entire process and research of this study. Chapter 1 provided a brief background of the research including intended contributions, research objectives, scope and methodology.

Chapter 2 reviews the related theoretical and empirical literature, develops hypotheses and proposes a conceptual model. The reviewed literature is derived from the institutional and the agency theories, international exposure of a firm and CEO duality from the perspective of CSR.

Chapter 3 discusses research design and gives context to the study. The use of a quantitative method and LMM is justified. It then discusses sample selection and data collection and processing procedures. The measurement of the study constructs are also discussed in this chapter.

Chapter 4 provides and collaborates the results of the study. First, data screening and preliminary analysis are reported. These include; data cleaning, data analysis assumptions, sample characteristics and correlations. Then, the hypotheses outcomes are presented.

Chapter 5 discusses the main findings and results of this study. Here, the entire study is pulled together wherein, the literature review, hypotheses, conceptual model and results are collaborated together to form a full picture of the study. The key contributions of this study (both in the theoretical and academic light) alongside the managerial and theoretical implications are also discussed. Furthermore, limitations of the study are elaborated upon which shed light on areas of future research for this study.

CHAPTER 2

LITERATURE REVIEW AND CONCEPTUAL DEVELOPMENT

2.1 Introduction

This chapter reviews the literature on the institutional theory, the agency theory, international exposure of a firm and CEO duality from the perspective of CSR. It begins with clarifying the concept of CSR. Next, it discusses the underlying theories followed by a section on reviewing the theoretical and empirical literature. The proposed conceptual model including the hypothesis development is then presented. Finally, the control variables used in this study are discussed. The last section provides a summary of the chapter.

2.2 Corporate Social Responsibility

There is a growing body of literature surrounding the concept of CSR however, due to the nature of CSR being a broad and context dependent concept in society, there is still no set universal definition. There have been several variations of the definition, but no one definition is more accepted or fitting than another due to the several different perceptions globally as to what is considered “socially responsible”. The abundance of definitions which are, according to Van Marrewijk (2003), often biased toward specific interests which prevent the development and implementations of the concept.

The CSR movement can be traced back to the early 20th century (Carroll & Shabana, 2010). The term corporate social responsibility was first mentioned in Bowen’s work *Social Responsibilities of the Businessman* (2013), where he argued that firms need to understand the importance of business ethics and its contribution to long term firm performance. The whole concept of CSR is constantly changing and evolving over time. It is a global phenomenon which is understood in different lights depending on different contexts. What CSR is in one country or firm is most likely very different in another.

Defining socially responsible corporate behaviour is not a straightforward exercise (Maignan & Ralston, 2002; Roberts, 2003; Rowley & Berman, 2000). This is because several issues are at stake (Campbell, 2007). To begin with, what constitutes as socially responsible behaviour may vary according to our point of view; on the one hand, we might adopt an objective criteria of acceptable behaviour against which firms can be judged as being socially responsible or we might use a more subjective criteria and adopt the perspective of the stakeholders who interact

with a corporation (Campbell, 2007). The point is that socially responsible corporate behaviour may mean different things in different places to different people and at different times, so we must be careful in how we use the concept and how we define it (Campbell, 2007).

In recent studies, scholars have argued that the tendency toward socially responsible corporate behaviour varies across countries and that much more research is required to understand why (Maignan & Ralston, 2002). Institutional analysis literature is useful because institutions beyond the market are often necessary to ensure that corporations are responsive to the interests of social actors beside themselves, particularly in today's increasingly global economy (Scott, 2015). In other words, in both bodies of literature, researchers recognize that the way corporations treat their stakeholders depends on the institutions within which they operate (Campbell, 2007). The term stakeholder in this sense, is defined as those groups or individuals with which the firm interacts and those who have a stake or interest in the operations of the firm e.g. employees, consumers, suppliers and local communities, in which the firm has a relationship with.

There have been several studies in relation to CSR and the institutional dynamics surrounding the concept but one particular study in this field must be acknowledged. Based on a national business system approach, Matten and Moon (2008), identify two dominant styles of CSR: an explicit and an implicit approach. The former refers to the corporate policies that assume and articulate responsibility for societal interests, and the latter emphasizes corporations' role within the formal and informal institutions for society's interests and concerns (Yin & Zhang, 2012). Matten and Moon (2008), observe that a more discretionary and instrumental perspective on CSR is spreading from the more developed to the emerging and developing world, which also confirmed by several other empirical studies (Guler, Guillen & MacPherson, 2002; Meyer & Rowan, 1977; Jamali, Sidani & EI-Asmar, 2009).

A study by Galaskiewicz (1991), showed that corporations tend to act in socially responsible ways if normative or cultural institutions are in place that create the proper set of incentives for such behaviour. For instance, when corporations or their managers belonged to business or professional associations dedicated to charitable giving, these corporations were more likely to engage in philanthropy (Campbell, 2007).

2.3 Theoretical Underpinnings

Theoretical lenses form the basis of academic literature by enabling discussion to understand the theory of a conceptual model. They also help to challenge and evaluate existing knowledge regarding the research study. In CSR literature, many theories have been used to explain, predict and understand why firms act in socially responsible ways and how top managers behave in regard to the firm's organisational approach to conduct socially responsible activities.

Common theories used in past literature include institutional theory (Campbell, 2007; DiMaggio & Powell, 1983; Ioannou & Serafeim, 2012; Jackson & Apostolakou, 2010; Kiss & Danis, 2008; Kostova, Roth & Dacin, 2008; Yamakawa, Peng, & Deeds, 2008), stakeholder theory (Cordeiro & Tewari, 2015), upper echelons theory, (Chin, Hambrick & Treviño, 2013), agency theory (Ahmad et al., 2017; Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015; Sundarasan et al., 2016; Waldman & Siegel, 2008), and stewardship theory (Davis et al., 1997; Donaldson & Davis 1991). This study focuses on three theories; institutional theory, agency theory and stewardship theory. These theories are used in this study to support the research as the level of CSR activities of a firm is usually made by a top manager from a firm who incorporates the agency-stewardship theory in their organisational approach, and the ever changing regulatory and socio-economic developments within the Chinese corporate sector that place many institutional pressures when participating in socially responsible activities in the community.

2.3.1 Institutional theory

Over the last two decades, significant concerns in regard to CSR has increased. Nevertheless, little theoretical attention has been paid to understanding why or why not firms act in socially responsible ways (Rowley & Berman, 2000; Ullman, 1985). Academic literature has focused on the relationship between CSR and corporate financial performance but placed less focus on the research which involves CSR and the influences or reasons behind why firms perform certain socially responsible activities. There is a gap in regard to the institutional mechanisms that influence how firms act in socially responsible ways and how this institutional context influences CSR activities in firms with international exposure. In other words, there is a lack of literature on whether institutional conditions affect the tendency for firms in emerging markets to behave in socially responsible ways especially in firms with international exposure.

Institutional theory is most appropriately defined by Kessler (2013), as “*an approach to understanding organizations and management practices as the product of social rather than economic pressures*”. It has grown in literature and has become a popular theory because it considers the processes by which structures, regulations and routines become established as guidelines for social behaviour (Scott, 2005). Institutional theory is founded on the idea that the implementation and retention of many organizational approaches are often more dependent on social pressures for conformity and legitimacy than on technical pressures for economic performance (Kessler, 2013).

Institutional theory has long established that firms are embedded within broader social structures, comprising of different types of institutions that exert significant influence on firms’ decision making (Campbell, 2007; Lindberg, Campbell & Hollingsworth, 1991; Ioannou & Serafeim, 2012). Moreover, recent work in CSR has argued that CSR activities are framed vis-à-vis the social context and are thus influenced by the prevailing institutions in such contexts (Jackson & Apostolakou, 2010). DiMaggio and Powell (1983), identify three isomorphic mechanisms which lead firms to become homogeneous in their structures and approaches:

- coercive (law or regulatory enforcement based)
- mimetic (stakeholder and general societal driven)
- normative (professional community related)

In the context of international exposure of a firm, isomorphism explains the isomorphic pressures that are exerted by the host country institutional environment. These three isomorphic pressures attribute to the varying ways in which firms interact and depend on other firms within their environment, and as a consequence become increasingly homogenous and obtain and maintain external legitimacy (Vos et al., 2011). Nevertheless, these three mechanisms can also overlap and interact in several situations.

Coercive isomorphism (also known as the regulatory structure), is a consequence of a firm experiencing institutionalised pressure from another firm or entity to which they are dependent on, to act in a certain manner (DiMaggio & Powell, 1983). These coercive pressures are evident when powerful firms force firms with less power to act in compliance to certain actions and behaviours to receive legitimacy, and its subsequent benefits (Edwards, Mason & Washington, 2009). Coercive pressure is often found in institutionalised environments where governments or professional entities set specific rules and standards that firms must act in accordance with to receive benefits. According to DiMaggio and Powell (1983), occasionally,

coercive pressures may be present as a result of a government mandate that firms are required to employ. This means that firms located in emerging markets which also have international exposure are likely to face differing coercive pressures leading to differing abilities to engage in socially responsible activities. While coercive pressures are often associated with government and regulatory requirements, this force can also be enacted onto firms from any other firm that has the authority to put in place sanctions on firms if they do not act in compliance to their requests (Washington & Patterson, 2011). Evidently, we can see that these coercive pressures can be either formal or informal, direct or indirect and from a variety of different external forces. They have the potential to influence a firm's CSR activities in differing forces and magnitudes depending on the what is permitted and what is prohibited in the institutional environment.

Mimetic isomorphism (also referred to as the cognitive structure), describes what seems to be institutionalised in a firm as being culturally supported and conceptually correct (DiMaggio and Powell, 1983). As a result, firms tend to copy or model procedures used in other firms, if such practice is perceived as conceptually correct (Rahaman, Lawrence & Roper, 2004). To elaborate further, when firms are faced with situations where the perceived correct course of action is unclear, they may mimic the action of a firm they deem as being legitimate (Mizruchi & Fein, 1999). Similar to this, Galaskiewicz & Wasserman (1989), arrive at the same conclusion where they also argue that firms are more likely to model themselves on other firms in which they perceive to be more successful and legitimate than themselves. Furthermore, Leiter's (2005), argument is consistent with this theory that firms faced with uncertainty are more likely to copy the actions, structure and behaviours of successful firms which are within the same organisational field. In relation to CSR, this basically means that businesses in the same industry are more likely to imitate or follow the CSR activities and actions of those companies that are more superior and have been deemed as more correct or legitimate.

The final pressure is normative isomorphism. As defined by DiMaggio and Powell (1983), normative pressures are present as a consequence of professionalism within certain organisational fields. DiMaggio and Powell (1983), define professionalism as being interpreted by members within a particular occupation collectively defining the appropriate ways in which to act. This can be interpreted as those individuals in a certain profession who display norms and cultural behaviours that are linked to or in association with their certain profession/occupation. Due to this, more homogenous traits and characteristics are exhibited in order to appear more legitimate, thus, this is how normative pressure is passed through.

When managers or professionals in the same industry or organisation decide on CSR activities, there will be similarities in activities within each specific vocation.

What is important here in the literature is that there is a focus and underlying theme on how institutions and institutional isomorphism constrain and enable socially responsible behaviour (i.e. the way in which corporations decide and execute certain socially responsible behaviour depends on the institutions within which they operate). To add to this, Campbell (2007), states that there is a growing body of literature arguing that CSR conception and practices are more culture specific or institution bound. As firms are embedded in national institutions and relationships that make each national economy unique (Khanna, Kogan & Palepu, 2006), CSR is dependent on the external environment in which corporations find themselves embedded (Marquis, Glynn & Davis, 2007).

Firms in emerging markets are constantly looking to compensate for the weakness of their environments in terms of capital, labour, and product markets by increasing their legitimacy in their home country through enhancing their learning opportunities, aiming to overcome resources and capability deficiencies, and internationalisation (Yamakawa et al, 2008). Therefore, to gain a thorough understanding of the influences behind CSR activities performed by firms, an elaborate view of the different context and institutions in which firms operate is required. As such, this study helps to move the literature on CSR in a more theoretically oriented direction by using insights from institutional theory.

2.3.2 Agency theory

A large amount of research surrounding CSR has been conducted on the level of organisational analysis. However, it is important to note that most CSR studies, especially those of an empirical nature, have ignored the role of firm leaders in formulating and implementing CSR initiatives (Manner, 2010). In regard to CSR, the role played by top managers is extremely important to influence these activities. Hunt, Kiecker and Chonko (1990) and Wood, Chonko and Hunt (1986), state that firms must have socially responsible managers who are willing to sacrifice firm objectives, interests and the needs of the firm to be in favour of socially responsible activities. Previous literature has ignored the role of leadership in CSR which may yield imprecise conclusions regarding the antecedents and consequences of socially responsible activities (Waldman & Siegel, 2008).

In order to discuss the leadership style of a top manager and the organisational approach of a firm, the agency theory is explored. Agency theory is best defined by Jensen and Meckling (1976), who state that agency theory is “a contract under which one or more persons (*the principal(s)*) engage another person (*the agent*) to perform some service on their behalf which involves delegating some decision-making authority to the agent”. Deegan (2013), adds to this definition by stating, “a contract may simply constitute implicit terms about how the principal expects the agents to behave”. Figure 1 helps to illustrate this relationship.

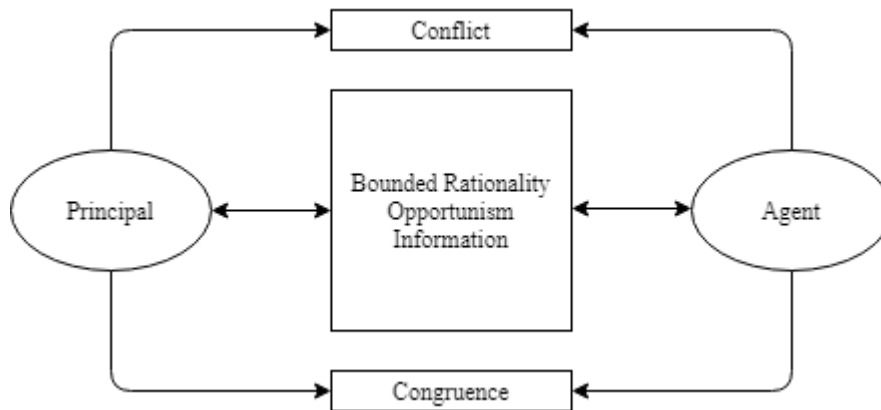


Figure 1 – Agency Theory Model

The agency theory was first formulated in the academic economics literature in the early 1970s (Ross, 1973; Jensen & Meckling, 1976), which expanded into business and management literature by the 1990s. Eisenhardt (1989), states that “*the agency theory is used in many fields such as accounting, marketing, organizational behaviour, political science, and sociology*” representing a new organisational approach to corporate governance. Firms continually announce the adoption of this theory to improve alignment of incentives, discouraging self-interested behaviour by top managers, and reducing agency costs.

As with all theories, the agency theory has a few assumptions as referred to by Eisenhardt (1989): bounded rationality, opportunism, information asymmetry. Firstly, the agency theory assumes that the decision-making rationality of individuals and the cognitive limitations of their minds is limited by the information available to them and the amount of time they have available to make a decision (referred to as bounded rationality). Secondly, the agency theory assumes that the interests of principals and agents diverge and both parties intend to promote their own self-interests (referred to as opportunism). Lastly, the agency theory assumes that the information that is available to the agents is not the same as is available to the principals

(referred to as information asymmetry). This means that the principals cannot be sure that the agents are carrying out responsibilities according to the contract.

The agency theory has become one of the most dominant theoretical frameworks in corporate governance and CSR research (Donaldson & Davis, 1991; F. Li, T. Li, & Minor, 2016). The agency theory is widely used in CSR literature to understand the relationships between agents and principals in relation to formulating and implementing socially responsible activities. In corporate governance the 'agent' can be referred to as the CEO or top manager and the 'principal' can be referred to as the firm, firm owners or other stakeholders. In this relationship the principal delegates (or hires) an agent to represent the firm. The agent is the representative of the principal in firm operations and is expected to represent the best interests of the principal regardless of personal interests. The different interests of principals and agents may become a source of conflict, as some agents may not act perfectly in the principal's best interests. Thus, resulting in miscommunication, disagreement and ineffective decision making which may result in various problems within the firm. Asymmetry in information and differences in interests may drive a wedge between each stakeholder and cause inefficiencies and decreased firm performance in all aspects leading to the 'principal-agent problem'. The principal-agent problem occurs when the interests of a principal and agent are in conflict.

Bosse and Phillips (2016), indicate several interests of agents. These include; managing the firm to achieve its objectives, increasing wealth and size of the firm by expanding the firm's activities (the larger the size of the firm they manage, the better they are perceived to be), increase their personal wealth by paying themselves high remunerations and other benefits, and focussing on short-term performance at the expense of long-term growth. They also stated that the interests of the stakeholders include improving its corporate and social responsibilities, and long-term growth of the firm.

It is encouraged that firms should seek to minimize differences in interests through robust policies to deal with resulting situations. The agency theory has mechanisms in place to deal with principal-agent conflicts which may in turn help to improve communication, disagreement and decision making, therefore improving firm performance and socially responsible activities. A mechanism for dealing with principal-agent conflicts is that the stakeholders could monitor every managerial action of the agent, however this would be extremely costly and inefficient. An optimal solution would be where the agent compensation is tied to performance, along with periodic monitoring. Bosse and Phillips (2016), suggest that in addition to monitoring, the following mechanisms would encourage the agent to act in stakeholders' interests;

performance based incentive plans may be used to redirect the behaviour of the agent to realign these interests with the principal's; direct intervention by stakeholders to change the regulations under which the agent operates and restore the principal's interests; incentives encouraging the wrong behaviour must be removed and rules discouraging moral hazard must be in place and in extreme cases, the threat of firing and takeover.

The highly controversial discussion arises with the agency theory relationship with CSR performance and activity when CEO duality is present. Generally, a firm's leadership structure is as follows; shareholders elect a Board of Directors for a firm, and that Board in turn elects the CEO. As previously covered, in some firms, a CEO can be a member of the Board itself. In fact, they can hold the position of CEO and Chairman of the Board at the same time. The agency theory argues that the positions of CEO and Chairman of the Board should be separately held by different individuals. The agency theory suggests that a single individual who holds both positions creates a conflict of interest that could negatively affect the interests of the stakeholders, leading to decreased performance and social responsibility.

In this situation, a CEO is able to choose other Board members, direct Board meetings and restrain the Board from acting in their own interests. This power and authority that the CEO holds would therefore generally weaken the oversight power that Boards hold. To elaborate, there is no system in place to monitor and evaluate the actions of the CEO in relation to the interests of the stakeholders. This would lead to decreased performance and potentially decreased socially responsible activities, ultimately resulting in decreased CSR. The reasoning behind the negative relationship between agency theory and CSR is effectively stated by Bosse and Phillips (2016), who suggest that agents are naturally inclined to behave opportunistically and are mainly concerned with improving their own welfare and, only if efficient control mechanisms exist are they interested in maximising value for shareholders. CEO duality can also complicate the issue of CEO succession whereby the CEO retires but they stay on as the Chairman of the Board. Although, this would be a non-duality situation as the CEO and Chairman of the Board roles are held by different individuals, the CEO might take sides with the Chairman of the Board whom they have a history with, leading to conflict of interest (McGrath, 2009). As a result, organizations become, at least in part, a reflection of their CEO (Hambrick & Mason, 1984). This fundamentally suggests that CEO's personal interests influence the interpretation and therefore the choices and outcomes of a firm.

2.4 Empirical Underpinnings

2.4.1 Antecedents and outcomes of CSR: an overview

Firms engage in CSR activities for very different reasons and therefore, it is important to discuss the antecedents and outcomes of CSR activities. There has been a wide range of antecedents of CSR that are discussed in previous literature such as top manager motives (Aguilera, Rupp, Williams, & Ganapathi, 2007; Konovsky & Pugh, 1994), stakeholder demands (Yang & Rivers, 2009), and institutional distance (Yang & Rivers, 2009).

Aguilera et al. (2007), argue that there are three main motives at each level of a firm (individual employee, organisational, national and international). These three motives are ‘instrumental’ (self-interest driven), ‘relational’ (driven by group relations), and ‘moral’ (ethical standards and moral principal). At the employee level, it has been explicitly discussed in literature that the top manager is influential of major decisions in regard to CSR activities in firms (Aguilera et al, 2007). Konovsky and Pugh (1994), suggest that when top managers are treated fairly by their Board, they are more likely to trust and align their interests with the firm leading to increased socially responsible activities. This means firms need to employ a top manager whose instrumental, relational and moral motives are in line with the firms. This will enable firms to participate in various CSR activities.

Stakeholders are individuals or groups with an interest in the firm's activities. Stakeholder demands and expectations are another common antecedent of CSR that is evident in previous literature (Yang & Rivers, 2009; Frooman, 1999). Yang and Rivers (2009), propose that stakeholders are a part of the social context and so, they influence all firms that operate in any country or are part of the institutional environment. They add that the influence of stakeholders is firm specific. This means that all firms domestically or internationally are going to face challenges from stakeholders which are potentially going to be different in varying institutional environments. Frooman (1999), presents some of these different challenges deployed by stakeholders which influence a firm's ability to engage in CSR activities. These challenges include; withholding strategy (stopping the flow of resource to the firm) and usage strategy (limiting the way in which firms can use resources).

Stakeholder interests are particularly important when firms internationalise as stakeholders providing legitimacy for firms’ activities, so firms need to align their interests with stakeholders to fulfil their demands and legitimacy firm activities. Firms with listings

domestically and internationally need to prioritise stakeholder demands to ensure that the most important demands are met which enable the firm to achieve legitimacy.

The outcomes of CSR in literature focus on stakeholder support, firm reputation, employee loyalty, consumer loyalty, and financial performance (Backhaus, Stone, & Heiner, 2002; McWilliams, Siegel & Teoh, 1999). CSR activities can be considered as long-term investments that a firm can make, in line with stakeholder interests who are seeking long term growth of a firm. Therefore, CSR activities will help to gain stakeholder support. If stakeholder support is gained the reputation of the firm will automatically increase as they will be able to achieve legitimacy a lot more effectively and efficiently.

Choi, Myung and Kim (2018), provide evidence that CSR activities can enhance employee satisfaction and therefore increase employee loyalty. McWilliams et al. (1999), add to this, suggesting that CSR activities can increase demand for potential employees as environmental and community initiatives have a large effect of employees' choice of employer (Backhaus et al., 2002). Similarly, consumers are more likely to purchase from firms that are participating in CSR activities as Mohr, Webb and Harris (2001), state they are actively searching for firms who make contributions to the community and environment, leading to consumer loyalty. As they become increasingly favoured in the public eye, it will in turn lead to increased financial performance.

Lastly, when firms gain international exposure and have listings both domestically and internationally they will experience very different institutional environments which is referred to as 'institutional distance' by Yang and Rivers (2009). The institutional distance that the firm faces between domestically and international institutional environments are in the form of isomorphism, specifically coercive, mimetic and normative pressures (Kostova et al., 2008). Because of this, they will have a greater intention to adapt to local CSR activities to obtain and maintain legitimacy.

2.4.2 International exposure and CSR

Internationalisation to gain exposure in international institutional environments has become a major strategic approach in firms to improve CSR activities (Francis, Zheng & Mukherji, 2009; Marano & Kostova, 2016). China's integration into the global economic system over the last two decades, especially after China's entry into the World Trade Organisation (WTO) in 2001, has brought about significant changes in the institutional environment of China. The diverse

external institutional environments and complex internal institutional environments which firms experience provides opportunities to promote social standards, best practises, western values and internationalisation of firms. Ansoff (1965), suggests that international exposure into new environments is one of the most important paths for firm growth, it constitutes a particularly important growth strategy for firms whose operational scope has been geographically limited. Contractor, Kumar and Kundu (2007), add that international exposure provides firms with the opportunity for growth and the ability to access knowledge in international institutional environments, although, producing high costs and uncertainties. Despite the fact there is an abundance of literature on the internationalisation and performance of a firm, little attention has been given to the influence of international exposure of CSR activities in the home country.

There is an internationalisation pattern which firms usually follow to gain international exposure in different countries. Firstly, firms grow and establish themselves domestically in response to local institutional pressures (E. Penrose, & E. T. Penrose, 2009). Eventually, they overcome these institutional pressures and outgrow opportunities in the domestic environment, regardless of their success in expansion. Firms then seek to gain international exposure through overseas listings in different countries (Ansoff, 1965; Francis et al., 2009). Once firms enter the new international institutional environment and gain exposure, they will be faced with challenges to conform to local institutional pressures in the context of isomorphism to achieve legitimacy (Rosenzweig & Singh, 1991). Therefore, firms need to meet the requirements of a wide range of international stakeholders to ensure they obtain and maintain legitimacy, eventually resulting in increased performance and ability to engage in socially responsible activities.

An important barrier to international exposure that must be explained is the liability of foreignness (LOF). This is described by Hymer (1976), as a concept that assumes that it is more costly for a firm to operate and learn in international institutional environments than in its domestic institutional environments. The firm must account for the LOF by ensuring that they are gaining some advantages in return (Caves, 1996; Hymer, 1976; Kindleberger, 1984). Fortunately for the firm, the LOF disadvantage may diminish over time as they gain further exposure into the local institutional environment. The other barriers to international exposure of a firm include the challenge of adopting a CSR strategy that meets the different expectations and motives of stakeholders in home and host countries and conforming to different

institutional environments, and therefore a differing magnitude of isomorphic pressures in host countries as stated previously.

Firms in emerging markets experience diverse institutional environments which lead to different institutional support and different drivers for international exposure. A range of drivers for firms in emerging markets to internationalise and gain international exposure have been explored in literature (KorsakienÄ, & DiskienÄ, 2015). Firstly, firms are always looking for learning opportunities to broaden their knowledge of corporate performance, corporate governance and CSR. Secondly, firms are seeking a lower level of institutional risk. Thirdly, firms seek to integrate into the international market potential to improve and maintain legitimacy. Lastly, firms seek to overcome resource of capabilities deficiencies in their domestic institutional environments.

Firms in emerging markets often experience challenges around balancing conflicting institutional demands between domestic and overseas environments (Peng & Pleggenkuhle-Miles, 2009). They often face greater pressure in the international institutional environments due to the lack of familiarity and institutional voids as they respond to the increasing demands from local stakeholders in the various host countries to engage in CSR activities (Reimann, Ehrgott, Kaufmann & Carter, 2012). Peng and Pleggenkuhle-Miles (2009), suggest the real challenge is balancing their responsibilities and satisfying the demands of both domestic and overseas stakeholders with limited resources and pressures for cost reduction. This challenge can lead to a tendency to favour one group of stakeholders more than the other (or finding ways to reconcile the two). If they are unable to satisfy the demands and interests of both stakeholders, it may lead to decreased CSR activities, decreased ability to obtain legitimacy and ultimately decreased firm performance.

2.4.3 CEO duality and CSR

Generally speaking, most firms have an organised structure for the way in which processes, systems and the overall management of the firm runs. There are several layers and levels of management (in most cases an ordered hierarchy), in which the operations of a firm are performed. The higher up the firm management hierarchy, there is more authority, power and experience behind the decisions that a firm makes. This is most commonly known as a “top down” or “vertical” approach to organisational management. Top down management is also

called autocratic leadership in other literature. This type of management style has essentially dominated the global workplace.

More accurately defined, 'top down' management emphasises the process of implementing and refining decisions made by top managers as they are transmitted to the lower levels of the organisation (Nonaka, 1988). Contrastingly, the opposite approach "bottom up" management, emphasizes the influence of information coming up from lower levels on management decision making (Nonaka, 1988). The general global consensus is that most firms use the "top down" approach to organisational management. This approach links well with CEO duality which presents hierarchical management where an individual has more authority and power behind the decision that a firm makes.

CEO duality is a situation in which the CEO of a firm is the Chairman of the Board simultaneously. This dual role is a policy from a firm that implements a position to fill as CEO and Chairman of the Board. CEO duality requires an individual to be able to perform the role of the CEO and Chairman of the Board at the same time to lead the firm. The job requirements of the CEO are different to the job requirements of the Chairman of the Board, but an individual in this dual role is required to carry out these roles simultaneously. A CEO is required to develop strategies for recommendation to the Board, ensure that agreed strategies are reflected in the firm, ensure that the firm performance is consistent with the firm principals, and several other roles (Palanissamy, 2015). The Chairman of the Board needs to ensure effective operation of the Board to support and advise the CEO in the development and implementation of firm strategies, and several other roles (Palanissamy, 2015).

Although, there has been little theoretical research around the effects of CEO duality on CSR activities, the two theories of agency and stewardship are discussed extensively in prior literature to try and explain this relationship (Davies et al., 1997; Donaldson & Davis, 1991). The agency theory suggests that CEO duality plays a negative role in a firm's ability to engage in CSR activities as there is an absence of separation of decision management and decision control in relation to socially responsible activities (Donaldson & Davis, 1991). This is because having an individual member hold both positions of CEO and Chairman of the Board who evaluates their own operations defeats the purpose of having a Board. The CEO may also use their power and authority as the Chairman of the Board to select directors leading to decreased information asymmetry and there is less potential for conflicts as they are not likely to challenge the CEOs procedures, resulting in ineffective monitoring and evaluation of the CEO (Donaldson & Davis, 1991). Ultimately, the CEO will control the Board, leading to a of lack

independence and vigilance, resulting in a decrease in the firm's ability to engage in CSR activities.

In contrast, another theory, the stewardship theory, trends more closely towards the “top down” model to organisational approach. The stewardship theory suggests that CEO duality creates a necessary and important unity of command at the top of the organization (Donaldson & Davis, 1991). Therefore, CEO duality would help to avoid conflict among the Board and other stakeholders as to who is in charge. This is intended to improve decision management and decision control. Otherwise, the firm may experience conflicts at the top, decreased efficiency and effectiveness in decision-making, resulting in a decrease in the firm's ability to engage in CSR activities.

There has been a lot of debate between the agency theory and stewardship theory in previous literature, producing a lot of differing views. The agency theory does not support CEO duality because it suggests that it leads to conflicts of interests between the agent and the principal which results in a negative influence on firm performance financially and socially. This theory is explicitly supported by previous academic literature (Ahmad et al., 2017; Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015; Sundarasan et al., 2016). In contrast, the stewardship theory supports CEO duality because it suggests that it leads to unity of the firm and commitment towards the stakeholders' interests. This theory is also supported in academic literature by Donaldson and Davis (1991) and Davis et al. (1997), who state that corporate performance can be improved, and socially responsible activities are increasingly engaged in when CEO duality is present, as conflict is less likely to occur. However, considering that most of CSR research evidence is more in favour of the agency theory relationship. This study aligns with this and builds mainly on agency theory arguments.

2.5 Conceptual Development

The proposed conceptual model is presented in Figure 2 and hypotheses development follows. The conceptual model mainly posits that international exposure of a firm influences CSR activities in the home country and that CEO duality plays an important moderating role in the relationship between international exposure of a firm and CSR activities in the home country.

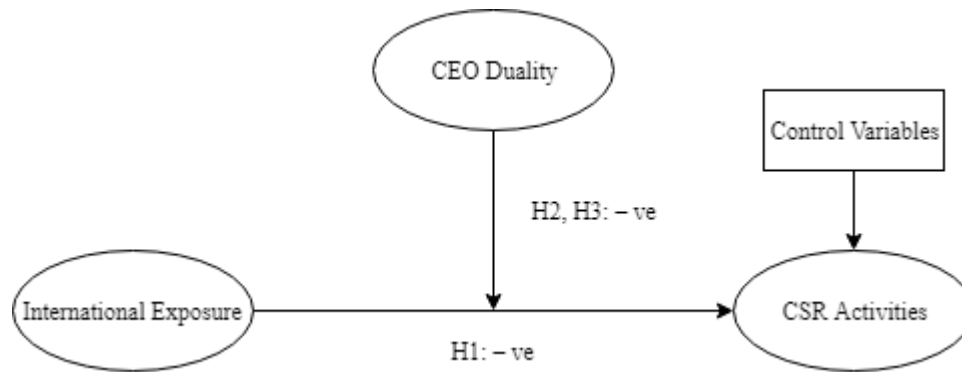


Figure 2: The Conceptual Model

2.5.1 Direct effects

There has been an abundance of literature regarding the impact of international exposure of a firm performance, however little theoretical attention has been paid to understanding the influence of international exposure of a firm and CSR activities in the home country. Existing literature regarding international exposure of a firm and CSR argue that institutional exposure of firms leads to decreased CSR activities in the home country (Ghoshal & Nohria, 1989; Hymer, 1976; Peng & Pleggenkuhle-Miles, 2009; Reimann et al., 2012). Previous literature also uses the theoretical lenses of institutional theory to help understand this relationship (Jamali, 2010; Kostova et al., 2008; Tan & Wang, 2011).

Ghoshal and Nohria (1989), propose that when firms enter a new institutional environment, the firm's managers must invest time and effort in establishing the firm's presence. This is because top managers who have been confined to domestic institutional environments have a different mindset and understanding and are often unfamiliar and unprepared for the isomorphic pressures of the new institutional environment. Hence, this may lead to a decreased ability to connect and align interests with the broader set of stakeholders and thus is likely to have a negative impact on CSR. Interestingly, Kostova et al. (2008), argue that firms will not experience local isomorphic pressures in the new institutional environments of international countries due to their heterogeneity. In saying this, when a firm is operating in an international market, it faces many time-consuming challenges such as satisfying the varying expectations and interests of the stakeholders to achieve legitimacy in these countries and cultures (Tan & Wang, 2011). Peng and Pleggenkuhle-Miles (2009), add to this by indicating the real challenge is balancing firm responsibilities and satisfying the demands of both domestic and international stakeholders with limited resources and pressures for cost reduction. This challenge can lead

to a tendency to favour one group of stakeholders more than the other. As greater attention needs to be placed international operations due to stakeholder demands and legitimacy reasons, decreased attention is placed on domestic operations and therefore decreased CSR activities in the home country. Building on the above set of arguments, this study argues that international exposure of a firm leads to decreased CSR activities in the home country.

Hypothesis 1: International exposure of a firm leads to decreased CSR activities in the home country.

Prior studies about the effect of CEO duality indicate that this type of leadership structure holds contrasting views. On one hand, CEO duality is said to decrease CSR activities which is in line with the agency theory. Several previous studies support non-duality in order to increase engagement CSR activities (Ahmad et al, 2017; Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015; Sundarasan et al., 2016). Muttakin and Subramaniam (2015), report a negative relationship between CEO duality and CSR activities of Indian firms. They suggest that CEOs in dual positions may not be motivated to be visibly accountable to the interests of the broader stakeholders and are likely to avoid the expense of CSR activities. Haniffa and Cooke (2002), likewise argue that CEO duality offers greater power and authority in decision making for a firm's operations and approaches, which may enable the CEO to make decisions that do not consider the greater interests of a broader set of stakeholders. Consequently, this may be reflected in decreased firm engagement in CSR activities, and limited disclosure of these activities. Ahmad et al. (2017), also support this theory and report a negative relationship between CEO duality and CSR activities of Malaysian firms. In line with Muttakin and Subramaniam's (2015) suggestions, Ahmad et al. (2017), further suggest that CEOs in dual positions have little interest to promote CSR due to its expense which may lead to loss of individual wealth. Their findings also describe that CEO duality reduces checks and balance, making the CEOs less accountable to all stakeholders.

On the other hand, some research (e.g. stewardship theory) argues the positive impact of CEO duality on outcomes (Abels & Martelli, 2011; Donaldson & Davis, 1991; Davis et al., 1997). Abels and Martelli (2011), suggest that CEOs in dual positions act as stewards of the firm as opposed to agents and are motivated and committed in achieving the objectives of the firm while taking into consideration and aligning their interests of their stakeholders. There is no opportunistic behaviour as CEOs are trustworthy and make decisions that are in the best interest

of the firm rather than personal gain. Donaldson and Davis (1991) and Davis et al. (1997), concur with the fact that the stewardship theory brings unity and harmony in the leadership of a firm. There is no confusion as to who oversees the decision making regarding the operations of the firm. This ultimately allows the CEO to work effectively and efficiently and therefore better serve the stakeholders. This is said to increase firm performance and socially responsible activities as stakeholder's interests of long-term growth is in the best interest of the CEO.

This study aligns with agency theory-based research as the literature more commonly supports the separation of the roles of CEO duality and Chairman of the Board. The rationale for this is that when CEO's are in dual roles there is less control but more liberty, power and independence with the CEO. Therefore, there may be an increased tendency for self-interested and opportunistic behaviour in order to manage the firm to meet the respective objectives. This in turn allows them to gain personal wealth and reputation as the firm grows in the short-term. These actions will not cater to the broader set of stakeholders leading to conflicts and agency costs, and thus is likely to have a negative impact on CSR. In line with literature and the agency theory, this study argues that CEO duality leads to decreased CSR activities in the home country.

Hypothesis 2: CEO duality leads to decreased CSR activities in the home country.

2.5.2 Interactive effects

Prior literature suggests that as firms internationalise and gain greater international exposure, they often face challenges from the new international institutional environment (Ghoshal & Nohria, 1989; Hymer, 1976; Jamali, 2010; Kostova et al., 2008; Peng & Pleggenkuhle-Miles, 2009; Reimann et al., 2012; Tan & Wang, 2011). These challenges may be in the form of isomorphic pressures, stakeholder demands and expectations and legitimacy. Peng and Pleggenkuhle-Miles (2009), suggest these challenges are increased due to the lack of familiarity and institutional voids. This results in increased pressure on the CEO to overcome these challenges and meet the requirements to successfully integrate into the local institutional environment of the host country. Because firms in emerging markets who gain international exposure often experience conflicting institutional challenges between their domestic and international environments and have limited resources and pressures for cost reduction (Peng & Pleggenkuhle-Miles, 2009), it can be difficult to balance focus and attention on both environments. Thus, the internationalisation process can lead to a tendency of the top manager

to favour one group of stakeholders more than the other (or finding ways to reconcile the two). In most cases, they are unable to satisfy the demands and interests of both stakeholders and as firms seek legitimacy and establishment in the international market, international stakeholders will be their main priority. Therefore, focus and attention on the international operations will lead to a diluted domestic focus, resulting in decreased CSR activities in the home country.

The negative effect of the internationalisation of a firm on the CSR activities in the home country is expected to be increased when a firm has CEO duality as compared to non-duality. When firms have CEO's in dual roles, as stated prior, the CEO experiences less monitoring control, and more liberty, power and independence in the decision-making process of firm operations. This can lead self-interested behaviour towards personal gain by favouring international operations which have been confirmed by prior literature (Davis et al., 1997; Donaldson & Davis, 1991), to increase firm performance. The increased firm performance will in turn be a direct reflection of the CEO's actions and thereby increase their personal wealth and reputation. The favouring of international operations is likely to lead to a decreased focus and even abolishment of social activities domestically. This will enable CEO's to focus their resources to meeting stakeholder demands and expectations in the host country which in turn helps achieve legitimacy and growth in the international institutional environment.

By building on the previous studies, we contend that the relationship between international exposure of a firm and CSR activities in the home country is influenced by CEO duality. More specifically, CEO duality negatively moderates the negative relationship between international exposure of a firm and CSR activities in the home country. In other words, the effect of international exposure on CSR activities in the home country will be more negative when there is CEO duality as compared to when there is non-duality.

***Hypothesis 3:** CEO duality negatively moderates the negative association between international exposure of a firm and CSR activities in the home country.*

2.5.3 Control variables

The study controlled for additional variables that had the ability to affect a firm's engagement in CSR activities or the amount of CSR activities of a firm. It is important to ensure that certain variables are controlled for precisely as they can significantly impact the outcome of the study. Previous literature suggests that top manager characteristics, firm size, firm profitability, firm age, firm region and time of reporting can influence a firm's CSR activities (Chin et al., 2013;

He, Chen & Chiang, 2015; Li & Liang, 2015; Marquis & Lee, 2013; Udayasankar, 2008). Therefore, the control variables used in this study were top manager characteristics, firm size, firm age, firm region and profitability and time of reporting.

The top manager characteristics were controlled for in this study as it was suggested in previous literature that different leadership characteristics might affect CSR activities of a firm (Chin et al., 2013; He et al., 2015; Li & Liang, 2015; Marquis & Lee, 2013; Thomas, Litschert & Ramaswamy, 1991). These characteristics included the top manager's age, gender and level of education.

A firm's size can also influence the scale of their operations, resource access constraints and visibility (Udayasankar, 2008). Udayasankar (2008), suggests the motivational bases for CSR activities vary for each firm depending on their size. He proposes that there is a "U-shaped" relationship between firm size and CSR activities where extremely small and extremely large firms have increased motivation to participate in CSR activities and medium-sized firms are the least motivated. Therefore, firm size is controlled for.

Similar to firm size, firm profitability can also have a significant impact on the firm's ability to engage in CSR activities and hence are controlled for. Cheung, Tan, Ahn, and Zhang (2010), confirm the importance of controlling for profitability when analysing CSR activities. This was because firms with high profitability have increased funds available to participate and put towards CSR activities compared to low profitable companies.

As referred to in Zhang, Morse, Kambhamptati and Li (2014), it is crucial to note that in the 1980's firms listed in China began a to adopt a more "opening up" policy. This policy along with the strong economic growth of Chinese firms since the 1980's, is highly likely to have made a significant impact in the way these firms have contributed towards CSR activities; therefore, firm age is controlled for in this study. As there may be regional differences in CSR activities, regions are also controlled for in the model. The independent variable (CSR) is included for time (t) while all other variables are for time (t-1), thus a one-year time lag is incorporated in the model (Luo, Wang & Zhang, 2017).

2.6 Chapter Summary

This chapter discussed the theoretical and empirical literature, which helped to develop the hypotheses and propose a conceptual model for this study. The theoretical lenses of institutional and agency theory were discussed along with empirical underpinnings for

international exposure of a firm and CEO duality from the perspective of CSR. The control variables were identified and discussed. The next chapter discusses the research methodology used in this study.

CHAPTER 3

RESEARCH METHDOLOGY

3.1 Introduction

This chapter outlines the research methodology applied in this study. It describes the research design (the foundation for the data sample and collection) that will be used to answer the research question. The analytical methods used in the evaluation of the data are also explained. The rationale for the applied analytical techniques is provided along with operationalization of the variables. Following this, how common assumptions, reliability and validity testing was conducted is also discussed.

3.2 Research Design

Theories are the basis of research studies and can be thought of as formal statements or explanations of events, expressed in such a way as to allow their investigation, confirmation and verification (Corbin, Strauss & Strauss, 2014). Theories evolve over time through new observations, further data collection, different links found and new relationships proposed. However, the value of theory combined with an appropriate research design is what makes a new study in any field complete.

When considering what research design to implement in a study, it is the nature of the research questions and objectives of the study which pinpoint either a qualitative or quantitative approach. The nature of the research questions will determine whether the research is exploratory or explanatory in nature (Bono & McNamara, 2011; Cavana, 2001). By nature, qualitative research is exploratory and quantitative research is explanatory. An exploratory study is used when there is a lot more to discover and the researcher does not know what to predict. On the other hand, an explanatory study is used when there is a need to measure the size of a construct or relationship. Qualitative research is usually more subjective than quantitative research as it fundamentally looks at perspectives and has a longer and more complex process. Each qualitative research study has its own unique setting therefore, reproducing the study is difficult. Quantitative research is based on the collection of a considerable amount of data from representative samples of a larger population for a few variables, whilst comparatively, qualitative research pursues fewer subjects but investigating in much greater depth (Corbin et al., 2014; Silverman, 2015). Furthermore, quantitative research is more numerically based and much easier to replicate.

This study naturally uses a quantitative approach as CSR, the phenomena is not a nascent but rather, a more maturing concept amongst the academic literature. In addition, the purpose is to understand the causal relationships between international exposure of a firm, CEO duality and CSR activities.

3.3 Research Context

A growing number of firms internationally are involved in CSR activities resulting in an abundance of social and environmental literature for the public. In recent literature, there has been an increasing interest in understanding CSR in emerging countries (Ali, Frynas & Mahmood, 2017; Li, Lin & Yang, 2016). It is argued that samples from emerging countries provide suitable samples for contributing to CSR literature as they are experiencing growth and are moving towards a more market-based and capitalist orientation allowing the implementation and incorporation of theories such as institutional theory to explain the concept of CSR (Tilt, 2016; Sumiani, Haslinda & Lehman, 2007). Tilt (2016), implies that the ‘country’ is a determinant for CSR involvement and therefore, careful consideration needs to be placed when choosing a research context. In light of this, this study uses China as the empirical context to test the proposed conceptual model.

CSR as a concept, was introduced to China in the late 1990s by a number of multinational companies. These companies demanded for labour rights, protection, better quality and greener products which threw many Chinese suppliers into tension between operations towards profit maximisation and campaigns promoting social standards, best practices, western values, and morality (Zu & Song, 2009). The understanding and practices of CSR are not only influenced by the economic environment but are also limited by the formal and informal “rules of the game” in the institutional environment (North, 1990), which may foster an environment in which CSR is actively promoted, latently sustained, or silently discouraged (Yin & Zhang, 2012). With China’s integration into the global economic system, especially after China’s entry into WTO in 2001, significant changes have taken place in the institutional environment of China. A survey that was conducted by GlobeScan and the East Asia Institute (2009), reveals that most Chinese consumers favour CSR activities over economic performance. Due to the complexity of this context, the CSR activities that are explored in the following sections need to be viewed within this contextual framework of China’s economic and institutional backgrounds.

3.4 Sample Selection and Data Collection Process

The sample for this study primarily consists of CSR indicators of publicly listed Chinese firms (both domestic and those listed overseas) alongside various top manager characteristics from the years 2008 to 2016. This study covers most Chinese firms that were listed on the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotations (NASDAQ).

The data set was compiled from several data sources including the Chinese Stock Market and Accounting Research (CSMAR) database, the China Statistical Yearbook (CSY), firm's annual reports and CSR reports, and firm websites. The main data source used was secondary archival data from the Chinese Stock Market and Accounting Research (CSMAR) database. CSMAR was the primary source of information regarding the CSR activities i.e. social donations, Chinese stock markets, financials of Chinese firms and top manager characteristics and CEO duality data. CSR data from the CSMAR database was only available from 2008 to 2016.

The CSMAR and CSY databases are regularly used in studies on China's publicly listed firms, and they provide credible information about a firm's background and financial statistics (e.g., Bai, Liu, Lu, Song & Zhang, 2004; Wang & Qian, 2011). The CSY database provided more in-depth firm financials and provincial level data. Data which was unavailable in certain areas on the databases was compensated for through collection of data from firm annual reports and CSR reports. Firm annual reports also assisted in providing information about the top manager which included their backgrounds (i.e. age, gender, education and whether there was CEO duality or non-duality). CSR reports were also downloaded from firm and stock exchange websites which were all self-identified and were independent reports or appendices of annual reports. The quality of a firm's CSR report was evaluated from Rankins CSR Ratings (RKS), an independent rating agency, and cross-validated with self-manual coding. For further missing information, an online search was conducted using Baidu to collect appropriate information accordingly.

All the data collected regarding Chinese firms, CSR activities, CEO duality and top manager characteristics was merged together for each firm using their respective stock codes. After removing firms that were missing key independent variables, a final full sample consisted of 1920 firm-year observations across 8 years, pertaining to 240 unique firms. There was a one-year time lag between all independent and dependent variables. Once this was completed, the data was converted to a CSV format and uploaded onto SPSS. The statistical software SPSS

was used for the entirety of the data analysis in this study. SPSS is widely regarded as an incredibly powerful program for high level statistical analysis which consists of strong analysis techniques to rapidly examine and test data (Cronk, 2017). SPSS was efficient and effective in the conduction of screening, preliminary analysis, bivariate correlation analysis and linear mixed model analysis techniques for the data.

3.5 Measurements of Constructs

3.5.1 Dependent variable: CSR

The factors that affect a firm's CSR activities were the main focus of the conceptual model therefore, CSR activities is the dependent variable in this study. Only firms that engaged in CSR were included in this study. CSR activities were measured through the amount of social donations that a firm made for each firm-year between 2008 and 2016. Social donations are defined as the monetary amount the firm donates to or spends on different social activities, including disaster relief, infrastructure improvements, poverty reduction, education, charity, art, environment, employees, and other areas, divided by the sales in the year (Cheng, Lin, & Wong, 2016). Social donations of the firm were coded as a continuous variable which allowed the measurement of the amount of CSR each firm was doing per year. To satisfy the normality assumption, logarithm was taken of the total donation a firm made in a given year in the home country. Among the domestic firms, the average donation amount in the home country is approximately ¥723,000 (US\$107,940 based on the 2018 exchange rate), accounting for 1.8% of the firm's profit and 4.3% of the firm's gross revenue.

In line with previous literature, the amount of social donations has been shown as a powerful proxy used in the analysis as a measure for CSR activities (Cheng et al., 2016; Pyo & Lee, 2013). Cheng et al. (2016), emphasise that social donations could be the most direct and objective measure of a firm's willingness to conduct CSR activities. As most firms' primary goal is profit maximisation, making a donation and the amount of donation represent financial sacrifices by firms reflecting the willingness to engage in CSR activities. Pyo and Lee (2013), state that people have a more favourable impression of social donations as a form of CSR activities as compared to other forms of participating in communities. This evidently emphasises the strength of social donations as a proxy used in this study.

3.5.2 Independent variable: International exposure

The conceptual model examines the relationship between the international exposure of a firm and its CSR activities therefore, the independent variable used in this study is the international exposure of a publicly listed Chinese firm. The proxies used to measure international exposure in this study is overseas listings. This proxy is widely used and well established in previous literature to evaluate the relationship between institutional pressure and a firm's CSR activities (Baker, Nofsinger & Weaver, 2002; Lang, Lins & Miller, 2003).

The overseas listing of a firm was measured based on whether a Chinese listed firm was also operating in another country. This was coded as a dummy variable that takes the value of one if it was overseas listed (thereby listed as operating in China and listed as operating in another country) and zero if it was not overseas listed and thereby only operating locally within China. This coding method is in line with previous literature for this variable (Cheung, Jiang & Tan, 2012).

3.5.3 Moderator variable: CEO duality

The conceptual model examines the moderating effect of CEO duality on the relationship between international exposure of a firm and CSR activities. CEO duality refers to the situation whether the CEO (or top manager) of the firm also holds the position of the Chairman of the Board. CEO duality was coded as a dummy variable that takes the value of one if the positions of CEO (or top manager) and Chairman of the Board were held by an individual person (referred to as CEO duality) and zero if the positions of CEO (or top manager) and the Chairman of the Board were held by different individuals (referred to as non-duality). This method of coding is consistent with previous literature (Sauerwald, Lin & Peng, 2016). Li and Liang (2015), state that the most powerful executive position of a firm in China is the Chairman of the Board. The Company Law in China states that the Chairman of the Board is the legal representative on the firm and is accountable for any important firm decisions. Therefore, it is expected that the type of leadership structure adopted, and presence of CEO duality will have a significant impact on a firm's CSR activity pattern.

3.5.4 Control variables

This study controls for the effects of top manager characteristics, firm size, firm age, firm region and profitability and time of reporting. The top manager characteristics include the top manager's age, gender and level of education. The age of the top manager was measured in actual values (scale variables), although was recorded as class intervals in Table 1 for simplicity. The gender of the top manager was coded as a dummy variable that takes the value of one if the top manager was a male and zero if the top manager was a female. Lastly, the level of education of the top manager was coded as a dummy variable that takes the value of one if the top manager has a postgraduate qualification and zero if the top manager only has an undergraduate qualification. These methods of coding were consistent with previous research (He et al., 2015; Thomas et al., 1991).

Firm revenue, measured as a logarithm of gross revenue, was used as a proxy for measuring firm size. The firm with the least revenue generated approximately ¥17,000,000 (US\$2,540,000) and the maximum generated approximately ¥16,600,000 (US\$2,480,000) with the average being approximately ¥16,800,000 (US\$2,510,000). Similar to firm size, firm profitability is another control variable which is measured by net income for each firm in a given year between 2008 and 2016. All firms included were adjusted by industry means and cash flow (normalised). Therefore, producing more accurate relationships with institutional pressures. The age of the firm was measured in actual values (scale variables), as the number of years since 2016 although was recorded as class intervals in Table 1 for simplicity.

The region of the firm was measured based on where the firm was located within China. In concordance with previous literature, the regions where the firm was located in China were grouped based on whether they were located in a developed or an undeveloped region of China (Asia, 2016). The developed regions of China consisted of the "first-tier" cities. These include; Beijing, Shanghai and Guangzhou, and the Eastern China and Southern China regions. The undeveloped regions of China consisted of the Northern China, North-eastern China, North-western China, Central China and South-western China regions. This was again coded as a dummy variable that takes the value of one if the firm was listed in the developed regions in China and zero if it was listed in the undeveloped regions in China.

The time of reporting was kept constant for all firm-years between 2008 and 2016. Each firm that was included in the study released their report on the 31st of December for each firm-year observed. This helped to increase the accuracy and validity of the data collected on CSR

activities for each firm. Finally, a time lag had to be accommodated for. This reason for this is explained by Luo et al. (2017), as all independent and control variables that vary by year should be lagged by one year to predict the issuance of a CSR report, report quality and decoupling.

3.6 Data Processing and Analysis

During the initial stages of data cleaning in SPSS, data transformation was completed. Data transformation is a method used in SPSS to recode categorical variables which can either be numeric codes or words (string variables). The original data was presented on Microsoft Excel and most variables were coded in string format hence, there was an increased likelihood of computation errors in SPSS caused by un-identical strings. All string variables used in the analysis were recoded to numerical codes using the automatic recode procedure to overcome this potential issue. Missing values were also recoded to a numerical code as SPSS recognised missing data as a valid value.

The data was screened prior to conducting the preliminary statistical analysis to account for data irregularity such as outliers, missing data, human error and normality. This was done to improve the credibility, reliability and validity of the data for the conceptual model. The screening steps undertaken, and changes made to the data are further discussed in chapter 4.

A bivariate correlation analysis of the screened data was completed using the Pearson's correlation coefficient analysis method. A bivariate correlation analysis is one of the simplest forms of quantitative (statistical) analysis (Babbie, 2015). It involves the analysis of the relationship between two variables (independent variables denoted by x and the dependent variables denoted by y) for the purpose of testing simple hypotheses of association (Babbie, 2015). A correlation expresses the strength of the relationship between two variables in a value between -1 and +1. This value that measures the strength of the relationship is called the correlation coefficient. In this study, the Pearson's correlation was used as it is shown to be an effective test to evaluate the linear relationship between two continuous variables (Sedgwick, 2012). In a sample, it is denoted by r and is by design constrained as follows:

$$-1 \leq r \leq 1$$

Furthermore, positive values denote a positive linear correlation; negative values denote a negative linear correlation; a value of 0 denotes no linear correlation; and the closer the value is to -1 or 1, the stronger the linear correlation. Conversely, in this study as a large sample is

used, a small value of r (closer to zero) may be significant despite the linear association being weak. This is important to note as not all significant correlation coefficients imply that a strong linear association exists between two variables. Therefore, when investigating the strength of a linear association between two variables it is important to review the result of the significance test, the value of the correlation coefficient and inspection of the scatter plot of the two variables.

When using a Pearson's correlation coefficient and the subsequent testing of it, the data to be analysed is expected to be free of assumptions. This is required because it is only appropriate to use the Pearson's correlation coefficient if the data meets the four assumptions that are required for the Pearson's correlation coefficient to produce a valid and reliable result. The Pearson's correlation coefficient requires the data to hold the assumptions of: interval or ratio level variables, linearity and homoscedasticity, no significant outliers, and bivariate normal distribution. To meet the interval or ratio level assumption of a Pearson's correlation coefficient each variable analysed was measured at interval or ratio level (i.e. continuous). To meet the linearity and homoscedasticity of a Pearson's correlation coefficient, scatter plots were created for each relationship between two variables where one variable was plotted against the other variable, followed by visual inspection of the scatterplot to check for linearity and homoscedasticity.

The Pearson's correlation coefficient is sensitive to outliers which can have a significant impact on the linearity and the Pearson correlation coefficient. Therefore, outliers were removed to meet the outlier assumption of a Pearson correlation coefficient. The steps taken to ensure outliers were removed are further discussed in Chapter 4. In a Pearson's correlation coefficient data must be bivariate normally distributed. This is when two variables are both normally distributed individually, and they also have a normal distribution when both are added together (Schober, Boer & Schwarte, 2018). In order to assess the statistical significance of the Pearson correlation, it is necessary to have bivariate normality (Schober et al, 2018). The steps taken to ensure that the bivariate normal distribution assumption was met is further discussed in Chapter 4.

The correlated data was evaluated using LMM analysis. This analysis is a widely used statistical method to fit linear mixed effects models to sample data (Maldonado, 2012). The LMM analysis is an effective way to model correlated data which presents a wide variety of correlation patterns (variance-covariance structures) because it provides a general and flexible approach in these situations (Seltman, 2012). The term mixed model refers to the use of both

fixed and random effects in the same analysis. The fixed effects model only factors for levels under consideration that are contained in the coding of those effects (Seltman, 2012).

The random effects model factors for levels contained in the coding of those factors that are a random sample of the total number of levels in the population for that factor (Seltman, 2012). This is important because fixed effects can be generalized only to the levels in the respective study, whereas random effects can be generalized beyond the level conditions in the respective study (provided that the level conditions are representative) (Seltman, 2012). In this study, the best fit model was the fixed effects model. The equation for the fixed effects model becomes:

$$\gamma_{it} = \beta_1 X_{1it} + \alpha_i + \varepsilon_{it}$$

α_i ($i=1 \dots n$) is the unknown intercept for each entity (n represents entity-specific intercepts). γ_{it} is the dependent variable where i = entity and t = time. X_{it} represents one independent variable. β_1 is the coefficient for that independent variable; and ε_{it} is the error term. To ensure that the model is valid the following assumptions must be met: $\varepsilon[\mu] = 0$, $\text{variance}[\mu] = \begin{bmatrix} G & 0 \\ 0 & R \end{bmatrix}$, and a linear relationship between independent and dependent variable. With the addition of an independent variable the equation of the fixed effects model becomes:

$$\gamma_{it} = \beta_1 X_{1it} + \beta_2 X_{2it} + \alpha_i + \varepsilon_{it}$$

Finally, with the addition of an interaction the equation for the fixed effects model becomes:

$$\gamma_{it} = \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{1it} * X_{2it} + \alpha_i + \varepsilon_{it}$$

Where, the interactive effect between X_{1it} and X_{2it} on γ_{it} corresponds to the β_3 slope. If β_3 is reliable (or statistically significant), the effect of X_{2it} on γ_{it} depends on the level of X_{1it} (or vice versa, the effect of X_{1it} on γ_{it} depends on the level of X_{2it}).

There were many benefits of using the LMM analysis for the evaluation of the data from variables in the conceptual model. Firstly, it overcame the assumption of homogeneity of regression slopes by modelling the variability in the regression slope. Secondly, it overcame the assumption of independence by being specifically designed to allow the modelling of the relationships between residuals. Thirdly, it overcame the potential problem which could be caused by missing data.

Although there are ways to counter for missing data, the techniques can be complicated and time consuming. When using repeated measure-designs, missing data can lead to more missing data as if a single variable is missing, the whole case needs to be deleted (listwise deletion method). The LMM analysis method does not require complete data sets, so when data is

missing for one variable, that variable is excluded and the whole case does not need to be deleted. This enables relationships to be evaluated accurately with the available data therefore, providing an effective procedure to deal with the missing data. In saying this, it is crucial to stress that no statistical method can completely overcome the effect of missing data.

Appropriate methods, designs and research execution should be used to minimize the effect of missing values, and reasons for missing values should always be explored. Furthermore, the selection of the fixed effects model used to evaluate the statistical data in this conceptual model was used due to analytic simplicity and non-significant heterogeneity testing. The fixed effects model only requires estimates of variability in effect sizes driven by sampling error which is a simpler model compared to the calculation/interpretation of a random effects model. This pragmatic practice is encouraged explicitly in Card (2011).

3.7 Chapter Summary

This chapter has outlined the research methodology applied to evaluate the proposed conceptual model. The research design – being a quantitative style was most relevant and appropriate for the research question and allowed successful collection of the sample and secondary data from online archival databases. Through the use of the SPSS statistical software, data was analysed with effective and efficient statistical procedures to produce valid and reliable results. These will be discussed in the next chapter.

CHAPTER 4

DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter outlines the data analysis and presents the results of the data produced from the statistical analysis methods for the conceptual model used in this study. It consists of how data screening and primary analysis (data cleaning, examining assumptions and sample characteristics) was conducted to produce the results. The results are then presented and evaluated in relation to the hypotheses made in chapter 2.

4.2 Data Screening and Preliminary Analysis

The data was screened prior to conducting the preliminary statistical analysis. The reason behind this was to ensure accountability for data irregularity such as outliers, missing data, human error and normality. This was done to ensure that the data was credible, reliable and valid for the conceptual model.

4.2.1 Data cleaning

A descriptive frequency analysis of the variables was completed in SPSS to clean the data as it allowed detection of missing data, outliers, human error and normality of variables. Missing data is a common issue in statistical studies. Often collection of data occurs many months or years after the “treatment” has ended and hence it can be difficult to gather (Kelley, Clark, Brown & Sitzia, 2003). Missing data needs to be identified and accounted for. The descriptive frequency information identified missing data, the extent of missing data and any values that were entered incorrectly by looking at the “value labels”. The descriptive frequency information also produced Skew and Kurtosis information along with histograms for each variable which allowed identification of any outliers and inspection of normality through visual observation of respective histograms. The outliers that were not caused by human error during data entry were deleted and became a missing value. All missing data was then replaced with a neutral value and incorrectly entered values were correctly replaced to minimise their adverse effects. The changes made to remove the outliers, replace the missing values and correct incorrectly entered data improved the normality of the data.

For the variables that still showed data that was not normally distributed, the data was transformed to achieve normal distribution. Transformation of non-normally distributed variables into normally distributed variables was performed by log transformation. The log-transformation of variables is widely used in statistical research to deal with skewed data prior to use of statistical analysis methods (Changyong et al., 2014).

4.2.2 Examining assumptions

An assessment of the data multivariate normality, multicollinearity and homoscedasticity is a prerequisite for many statistical tests because they are underlying assumptions in parametric testing (Field, 2013).

The normality assumption requires that variables should be normally distributed in the sample. There are two main methods of assessing data normality: graphically and numerically. Although the normality assumption is relatively insignificant when involving large samples (Pallant, 2007), further statistical testing was completed to ensure that the data met this assumption. The Shapiro-Wilk test, Normal Q-Q Plot and Histogram-Normality tests were undertaken. The Shapiro-Wilk Test is more appropriate for small sample sizes (< 50 samples) but can also handle sample sizes as large as 2000 (Field, 2013). Therefore, it was suitable for this study. When the independent variables of international exposure of a firm (overseas listings) were tested against the dependent variable of CSR activities (social donations), the p value was greater than 0.05. Therefore, the data was normally distributed. The normal Q-Q plot showed the data points close to the diagonal line and the Histogram-Normality test for the variables produced a 'Bell Shape', confirming the normality of the data.

Multicollinearity refers to similarities among the independent variables or when the independent variables are significantly correlated with one another (Field, 2013). When a high degree of correlation is found among explanatory variables, these variables must be removed. The correlation matrix of the variables (in Table 2) shows that all correlations are “very weak”, indicating no multicollinearity and no variables that need to be removed. To confirm, the Variance Inflation Factor (VIF) was tested for each independent variable. The results from the test show the VIF between 1 and 2 for all independent variables. A VIF value exceeding 10 or below 1 shows multicollinearity is present (Field, 2013).

Homoscedasticity occurs when the error term is constant across all values of the independent variables (Field, 2013). Standard estimation methods become inefficient when the error term

varies. The normal Q-Q plot of the residuals against the predicted value of the model show that there are points equally distributed above and below zero on the X axis, and to the left and right of zero on the Y axis. The Glejser test was used to confirm and corresponding p values also indicating homoscedasticity.

4.2.3 Sample characteristics

The descriptive characteristics for all of the variables in the sample of 1920 firm-years are shown in Table 1. The control variables of top managers characteristics were top manager gender, top manager age and top manager education, along with firm characteristics of firm age and firm region. Table 1 shows that 96.5 percent (1852) of the sample were male top managers, while 3.5 percent (68) were female top managers. This is consistent with Suisse (2016), who showed that only 3.2% of top managers of Chinese listed firms were women. Zeng and Thorneman (2014), suggest that there were three main barriers that prevented women in China from advancing in their career pathways; competing priorities, women's leadership styles and organizational biases.

Table 1: Sample Characteristics (N = 1920*)

Characteristics	N	%	
Top Manager Gender	Male	1852	96.5
	Female	68	3.5
Top Manager Age (Years)	30-39	51	2.7
	40-49	656	34.1
	50-59	874	45.5
	60-69	304	15.9
	70-79	35	1.8
Top Manager Education	Postgraduate	1150	61.9
	Undergraduate	708	38.1
Firm Age (Years since founded)	25-29	680	35.4
	30-34	1047	54.5
	35-39	193	10.1
Firm Region	More Developed Regions	1376	71.7
	Less Developed Regions	544	28.3
CEO Duality	CEO Duality: Yes	1736	90.4
	CEO Duality: No	184	9.6
Overseas Listings	Overseas Listings: Yes	1286	67.0
	Overseas Listings: No	634	33.0

* Sample size (N) is 1920 for all variables except for Education for which N is 1858

Top manager age ranged from 30 years of age to 76 years of age with a mean of approximately 52 years of age. All top managers had either an undergraduate or postgraduate qualification, 61.9 percent (1150) had postgraduate qualifications and 38.1% (708) had an undergraduate qualification. Not surprisingly, 71.7 percent (1376) of firms were founded in the more developed areas in China, while 28.3 percent (544) were founded in the less developed areas in China. Economic development is more advanced in developed areas in China hence many domestic and international companies are headquartered these areas (Asia, 2016). Therefore, as presented by this sample, there is a greater proportion of firms listed in these areas compared to less developed areas in China. The data was limited to firms founded during the 1980's, hence all the firms in the sample were established and founded in the years ranging between 1980 to 1989 (27 to 36 years since 2016).

The moderator variable was CEO duality, 90.4 percent (1736) of firms in the sample had a leadership structure with CEO duality, while 9.6 percent had individual members for CEO (or top manager) and Chairman of the Board. This was interesting as the sample used in this study conflicted with previous studies on CEO duality in China. Conyon and He (2011), state that the proportion of publicly listed firms with CEO duality in the early 200's was only 12% in China, although the figure had risen to 22% by 2010.

The independent variable of international exposure of a firm was characterised by overseas listings of the firm. 67 percent (1286) of the Chinese firms listed in the study were also listed overseas, while 33 percent (634) only had listings within China. This was expected as the sample shows more firms were listed in developed areas (thereby economically developed) giving them increased access to resources allowing them to expand.

4.2.4 Correlation matrix

The correlations for all the variables used in this study are presented in Table 2. The Pearson correlation coefficient was used to measure the interrelations between the variables. Table 2 shows that all correlations for all variables are “very weak” with r between .00-.19 based on the guide that Evans (1996) suggests. The absence of high correlations indicates a lack of multicollinearity of the model. In line with the assumptions of the Pearson correlation coefficient outlined by Field (2013), the data holds interval or ratio level variables, linearity and homoscedasticity, no significant outliers, and bivariate normal distribution. VIF testing

was completed to statistically test the correlations amongst the variables which showed VIF between 1 and 2, therefore, no multicollinearity.

The listwise deletion method was selected to deal with missing values across the multiple variables used in the analysis of the modified data. All the correlations were computed using data only from firms who had non-missing values for all the variables selected. The list-wise deletion method was preferred as missing data did not significantly reduce the sample size. Therefore, a method which gave the least bias was the preferred. This was because several variables were used to measure a single factor, hence more likely to represent all the different aspects of the concept more completely than using fewer variables (Hair, Hult, Ringle & Sarstedt, 2016). It has been well documented that listwise deletion does not introduce bias if the data missing is missing completely at random (MCAR) (Hair et al., 2016). Bootstrapping was also completed for estimation of accuracy and confidence as it uses repetitive sampling to produce a more realistic and accurate estimate of the sample.

4.3 Results

The correlated data was evaluated using a LMM analysis. The results from the statistical analysis is shown in Table 3. These results were then used to test against the hypotheses made in chapter 2.

In LMM analysis, the maximum likelihood (ML) and restricted maximum likelihood (REML) are the two common methods for parameter estimation (Field, 2013). These methods are based on maximizing the marginal likelihood function (Diggle et al., 2002). The estimates from the ML method for a large number of parameters may be biased and thus, not always a feasible option compared to the REML method (Diggle et al., 2002). Jiang (2007) notes that as a sample size increases, the number of fixed-effects allowed in the model may increase as well. However, when using the REML method and building a model, the number covariates should be kept to a minimum as the flexibility of the linear mixed-effects model may hamper its ability to estimate parameters (Lindstrom & Bates, 1988). The mixed-effects model used in this study uses the ML as it was appropriate compared to the REML method. The hypotheses are focused on fixed regression parameters and hence the estimation procedure required was ML. The models also need comparisons to be made and hence the ML method must be used. To add to this, during estimation, the ML method produced more accurate estimates of the fixed regression parameters compared to the REML method.

Table 2: Correlations Matrix (Pearson Correlation, Listwise N =1801)

	Mean	SD	1	2	3	4	5	6	7	8	9	10	VIF
1 Top Manager Gender	.97	.18	1										1.013
2 Top Manager Age	52.58	7.46	.076**	1									1.087
3 Top Manager Education	.61	.49	-.056*	-.239**	1								1.068
4 Firm Size (log)	9.53	.29	.030	.010	-.007	1							1.039
5 Firm Profitability (log)	3.99	.20	.036	.015	-.003	.089	1						1.040
6 Firm Age	31.28	3.04	.013	-.074**	.043	-.038	-.030	1					1.012
7 Firm Region	.72	.45	.063**	.050*	-.035	-.031	.024	.028	1				1.026
8 Overseas Listings	.67	.47	.022	.040	.031	.004	.003	-.051*	.024	1			1.007
9 CEO Duality	.91	.29	-.061**	-.097**	-.027	.001	.002	.030	-.123**	-.020	1		1.035
10 CSR (Social donations) (log)	2.63	.39	.027	.020	.000	-.003	-.001	-.015	-.004	-.041	-.053*	1	1.043

Notes:

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

When ML is used, a deviance statistic $-2\log$ likelihood ($-2LL$) is obtained through the information criterion output. The $-2LL$ is a measure of lack of fit between models and data, but not directly interpretable (Field, 2013). Comparison of the $-2LL$ of two models is regularly used to evaluate whether the one model contributes significantly to the explanation of variation in the outcome compared to the second model. The likelihood ratio test is also one form of assessing goodness-of-fit for nested models under the normality assumption (Vonesh & Chinchilli, 1997).

The information criteria table can be used to assess the overall fit of the model (Field, 2013). Nested models, in the context of model selection, suggest a comparison between a full and a reduced model, in which the reduced model is “nested” within the full model (Vonesh & Chinchilli, 1997). The $-2LL$ is able to be significance tested with df (the number of parameters being estimated) (Vonesh & Chinchilli, 1997). However, it was used to compare models that are the same in all but one parameter by testing the difference in $-2LL$ in the two models against $df=1$. For non-nested models, the Akaike’s Information Criteria (AIC), Huryich and Tsai’s Criterion (AICC), Bozdogan’s Criterion (CAIC) and Schwartz Bayesian Information Criterion (BIC) are recommended (Dziak, Coffman, Lanza & Li, 2012). They are to be used comparison across models for model selection, generally accepted rule of thumb is to select the model with the lower values (Dziak et al., 2012).

In Table 3, three models were generated using the fixed effects model analysis to test the hypotheses. Model 1 (baseline) was run with main effects of the control variables (top manager characteristics, firm size, firm profitability, firm age and firm region). Model 2 includes the main effects of the independent variable (international exposure) and the moderator variable (CEO duality), this model accounted for a significant amount of variance in CSR activities, $R^2=.450$, $F(2, 1855)=4.34$, $p<.05$. Model 3 adds the interaction of overseas listings of the firm and CEO duality. In Model 3, the interaction between overseas listings of the firm and CEO duality accounted for significantly more variance than just overseas listings of the firm and CEO duality, R^2 change=.010, $p=.000$, indicating that there is potentially significant moderation between international exposure of a firm and CEO duality on CSR activities in the home country. The model fitness criteria suggest that Model 3 fit better than the baseline model with all criterion including $-2LL$ decreasing in value. This is confirmed by the likelihood ratio test which was easily calculated by hand, the difference in $-2LL$ between Model 1 and Model 3 is 9.54, and the difference in degrees of freedom is 2. The critical value for a chi-square

test with two degrees of freedom was 4.86, which is well below the observed value of 9.54; hence, the difference between the models is statistically significant.

Table 3: Results (Linear Mixed-Model Analysis - Fixed Effects)

Variables	Model 1 (CV)			Model 2 (CV+IV+MV)			Model 3 (CV+IV+MV+I)		
	Est	t	Sig	Est	t	Sig	Est	t	Sig
Top Manger Gender	.057	1.140	.254	.052	1.039	.299	.053	1.067	.286
Top Manager Age	.001	.758	.449	.001	.596	.552	.000	.320	.749
Top Manger Education	.005	.263	.792	.005	.236	.813	-.003	-.182	.855
Firm Size	-.006	-.209	.834	-.006	-.191	.848	-.002	-.077	.938
Firm Profitability	-.005	-.060	.867	-.005	-.190	.984	-.003	-.045	.873
Firm Age	-.002	-.597	.551	-.002	-.768	.443	-.003	-1.018	.309
Firm Region	-.004	-.244	.807	.001	.077	.939	.001	.061	.951
Overseas Listings				-.035	-1.784	.075	-.184***	-2.985	.003
CEO Duality				-.066**	-2.093	.036	-.088	-1.697	.090
Overseas Listings * CEO Duality							-.242***	-3.730	.000
<i>Model Fitness Criteria</i>									
-2LL	1726.113			1726.811			1716.571		
AIC	1728.113			1728.811			1718.571		
AICC	1728.115			1728.813			1718.573		
CAIC	1741.141			1735.302			1725.061		
BIC	1733.141			1734.302			1724.061		
R ²	.450			.460			.460		
Notes:									
* = Correlation is significant at the 0.05 level (2-tailed).									
** = Correlation is significant at the 0.01 level (2-tailed).									
*** = Correlation is significant at the 0.001 level (2-tailed).									
T =The ratio of the departure of the estimated value of a parameter from its hypothesized value to its standard error									
-2LL = -2log likelihood									
AIC = Akaike's information criteria									
AICC = Huryich and Tsai's Criterion									
CAIC = Bozdogan's Criterion									
BIC = Schwartz Bayesian information criterion									
R ² = Coefficient of determination									

The first hypothesis (H1) argued for the negative effects of international exposure of a firm on CSR activities in the home country. Both in Model 2 ($\beta=-.035$, $t(-1.784)$, $p=.075$) and Model 3 ($\beta=-.184$, $t(-2.985)$, $p=.003$), overseas listings of a firm had a consistent negative relationship with the amount of social donations of the firm. Model 3 shows a negative and statistically significant relationship ($p<0.01$) between overseas listings of a firm and the amount of social donations of the firm. This suggests that international exposure of a firm leads to decreased CSR activities in the home county, confirming H1.

The second hypothesis (H2) argued that CEO duality leads to decreased CSR activities in the home country. Model 2 ($\beta=-.066$, $t(-2.093)$, $p=.036$) and Model 3 ($\beta=-.088$, $t(-1.697)$, $p=.090$) show that CEO duality has a consistent negative relationship with the amount of social donations of the firm. Model 2 shows a statistically significant relationship ($p<0.05$). This suggests that firms with CEO duality are doing decreased CSR activities in the home country, confirming H2.

The third hypothesis (H3) argued for the moderating effects of CEO duality in the association between international exposure of a firm and CSR activities. In Model 3, the interaction of overseas listing of the firm and CEO duality was added which shows a negative and strong ($p<.001$) statistically significant relationship ($\beta=-.242$, $t(-3.730)$, $p=.000$) with social donations. This suggests that the effect of international exposure of a firm (overseas listings of a firm on CSR activities depends on CEO duality.

A moderation graph is utilised to illustrate the moderation effects of CEO duality. The moderation graph is created with the help of the Modgraph application developed by Jose (2013). This application is used in earlier research as well (Lindsay, Sharma & Rashad, 2017). The moderation effects are shown in Figure 3. Figure 3 illustrates that the line representing international exposure of a firm and CSR activities is steeper when there is CEO duality as compared to when there is no duality. This supports H3 which argues for CSR activities to be more negative when there is CEO duality and high international exposure of a firm.

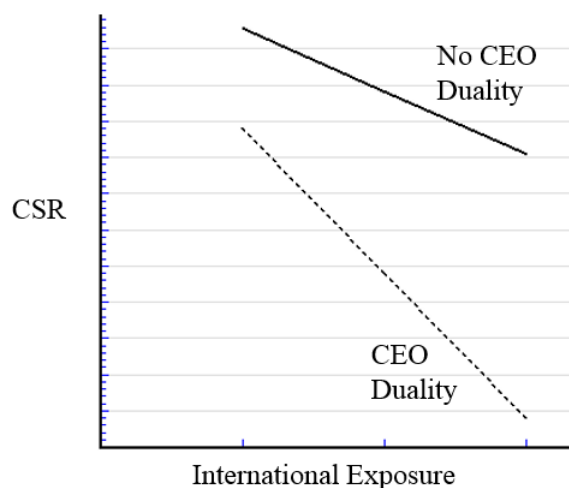


Figure 3: Moderating effects of CEO duality on the relationship between international exposure of a firm and CSR activities in the home country.

4.4 Chapter Summary

This chapter presented the results from the data analysis and describes them in relation to the hypothesis made in Chapter 2. Data screening and preliminary analysis (data cleaning, examining assumptions and sample characteristics) steps are discussed in relation to the robust statistical analysis methods used. The results present some key empirical findings in regard to firms' international exposure and its relationship with CSR activities alongside CEO duality moderating effects. The findings which are described, will be further discussed in Chapter 5 with reference to relevant academic literature.

CHAPTER 5

DISCUSSION AND CONCLUSIONS

5.1 Introduction

This chapter discusses the findings of this study and draws theoretical and managerial implications. It also highlights key contributions of the study. Research limitations and future research opportunities are also discussed. The chapter ends with a conclusion and reflective thoughts on the research journey.

5.2 Discussion

This study examined the direct and interactive effects of both international exposure of a firm and CEO duality on CSR activities in the Chinese corporate sector. Through this, three hypotheses were proposed. The first two hypotheses proposed that international exposure (H1) and CEO duality (H2) leads to a decrease in CSR activities in the home country. The third was a moderation hypotheses (H3) which proposed that the relationship of international exposure of a firm and CSR activities in the home country to be more negative when CEO duality is present as compared to non-duality. Data analysis of 1,920 firm years between 2008 and 2016 of 240 publicly listed Chinese firms, supported all the three hypotheses.

Firstly, the study findings indicate that international exposure of a firm decreases CSR activities in the home country. The negative relationship was hypothesised as when firms enter a new institutional environment, top managers may find it difficult to establish the firms' presence as they are often unfamiliar and unprepared for the challenges of the new institutional environment (Ghoshal & Nohria, 1989). Ghoshal and Nohria (1989), suggests that this is because top managers have been confined to their domestic institutional environment and have different mindsets and understandings of firm operations. This will lead to a large investment in time and effort to overcome these challenges to satisfy the varying demands, expectations and interests of stakeholders to achieve legitimacy in the host country. Thus, resulting in a decreased focus on domestic operations and therefore, decreased engagement in CSR activities in the home country.

Prior literature argues that when firms have international exposure, the pressure for local isomorphism in both the home and host country is rarely observed (Kostova et al., 2008). Jamali (2010), adds to this by suggesting that a reason firms do not face local isomorphic pressures is due to their heterogeneity and internationalisation. This means firms will

experience less isomorphic pressures in the form of coercive, mimetic and normative isomorphism to conform to. Therefore, they have the 'institutional freedom' to choose their level of responsive and alignment to CSR activities in the institutional environment of both the home and host countries (Kostova et al., 2008). This ultimately allows firms to abandon CSR activities in the home country and utilise more of their resources and time to overcome the challenges of establishing themselves in the new institutional environment of the host country and achieve legitimacy.

Secondly, the study findings indicate that CEO duality decreases CSR activities of the firm in the home country. In other words, when the role of CEO and Chairman of the Board are held by the same individual, the firm engages in less CSR activities in the home country. This concurs with the theoretical ideas of the agency theory which does not support a leadership structure with CEO duality. The finding of a negative relationship between CEO duality and CSR activities is also in line with previous literature (Ahmad et al, 2017; Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015; Sundarasan et al., 2016).

A manager who is both the CEO and Chairman of the Board, offers the manager with greater power and authority in decision making for a firm's operations and approaches. This enables the CEO to make decisions that might not consider the greater interests of a broader set of stakeholders (Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015). Consequently, this self-interested behaviour may be reflected in decreased firm engagement in CSR activities, and limited disclosure of these activities. Furthermore, CEO duality also compromises Board independence resulting in the inability of the Board to monitor and evaluate the actions and processes of the CEO.

This means routine monitoring and checks of the CEO that are completed by the Board become less effective, making the CEOs less accountable to all stakeholders (Ahmad et al., 2017). This can lead to increased self-interested and opportunistic behaviour from the CEO whose interests may be focused on increasing their personal wealth by utilising firm resources on short term performance at the expense of long term growth. Muttakin and Subramaniam (2015), add to this by suggesting that the expense of CSR activities may lead to loss of individual wealth and therefore not in the best interests of CEOs. These actions will not cater to the broader set of stakeholders leading to conflicts and agency costs, and thus is has a negative impact on CSR activities in the home country.

Lastly, the findings indicate that CEO duality moderates the relationship between international exposure of a firm and CSR activities in the home country. There is a stronger negative impact on the relationship between international exposure of a firm and CSR activities in the home country when it is accompanied by CEO duality. This implies that when CEO's have more liberty, power and independence along with international exposure of a firm, they are likely to balance that by decreasing socially responsible activities in the home country. This is also in line with the agency theory which suggests that firms with CEO's in dual roles have more liberty, power and independence in the decision-making process of firm operations. Consequently, promoting self-interested behaviour towards personal gain by favouring international operations to increase firm performance which are confirmed by prior literature (Davis et al., 1997; Donaldson & Davis, 1991). The increased firm performance will in turn be a direct reflection of the CEO's actions and thereby increase their personal wealth and reputation. The favouring of international operations will lead to a decreased focus and even abolishment of social activities domestically to enable CEO's to focus all their resources to meeting stakeholder demands and expectations in the host country to help achieve their interests.

For a CEO in a dual position, balancing between the demands, expectations and interests of stakeholders in domestic and international institutional environments is a large challenge. The diverse nature of the two institutional environments will lead to a variety of pressures from stakeholders (Peng & Pleggenkuhle-Miles, 2009). CEO's of firms from emerging markets will struggle to find the resources to reconcile the two groups of stakeholders. Thus, the internationalisation process can lead to a tendency of the CEO to favour one group of stakeholders more than the other. In most cases, the international stakeholders will be their main priority as the CEO is trying to establish the firm in the new institutional environment and achieve legitimacy, while also attempting to increase their personal wealth and reputation. This will divert all their attention and focus to international operations and result in a decrease in domestic operations. Ultimately, decreasing the engagement in CSR activities in the home country.

5.3 Implications and Contributions

This study makes contributions to the existing literature around institutional theory, agency theory and emerging economy multinational enterprises. Drawing from these theories, the

study explores how each international exposure of a firm and CEO duality directly and interactively influence a firm's CSR activities.

5.3.1 Theoretical implications

In the context of international exposure, institutional theory through the related concepts of institutional isomorphism might influence a firm's ability to achieve legitimacy and engage in CSR activities in both home and host countries. Isomorphic pressures exerted in both domestic and international institutional environments are in the form of coercive, mimetic and normative isomorphism pressures (DiMaggio and Powell, 1983). Due to the differing domestic and international institutional environments, firms tend to struggle to conform to these pressures and homogenise within each environment (Peng & Pleggenkuhle-Miles, 2009). The firm is hence challenged between maintaining consistency within the firm to integrate into both these institutional environments successfully. This ultimately leads to prioritisation of either the domestic or international firms, leading to the demise of one.

Alternatively, it has also been proposed that due to heterogeneity and internationalization of firms they do not face local isomorphic pressures in international environments (Jamali, 2010). Therefore, firms don't have to conform to these isomorphic pressures and have the 'institutional freedom' to choose their level of responsiveness and alignment to CSR activities in the institutional environment of the host country (Kostova et al., 2008). This suggests that it would make it quite straightforward to achieve legitimacy and engage in CSR activities. However, this is not the case as they will need to align with the varying pressures of the broader set of stakeholders in the different host countries.

As firms gain international exposure into different institutional environments, the leadership structure becomes highly significant. It is suggested by Tan and Wang (2011), that firms in international institutional environments need to be proactively influencing, rather than passively reacting to, the local environment to obtain legitimacy. This means that firms need to have executives that are going to proactively influence the local environment. Therefore, the executives of the firm need to be completely on board with the interests and motives of the greater stakeholders to ensure that there is no conflict to obtain legitimacy and long-term growth of the firm.

The findings of this study support the agency theory perspective in CEO duality predictions on firms' CSR activities. This theory suggests that CEO duality plays a negative role in a firm's

ability to engage in CSR activities due to various reasons such as absence in separation of decision management and decision control, decreased information asymmetry and decreased monitoring and evaluation of the CEO (Eisenhardt (1989). This theory implies that to overcome the negative impacts of CEO duality on CSR activities, the roles of CEO duality and Chairman of the Board should be separately held by different individuals. This will help to ensure that the CEO can carry his job requirements successfully and the Board can provide effective monitoring, support and advice to the CEO to ensure that the best interest of the broader set of stakeholders are satisfied.

5.3.2 Managerial implications

The findings of this study suggest three managerial implications. Firstly, when firms internationalise, top managers need to be aware of the unfamiliar isomorphic and stakeholder pressures they may face from the new institutional environment in the host country. Top managers should act proactively to conform to these pressures to satisfy the diverse stakeholder interests in order to establish the firm in the new institutional environment, obtain legitimacy and engage in socially responsible activities to improve long-term growth of the firm. Jamali (2010) and Yang and Rivers (2009), contribute to this by suggesting that managers must acknowledge their organisational responsibilities towards different local stakeholders in international institutional environments when trying to obtain legitimacy and establish the firm.

Secondly, top managers in a firm should be aware of the large task at hand if they are contemplating a situation where they were to hold both roles of CEO and Chairman of the Board simultaneously. Although this situation would give an individual increased independence, power and authority in the decision making of firm operations, holding both these difficult roles could be quite challenging for an individual and is not encouraged. This independence is said to increase self-interested and opportunistic behaviour meaning the best interests of the broader set of stakeholders are not disregarded leading to decreased engagement and a decrease in long term growth for short term benefits for the firm and CEO. In addition, if an individual was to hold both roles, the large task at hand along with increasing demands and expectations from stakeholders may lead to certain requirements not being met therefore, resulting in decreased firm performance. The healthier option is to have two separate individuals which will provide a balance of tasks in large and complex firms. Thus, allowing the CEO to complete their day to day job requirements whilst the Chairman of the Board is

able to monitor and guide the CEO. In saying this, non-duality will only be favourable as long as there is alignment of interest between the agent and the principal during the decision-making process of firm operations.

Lastly, the findings suggest that CEO's in dual roles of firms with international exposure need to be aware of the differences between their domestic and international institutional environments. To meet the demands and expectations of both groups of stakeholders can be a difficult and time-consuming challenge. In most cases the power and authority held by the CEO results in a tendency to prioritise their international stakeholders in order to increase firm performance and thereby promote their individual wealth and reputation. However, this is not encouraged because it may lead to a decline in domestic operations as interests of domestic stakeholders may be compromised. It is recommended that CEOs use their available resources in balance to try and reconcile with both groups of stakeholders.

5.3.3 Key contributions

The study makes three key contributions. Firstly, the study draws insights from the institutional theory and the agency theory to examine the impact of international exposure of a firm and CEO duality on CSR outcomes in the home country. The finding of the negative impact of international exposure of a firm on CSR activities in the home country may be due to difficulties in conforming to institutional isomorphic pressures, satisfying international and domestic stakeholder pressures and balancing international and domestic operations, and LOF (Campbell, 2007; Contractor et al., 2007; DiMaggio & Powell, 1983; Ghoshal & Nohria, 1989; Hymer, 1976; Kostova et al., 2008; Peng & Pleggenkuhle, 2009; Reimann et al., 2012). The negative impact of CEO duality on CSR activities in the home country may be due to increased independence, power and authority of the CEO, self-interested and opportunistic behaviour, and decreased control, monitoring and evaluations of from the Board, and information asymmetry (Ahmad et al., 2017; Haniffa & Cooke, 2002; Muttakin & Subramaniam, 2015; Sundarasan et al., 2016).

Secondly, the study enhances the understanding of how CEO duality acts as a boundary condition between international exposure of a firm and CSR relationships. The study findings suggest that the negative impact of international exposure of a firm on CSR activities in the home country are more negative when firms have CEO duality. The rationale behind this can be gathered from the direct effects of international exposure of a firm and CEO duality on CSR

activities on the home country. The study suggests that the greater the international exposure, the more the CEO focuses attention and resources towards international operations which leads to a further decrease in domestic operations and thereby, socially responsible activities become diluted in the home country. Lastly, this study contributes to the emerging economy of multinational enterprises literature by enhancing understanding of the proposed relationships in the context of the Chinese corporate sector.

5.4 Limitations

The results of this study must be considered in relation to its limitations. Although the sample size offered some significance to allow us to better understand CSR activities in the Chinese corporate sector, this study could be regarded as a pilot project, where replication of this study with a larger number of cases would help to collaborate findings and enhance the generalizability of this study. Furthermore, the data constraints present in this study resulted in only established firms being included in the sample.

Future studies could incorporate a greater variation in firm age which includes established and establishing firms as the perception of CSR could be different. The generalizability of this study is also limited by its focus on publicly listed Chinese firms, as CSR strategy and perceptions may differ among nations and cultures from other developing countries and emerging economies. Future research will benefit greatly from international data collection and analysis from developing countries.

Lastly, only two approaches to leadership structure were analysed (CEO duality and non-duality) but previous studies suggest that Board experience and expertise, in general, leads to improved CSR activities (Gul & Leung, 2004). Future research will benefit from exploring the relationship between board characteristics and CSR activities.

5.5 Conclusions and Reflections

5.5.1 Conclusions

This study contributes to existing literature by enhancing understanding of direct and interactive effects of international exposure of a firm and CEO duality on CSR activities in the home country in the context of Chinese corporate sector. Drawing from theoretical and empirical underpinnings, the study proposed that both international exposure of a firm and

CEO duality leads to decreased CSR activities in the home country. Further, the proposed moderation hypothesis argues that the negative effects of international exposure of a firm on CSR activities in the home country are stronger for firms with CEO duality as compared to non-duality. The findings of 240 publicly listed Chinese firms between 2008 and 2016, consisting of 1920 firm-years used in this study support all three proposed hypotheses. Despite some of the limitations of the study, it contributes to the literature by examining a boundary condition (CEO duality) on the association between international exposure of a firm and CSR in an emerging economy context.

5.5.2 Reflections

The original topic of this thesis was always CSR, however there have been several evolutions as to how this concept was going to be studied. Through researching key papers in the field and writing multiple literature reviews, the main variables of this study were able to be derived and established. In regard to the data collection, the process did pose numerous challenges such as availability, data cleaning and translation of variables from Chinese to English. Nevertheless, through reaching out to several sources for assistance, this was overcome. Lastly, the right guidance in setting time frames and deadlines for each milestone to be completed was a huge benefit. This is one of the key learning points from this journey – to always set a realistic timeframe and detailed execution plan for the entire project.

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