Examining multi-level effects on corporate social responsibility and irresponsibility

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Abstract. What influences firms to engage in socially responsible (irresponsible) activities? Corporate social responsibility (CSR), the efforts of firms to create a positive and desirable impact on society, and corporate social irresponsibility (CSI), contrary actions of unethical behavior that negatively influence society, have become an important focus of discussion for both corporations and scholars. Despite this interest, our understanding of organizations’ socially responsible (irresponsible) actions and their antecedents is still developing. A dearth of knowledge about the multi-level nature of the drivers of CSR and CSI continues to exist. Utilizing a longitudinal sample composed of 899 firms in 66 industries, we follow a prominent model to empirically examine industry-, firm-, and individual-level effects on CSR and CSI. Employing variance decomposition analysis, our results confirm that all three levels of investigation do indeed influence CSR and CSI. More substantively, our analysis estimates the magnitude of the effects attributable to each of the three levels for both CSR and CSI. We also compare multi-level influences on two separate CSR strategies, those targeting primary stakeholders (strategic CSR) and those targeting secondary stakeholders (social CSR). We find greater industry- and firm-level effects on social CSR, and higher individual-level effects on strategic CSR. Our results build on the conceptual work of previous authors by providing empirical analyses to confirm multi-level influences on CSR and extending prior multi-level theory to the concept of CSI. Further, we add to the emerging literature regarding stakeholder demands by examining the various influences on CSR strategies targeting different stakeholder groups.

Keywords: corporate social responsibility, corporate social irresponsibility, multi-level, KLD, variance decomposition.

Introduction

Why do firms engage in socially responsible (irresponsible) activities? Despite corporate social responsibility (CSR) becoming a prominent discussion for both corporations and scholars (Murphy and Schlegelmilch, 2013), our understanding of organizations’ socially responsible (irresponsible) actions and their antecedents is still developing (McWilliams et al., 2006). A dearth of knowledge about the multi-level nature of the drivers of CSR continues to exist. According to a recent review of 181 studies on CSR—defined as situations where the firm goes beyond legal compliance and engages in actions that implicate social good beyond the interests of the firm (McWilliams et al., 2006, McWilliams and Siegel, 2001)—only nine considered CSR at more than one level of analysis (Aguinis and Glavas, 2012). Thus, the primary objective of this study is to focus on the multi-level influences on CSR by disentangling industry-, firm-, and individual-level effects, measuring the amount of variance attributable to each level.

As most of the CSR literature focuses on responsible behavior, scholars have voiced concern over the exclusion of organizations’ negative social impacts (Lin-Hi and Müller, 2013). Consequently, scholarly attention to socially irresponsible behavior is on the rise (e.g., Lange and Washburn, 2012, Strike et al., 2006, Murphy and Schlegelmilch, 2013, Popa and Salanță, 2014). In accordance with this trend, we extend prior theoretical views and empirical efforts to gain a greater understanding of the multi-level effects on this type of firm behavior. Negative social impact, or, as we refer to it here, corporate social irresponsibility (CSI), reflects situations in which the firm does not meet a “minimum behavioral standard with respect to the corporation’s relationship with its stakeholders” (Campbell, 2007). CSI includes, but is not limited to, deceiving customers, exploiting employees or suppliers, putting consumers at risk, poisoning the environment, and cheating the government (Campbell, 2007, Vogel, 1992, Murphy and Schlegelmilch, 2013). Previous literature provides evidence that CSR and CSI are distinct (Lange and Washburn, 2012), as firms can demonstrate social responsibility as well as social irresponsibility simultaneously (Godfrey et al., 2009; Zyglidopoulos et al., 2011; Strike et al., 2006). Therefore, we offer a multi-level study of both CSR and CSI to provide clarity to current questions and offer a sound foundation for future research.

According to Aguinis and Glavas (2012), the CSR literature is “highly fragmented” not only because it focuses on one level of analysis at a time, but also because of the variety of disciplinary and conceptual lenses used to describe the motivation to engage in CSR and CSI. For instance, one perspective describes CSR as voluntary corporate action used by firms to improve profitability, to enhance corporate reputation, or merely for a greater social good (McWilliams et al., 2006, Russo and Fouts, 1997, Wright and Ferris, 1997, Friedman, 1970). From this perspective, firms pursue CSR strategies based on their core missions, distinct circumstances and the characteristics or agendas of their unique organizational leaders. Alternatively, some scholars suggest that firms face social pressures to abide by industry norms, standards, or expectations set forth by peers and outside...
constituents when designing and implementing social responsibility strategies (Campbell, 2007). From this view, failure to comply with these standards can negatively affect the legitimacy of the firm and be detrimental to a firm securing resources, attracting customers, and (ultimately) surviving. Rather than subscribing to one particular perspective or the other, a predominant framework advanced by Wood (1991) integrates these views and offers a multi-level conceptual framework. Wood’s work suggests that industry-, firm-, and individual-level principles motivate socially responsible behavior at the firm level. In this study, we consider multiple perspectives of CSR and ask one simple, guiding research question: What drives corporate social responsibility? More specifically, to what extent do industry-, firm-, and individual-level effects influence the socially responsible (irresponsible) activities of firms?

We offer multiple contributions to the CSR knowledge base on this research. Our first contribution to the CSR literature is an empirical analysis of Wood’s (1991) conceptual model, which integrates industry-, firm-, and individual-level influences on socially responsible corporate action. By using a sample of 899 firms from 66 industries over almost two decades to assess the attribution of variance in CSR across multiple levels of analysis, we not only confirm the effects at the industry, firm, and individual levels of analysis, but we also quantify the dimension of the effect each has on CSR over time. Beyond these efforts, we serve the CSR knowledge base by exploring multi-level effects on two different CSR strategies. We do so by drawing upon recent research and parceling socially responsible actions into subcategories based on targeted stakeholders. Consideration of industry-, firm-, and individual-level effects on total CSR and on targeted CSR strategies likely provides an accurate picture of these activities and offers footing for future scholarship based on these nuances.

As a second contribution, we extend Wood’s multi-level framework to include an analysis of socially irresponsible corporate activity. Though not necessarily a new concept—with traces of interest spanning more than three decades (Armstrong, 1977)—CSI research is limited (Lange and Washburn, 2012). Because it is distinct from CSR (and not merely a lack of CSR activity), it should be theorized and measured as such (Godfrey et al., 2009, Zyglidopoulos et al., 2011). A final contribution is the investigation of CSR and CSI over time via the longitudinal nature of our research design. CSR initiatives take place over time, making it important to analyze CSR and CSI activity across a number of periods. As most CSR research is cross-sectional, focused on uni-dimensional aspects of CSR, and conducted on a single level of analysis (Aguinis and Glavas, 2012), this study stands to positively advance the understanding of CSR in multiple ways.

Theoretical background and hypotheses
Corporate social responsibility is defined as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law” (McWilliams and Siegel, 2001). Some scholars have expanded the scope of this topic
by broadly describing CSR as any concept concerning how managers approach public policy or social issues (Windsor, 2006). In this light, examples of CSR include how the firm treats employees, customers, suppliers, governments, and the community at large (Campbell, 2007, Godfrey et al., 2009).

While many have attempted to link CSR to financial performance (e.g., Cochran and Wood, 1984, Godfrey et al., 2009, McGuire et al., 1988), opposing theory and conflicting results indicate that a simple explanation of increased financial gain as the lone motivating factor to engage in CSR is imperfect (Ionescu, 2006). In light of this inconsistency, Wood (1991) advances the notion of motivating principles for CSR at multiple levels of analysis. She suggests that the motivation for a firm’s socially responsible actions may stem from a desire to maintain legitimacy, an organizational sense of public responsibility, and the choices of individual managers (Wood, 1991). Accordingly, Wood’s (1991) model provides a context for multi-level investigation of the industry pressures and discretionary choices available to organizations and their leaders with regard to CSR.

Drawing upon this model and aligning with growing consensus for CSR spanning multiple levels of analysis, we contend that there is not a single motivation to engage in or influence to participate in CSR activities. More explicitly, we assert that firms engage in socially responsible activity in response to industry-level conditions and unique firm-level circumstances, while reflecting the differences between individual executives’ motives and interests. In the next three subsections, we discuss industry-, firm-, and individual-level effects on CSR activity, tendering theoretical support for research hypotheses posed at each level of analysis. We begin with a discussion on the influence of industry effects on CSR.

**Corporate social responsibility (irresponsibility) and industry-level effects**

Wood (1991) explains that “society has certain expectations for appropriate business behavior and outcomes.” As such, it is society that maintains the capacity to grant rewards (punishments) for compliance (noncompliance) to normative, socio-cognitive, and regulatory expectations (Campbell, 2007, Scott, 1995). Therefore, regardless of unique circumstances or characteristics of the firm, many scholars agree that industry “rules” apply equally to all companies (Meyer and Rowan, 1977, Wood, 1991). Hence, it is possible to predict organizational practices from perceptions of “industry tradition” (Eisenhardt, 1988).

Legitimacy serves as an important incentive for industry compliance. Stakeholders are more likely to supply resources to firms that are viewed as legitimate, which contributes to firms’ ability to survive and prosper (Lounsbury and Glynn, 2001). Companies that fail to comply with norms and standards—and are therefore unable to acquire the necessary level of legitimacy—are punished through the withholding of relationally-procured resources (Aguilera et al., 2007). Further, research indicates that without legitimacy among stakeholders, firms are more likely to fail (Singh et al., 1986). Thus, we expect that industry-level pressures drive the
manner in which organizations approach CSR initiatives, such that firms engage in CSR at a level that maintains their legitimacy.

Moreover, the expectations and evaluations of customers, competitors, suppliers, potential strategic partners, professional associations, institutional investors, and even the media, are quite diverse and, therefore, influence firms differently (Campbell, 2007, Basu and Palazzo, 2008). Customers, for instance, can exert influence through their evaluations and purchasing habits (Sen and Bhattacharya, 2001), while interest groups might use public statements (Greening and Gray, 1994). Each of these stakeholders’ actions may be perceived and responded to differently across industries. Additionally, the level of industry pressure is based on its visibility to stakeholders, as greater visibility increases stakeholder pressure to be actively involved in socially responsive projects (Chiu and Sharfman, 2011). Previous research also concludes that regulatory elements, such as legal standards and certifications, vary across industries and affect CSR (Tenbrunsel et al., 2000, Armstrong and Green, 2013). Thus, we anticipate that firms will adopt socially responsible practices consistent with stakeholder preferences and pressures unique to the industries in which they operate. Accordingly, we hypothesize the following:

Hypothesis 1a: Industry effects account for significant variance in CSR.

Industry pressures may also predict varying levels of CSI. Industries provide both pressure and opportunity to engage in or refrain from socially irresponsible activities (Baucus, 1994). Previous scholars suggest that decisions to act irresponsibly are not made in isolation, but rather under the influence of socially constructed standards (Erickson et al., 2000). Therefore, as normative standards digress, organizations have greater opportunity to engage in irresponsible corporate activities without deviating from the norm. Organizations may even feel pressure to adopt such behavior in order to remain competitive. Similarly, loose regulatory elements may lead to organizational misconduct and irresponsibility. In such cases, firms can engage in socially irresponsible activities without risk of punishment (Baucus, 1994). In contrast, stricter regulatory elements may limit socially irresponsibly activities. Taken in sum, it is reasonable to suggest that firms’ social irresponsibility is a reflection of the industries in which they exist. Therefore, we hypothesize the following:

Hypothesis 1b: Industry effects account for significant variance in CSI.

Corporate social responsibility (irresponsibility) and firm-level effects
Though we have argued that industry norms drive CSR activity, we recognize that firm-level effects also contribute to the variance in CSR among firms. The strategic actions of a firm are based on a firm’s specific circumstances, resources, and its relationship to the environment (Aguilera et al., 2007, Wood, 1991). As stakeholder theory suggests, firm-specific stakeholders often exhibit different interests (Jamali, 2008). In this regard, no two firms or their circumstances are alike. Consequently, firms must balance the varying demands of multiple stakeholders and the triple
bottom line of economic, social, and environmental performance (Aguinis and Glavas, 2012). Therefore, responsive posture and implementation of corporate strategies relative to stakeholder demands are likely to vary among organizations (Aguilera et al., 2007, Basu and Palazzo, 2008). However, as noted by various authors, firms’ ability to respond to various stakeholder demands is also driven by their unique set of resources (Barney, 1991, e.g., Wernerfelt, 1984).

Other firm-level characteristics also contribute to differences in response to stakeholder demands and engagement in CSR activities. Organizations that emphasize formal strategic planning (Galbreath, 2010) and those that have missions and values that align with a socially responsible agenda are more apt to act in this manner (Bansal, 2003). Firms that tie in executive compensation with long-term interests through ownership tend to act with greater social responsibility, as do those who draw from broad perspectives by including more outsiders on the board of directors (Johnson and Greening, 1999). In all, firms motivated by a higher order or morals (Aguilera et al., 2007), a sense of responsibility and duty (Bansal and Roth, 2000), or a humanistic culture (Galbreath, 2010) are more likely to engage in CSR. Hence, we predict:

Hypothesis 2a: Firm effects account for significant variance in CSR.

Social irresponsibility may also be attributed to firm-level influences. Socially irresponsible corporate action suggests an intention to act for its self-interest rather than in the best interest of stakeholders (Godfrey et al., 2009). Simpson (2002) suggests that corporate irresponsibility may have “a lot to do with organizational contingencies, priorities, and needs.” As cost-benefit calculators, organizations may allow or even foster socially irresponsible corporate action at the expense of others to modify demands of key stakeholders, compete for scarce resources, or face other pressures presented by the environment (Post et al., 2002). Strain theory, an extension of rational choice theory, suggests that firms with high performance aspirations or those with high public expectations may push boundaries of acceptable corporate action in order to achieve desired status and reduce strain (Mishina et al., 2010). Thus, CSI may result from initiatives intended to gain or maintain a competitive position in the market (Greve et al., 2010).

Organizational culture may also contribute to socially irresponsible corporate actions by endorsing, permitting, or even giving rise to it. When organizational cultures place a high value on achieving extraordinary performance, organizational members may seek out alternative means to accomplish organizational goals (Merton, 1968). Moreover, some organizational cultures may even encourage rule-breaking, risk-taking, and innovativeness, which likely provide opportunity for social irresponsibility (Greve et al., 2010). Taken together, it is reasonable to suggest that differences in firm-level elements—such as stakeholder demands, unique resources, pressure-resulting strain and organizational culture—influence varying degrees of socially irresponsible corporate actions. Thus, we hypothesize the following:

Hypothesis 2b: Firm effects account for significant variance in CSI.
Corporate social responsibility (irresponsibility) and individual-level effects

In accordance with Wood (1991), we view CSR as relevant to a firm’s unique interests and operations, and leave room for the individual motivations or principles of top management. As organizational power brokers influence and are accountable for the strategic decisions and actions for a firm (Child, 1972), we argue that organizational leaders play an active role in directing their firm’s socially responsible initiatives. Through strategic decisions and purposeful action, firms adapt to their environment for survival and prosperity (Child, 1972, Andrews, 1986). Thus, “organizational members have substantial leeway in shaping their fates” (Judge and Zeithaml, 1992) and play a significant role in doing so.

Organizational leaders’ unique demographics, personal experiences, morals, and values, provide explanation for differences in strategic formulation (Hambrick and Mason, 1984), ethical decision making (Trevino and Youngblood, 1990), and CSR (Manner, 2010). Prior findings indicate that breadth of functional background and gender are linked to socially responsible strategies (Manner, 2010). In addition, CEO’s values toward helping others (Agle et al., 1999), emphasis on shareholder value (Sully de Luque et al., 2008), and the implication in the local community (Galaskiewicz, 1997) also positively relate to CSR. As top executives are able to influence organizations to suit their own preferences and reflect unique characteristics (Child, 1997), distinct leaders are likely a key factor in determining if and when firms choose an area of social responsibility in which to involve (Holmes, 1976).

Given the influence leaders have on their organizations’ corporate strategy, it is also important to consider the impact a transition in leadership has on firms’ CSR agenda. Over time, organizations require new leadership to adapt to changing internal and external needs (Zajac et al., 2000). Consequently, according to Kesner and Sebora (1994), “what a firm becomes can be significantly influenced by how and to whom this power and authority is passed.” Thus, changes in leadership may stand to shift firms’ posture towards socially responsible initiatives. New leaders may have alternative values and beliefs (when compared to previous leadership) that lend to the modification of a firm’s CSR activity in subsequent periods. Taken in sum, we hypothesize:

**Hypothesis 3a:** Individual effects account for significant variance in CSR.

Differences across organizational leaders may also conduct to variance in CSI. A multitude of unique demographic, dispositional, and even cognitive processing variables have been linked to irresponsible behaviors (Ashforth et al., 2008, Aquino and Reed, 2002, Reed and Aquino, 2003, Frost and Rafilson, 1989, Trevino and Youngblood, 1990, Weber and Wasielaski, 2001, Kohlberg, 1969). These conclusions suggest that unique leaders approach decisions to act irresponsible differently. As organizational members look to executives for cues regarding how to interpret and react to various organizational issues and pressures (Thomas et al., 1993), leaders’ postures toward CSI and their corresponding actions may influence the perception of...
what is acceptable and unacceptable for members working within the organization (Bandura, 1986, Weaver et al., 2005). When executives behave irresponsibly, they serve as models of irresponsible behavior for other organizational members (Bandura, 1986). Subsequently, executives’ acceptance of irresponsible behavior can become the norm which stands to be shared and carried out by others within the organization (Kostova, 1997).

Even when the CEO does not personally engage in social irresponsibility, he or she can still foster such individual and organizational activity through rewarding, condoning, ignoring, or even covering up (Zahra et al., 2005). Previous scholars posit that while striving for performance or product and technology innovations, leaders may blur the lines between right and wrong (Baucus, 1994, Merton, 1968). Mechanisms such as reward systems put in place and carried out by top-level managers can influence organizational members to act unethically or even to cover up managements’ malfeasance in order to achieve desired states of performance (Ashkanasy et al., 2006). Through means such as behavior modeling and the facilitation of corporate structures and controls, individual “bad apples” stand to spoil the entire “barrel” (Ashforth and Anand, 2003). Taken together, we argue that each unique executive can influence the firm and its members to act irresponsibly. Thus, as new leaders take position, firms’ propensity to engage in CSI will differ as it reflects their leaders’ perception, acceptance, and engagement in irresponsible behavior. Formally, we hypothesize the following:

Hypothesis 3b: Individual effects account for significant variance in CSI.

Corporate social responsibility strategies and targeted stakeholders

Empirical studies support the distinction between two types of CSR that target different stakeholder groups: strategic CSR, which targets primary stakeholders, and social CSR, which targets secondary stakeholders (Mattingly and Berman, 2006, Waldman et al., 2006, Chiu and Sharfman, 2011). This distinction derives from the idea that stakeholders differ and often have unique interests that place pressure on organizations. Additionally, different stakeholder groups possess varying levels of influential power over organizations (Godfrey et al., 2009, Waldman et al., 2006). Primary stakeholders are those who are essential to the business operation, such as customers, investors, and employees (Freeman et al., 2008). Primary stakeholders have a reciprocal and direct exchange relationship with the focal firm, based on a mutual dependence on one another (Van der Laan et al., 2008). Through explicit contracts and/or recurrent interactions, these relationships have direct influence on the organization’s current strategic tactics. Socially responsible corporate strategies that target primary stakeholders produce “exchange capital” among those groups (Godfrey et al., 2009), strengthening relations that are advantageous for both the firm and the stakeholders. These actions include maintaining workforce diversity, fair compensation practices, and investment in high quality products. In line with previous research, we refer to these CSR initiatives as strategic CSR as they are linked to build competitive competence (Chiu and Sharfman, 2011) and clear relationship.
with a firm’s competitive strategy (Van der Laan et al., 2008, Waldman et al., 2006). By exhibiting strategic CSR, firms build and maintain necessary relationships that are imperative to operations.

Secondary stakeholders, such as interest groups or the local community, have a more indirect relationship with the organization as their interactions with the focal firm are often characterized by informal exchanges and subtle influence (Van der Laan et al., 2008). While not crucial for current operations, secondary stakeholders are important to firms because of their influence on primary stakeholders over time (Van der Laan et al., 2008). Corporate actions targeting secondary stakeholders relate to a firm’s “concern for social issues” (Chiu and Sharfman, 2011) and are conducted with the goal of maintaining (or increasing) legitimacy and establishing goodwill. Examples of these actions include charitable events in the local community or an advertising campaign emphasizing a firm’s recycling and clean energy policies. This goodwill-inducing behavior, previously labeled social CSR, serves as “insurance-like” protection for a firm’s intangible assets, such as its reputation (Godfrey, 2005). The goodwill attributable to social CSR can pay positive dividends over time as secondary stakeholder groups persuade primary stakeholders to strengthen relationships with the focal firm, subsequently improving firm financial performance.

Beyond an expectation that the variance in CSR is attributable to multi-level pressures, we also expect that industry-, firm-, and individual-level effects will influence the variance in both strategic and social CSR activities, albeit in different ways. According to Godfrey et al. (2009), strategic CSR activities are likely to be consistent with the profit-maximizing interests of the firm rather than merely for the betterment of society. Strategic CSR activities are ultimately intended to improve short-term profitability through the acquisition, maintenance, and sustainability of beneficial relationships with specific targets in the environment (Pfeffer and Salancik, 1978). Due to the strategic nature of this type of socially responsible corporate activity, failure to match or exceed institutionalized strategic CSR expectations is likely to be detrimental to a firm’s ability to compete for resources in the near term. Therefore, firms will comply with industry norms regarding CSR targeted at primary stakeholders in order to remain competitive and alleviate risk of losing out on necessary resources.

In contrast, socially responsible corporate strategies targeted at secondary stakeholders are more likely to be of an independent nature and suggest an unselfish propensity of the firm and its leaders (Godfrey et al., 2009). While there may be subtle intentions for long-term gain, these socially responsible activities are largely viewed as “others-considering” rather than purely self-interested (Godfrey et al., 2009, Waldman et al., 2006). Social CSR is not vital to short-term firm survival, but rather builds moral capital and signals altruistic qualities of the firm and executives (Godfrey, 2005). Due to the nature of this type of CSR activity and the relatively minimal gain in legitimacy and resulting resources, we expect that decisions to pursue these activities will be largely motivated by firm- and individual-level influences such as unique firm characteristics and executive values and beliefs.
Simply stated, there will be lesser obligation to industry-specific norms regarding the satisfaction of secondary stakeholders if immediate resource acquisition is not dependent on this stakeholder group. Taken together, we posit:

**Hypothesis 4a:** Industry effects will account for more variance of CSR strategies targeted at primary stakeholders than of CSR strategies targeted at secondary stakeholders.

**Hypothesis 4b:** Firm effects will account for more variance of CSR strategies targeted at secondary stakeholders than of CSR strategies targeted at primary stakeholders.

**Hypothesis 4c:** Individual effects will account for more variance of CSR strategies targeted at secondary stakeholders than of CSR strategies targeted at primary stakeholders.

### Research methodology

#### Sample

The Kinder Lydenburg Domini (KLD) Social Ratings Data is a prominent resource for scholarly research involving CSR, having been recognized as the “de facto research standard” for measuring the CSR construct (Waddock, 2003). The KLD dataset captures scores for a firm’s social and environmental performance on an annual basis, having recorded ratings from over 5,000 firms during the period from 1991–2009. The dataset contains 80 indicators across several social dimensions, including community, corporate governance, diversity, employee relations, environmental stewardship, and product quality. For each of the areas, binary ratings identify categories of strength and concern. The KLD has been positively regarded for its robust construct validity around its underlying measures (Mattingly and Berman, 2006) and for not being substantially influenced by a firm’s financial success (Szwajkowski and Figlewicz, 1999).

Using data from the KLD and COMPUSTAT, we tested our hypotheses on a sample of firms nested within industries to capture firm- and industry-level effects, respectively, on CSR activity. Furthermore, we identified and differentiated across CEO tenure within the sampled firms to account for individual-level effects. The KLD dataset contains over 29,000 observations for firms from 1991–2009. For our sample, we identified the primary industry of the firm using the COMPUSTAT segments database. We narrowed the sample by removing firms that had no SIC code identified. In order to remove nonprofits and/or new companies that still need time to build a reputation, firms that totaled no sales across the period were also removed. Consistent with prior multi-level research, we only selected firms that had a minimum of 70 percent of their sales over the specified period coming from a single industry classification. This was done to control for the multiplicity of industry effects in diversified companies (Mauri and Michaels, 1998) and to allow for the appropriate hierarchical categorization of firms (assigning each firm to a single higher level group.
i.e. industry). In addition, we removed any observations for an industry (and therefore the firms nested within) that had less than 5 firms represented in a given year. This helped to alleviate power concerns, so that we could distinguish between firm- and industry-level effects. To complete our final sample, we cross-referenced the resultant list with available executive-specific data derived from the COMPUSTAT executive compensation database to determine the top executive of each firm in a given year (Crossland and Hambrick, 2007, Crossland and Hambrick, 2011). Following Crossland and Hambrick (2007), we recorded the CEO for a particular year as the one who was in office at the end of the year. This allowed us to identify a transition of leadership within a firm and to distinguish individual-level effects on CSR and CSI. In total, our final sample contained 5,257 observations, representing 1,364 CEO tenure-periods across 899 firms in 66 different industries.

**Variables**
For this study, we coded CSR by summing the total number of strengths identified in any of the six KLD social dimensions previously mentioned, namely: community, corporate governance, diversity, employee relations, environmental stewardship, and product quality. CSR was coded with a zero if no strengths were identified. Consistent with past research using the KLD (Godfrey et al., 2009), we captured CSI by summing the total number of concerns scored across the same six dimensions. Similar to CSR, CSI was coded as zero if no concerns were identified by the KLD ratings.

To classify socially responsible corporate strategies that differentiate between primary and secondary stakeholder targets, we were guided by prior research from Mattingly and Berman (2006) and Waldman et al. (2006). Strategic CSR was scored by summing the total number of strengths identified in the governance, employee relations, or product quality social dimensions. Social CSR was coded in a similar manner, as the summation of strengths in the community and diversity issue areas.

**Analysis**
Random coefficients modeling (RCM) represent a statistical methodology that allows for accurate modeling of multi-level longitudinal data. As the nature of longitudinal data suggests that closely recorded observations will be highly correlated, an important contribution of RCM is that it controls for dependence in the data (Bliese and Ployhart, 2002), which many other data analytic techniques fail to do. A primary utilization of RCM is to simultaneously partition variance at multiple levels of analysis (Raudenbush and Bryk, 2002, Singer and Willett, 2003). RCM not only confirms the relations between individual, firm, industry, and temporal effects, but also estimates the size of the relationships (Misangyi et al., 2006, Short et al., 2006). For our four hypotheses, we need to decompose the variance in CSR as it is allocated across four levels. Level 1 data consists of the repeated observations of a firm within a particular CEO’s tenure across time (within-individual variance), while level 2 data is the CEO level (between-individual variance). Level 3 data is the firm level (between-firm variance), and level 4 is the industry level (between-industry variance). RCM can
accurately account for variance among levels and across time, and is therefore suitable for testing these hypotheses. We used the SAS PROC MIXED procedure to conduct the hypotheses testing required for these analyses (Singer, 1998).

Results
Table 1 displays the results of our variance decomposition analyses. Hypothesis 1a posits significant variance in CSR at the industry level of analysis, while Hypotheses 2a and 3a suggests similar significant variance at the firm and individual levels of analysis, respectively. In order to test these hypotheses, we ran an unconditional null model to partition the variance components into their within-individual (i.e., across time), between-individuals (nested within firms), between-firms (nested within industries), and between-industries components. As seen in Table 1, our analysis finds the proportion of total variance in CSR that occurs among individuals (i.e., CEOs) over time is 15.78 percent ($p < 0.001$), between CEOs of a given firm is 28.55 percent ($p < 0.001$), among firms within an industry is 48.78 percent ($p < 0.001$), and among industries is 6.89 percent ($p < 0.01$). As the industry, firm, and individual effects are all significant, we conclude that pressures at multiple levels of analysis do influence the variance in firms’ mean CSR activity. Thus, Hypotheses 1a, 2a, and 3a are each fully supported.

We find similar results for Hypotheses 1b, 2b, and 3b. Hypothesis 1b suggests significant variance in CSI at the industry level. Hypothesis 2b suggests similar variance at the organizational level, and Hypothesis 3b posits similar findings at the individual level. The proportion of total variance in CSI is as follows: within individuals over time is 20.50 percent ($p < 0.001$), between CEOs nested within firms is 25.38 percent ($p < 0.001$), among firms nested within industries is 30.07 percent ($p < 0.001$), and among industries is 24.05 percent ($p < 0.001$). As industry-, firm-, and individual-level effects are all shown to significantly influence social irresponsibility, Hypotheses 1b, 2b, and 3b are also supported. The combined results from testing the first three hypotheses determine that industry, firm, and individual contexts matter in influencing the social responsibility and irresponsibility of firms.

Hypotheses 4a, 4b, and 4c compare industry-, firm-, and individual-level effects on two types of CSR (i.e., strategic CSR and social CSR). As there is no known test of significance to evaluate the relative roles of multi-level effects on distinct dependent variables (Short et al., 2009), we follow previous research by simply comparing the amount of variance explained at each level of analysis (Short et al., 2007) for both strategic CSR and social CSR. In Hypothesis 4a, we argue that industry-level effects would be greater on strategic CSR than social CSR; however, results show that social CSR (7.50%) is more heavily influenced by institutional-level effects than strategic CSR (6.25%). Thus, Hypothesis 4a is not supported. We did find corresponding support for Hypotheses 4b, as the amount of variance at the organizational level of analysis was greater for social CSR than for strategic CSR (52.37% to 43.24%, respectively). Counter to Hypotheses 4c, we find that the amount
of variance at the individual level of analysis is greater for strategic CSR (25.43%) than it is for social CSR (23.85%).

**Discussion**

Our study explores the variance in CSR explained by influences at multiple levels of analysis. The results indicate that there are, in fact, industry-, firm- and individual-level effects on firm’s engagement in both CRS and CSI. The results also indicate the relative magnitude of the industry, firm and individual levels. Furthermore, we disentangle CSR actions targeted at different stakeholder groups, finding that effects from the industry and firm levels of analysis are greater on social CSR targeted at secondary stakeholders than on strategic CSR targeted at primary stakeholders. In contrast, we found that individual-level effects account for more variance of strategic CSR than of social CSR. These results set the stage for further exploration of CSR and CSI by clarifying and extending the current literature in several ways.

**Table 1: Decomposition of Variance, CSR, CSI, Strategic CSR and Social CSR**

<table>
<thead>
<tr>
<th>Source</th>
<th>CSR</th>
<th>Industry-level effect</th>
<th>Firm-level effect</th>
<th>CEO-level effect</th>
<th>Temporal effect</th>
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<td>Industry-level effect</td>
<td>6.89</td>
<td>0.28* 6.89</td>
<td>0.86**</td>
<td>24.05</td>
<td>0.05*</td>
<td>6.25</td>
</tr>
<tr>
<td>Firm-level effect</td>
<td>48.78</td>
<td>1.95**</td>
<td>1.08**</td>
<td>30.07</td>
<td>0.33**</td>
<td>43.24</td>
</tr>
<tr>
<td>CEO-level effect</td>
<td>28.55</td>
<td>1.14**</td>
<td>0.91**</td>
<td>25.38</td>
<td>0.19**</td>
<td>25.43</td>
</tr>
<tr>
<td>Temporal effect</td>
<td>15.78</td>
<td>0.63**</td>
<td>0.74**</td>
<td>20.50</td>
<td>0.19**</td>
<td>25.00</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ own research

Firstly, our results built on the conceptual work of previous authors that provided an empirical demonstration saying the antecedents to CSR are multi-level and estimate the relative impact of the various levels on CSR. To our knowledge, no studies have simultaneously examined multi-level precursors to CSR; thus, our results offer a considerable impetus for scholars to address cross-level direct and interaction effects on CSR. In accordance with a multi-level approach, we encourage scholars of newly constructed models of CSR to include and examine relationships over time. Longitudinal exploration of changes in industry, firm, individual, and even macroeconomic attributes will provide additional understanding of the reasons why firms engage in socially responsible corporate activity. Such examination would offer a much more holistic explanation of why firms engage in CSR.
Secondly, our research explores socially irresponsible actions of organizations within a multi-level framework. While not necessarily illegal, this activity is perceived in a negative light and is often a cause of concern for organizational stakeholders. With few exceptions (cf. Lin-Hi and Müller, 2013), previous scholarship has ignored socially irresponsible corporate action and has offered results regarding only the positively viewed aspects of CSR. Complementing existing literature, our results suggest that—similar to CSR—firms face industry-, firm-, and individual-level influences when choosing to act socially irresponsible. However, each level accounts for different amounts of variance of CSI than they do of CSR. We found it fascinating that there is a greater level of between-industry variance in socially irresponsible activity than there is with socially responsible activity (24% compared to 7%, respectively). While confirming the need to look at socially responsible and socially irresponsible actions independently, the results also lead us to speculate that firms in certain industries see increased opportunity to act socially irresponsible due to deteriorating norms or loose regulation, which may contribute to diminish fear of retribution by stakeholders. Future research might simultaneously investigate which industries have established lower standards and why, and which firms and leaders take advantage of such low standards.

As a third contribution, we extend emerging literature on stakeholder demands by examining the various influences on CSR strategies targeting different stakeholder groups. While CSR is typically examined without accounting for the intended target, our results provide clarity to more recently conceived ideas concerning CSR targeting primary and secondary stakeholder groups. For CSR efforts targeting both primary and secondary stakeholders, we found statistical significance for industry-, firm-, and individual-level influences. While both CSR strategies reflected a large variance due to firm-level effects, consistent with our hypothesis, the firm level had a greater influence on social CSR than strategic CSR.

Our analyses of the industry effects did not support our prediction that industry-level effects would be greater on strategic CSR than social CSR. Instead, we found slightly greater industry-level pressures on social CSR than strategic CSR. This suggests that competitor actions in reaching out to interest groups and the local community play a role in organizational decisions to do likewise. These results indicate that firms may be more farsighted than originally hypothesized. While strategic CSR stands to benefit firms in the short-term (Van der Laan et al., 2008), firms may collectively recognize the need to abide by industry norms and compete for resources in the long-term.

Senior managers’ personal commitment to social causes helps influence their firm’s CSR agenda (Godfrey et al., 2009); thus, we anticipated that individuals would have more discretion at directing firm efforts toward social CSR versus strategic CSR. Contrary to our expectations, strategic CSR displays slightly larger influence from individual effects when compared to social CSR. Implications of this might lead scholars to further investigate CSR-related strategic decision making by individual executives. One very interesting finding is the considerable variability attributable to within-individual variance. Given this finding, it is clear that CSR activity changes over
an individual’s tenure with a firm. Future research might focus on how executives’ CSR strategies are specifically shaped over time.

Finally, our study provides some methodological contributions. The scale and scope of the sample used to test the hypothesized relationships surpasses by far that which is typically examined in CSR research; our longitudinal dataset includes almost 900 firms and spans 18 years. Compared to previous cross-sectional data examining one level of analysis at a time, the sample used here is unique because it allows us to not only achieve a better understanding of industry-, firm-, and individual-level effects on CSR engagement, but also to test these effects during multiple periods. Our work provides evidence that firms do alter their CSR approach across periods. In doing so, we offer support to researchers who assert that stakeholder perspectives of social responsibility change over time (Cochran and Wood, 1984, Mackey et al., 2007, Campbell, 2007). Additionally, this work answers a call in previous research to examine multi-level effects on non-accounting-based organizational outcomes (Hawawini et al., 2003, Short et al., 2007). While studies examining industry versus firm effects have maintained a healthy presence in the strategic management literature, few have offered investigations beyond traditional financial measures and even less included the analysis of individual-level effects. We moved beyond these standard investigations by exploring these effects relative to corporate social responsibility and its many nuances.

Though we advance the literature in various ways, our study is not without limitation. While the KLD proves an appropriate resource for obtaining measures of corporate social action (Manner, 2010), it is also largely biased toward large, mature firms (Van der Laan et al., 2008). Further, in order to control for the multiplicity of industry effects, moderate to highly diversified firms were removed from the sample. Thus, generalization should be done with caution. A similar study done with younger and smaller firms or more diversified organizations might yield different results. Additionally, the KLD analyzes and records social dimensions only on active firms in a variety of indices, so our sample suffers from survivor bias. In this way, we have not provided information on how the failure to comply with institutional CSR norms may negatively impact stakeholder relationships. While we would not anticipate that including failing firms in the sample would change the multi-level antecedents to CSR and CSI, the percentage of variance accounted for may be different. Future research might investigate to what degree failing to maintain levels of CSR activity perceived to be legitimate by appropriate stakeholders influences resource acquisition and, subsequently, firm financial performance and/or its survival ability.

Conclusion

Firms and their leaders do not exist in a vacuum, but rather are embedded in industries that enable and constrain strategic decisions (Aguilera and Jackson, 2003, Aguilera et al., 2007, Armstrong and Green, 2013). Therefore, firms’ approach to stakeholder demands depends not only on the characteristics of the firm and its...
decision-makers, but also on the industries in which firms operate (Fligstein and Feeland, 1995). Through variance decomposition analyses on a large longitudinal sample of organizations, we confirm that organizations’ socially responsible strategic agenda are influenced by industry-, firm-, and individual-level effects. More importantly, we discover the amount of variance attributable to the antecedents at each level for both responsible and irresponsible corporate social actions. The results presented here also provide evidence that breaks down multi-level influences impacting CSR targeting specific stakeholder groups, and offer a call for future research exploring multi-level models of antecedents to this type of activity.

It is of importance for managers, that corporations face ongoing pressures to engage in CSR behaviors from multiple sources and stakeholder groups. This implication complies with and supports observations by Bolton et al. (2011), who suggest that “for the first time in many years, the right of business simply to do business is being widely questioned and corporations are working harder than ever to display that they are responsible corporate citizens.” Our study not only confirms the presence of multiple motivations to engage in CSR (CSI), but also challenges the academic community at large to consider a more robust and comprehensive model of CSR (CSI).

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