



# Configurations of High Corporate Environmental Responsibility with Regard to Business Legitimacy: A Cross-National Approach

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## Abstract

This chapter identifies configurations of CR programs associated with high environmental responsibility. The approach elaborates how institutional fields, particularly regulative and stakeholder pressures, and firms' CR orientations (employee, community, and consumer CR) influence firms to adopt high environmental CR. We present a sample of 573 firms in four European Union (EU) countries: Denmark, Estonia, Finland, and Latvia. The chapter identifies CR program configurations associated with high environmental performance and how this can vary across societal contexts. This chapter contributes to the existing literatures on corporate responsibility and business legitimacy as well as provides insights on environmental strategies adopted by firms.

## Keywords

Ambidexterity · Corporate responsibility · Configurations · Environmental responsibility · Institutional approach legitimacy · Stakeholder pressure

## Introduction

Since the beginning of the twenty-first century, corporate responsibility (CR) has become an issue that is actively promoted, thereby increasing pressures on firms to adopt CR. Two primary theoretical approaches have emerged to understand and explain corporate social and environmental behavior as an externally driven practice. This research stream relies on stakeholder theory which argues that firms' CR strategies are responses to pressures exerted by various stakeholder groups (Buysse and Verbeke 2003; Darnall et al. 2010; Kassinis and Vafeas 2006; Sharma and Henriques 2005). In general, this research has focused on identifying which stakeholders are perceived as salient by managers and how this then affects firm performance. However, these studies have not directly examined the conditions under which firms are likely to act in socially responsible ways in relation to their stakeholders. Such conditions have been elaborated on in studies adopting an institutional theory perspective to understand cross-national contexts that engender corporate responsibility (Campbell 2007). The institutional approach posits that firms' environment drives their commitment toward CR through formal regulative means and through informal means embedded in norms, incentives, and rules advanced by various stakeholder groups. Advocates of the institutional approach then argue that firms adopt CR strategies in order to secure their legitimacy (Campbell 2007; Gjøølberg 2009, 2010; Hartmann and Uhlenbruck 2015; Jackson and Apostolakou 2010; Marano and Kostova 2016; Matten and Moon 2008). However,

the institutional approach accords less weight on how different stakeholders influence and pressure firms to act according to certain norms and expectations.

Fundamentally, both institutional theory and stakeholder theory are about business legitimacy. For example, stakeholder theory links the success of companies with their ability to maintain trusting and mutually respectful relations with various stakeholders, whereas institutional theory emphasizes judgments of legitimacy as a precondition for businesses to operate and obtain resources. Because the notion of business legitimacy can be based on fluid and ambiguous norms across societies (Rendtorff 2019), the chapter argues that various configurations of high environmental CR are likely to differ between societal contexts. What remains less emphasized in the previous literature is how both institutions and stakeholders influence the CR orientations of firms, and what types of institutional/stakeholder configurations are likely to result in high environmental CR. For example, social and environmental CR build on different motivations. Even though these motivations are not necessarily conflicting (Hahn et al. 2016), these motivations and their legitimacy for business activity can vary across societies (Kuznetsov et al. 2009). In addition, the complementary effect of different practices and external pressures on firms' CR programs has rarely been examined (e.g., Ni et al. 2015). Thus, much remains to be learned about the possible configurations of external pressures and firm-level CR program orientations that support high environmental responsibility in firms.

The chapter seeks to contribute to the business legitimacy and CR literatures by combining institutional and stakeholder perspectives (Delmas and Toffel 2004; Lee 2011) with firm-level CR orientations (Hahn et al. 2016). Our study is based on a sample of 573 firms in four European Union (EU) countries: Denmark, Estonia, Finland, and Latvia. The EU has aimed to reduce disparities in environmental and social CR across member countries by imposing common legislative standards for all member states (European Commission 2003, 2004, 2013, 2014; Knopf et al. 2011). Whereas this would suggest minimal differences across EU countries, there remains considerable heterogeneity in the economic and institutional environments of these countries. Denmark and Finland have traditionally been regarded as environmentally and socially proactive developed economies, where CR is a prerequisite of business legitimacy and Scandinavian firms often ranked as corporate responsibility leaders (Campbell 2007; Gjørlberg 2009; Halme et al. 2009; Koos 2012; Strand et al. 2015). In contrast, corporate responsibility has been argued to enjoy lower business legitimacy in post-socialist transitional economies such as Estonia and Latvia (see Alas and Tafel 2008; Khanna and Palepu 2006; Kuznetsov et al. 2009; Longhofer and Schofer 2010; Steurer and Konrad 2009). The chapter presents these ideas using regression analysis and fuzzy-set qualitative comparative analysis (fsQCA; Fiss 2011; Ragin 2008) to yield a more nuanced understanding regarding the CR program configurations for a high environmental CR orientation.

The chapter contributes to recent scholarly literature by identifying the CR program configurations associated with high environmental performance. Specifically, the chapter identifies how stakeholder pressures and other CR practices increase the likelihood of high environmental responsibility and the requirements for business legitimacy in various contexts.

## Conceptualization of Corporate Responsibility Orientations

The conceptualization of CR practices has evolved from a social orientation which encompassed economic, legal, ethical, and philanthropic types of responsibility (Carroll 1991) toward a triple-bottom-line model of economic, environmental, and social corporate responsibilities. As a result, scholars and policy makers generally acknowledge that CR consists of corporate self-regulative activities that contribute to social and environmental welfare beyond solely economic welfare (European Commission 2003; Furrer et al. 2010; Halme et al. 2009; Koos 2012). However, what is regarded as self-regulative/voluntary activity can depend greatly on national frameworks and regulative institutions (Matten and Moon 2008) and whether CR is addressing firms' core activities or are external philanthropic initiatives (Halme and Laurila 2009). These issues have led to calls for a more nuanced theorization of the nature of CR practices and contextual factors.

One main rationale for firms to engage in CR activities is legitimacy. Legitimacy is understood as societal acceptance or the "generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman 1995, p. 574). In order to respond to the needs and interests of stakeholders, firms have increasingly adopted various types of CR practices. In the early days, CR activities were considered to emerge as a reactive response to stakeholder pressures and institutional demands in order to ensure business legitimacy (Wood 1991). Currently, firms are regarded as more proactive actors who are not only actively pursuing multiple strategies for adopting CR, but who are simultaneously shaping the demands of stakeholders and institutions (Banerjee 2003).

Accordingly, research has since focused more on firms' underlying rationale for CR engagement (Aguilera et al. 2007). This approach focuses on how CR orientation can be based on either moral conviction (moral orientation), economic rationalities (instrumental orientation), or social cohesion (relational motives). A moral orientation justifies prosocial behavior as responding to stakeholder demands (Campbell 2007), whereas an instrumental orientation builds on "a business case" that demonstrates the pragmatic legitimacy and financial benefits of social initiatives (Yuan et al. 2011). Lastly, relational motives stem from the desire to promote social cohesion, and government bodies in some countries actively promote partnerships between businesses and societal groups (Aguilera et al. 2007; Campbell 2007).

A recent theoretical extension is provided by Hahn et al. (2016), who proposed a conceptual model that acknowledges the simultaneous existence of motives with the concept of ambidexterity, defined as the "ability to perform differing and often competing, strategic acts at the same time" (Simsek et al. 2009, p. 865). They also modified the model developed by Aguilera et al. (2007) by adding a combined orientation of CR, which explains how certain CR practices adopted by firms do not merely follow instrumental or moral logics but are built on both orientations. The chapter contends that Hahn et al.'s (2016) CR typology is consistent with our argumentation which posits that firms do not engage in CR only because of institutional pressures from coercive rules or shared social norms and beliefs, but also

**Table 1** Orientations of CR

| Orientation              | Logics, drivers, organizational skills, and time frame  | CR orientation   | Principal stakeholder groups |
|--------------------------|---|--|------------------------------|
| Instrumental orientation | Commercial logics, extrinsic drivers, strategic issue orientation and functional integration, short-time orientation  | CR activity that benefits for the firm by fulfilling market expectations particularly with a short-term expectation of a payback<br>Example: Customer CR   | Primary                      |
| Moral orientation        | Moral logics, intrinsic drivers, stakeholder engagement and dialogue, long-term orientation   | CR activity that addresses stakeholders' well-being on a long-term basis.<br>Example: Local community CR   | Societal                     |
| Combined orientation     | Combined commercial and moral logics which result in combination of extrinsic and intrinsic drivers, both long and short-term logics, link firms more tightly to their operational environments and enable links between strategic initiatives and stakeholder expectations | CR activities that mix long and short-term expectations and combine instrumental rationales (cost savings, minimizing organizational risks and hazards) and moral rationales (common good, environmental and social well-being)<br>Moral > instrumental environmental CR<br>Instrumental > moral employee CR | Primary and societal         |

*Note.* Adapted from Hahn et al. (2016)

because of the demands of salient stakeholders for managerial action (see Lee 2011). Accordingly, managers can be obliged to seek a balance between demands from multiple, critical stakeholder groups (stakeholder scrutiny) as well as institutional conditions (environmental (un)certainty).

Table 1 depicts the differences and interrelations of moral, instrumental, and combined CR orientations in terms of focal stakeholder issues. This table addresses these three orientations by focusing on four CR practices: customer CR (instrumental), local community CR (moral), and environmental CR and employee CR (combined orientations). This implies that environmental CR and employee CR have embedded ambidexterity that requires a combination of both moral and instrumental logics, albeit with somewhat different emphases (Hahn et al. 2016). Environmental CR initiatives build on moral initiatives used to compensate or enable instrumental initiatives. Specifically, environmental CR combines a long-term moral orientation (e.g., addressing climate change and well-being of future generations) with shorter-term goals (e.g., reducing energy consumption and compliance with environmental standards). In contrast, employee CR initiatives mix short-term orientations and a business case rationale (e.g., reducing insurance and health-care costs) along with moral orientations (e.g., equity, fairness).

However, various CR orientations or their acknowledged ambidexterity do not yet explain what leads to firms' high CR performance. The chapter therefore turns the focus to a configurational approach.

## **A Configurational Approach to Corporate Environmental Responsibility**

Institutions are generally understood to be “comprised of regulative, normative, cultural and cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott 2008, p. 48). Institutions include both formal rules (laws and regulations) and informal constraints (customs, norms, and cultures) that create different institutional pressures for firms to gain and maintain legitimacy (DiMaggio and Powell 1991). Scott (1995) identified three basic “pillars” that structure organizational behavior: regulative, normative, and cognitive. Through explicit guidance, regulations inform the rules, controls, rewards, and sanctions related to firms' behavior. The normative pillar refers to the less explicit system of standards and values, whereas the cognitive pillar includes cultural elements that govern choices often made without conscious thought. According to Scott (2005), the regulatory and normative dimensions deserve special attention from researchers considering the influence of institutional pressures on firm behavior. Research has since found that regulative pressures on firms are positively related to CR adoption (Marano and Kostova 2016). However, regulative pressure is often not enough (Sharma and Henriques 2005); normative pressures are needed for managers to acknowledge the importance of a CR practice (Park and Ghauri 2015) and to generate a common moral consensus that an issue is societally important and addresses societal well-being in the long run.

Whereas institutional theory examines the external forces that lead to organizational isomorphism (i.e., becoming more similar) and enforcement of organizations' legitimacy (i.e., exhibiting socially desired and approved qualities and actions), stakeholder theory is more concerned about firms' interactions with various entities that have the ability and capacity to influence organizational decisions and practices. In particular, managers attend to the expectations and demands of those stakeholder groups that are viewed to be more salient in terms of being powerful, legitimate, and urgent (Kassinis and Vafeas 2006; Suchman 1995). Stakeholder theory proposes that a business can only exist through the interaction, transactions, and exchanges with its stakeholders (Näsi 1995). The firm is then understood as a web of relations among stakeholders (Rowley 1997), with a business being an organizational entity through which numerous and diverse participants seek to accomplish multiple, and sometimes contradictory, purposes (Donaldson and Preston 1995). As such, a business must deliver stakeholder value. Ultimately, the more dissatisfied stakeholders are with business activities, the more likely they will exert pressures on the firm to respond to their demands (Freeman 1984; Näsi 1995). As such, according to stakeholder theory, stakeholders are the main drivers for firms to adopt CR practices.

Stakeholders are particularly important groups in activating normative pressures toward firms, as normative influences typically come from professional organizations and other focal social actors, which define appropriate behavior and standards for group members (Scott 2005). Accordingly, we see stakeholder and institutional approaches as complementary in the sense that stakeholder pressures can be used as a proxy for normative pressures faced by firms (e.g., Berrone et al. 2012). Pressures on firms to adopt various CR practices largely originate from two different stakeholder groups. *Primary stakeholders* are groups or individuals with direct influence on the organization's economic performance (Buisse and Verbeke 2003; Donaldson and Preston 1995). These include internal actors (e.g., management, employees, and shareholders) and external market actors (e.g., competitors, customers, financial institutions, and suppliers). Primary stakeholders have been found to have a positive impact on CR implementation in general (Helmig et al. 2016; Park and Ghauri 2015) and specifically on environmental CR (Darnall et al. 2010; Sharma and Henriques 2005).

*Societal stakeholders* (e.g., NGOs, mass media, labor unions, and trade associations) represent societal interests and mobilize public sentiment, change public norms, and influence public policy about social and environmental responsibility (Campbell 2006, 2007). Societal stakeholders are not directly involved in the economic transactions of the firm but provide information regarding actual or expected behavior of the firm and whether the firm conforms to expectations of legitimate societal behavior (Sharma and Henriques 2005). The role of societal stakeholders has been argued to be dependent on contextual and temporal issues alongside influence strategies used. For instance, media exposure has been associated with more corporate disclosures of environmental and social activities (Bansal and Clelland 2004; Marquis et al. 2016), but is less influential when media only channels environmental groups' voices instead of being active in opinion formation and agenda setting (Helmig et al. 2016; Sharma and Henriques 2005).

## **Environmental CR Adoption by Firms**

In developing study hypotheses, we combine institutional and stakeholder approaches that highlight the compensatory dynamics in firms' environments that result in high environmental CR adoption by firms.

### **Regulative Pressure**

Governments and regulatory pressure can play an important role in firms' CR adoption decisions by sending a clear signal of their endorsement of environmental practices and by reducing information and search costs associated with the adoption of environmental practices (Delmas and Toffel 2004). However, research on the role of regulatory pressures for environmental CR has yielded particularly mixed findings. Government and regulatory institutions have been found to have a positive relationship (Darnall et al. 2008, 2010; Henriques and Sadowsky 1999) as well as a negative relationship (Hartmann and Uhlenbruck 2015; Kassinis and Vafeas 2006)

with environmental CR adoption. More specifically, previous research suggests that flexible legislation for environmental issues facilitates the strategic choice of innovative approaches to environmental protection (Majumdar and Marcus 2001). However, other research has found that regulatory pressures have a significant positive effect on the level of a firm's environmental innovation (Berrone et al. 2013), and that the government promotion of environmental action has a significant spillover effect in firms' adoption of environmental CR practices (Arimura et al. 2011). Dögl and Behnam's (2015) study further suggests that firms' responses to pressure from regulatory stakeholders to adopt environmental CR are not significantly different between developed and transitional economies.

Marano and Kostova (2015) provide a more nuanced explanation by suggesting that regulatory pressures are more consequential in countries that are recognized as CR leaders, or in homogeneous institutional fields where similar attitudes toward CR engender consistency in CR demands. Further, Gjølborg (2010) found support for the influence of regulatory pressure on the development of CR under conditions of high number of critical stakeholders. Such pressure has particularly increased in countries through governing bodies such as the European Union. For example, the recent EU non-financial reporting directive (2014/95/EU) mandates social and environmental reporting for firms with over 500 employees (European Commission 2016). Hence, CR has increasingly become a requirement of business legitimacy. The chapter therefore argues:

1. Regulatory pressures are positively related to firms' adoption of environmental CR practices across countries.

### **Primary Stakeholder Pressures and Environmental CR Adoption**

Research shows that firms respond to the pressures of primary stakeholder groups on whom they are highly dependent (Kassinis and Vafeas 2006; Marano and Kostova 2016). Primary stakeholder pressure is vital for CR practices which are at the core of businesses' focal activities and address firms' instrumental role in yielding economic benefits. As environmental CR combines both moral and instrumental orientations, there is more complexity. For example, managers, investors, and customers tend to be influential stakeholder groups for firms in both emerging economy contexts (Park and Ghauri 2015) and in developed economies (Helmig et al. 2016; Jackson and Apostolakou 2010). In uncertain environments, firms are more likely to emphasize short-term outcomes because of situational dynamism and acquiring information can be more costly (Hitt et al. 2004; Peng 2003). Yet in the case of environmental CR, a practice can be strongly reinforced by primary stakeholders who seek to reduce uncertainty regarding the firm's behavior. Alternatively, frequent interactions between primary stakeholders and a firm can be an institutionally enforced norm and requirement of legitimacy (Campbell 2007; Hahn et al. 2016). Thus, it is possible to expect primary stakeholder pressures to exert significant influence across national contexts.



**2a:** Perceived primary stakeholder pressures are positively related to firms' adoption of environmental CR practices across countries.

### **Societal Stakeholder Pressures and CR Adoption**

Research on the influence of societal stakeholder pressures on CR practices has yielded conflicting results. (Dögl and Behnam 2015 Helmig et al. 2016; Jackson and Apostolakou 2010; Park and Ghauri, 2015; Toffel et al. 2015). This suggests that the influence of societal stakeholders is often temporally and contextually bound (Bansal and Clelland 2004) and depends on the prevalence of critical stakeholders in a given institutional context (Campbell 2007). We posit that the role of societal stakeholders can be more influential for firms' CR activities that are more strongly embedded in a moral frame, such as environmental CR. This is because moral issues and firm behavior tend to become more publicly acknowledged if and when societal stakeholders deem the firm's performance as unacceptable (Suchman 1995).

We propose that there is a compensatory institutional dynamic with respect to the influence of societal stakeholders in adopting environmental CR practices. The existence of critical societal stakeholders is high in Nordic countries and their role is enforced by regulatory arrangements. It is then likely that their salience and legitimacy are significant to firm managers. However, the higher environmental uncertainty in Baltic transitional countries may result in societal stakeholders exerting more direct influence on firms, thereby increasing their salience to managers. For example, after joining the EU, environmental NGOs have gained a more solid foothold in post-communist countries due to increased funding opportunities and expansion of international networks and research on Baltic environmental activism (Agarin and Grīviņš 2016). Hence, it can be argued:

**2b:** Perceived societal stakeholder pressures are positively related to firms' adoption of environmental CR across countries.

### **CR Practices and Configurations for High Environmental CR**

As previously argued, institutional fields entail compensatory dynamics, which then influence firms' responses to regulative and normative pressures to adopt environmental CR. The important question then is how environmental CR is complementary (or not) with other facets of CR programs, and how this may vary across institutional fields even though firms might perceive stakeholder pressures similarly. Accordingly, a more nuanced view is needed to understand firms' CR orientations. Although a holistic and integrative CR strategy recognizes the interconnections among various stakeholder interests (Ni et al. 2015), there can be variability in strategic configurations.

The chapter argues that similar orientations in CR programs reinforce one another. For example, institutionalized norms and rules enforce one another thereby increasing

the legitimacy of an issue for managers (Agle et al. 1999). Accordingly, CR programs that emphasize a moral orientation (such as local community CR) are more likely to reinforce practices with similar dominant logics, i.e., combined logics with a foremost moral imperative such as environmental CR (see Henriques and Sadorsky 1996). Conversely, CR practices primarily based on instrumental logics (customer CR and employee CR) are less likely to be associated with high environmental CR. This is because a strong commitment to an instrumental orientation tends to marginalize a moral orientation (Hahn et al. 2016). Although Hahn et al. (2016) further argue that compensatory fit between moral and instrumental orientation can be achieved, we suggest that there is a trade-off mechanism in corporate responsibility (Hahn et al. 2010) in terms of which orientations play a core or peripheral role in achieving high environmental CR. Accordingly, the chapter proposes:

3: High environmental CR is positively associated with the adoption of local community CR.

However, another important question is what kinds of configurations reinforce high environmental CR and how these may vary across institutional fields. In institutional fields that are more mature in promoting environmental issues, there are fewer legitimate paths for firms to achieve high environmental CR. More specifically, certain practices become more legitimate over time and this results in greater isomorphism of organizational processes and structures (DiMaggio and Powell 1991). In contrast, organizations in less mature institutional fields with respect to environmental issues are operating in stakeholder environments that are more uncertain and heterogeneous (e.g., Baltic transitional countries; Petersons and King 2009). This is then likely to result in multiple and more diverse paths for high environmental CR because it is not yet clear which stakeholders and CR issues are most important for business legitimacy (Scherer et al. 2013). As a consequence, there may be greater variability in CR programs associated with high environmental CR. Accordingly, the chapter argues:

4: There is more diversity in configurations for high environmental CR in transitional than in mature institutional contexts.

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## Case Example

The study sample consisted of 573 companies located in Denmark ( $n = 201$ ), Estonia ( $n = 103$ ), Finland ( $n = 182$ ), and Latvia ( $n = 87$ ). The sampling frame was a random sample of companies with 50 employees or more collected from equivalent sources: Dun and Bradstreet Million Dollar Database for Denmark (1500 companies), the Estonian Statistical Office database for Estonia (750 companies), the Balance Consulting Kauppalehti Database for Finland (1500 companies), and the Chamber of Commerce for Latvia (1200 companies). Researchers sampled medium-

**Table 2** Country characteristics

|   | Denmark  | Finland  | Estonia   | Latvia    |
|---|----------|----------|-----------|-----------|
| Population (millions) <sup>a</sup>                                  | 5.543    | 5.263    | 1.275     | 2.218     |
| GDP per capita (ppp, US\$) <sup>a</sup>                             | \$43,314 | \$40,251 | \$23,955  | \$19,451  |
| Income inequality (gini) <sup>a</sup>                               | 24.7     | 26.9     | 35.8      | 37.7      |
| Human development index <sup>b</sup>                                | 0.895    | 0.882    | 0.835     | 0.805     |
| Responsible competitiveness index (rank 108 countries) <sup>a</sup> | 81.0 (2) | 78.8 (3) | 65.0 (22) | 60.3 (35) |
| <i>Regulatory institutions</i>                                      |          |          |           |           |
| EU membership   | 1973     | 1995     | 2004      | 2004      |
| <i>Societal governance<sup>b</sup></i>                              |          |          |           |           |
| Voice and accountability  | 1.49     | 1.54     | 1.11      | 0.74      |
| Government effectiveness  | 2.29     | 2.24     | 1.18      | 0.68      |
| Regulatory quality  | 1.93     | 1.84     | 1.44      | 0.95      |
| Control of corruption   | 2.39     | 2.15     | 1.00      | 0.21      |
| <i>Environmental governance<sup>c</sup></i>                         |          |          |           |           |
| Civil liberties <sup>d</sup>  | 1        | 1        | 1         | 2         |
| Political rights <sup>d</sup>                                       | 1        | 1        | 1         | 2         |
| Freedom of the Press <sup>e</sup>                                   | 13       | 10       | 18        | 26        |
| <i>Trust in institutions (% tend to trust)<sup>h</sup></i>          |          |          |           |           |
| Trust EU  | 58%      | 51%      | 65%       | 43%       |
| Trust national government   | 54%      | 57%      | 50%       | 14%       |
| Trust regional or local authorities                                 | 71%      | 67%      | 59%       | 42%       |
| Trust public authorities to protect your rights as a consumer       | 75%      | 77%      | 56%       | 55%       |
| <i>Economic system</i>  |          |          |           |           |
| Economic freedom index <sup>f</sup>                                 | 78.6     | 74.0     | 75.2      | 65.8      |
| Total expenditure social protection per person <sup>a</sup>         | \$12,567 | \$9176   | \$1475    | \$1039    |

Sources: <sup>a</sup>WDI 2011, <http://data.worldbank.org/>; <sup>b</sup><http://hdr.undp.org/>;

<sup>h</sup>Eurobarometer surveys (ave. 2008–11), [http://ec.europa.eu/public\\_opinion/](http://ec.europa.eu/public_opinion/);

<sup>a</sup><http://www.accountability.org/research/responsible-competitiveness/index.html>;

<sup>b</sup><http://info.worldbank.org/governance/wgi>;

<sup>c</sup><http://sedac.ciesin.columbia.edu/data/set/esi-environmental-sustainability-index-2005>;

<sup>d</sup>Freedom House (1 = best to 7 = worst) <https://freedomhouse.org/report/freedom-world>

<sup>e</sup>Freedom of the Press (0 = most free to 100 = least free) <https://freedomhouse.org/report/freedom-press/>

<sup>f</sup><http://www.heritage.org/index/>; <sup>1</sup> <http://www.kpmg.com/>

and large-sized companies which are more likely to have more formalized corporate policies and programs as well as resources (financial and personnel) for various CR activities included in the survey. What makes these four countries an interesting research setting is that there remains considerable heterogeneity in the economic and institutional environments of these countries (see Table 2).

Invitations to participate in the study were sent to the firms' highest executive (Chairman, CEO) listed in the databases. The survey questionnaire packages consisted of a cover letter, self-addressed and prepaid return envelope, and a separate

envelope for respondents to send their business cards in order to receive a summary of the study findings. Survey participants were assured anonymity and confidentiality of their responses and were asked not to provide any self-identifying information on the returned questionnaires. Reminder mailings were sent 2–3 weeks after the first mailing. After accounting for undeliverable surveys, response rates were 14% in Denmark, 11% in Estonia, 18% in Finland, and 7% in Latvia, which are comparable to mail survey response rates for top executive respondents (Cycyota and Harrison 2006).

The survey material was developed in English and standard translation and back translation procedures were used in each country (Brislin 1986). Survey questionnaires were pretested with samples of 20–30 managers and business academic colleagues in each country to confirm the suitability of translations.

## **Dependent Variables**

Corporate responsibility practices were measured with 25 items developed based on a review of related instruments and the CR literature (e.g., Egri and Hornal 2002; Maignan et al. 1999). For environment CR (6 items), customer CR (5 items), local community CR (6 items), and employee CR (8 items), respondents were asked to indicate the extent to which their organization systematically implemented each CR practice (9-point Likert scale, 1 = strongly disagree to 9 = strongly agree).

## **Independent Variables**

This measure of stakeholder pressures related to 11 stakeholder groups from previous stakeholder research (Agle et al. 1999; Darnall et al. 2010). (Surveys for the Latvia sample had 11 stakeholder pressure items, whereas surveys for the Denmark, Finland, and Estonia had 12 items including employees. Subsidiary analyses (factor analyses and regressions) with the 12 items for the three countries did not show substantively different results than analyses with the 11 items.) Respondents rated the pressures of each stakeholder group on their organizations to consider social and environmental issues using a 5-point Likert scale (1 = very high importance to 5 = very low importance, reverse-scored for analyses).

## **Control Variables**

Control variables were organizational characteristics and business performance identified in previous research as related to the implementation of CR practices (e.g., Darnall et al. 2010; Hoogendoorn et al. 2015). Organizational characteristics were: firm size (1 = less than 100 employees, 2 = 100–499 employees, 3 = 500–999 employees, 4 = 1000–4999 employees, 5 = 5000–9999 employees, 6 = 10,000 employees or more); multinational status (1 = operating in two or more countries,

0 = domestic-only operations); ownership status (1 = publicly traded, 0 = private and other); and industry (dummy-coded manufacturing and resource-based variables; services as reference category).

Business performance was measured with a 5-item scale adapted from Samiee and Roth (1992) that asked respondents the extent to which their organization's performance (ROI, growth in market share, sales growth, profit growth, and ROA) had been substantially better than their most relevant competitors over the past 3 years (9-point Likert scale, 1 = strongly disagree to 9 = strongly agree).

To assess the convergent and discriminant validity of the CR practices and perceived stakeholder pressures sets of measures, we conducted confirmatory factor analysis (CFA) for the total sample (using counterweighted country samples) and then conducted multigroup CFAs to assess cross-cultural measurement invariance (Steenkamp and Baumgartner 1998). Assessment of model fits focused on indices (CFI, NNFI, RMSEA) that are not systematically influenced by sample size (Cheung and Rensvold 2002), with acceptable model fits indicated by CFI and NNFI values above 0.90 and RMSEA values below 0.08 (Keith 2006). We followed Cheung and Rensvold's (2002) guidelines for model fit comparisons such that a  $\Delta\text{CFI} < 0.01$  indicates a nonsignificant difference and  $\Delta\text{CFI} > 0.02$  indicates a significant difference.

For the CR practices measures, the initial 4-factor 25-item CFA model showed low factor loadings ( $< 0.40$ ) for one customer CR item and one environmental CR item. The revised 4-factor, 23-item CFA model had a good model fit [ $\chi^2_{(224)} = 930.33$ , CFI = 0.953, NNFI = 0.947, RMSEA = 0.075], whereas the 1-factor model fit was not acceptable (CFI = 0.853). As shown in Table 3, the internal consistency of CR measures is indicated by the item-standardized estimates (0.49–0.77, all  $p < 0.001$ ) and composite reliabilities higher than 0.70 (Raykov's  $\rho = 0.73$  to 0.85).

In respect to cross-cultural measurement invariance, the configural (unconstrained) model had an acceptable fit [ $\chi^2_{(896)} = 1592.25$ , CFI = 0.949, NNFI = 0.941, RMSEA = 0.077]. The metric invariance model with factor loadings constrained was not significantly different ( $\Delta\text{CFI} = -0.004$ ), but the subsequent scalar invariance model was significantly different ( $\Delta\text{CFI} = -0.044$ ), as was the partial scalar invariance model fit with nine unconstrained intercepts ( $\Delta\text{CFI} = -0.013$ ). As this could be attributed to cross-cultural differences in scale response styles, we used Hanges' (2004) within-subject standardization procedure to adjust scores for analyses. The range of scale of composite reliabilities (Raykov's  $\rho$ ) were: Denmark,  $\rho = -0.78$ –0.86; Estonia,  $\rho = 0.60$ –0.80; Finland,  $\rho = 0.67$ –0.85, and Latvia,  $\rho = 0.80$ –0.91. Although two customer CR scale reliabilities were below 0.70, these are consistent with the 0.60 cutoff level reported in previous cross-cultural studies (e.g., Parboteeah et al. 2009).

For perceived stakeholder pressures, researchers first conducted principal components factor analysis, given variability in categorization of stakeholders (Buysse and Verbeke 2003; Darnall et al. 2010). This analysis showed one item (industry/trade associations) cross-loaded on the two emergent factors. Removal of this item resulted in one factor (Eigenvalue = 3.05, 30.5% variance explained) consisting of six primary stakeholders (competitors, corporate management, customers, financial

**Table 3** Measurement scales

| Items for each construct <sup>a</sup>  | Standardized estimate | t-value | $\rho_C$ <sup>b</sup> | AVE <sup>c</sup> | Sq. root AVE |
|--|-----------------------|---------|-----------------------|------------------|--------------|
| <b>CR practices</b> [ $\chi^2_{(224)} = 930.33$ , CFI = 0.953, NNFI = 0.947, RMSEA = 0.075]  |                       |         |                       |                  |              |
| <i>Environmental CR</i>  |                       |         | 0.84                  | 0.52             | 0.72         |
| EV1. Incorporates environmental performance objectives in organizational plans               | 0.71                  |         |                       |                  |              |
| EV2. Conducts environmental life cycle and risk assessments of all organizational activities | 0.72                  | 15.67   |                       |                  |              |
| EV3. Financially supports environmental initiatives  | 0.75                  | 16.66   |                       |                  |              |
| EV4. Measures the organization's environmental performance                                   | 0.76                  | 18.23   |                       |                  |              |
| EV5. Voluntarily exceeds government environmental regulations                                | 0.65                  | 16.78   |                       |                  |              |
| <i>Local community CR</i>  |                       |         | 0.85                  | 0.49             | 0.70         |
| LC1. Communicates with local communities about business decisions that they are affected by  | 0.63                  |         |                       |                  |              |
| LC2. Financially supports community activities (e.g., arts, culture, and sports)             | 0.72                  | 13.50   |                       |                  |              |
| LC3. Financially supports education in the communities where we operate                      | 0.70                  | 14.65   |                       |                  |              |
| LC4. Gives money to charities in the communities where we operate                            | 0.73                  | 14.81   |                       |                  |              |
| LC5. Helps improve the quality of life in the communities where we operate                   | 0.71                  | 13.67   |                       |                  |              |
| LC6. Stimulates the economic development in the communities where we operate                 | 0.71                  | 13.83   |                       |                  |              |
| <i>Customer CR</i>   |                       |         | 0.73                  | 0.40             | 0.63         |
| CU1. Provides all customers with a very high quality service                                 | 0.71                  |         |                       |                  |              |
| CU2. Adapts products or services to enhance the level of customer satisfaction               | 0.62                  | 12.53   |                       |                  |              |
| CU3. Provides all customers with the information needed to make sound purchasing decisions   | 0.64                  | 8.86    |                       |                  |              |
| CU4. Satisfies the complaints of all customers about the company's products or services      | 0.56                  | 10.46   |                       |                  |              |
| <i>Employee CR</i>   |                       |         | 0.83                  | 0.38             | 0.62         |
| EM1. Provides procedures that ensure safe and healthy working conditions for all employees   | 0.63                  |         |                       |                  |              |

(continued)

**Table 3** (continued)

| Items for each construct <sup>a</sup>   | Standardized estimate | t-value | $\rho_C$ <sup>b</sup> | AVE <sup>c</sup> | Sq. root AVE |
|---|-----------------------|---------|-----------------------|------------------|--------------|
| EM2. Financially supports all employees who want to pursue further education  | 0.63                  | 9.12    |                       |                  |              |
| EM3. Provides all employees with compensation (salaries and wages) that properly and fairly reward them for their work                  | 0.64                  | 10.53   |                       |                  |              |
| EM4. Provides for equal opportunity in the hiring, training, and promotion of women   | 0.49                  | 8.24    |                       |                  |              |
| EM5. Provides for the training and development of all employees   | 0.76                  | 10.57   |                       |                  |              |
| EM6. Provides policies and programs that support employees to better coordinate their work and personal lives                           | 0.54                  | 8.29    |                       |                  |              |
| EM7. Treats all employees equitably and respectfully, regardless of ethnic or racial background   | 0.58                  | 9.12    |                       |                  |              |
| EM8. Voluntarily exceeds legally mandated employee benefits (e.g., contributions to health care, disability, education, and retirement) | 0.65                  | 9.27    |                       |                  |              |
| <b>Perceived stakeholder pressures</b><br>[ $\chi^2_{(34)} = 167.00$ , CFI = 0.955, NNFI = 0.941, RMSEA = 0.086]                        |                       |         |                       |                  |              |
| <i>Primary stakeholders</i>   |                       |         | 0.81                  | 0.42             | 0.65         |
| PS1. Competitors  | 0.66                  |         |                       |                  |              |
| PS2. Corporate management   | 0.58                  | 11.73   |                       |                  |              |
| PS3. Customers  | 0.73                  | 15.02   |                       |                  |              |
| PS4. Financial institutions   | 0.67                  | 13.69   |                       |                  |              |
| PS5. Owners/shareholders  | 0.56                  | 10.82   |                       |                  |              |
| PS6. Suppliers  | 0.66                  | 13.08   |                       |                  |              |
| <i>Societal stakeholders</i>  |                       |         | 0.77                  | 0.46             | 0.68         |
| SS1. Government regulators/legislators  | 0.53                  |         |                       |                  |              |
| SS2. Local communities  | 0.66                  | 11.82   |                       |                  |              |
| SS3. Mass media   | 0.73                  | 11.84   |                       |                  |              |
| SS4. Nongovernmental organizations/interest groups  | 0.77                  | 11.87   |                       |                  |              |
| <b>Business performance</b> [ $\chi^2_{(4)} = 29.23$ , CFI = 0.986, NNFI = 0.984, RMSEA = 0.106]  |                       |         |                       |                  |              |
| Return on investment  | 0.83                  |         | 0.87                  | 0.57             | 0.76         |
| Market share growth   | 0.63                  | 15.42   |                       |                  |              |
| Profit growth   | 0.81                  | 21.11   |                       |                  |              |
| Return on assets  | 0.84                  | 21.89   |                       |                  |              |
| Sales growth  | 0.65                  | 15.99   |                       |                  |              |

(continued)

**Table 3** (continued)

| Items for each construct <sup>a</sup>   | Standardized estimate | t-value | $\rho_C$ <sup>b</sup> | AVE <sup>c</sup> | Sq. root AVE |
|---|-----------------------|---------|-----------------------|------------------|--------------|
| <b>Perceived stakeholder pressures</b><br>[ $\chi^2_{(34)} = 167.00$ , CFI = 0.955,<br>NNFI = 0.941, RMSEA = 0.086] |                       |         |                       |                  |              |
| <i>Primary stakeholders</i>   |                       |         | 0.81                  | 0.42             | 0.65         |
| PS1. Competitors  | 0.66                  |         |                       |                  |              |
| PS2. Corporate management   | 0.58                  | 11.73   |                       |                  |              |
| PS3. Customers  | 0.73                  | 15.02   |                       |                  |              |
| PS4. Financial institutions   | 0.67                  | 13.69   |                       |                  |              |
| PS5. Owners/shareholders  | 0.56                  | 10.82   |                       |                  |              |
| PS6. Suppliers  | 0.66                  | 13.08   |                       |                  |              |
| <i>Societal stakeholders</i>  |                       |         | 0.77                  | 0.46             | 0.68         |
| SS1. Government regulators/legislators  | 0.53                  |         |                       |                  |              |
| SS2. Local communities  | 0.66                  | 11.82   |                       |                  |              |
| SS3. Mass media   | 0.73                  | 11.84   |                       |                  |              |
| SS4. Nongovernmental organizations/<br>interest groups  | 0.77                  | 11.87   |                       |                  |              |
| <b>Business performance</b> [ $\chi^2_{(4)} = 29.23$ ,<br>CFI = 0.986, NNFI = 0.984,<br>RMSEA = 0.106]              |                       |         |                       |                  |              |
| Return on investment  | 0.83                  |         | 0.87                  | 0.57             | 0.76         |
| Market share growth   | 0.63                  | 15.42   |                       |                  |              |
| Profit growth   | 0.81                  | 21.11   |                       |                  |              |
| Return on assets  | 0.84                  | 21.89   |                       |                  |              |
| Sales growth  | 0.65                  | 15.99   |                       |                  |              |

“conducts surveys to measure customer satisfaction and complaints”; perceived stakeholder pressures “industry/trade associations”

<sup>a</sup>Items not retained for analyses: Environmental CR “issues a formal report regarding corporate environmental performance”; Customer CR

<sup>b</sup>Composite reliability ( $\rho_C$ ) is Raykov’s rho

<sup>c</sup>AVE is average variance extracted

institutions, owners/shareholders, and suppliers) and a second factor (Eigenvalue = 2.44, 24.4% variance explained) consisting of four societal stakeholders (government regulators/legislators, local communities, mass media, and nongovernmental organizations/interest groups). For the two perceived stakeholder pressures measures, the 2-factor, 10-item CFA model had an acceptable fit [ $\chi^2_{(34)} = 167.00$ , CFI = 0.955, NNFI = 0.941, RMSEA = 0.086], whereas the 1-factor model fit was not acceptable (CFI = 0.844). As shown in Table 3, the item standardized estimates (0.53–0.77, all  $p < 0.001$ ) and composite reliabilities (Raykov’s  $\rho = 0.81$  and 0.77) support the internal consistency of these measures.

Multigroup CFAs testing for cross-national measurement invariance showed an acceptable fit for the configural invariance model [ $\chi^2_{(136)} = 288.27$ , CFI = 0.930,



NNFI = 0.907, RMSEA = 0.092], and the metric invariance model was not significantly different ( $\Delta\text{CFI} = -0.004$ ). There was a significant difference for the scalar invariance model ( $\Delta\text{CFI} = -0.074$ ), but not for the partial scalar invariance model with five unconstrained intercepts ( $\Delta\text{CFI} = -0.010$ ). Hence, raw scores were used in analyses for these two variables. For each country, the composite reliabilities ( $\rho$ ) for the primary and societal stakeholder pressures measures were, respectively, 0.61 and 0.65 Denmark; 0.80 and 0.77 Estonia; 0.79 and 0.78 Finland; and 0.78 and 0.80 Latvia.

For the business performance covariate, the total sample CFA found that the item standardized estimates (0.63–0.84, all  $p < 0.001$ ) and composite reliability (Raykov's  $\rho = 0.87$ ) support the internal consistency of this measure (see Table 3). Multigroup CFAs testing for cross-national measurement invariance showed an acceptable fit for the configural invariance model [ $\chi^2_{(19)} = 46.71$ , CFI = 0.985, NNFI = 0.975, RMSEA = 0.102]. There was a significant difference for the metric invariance model ( $\Delta\text{CFI} = -0.019$ ), but not for the partial metric invariance model with two unconstrained factor loadings ( $\Delta\text{CFI} = -0.008$ ) or for the subsequent partial scalar invariance model with two unconstrained intercepts ( $\Delta\text{CFI} = -0.004$ ). Hence, raw scores were used in analyses for the business performance variable for which the composite reliabilities ( $\rho$ ) were 0.87 Denmark; 0.86 Estonia; 0.86 Finland; and 0.90 Latvia.

## Common Method Variance

A potential issue in self-reported survey data is common method variance (Podsakoff et al. 2012). To address this issue, we took several preventive measures, including providing confidentiality and anonymity to study participants and using different item-response formats (Podsakoff et al. 2012). As per Fornell and Larcker (1981), the discriminant validity of the seven scale measures is indicated by the square roots of the average variance explained (AVE; range of 0.62–0.76) being greater than the shared variance between constructs ( $r = 0.02$ – $r = 0.49$ ).

Researchers also assessed the presence of common method bias using the CFA marker technique (Williams et al. 2010) for the total sample. Our marker variable consisted of two personal subjective well-being items (“my life in general,” “my job in general”; 1 = very dissatisfied to 10 = very satisfied;  $\rho = 0.80$ ) from Diener et al.'s (1985) satisfaction with life scale. Subjective well-being is an indicator of affectivity or transient mood state that are sources of common rater effects (Podsakoff et al. 2012).

The baseline comparison model with the seven factors for scale measures had an acceptable fit [ $\chi^2_{(720)} = 2420.50$ , CFI = 0.933, NNFI = 0.928, RMSEA = 0.063]. Compared to the baseline model, there were nonsignificant differences in model fits for both the method-C model that tests for the presence of equal (noncongeneric) method effects ( $\Delta\text{CFI} = 0.005$ ) and the method-U model that tests for unequal (congeneric) method effects ( $\Delta\text{CFI} = 0.005$ ). The method-R model that tests for the biasing effect of the marker-based method variance on substantive factor correlations

had a similar fit to both the method-C and method-U models (each  $\Delta\text{CFI} = 0.005$ ). Compared to the baseline model, factor correlations in the method-U model were very similar (average  $\Delta r = 0.021$ , range:  $-0.009$  to  $0.064$ ). In sum, these analyses indicate that common method bias is not a significant issue.

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## Analyses

Hierarchical moderated regressions were conducted to test Hypotheses 1 and 2 regarding relationships between perceived stakeholder pressures and environmental CR practices. The first step entered the organizational characteristics control variables, and the second step entered the set of three dummy-coded country variables (Latvia was the reference group). The third step entered the primary and societal perceived stakeholder pressures variables (mean-centered), and the fourth step entered their country interaction variables to test for country differences in these relationships. For the model that included the main and interaction effect variables for both types of stakeholder pressures, the collinearity statistics were maximum VIF = 6.62 (above 4.0 cutoff) and some low tolerances ( $<0.20$ ) which indicate a multicollinearity issue (O'Brien 2007). Therefore, separate analyses were conducted for primary and societal stakeholder pressures with the main effect added in the third step and the country interaction variables added in the fourth step (maximum VIF = 3.88, minimum tolerance = 0.30). To interpret the nature of significant country interactions for these relationships, we plotted country scores at high and low ( $\pm 1$  s.d.) levels of stakeholder pressures.

Fuzzy-set qualitative comparative analysis (fsQCA; Fiss 2011; Ragin 2008) was used to test Hypotheses 3 and 4 regarding configurations of CR practices associated with high environmental CR practices adoption. In these analyses, the outcome variable was environmental CR and the explanatory variables were the other three CR practices (customer, employee, and local community), the two perceived stakeholder pressure variables (primary and societal), and significant covariates in the regression analyses (which were found to be firm size and industry).

The first step in the fsQCA analysis was the calibration of continuous variables which defines meaningful anchor points within the item distribution for cases (Ragin 2008). Variable membership scores can range from 0 (full nonmembership) to 1 (full membership). Researchers used the indirect calibration method (Ragin 2008) for continuous variables to recode cases (firms) into categories of membership (90th percentile), crossover (50<sup>th</sup> percentile), and nonmembership (tenth percentile) (see Fiss 2011; Ragin 2008). For industry category, we used a binary variable (1 = services, 0 = manufacturing/resource-based).

Because of the different country sample sizes, different frequency thresholds were set for cases to be included in a configuration to ensure that a sufficient proportion of cases (75%–80%) were included in analyses (Ragin 2008). The frequency threshold of three observations was used for Denmark and Finland which had larger sample sizes, and the frequency threshold was two observations for Estonia and Latvia which had smaller sample sizes. For consistency scores which assess the proportion

of a causal configuration that is consistent with an outcome, researchers used a minimum threshold value of 0.80 (Meuer 2017; Ragin 2008). The chapter reports the results of the complex solutions (necessary and sufficient conditions) as well as the parsimonious solutions (core conditions). For a set of configurations, the solution consistency score indicates the consistency with the outcome variable, whereas the solution coverage score indicates the proportion of variance explained in the outcome variable.

## Categorizations

Table 4 presents the descriptive statistics for the total sample (means, standard deviations, and correlations), and Table 5 presents the results of the regressions testing H1 and H2.

H1 proposed that perceived primary stakeholder pressures are positively related to firms' adoption of environmental CR practices across countries. As shown in Table 5, primary stakeholders were positively related to environmental CR ( $\beta = 0.19$ ,  $p < 0.001$ ; M3a), but there was a significant country-by-primary stakeholder pressures interaction ( $\Delta R^2 = 0.014$ ,  $p < 0.05$ ; M3b).

Figure 1 illustrates country differences in relationships between primary stakeholder pressures and environmental CR practices. Whereas there are significant positive relationships for firms in Finland ( $p < 0.001$ ) and Latvia ( $p < 0.01$ ), this relationship is not significant for firms in Denmark and Estonia. Hence, H1 was partially supported.

H2 proposed that perceived societal stakeholder pressures are positively related to firms' adoption of environmental CR practices across countries. H2 was fully supported in that societal stakeholder pressures was positively related to environmental CR ( $\beta = 0.23$ ,  $p < 0.001$ ; M4a), and there were no significant country differences in this relationship ( $\Delta R^2 = 0.000$ ,  $p > 0.10$ ; M4b).

Table 6 presents the results of the fsQCA analyses to test H3 and H4 regarding configurations for high environmental CR. The presence of a condition is indicated by a black circle (●), the absence of a condition is indicated by a crossed circle (Ø), and a blank space indicates that a causal condition may be either present or absent (i. e., irrelevant). Core elements of a configuration are denoted with large circles and peripheral elements with small circles.

The fsQCA analyses produced two solutions for Finland, three solutions for Denmark and Estonia, and six solutions for Latvia. Whereas all three solutions for Denmark related to manufacturing/resource-based firms, there were alternative solutions for both manufacturing/resource-based and services firms for the other three countries.

Hypothesis 3 proposed that high environmental CR is associated with the adoption of local community. Consistent with H3, for the total number of configurations (14) across countries, high environmental CR is most often associated with the presence of community CR (79%), with the absence of community CR in only two configurations (D1, L5) and irrelevant in one configuration (F1). In sum, strong

**Table 4** Descriptive statistics: means, standard deviations, and correlations

|                          | Mean | SD   | 1     | 2     | 3     | 4     | 5     | 6     | 7    | 8     | 9     | 10   | 11   | 12    | 13   | 14    |
|--------------------------|------|------|-------|-------|-------|-------|-------|-------|------|-------|-------|------|------|-------|------|-------|
| 1. Environmental CR      | 5.41 | 1.35 |       |       |       |       |       |       |      |       |       |      |      |       |      |       |
| 2. Local community CR    | 5.34 | 1.50 | -0.27 |       |       |       |       |       |      |       |       |      |      |       |      |       |
| 3. Customer CR           | 7.56 | 0.52 | 0.02  | -0.23 |       |       |       |       |      |       |       |      |      |       |      |       |
| 4. Employee CR           | 7.03 | 0.53 | -0.18 | -0.04 | 0.15  |       |       |       |      |       |       |      |      |       |      |       |
| 5. Primary stakeholders  | 3.20 | 0.81 | 0.14  | -0.04 | 0.01  | -0.08 |       |       |      |       |       |      |      |       |      |       |
| 6. Societal stakeholders | 3.02 | 0.80 | 0.23  | 0.08  | -0.11 | -0.15 | 0.49  |       |      |       |       |      |      |       |      |       |
| 7. Denmark               | 0.25 |      | -0.02 | -0.09 | 0.28  | 0.42  | 0.22  | 0.12  |      |       |       |      |      |       |      |       |
| 8. Estonia               | 0.25 |      | -0.00 | -0.11 | 0.09  | -0.16 | 0.09  | -0.08 |      |       |       |      |      |       |      |       |
| 9. Finland               | 0.25 |      | 0.02  | 0.28  | 0.05  | 0.01  | -0.48 | -0.21 |      |       |       |      |      |       |      |       |
| 10. MNC                  | 0.55 | 0.50 | 0.06  | 0.01  | 0.02  | -0.01 | 0.11  | 0.05  | 0.09 | -0.01 | 0.02  |      |      |       |      |       |
| 11. Publicly traded      | 0.33 | 0.47 | 0.02  | 0.08  | 0.15  | 0.24  | 0.12  | 0.06  | 0.58 | -0.21 | -0.12 | 0.21 |      |       |      |       |
| 12. Firm size            | 1.89 | 0.78 | 0.14  | 0.12  | -0.03 | 0.06  | -0.07 | 0.05  | 0.07 | -0.11 | 0.25  | 0.37 | 0.29 |       |      |       |
| 13. Manufacturing        | 0.33 |      | 0.05  | 0.01  | 0.09  | 0.06  | -0.07 | -0.03 | 0.14 | -0.05 | 0.07  | 0.08 | 0.09 | 0.14  |      |       |
| 14. Resource-based       | 0.17 |      | 0.10  | 0.10  | -0.07 | -0.04 | 0.08  | 0.06  | 0.07 | -0.11 | 0.04  | 0.04 | 0.07 | -0.02 |      |       |
| 15. Business performance | 5.95 | 1.66 | -0.02 | 0.03  | 0.06  | 0.03  | 0.16  | 0.11  | 0.12 | -0.08 | -0.05 | 0.18 | 0.09 | 0.05  | 0.01 | -0.02 |

Note. Sample size  $N = 573$  (Denmark  $n = 201$ , Estonia  $n = 103$ , Finland  $n = 182$ , Latvia  $n = 87$ ). Country samples were counterweighted to be equal size. Correlations  $r \geq |0.08|$  significant at  $p < 0.05$  level. Country dummy coded variables with Latvia as reference category; industry sector dummy coded with services as reference category

**Table 5** Moderated regression: environmental CR practices and perceived stakeholder pressures

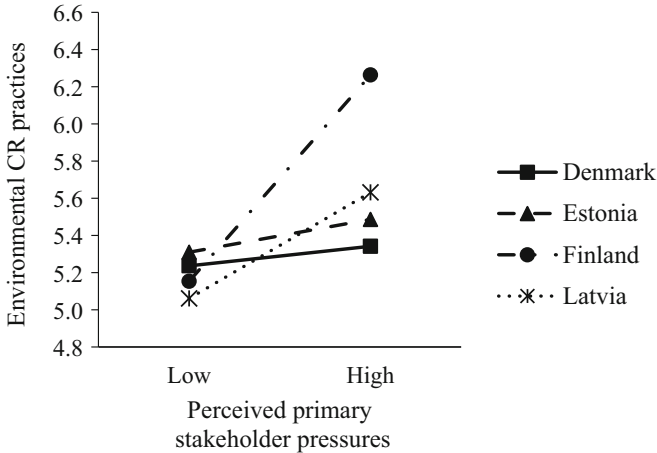
|                       | M1                | M2       | M3a      | M3b               | M4a      | M4b      |
|-----------------------|-------------------|----------|----------|-------------------|----------|----------|
| MNC                   | -0.01             | -0.01    | -0.03    | -0.03             | -0.01    | -0.01    |
| Publicly traded       | -0.05             | -0.03    | -0.03    | -0.03             | -0.02    | -0.02    |
| Firm size             | 0.19***           | 0.20***  | 0.19***  | 0.19***           | 0.17***  | 0.17***  |
| Manufacturing         | 0.08 <sup>†</sup> | 0.09*    | 0.09*    | 0.09*             | 0.09*    | 0.09*    |
| Resource-based        | 0.13**            | 0.14**   | 0.12**   | 0.12**            | 0.12**   | 0.13**   |
| Business performance  | -0.02             | -0.01    | -0.04    | -0.04             | -0.04    | -0.03    |
| Denmark               |                   | -0.06    | -0.06    | -0.02             | -0.05    | -0.04    |
| Estonia               |                   | -0.01    | 0.00     | 0.02              | 0.03     | 0.03     |
| Finland               |                   | -0.06    | 0.03     | 0.12 <sup>†</sup> | 0.01     | 0.01     |
| Primary stakeholders  |                   |          | 0.19***  | 0.21**            |          |          |
| Denmark x primary     |                   |          |          | -0.06             |          |          |
| Estonia x primary     |                   |          |          | -0.07             |          |          |
| Finland x primary     |                   |          |          | 0.11 <sup>†</sup> |          |          |
| Societal stakeholders |                   |          |          |                   | 0.23***  | 0.23*    |
| Denmark x societal    |                   |          |          |                   |          | -0.01    |
| Estonia x societal    |                   |          |          |                   |          | 0.02     |
| Finland x societal    |                   |          |          |                   |          | -0.01    |
| Model R <sup>2</sup>  | 0.048***          | 0.051*** | 0.077*** | 0.091***          | 0.099*** | 0.099*** |
| Δ R <sup>2</sup>      |                   | 0.003    | 0.026*** | 0.014*            | 0.048*** | 0.000    |
| Model comparison      |                   | v. M1    | v. M2    | v. M3a            | v. M2    | v. M4b   |

Note.  $N = 573$ . Standardized beta coefficients shown. Latvia is the country reference group

<sup>†</sup>  $p < 0.10$ , \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$

support was found for H3, which proposed a complementarity between moral-motivated CR practices, i.e., high environmental CR with high community CR.

Hypothesis 4 proposed that configurations for high environmental CR would be more diverse in transitional contexts, i.e., Estonia and Latvia. Consistent with H4, Latvia has a diverse set of six configurations for high environmental CR that represent both the presence and absence of community, customer, and employee CR practices. The three configurations identified for manufacturing/resource-based firms in Latvia (L1, L2, L3) are similar in terms of the presence of community CR and absence of customer CR, but vary with respect to the presence/absence of employee CR. In contrast, the three configurations for services firms in Latvia (L4, L5, L6) are similar in terms of an absence of employee CR, the presence/irrelevance of customer CR, but vary in the absence/presence of community CR. Consistent with H4, there were only two high environmental CR configurations for firms in Finland.



**Fig. 1** Country differences in relationship between perceived primary stakeholder pressures and environmental CR practices

Both configurations had low customer CR as a core condition, with an absence of employee CR for manufacturing/resource firms (F1) and a presence of community CR for services firms (F2). Inconsistent with H4, Denmark and Estonia had three configurations each with two types of CR configurations in common. Whereas both of these configurations had the presence of community and absence of customer CR, one type had the absence of employee CR as a core condition (D2, E1, E2) and the other type had the presence of employee CR (D3, E3). In addition, Denmark had a unique configuration with the absence of community CR and presence of customer CR. In sum, these findings provide mixed support for H4 with more diversity in CR configurations for high environmental CR for firms in Latvia than in Finland, and more similarities for firms in Denmark and Estonia.

The fsQCA solutions also confirm the regression results for the relationships between perceived stakeholder pressures and environmental CR. As shown in Table 6, primary stakeholder pressures were core conditions for high environmental CR in both Finland solutions and in five of the six Latvia solutions. For the Denmark and Estonia solutions, the weaker relationship with high environmental CR is indicated by primary stakeholder pressures conditions being high peripheral (D3, E2), low core (D1, E3), and low peripheral (D2, E1). With respect to the positive relationship between environmental CR and societal stakeholder pressures, the found solutions indicate that societal stakeholder pressures are particularly important for firms in Estonia (core condition for three solutions) and Latvia (core condition for four solutions and peripheral condition for one solution). For both Denmark and Finland, the set of configurations for high environmental CR included both high and low societal stakeholder pressures.

**Table 6** Configurations for high environmental CR

| Configurations              | Denmark      |       |       | Finland      |       |              | Estonia |       |       | Latvia       |       |       |       |       |       |
|-----------------------------|--------------|-------|-------|--------------|-------|--------------|---------|-------|-------|--------------|-------|-------|-------|-------|-------|
|                             | D1           | D2    | D3    | F1           | F2    | F3           | E1      | E2    | E3    | L1           | L2    | L3    | L4    | L5    | L6    |
| Community CR                | ∅            | •     | •     | ∅            | ∅     | ∅            | ∅       | ∅     | ∅     | ∅            | •     | •     | •     | ∅     | •     |
| Customer CR                 | •            | ∅     | ∅     | ∅            | ∅     | ∅            | ∅       | ∅     | ∅     | ∅            | ∅     | ∅     | ∅     | •     | •     |
| Employee CR                 | ∅            | ∅     | •     | ∅            | ∅     | ∅            | ∅       | ∅     | ∅     | •            | ∅     | •     | ∅     | ∅     | ∅     |
| Primary stakeholders        | ∅            | ∅     | •     | •            | •     | •            | ∅       | •     | ∅     | ∅            | •     | •     | ∅     | •     | •     |
| Societal stakeholders       | ∅            | ∅     | •     | •            | ∅     | ∅            | •       | •     | •     | ∅            | •     | •     | •     | •     | •     |
| Size                        | •            | ∅     | •     | •            | •     | •            | •       | •     | ∅     | ∅            | •     | •     | ∅     | ∅     | •     |
| Industry services           | ∅            | ∅     | ∅     | ∅            | ∅     | ∅            | ∅       | ∅     | •     | ∅            | ∅     | ∅     | •     | •     | •     |
| Raw coverage                | 0.150        | 0.131 | 0.154 | 0.224        | 0.090 | 0.106        | 0.106   | 0.123 | 0.107 | 0.068        | 0.094 | 0.072 | 0.147 | 0.132 | 0.084 |
| Unique coverage             | 0.076        | 0.051 | 0.086 | 0.224        | 0.090 | 0.106        | 0.106   | 0.070 | 0.054 | 0.022        | 0.043 | 0.034 | 0.077 | 0.061 | 0.030 |
| Consistency                 | 0.821        | 0.809 | 0.829 | 0.897        | 0.903 | 0.984        | 0.833   | 0.796 | 0.805 | 0.988        | 0.952 | 0.907 | 0.810 | 0.844 |       |
| <i>Solution coverage</i>    | <i>0.315</i> |       |       | <i>0.314</i> |       | <i>0.283</i> |         |       |       | <i>0.394</i> |       |       |       |       |       |
| <i>Solution consistency</i> | <i>0.792</i> |       |       | <i>0.899</i> |       | <i>0.859</i> |         |       |       | <i>0.839</i> |       |       |       |       |       |

Notes: • – core condition present; ∅ – core condition absent; • – peripheral condition present; ∅ – peripheral condition absent. A blank space indicates may be either present or absent

## Discussion and Conclusions

This chapter of corporate responsibility in four EU countries examined the adoption of high environmental performance of firms using an integrative configurational approach (Lee 2011). Specifically, our study contributes to the existing literature on corporate responsibility and business legitimacy (e.g., Buysse and Verbeke 2003; Darnall et al. 2010; Dögl and Behnam 2015; Henriques and Sadorsky 1999; Kassinis and Vafeas 2006) by identifying alternative CR program configurations associated with high environmental CR in different national contexts. First, researchers identified how stakeholder pressures increase the likelihood of firms' high environmental responsibility and how this varies across societal contexts. Across these four countries, perceived societal stakeholder pressures had a significant positive influence on the adoption of environmental CR practices. The influence of primary stakeholder pressures was less consistent with these being a significant positive influence for firms in Finland and Latvia, but not significant for firms in Denmark and Estonia. Further insights about the role of stakeholder pressures in advancing environment CR were provided in our analyses identifying configurations for high environmental CR. In Finland, primary stakeholders are a core condition for high environmental CR. In Latvia, researchers found that, overall, both primary and societal stakeholder pressures are core conditions for high environmental CR. Interestingly, we found more variability in the role of primary and societal stakeholder pressures being associated with high environmental CR for firms in Denmark and Estonia.

In sum, such configuration analyses indicate that firms in Finland have the most homogenous paths to high environmental CR adoption. This finding suggests that CR strategies in highly developed institutional environments are relatively similar and that there are more limited options for business legitimacy. Conversely, the most heterogeneous paths were found for firms in Latvia. This finding lends partial support to Hahn et al. (2016) in terms of how stakeholder uncertainty in transitional environments may result in heterogeneous CR strategies. However, Estonian firms had more homogeneous paths compared to Denmark. As such, our study shows that there is not one pathway to high environmental CR that fits all, but that variations in business environments require firms to both balance and combine instrumental and moral motivations for high environmental performance (Hahn et al. 2016).

Second, the chapter contributes to the literature on ambidexterity and CR (Hahn et al. 2016) by showing that pursuing instrumental and moral-motivated CR initiatives is dependent on societal context. Notably, our configuration analyses did not reveal a balanced CR program where all types of CR practices were highly emphasized. Instead, we found that the adoption of high environmental CR is most often supported by local community CR (11 of the 14 configurations across countries; only 2 configurations had low community CR). This finding is different from Ni et al. (2015) who found that local community CR and environmental CR were not complementary for firms in China. Although our study found strong evidence for morally motivated CR, researchers also found variations in motivational emphases of CR programs across countries. A strong moral motivation is evident in CR program profiles for which high environmental CR is associated with high local



community CR, but low (or nonsignificant) customer CR and employee CR. This CR program profile was most prevalent across countries (one each for Denmark and Finland, two each for Estonia and Latvia). Researchers also found evidence of combined moral/instrumental CR program orientations. One such profile consists of high environmental, community, and employee CR along with low customer CR (one each for Denmark and Estonia and two in Latvia), while another profile consists of high environmental, community, and customer CR along with low employee CR (one for Latvia). These combined profiles are most indicative of a trade-off mechanism between moral and instrumental motivations in firms' strategies for high environmental responsibility. Although limited to only two configurations (one each for Denmark and Latvia), we also found evidence of instrumental orientated CR programs, wherein high environmental CR is associated with high customer CR, but low local community CR and low/nonsignificant employee CR.

The chapter also has managerial implications. Regulatory context may also impose limitations on the development of CR programs that are considered as legitimate. In contexts with stronger CR-related formal institutions, managers' situational sensitivity for CR may be lower such that managers are less responsive to CR-related issues not directly linked to existing formal institutions. That is, strong regulatory contexts may lack incentives for the adoption of new CR practices unrelated to existing and well-established regulatory institutions. For example, the homogenous paths particularly in the Finnish context can be an indication of this. Thus, the "implicit" approach to CR favored by Nordic firms may possibly be too "passive" for a global business environment where there is a multiplicity of strategic and operational requirements (Midttun et al. 2015; Vidaver-Cohen and Brønn 2015).

Conversely, there may be fewer constraints on CR strategies in less developed regulatory contexts where firms are more likely to address a wide range of CR issues but not necessarily in depth. One implication is that this approach can complicate the development of CR practices that are foundational for long-term stakeholder relationships.

The chapter provides directions for future research directions. Previous research suggests that explicit CR is likely to develop especially among large companies with extensive portfolios of foreign investors (Höllerer 2013). However, the findings do not indicate that MNCs and publicly traded firms are more or less responsible than privately held firms or those with domestic-only operations. Rather, we see the need for further CR research that focuses specifically on the role of firm size (Darnall et al. 2010; Koos 2012). Höllerer (2013) noted that explicit CR is most likely to be adopted by younger, larger, and highly profitable companies with dispersed ownership and capital-intensive product technologies. As large firms are more likely to be global actors, we would expect that more research on the CR practices of SMEs would advance the explanatory power of a configurational approach. For instance, smaller firms are more likely to be locally embedded and managed by owner-managers which affect their stakeholder salience processes (Siltaoja and Lähdesmäki 2015). Even so, it should be noted our study was based on cross-sectional data, so caution is needed regarding conclusions about causal relationships. As leading firms are more likely to participate in questionnaire surveys, sample representativeness of

firm populations may be a concern, although such a bias would be consistent across the four countries.

In sum, the chapter found that CR should not be regarded as a unitary approach across contexts and multiple pressures are needed for firms to adopt a holistic CR strategy. Cross-national studies with a larger sample of countries are clearly needed to investigate how the drivers of environmental and social CR differ across and within business environments and how this corresponds to conceptions of business legitimacy.

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