Journal of Management & Organization, 21:4 (2015), pp. 388–410

doi:10.1017/jmo.2015.14

The effects of external stakeholder pressure and ethical leadership on corporate social responsibility in China

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Abstract

We examined how external stakeholder pressure and ethical leadership independently and interactively influence the implementation of corporate social responsibility. Based on data collected from 292 employees from 53 companies (Study 1) and from 224 middle-level managers from 40 companies (Study 2) in mainland China, we found that both ethical leadership and external stakeholder pressure have significant and positive impacts on corporate social responsibility implementation and the positive effect of external stakeholder pressure on corporate social responsibility weakens under a higher level of ethical leadership and strengthens under a low level of ethical leadership. The theoretical and practical implications of these findings are discussed.

Keywords: country or area studies, China, corporate social responsibility, leadership theory, institutional theories

Received 19 October 2013. Accepted 2 March 2015

INTRODUCTION

Corporate social responsibility (CSR) is defined as a company's considerations and actions that extend beyond economic and legal requirements to the accomplishment of social benefits (Davis, 1973). According to the interpretation given by the European Union, CSR is 'the responsibility of enterprises for their impacts on society' and the core strategy of such an enterprise should be 'in close collaboration with their stakeholders' (Commission of the European Communities (CEC), 2011). CSR is also 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (CEC, 2006). These interpretations indicate that socially responsible organizations act to conform to CSR paradigms, going beyond legal prescriptions (Davis, 1973). In addition, CSR has attracted worldwide attention in developed countries as an effective tool for legitimizing a corporation's image in the eyes of various stakeholders (Li, Fetscherin, Alon, Lattemann, & Yeh, 2010).

Although CSR has become an accepted doctrine in much of the West, in other regions of the globe these ideas have a significantly more fragile foothold. This is particularly true in emerging markets that are rapidly rising to prominence in the world (Li et al., 2010). CSR is acquiring a new resonance in companies that reside in emerging markets (Prout, 2006; Gugler & Shi, 2009). Although a few studies

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have emphasized the specifics of the emerging economy context in comparison with Western countries (e.g., Kraisornsuthasinee & Swierczek, 2006; Logsdon, Thomas, & van Buren, 2006), the integrated notion of CSR in China has hardly been studied to date (Lam, 2002; Kolk, Hong, & van Dolen, 2008; Ip, 2009). Furthermore, differences in the institutional environments of different countries may influence the ways in which CSR is perceived and implemented in light of the different roles assumed by corporations, civil society, and nongovernmental organizations in those regions (Doh & Guay, 2006). Prior research has suggested that companies engage in CSR activities should address the pressure that they receive from stakeholders (Henriques & Sadorsky, 1996; Brammer & Millington, 2004; King, 2008; Baron, 2009). For example, organizations tend to make charitable contributions, adopt environmental strategies, and respond to customers, suppliers, and other stakeholders when they experience stakeholder pressure (Henriques & Sadorsky, 1996; Brammer & Millington, 2004; Campbel, 2007). Under the extreme form of external stakeholder pressure, corporate targets are more likely to concede to boycotts that generate significant levels of media attention (King, 2008). Stakeholder pressure on CSR seems to be increasing in China. Since its open door policy from the 1970s, China has experienced rapid economic growth but at all costs, including environment pollution and social instability (Marquis & Qian, 2014; See 2009). Both the central government of China and the public have a growing concern over these environmental and social issues, which may force companies to seriously consider CSR. Therefore, one objective of our research is to examine the influence of external stakeholder pressure on CSR in China.

In addition to the stakeholder perspective, recent studies have shifted the focus to the role of leaders in initiating CSR activities. As revealed in the study of Waldman, Siegel, and Javidan (2006), leaders exposed to a high intellectual stimulation are very likely to place their efforts into CSR decision making, because leaders, in particular, top leaders, are crucial people who are in positions to determine how much their companies can be involved in CSR activities (Waldman, Siegel, & Javidan, 2006). High intellectual stimulation enables leaders to 'use conceptual capacity to think broadly about the environmental context and the manner in which a wide variety of organizational stakeholders may be served' (Waldman, Siegel, & Javidan, 2006: 1709). Organizations are expected to assume responsibility and to increase their efforts in demonstrating ethical governance and promoting ethical leadership throughout the organizational hierarchy (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). Other aspects of CSR also include the fair treatment of stakeholders by companies, for example, how the firms treat their employees with respect to wages, benefits, and levels of workplace safety; how firms treat the government with respect to operating within the law; and how firms treat the community with respect to making charitable contributions, etc. (Campbell, 2007). Therefore, the existing studies seem to suggest that the initiative of organizational leaders may play an important role in the pursuit of CSR goals (McWilliams & Siegel, 2001; McWilliams, Siegal, & Wright, 2006; Waldman, Siegel, & Javidan, 2006).

As CSR is an issue of moral responsibility, and any moral responsibility is inherently linked with the notion of ethics (De George, 2008), organizational leaders may take the initiative in pursuing CSR and ethical leaders are particularly sensitive to CSR because they place much emphasis on ethics and may regard CSR is the right thing to do. Unfortunately, the body of social scientific research on ethical leadership is still rather small (see Den Hartog & De Hoogh, 2009; Toor & Ofori, 2009; Eisenbeiss, 2012). Ethical leadership is defined as 'the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making' (Brown, Treviño, & Harrison, 2005: 120). Ethical leaders also set clear standards and use rewards and fair and balanced punishment to hold followers accountable for their ethical conduct (see also Treviño, Brown, & Hartman, 2003). Most previous studies of ethical leadership have focused on an empirical-descriptive Western-based perspective (Eisenbeiss, 2012). Descriptive contents of ethical leadership are universal across cultures

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but norms are context dependent (Brown, Treviño, & Harrison, 2005). The values attached to a particular norm of leaders may vary with specific circumstances (Brown & Treviño, 2006). In China's current situation (i.e., leadership corruption scandals, bribery, and nepotism that are nationwide), it is generally recognized that ethical leaders should not pursue self-interests, but rather show self-discipline and integrity in the workplace (Cheng, Chou, & Farh, 2000). This normative aspect of ethical leadership may be particularly relevant to the understanding about the relationship between ethical leadership and CSR. Therefore, a second objective of our research is to investigate whether ethical leadership affects a company's CSR activities in China.

We also push our research forward to examine the interactive effects of ethical leadership and external stakeholder pressure on CSR. Another goal of this paper is to examine whether the factors influencing CSR initiatives are the same among small, medium-sized, and large firms in China. Prior studies revealed CSR practices in large corporations may not be the same as those in small- and medium-sized enterprises (SMEs) (Thompson & Smith, 1991; Spence & Rutherfoord, 2003). As our research context is China, where companies have a political dependence on government and accordingly tend to conform to government signaling through their performance of CSR (Marquis & Qian, 2014), we speculate that there are no differences in implementation of CSR between small- and large-sized firms in China.

Through fulfilling the above objectives, our research may contribute to the literature in several ways. First, most of the previous studies on external stakeholder pressure have focused only on partial activities in CSR in such things as environmental issues or the financial performance of businesses (Cuesta González & Valor Martinez, 2004; Kassinis & Vafeas, 2006; Murillo-Luna, Garcés-Ayerbe, & Rivera-Torres, 2008; Darnall, Henriques, & Sadorsky, 2010). Our study has instead looked at the implementation of all CSR activities expressing managerial perspectives on how to put a certain CSR strategy into practice in regard to stakeholder pressure on organizations (Helmig, Spraul, & Ingenhoff, 2013). Ours is one of the few studies to test the influence of stakeholder pressure from the point-of-view of institutional isomorphism to see how external pressures can succeed in forwarding CSR initiatives among organizations that are still in the initial stage of CSR, such as many businesses in emerging economies. However, in emerging economies, suitable mechanisms do not exist to ensure that companies practice CSR beyond a charitable outlook (Chambers, Chapple, Moon, & Sullivan, 2003). Focusing on CSR in China, which is an example of an emerging market, our study will try to fill this research void. Second, by studying the role of ethical leadership, we answer the need for the review of a broader array of leadership effects on a company's CSR activities (Waldman, Siegel, & Javidan, 2006). Addressing such a call also helps to enrich the understanding of how ethical leadership helps to initiate company responsibility (Eisenbeiss, 2012). Finally, by linking stakeholder pressure to ethical leadership, our research contributes to the existing literature by providing a better understanding of the forces driving CSR from both the external (stakeholders) and internal (ethical leadership) perspectives. Such integration has been conceptually proposed but not yet empirically tested (Aguilera, Rupp, Williams, & Ganapathi, 2007).

THEORETICAL BACKGROUND AND HYPOTHESES

Antecedents of CSR, CSR in emerging markets, and CSR in China

There has been ongoing research interests into why companies engage in CSR. According to Aguinis and Glavas' (2012) comprehensive literature review, previous studies have examined the antecedents of CSR from an institutional level (e.g., stakeholder pressures, regulations, and standards), an organizational level (e.g., organizational motives, codes of ethics, missions, and values statements), and from the individual level (e.g., supervisor commitment and employee psychological needs). Although institutional and

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organizational levels are widely studied, the individual level has received little attention (Aguinis & Glavas, 2012). Another approach holds that companies are driven both externally and internally to engage in CSR (Muller & Kolk, 2010). Externally, companies consider external pressures from stakeholders or regulation in deciding whether to carry out CSR or not (e.g., King, 2008; Baron, 2009). Internally, companies are willing to engage in CSR because such engagement is a moral goal to achieve or the right thing to do (Quinn & Jones, 1995; Carroll, 2000). Although increasing studies have focused on these two aspects, research in this area is still lacking for emerging markets (Muller & Kolk, 2010). China is an appropriate context for researchers to examine what factors account for companies' CSR activities in emerging markets. As noted in prior studies, a great number of companies in China have become involved in CSR to conform to environmental standards (Christmann & Taylor, 2001), international certifiable standards (Christmann & Taylor, 2006), and government signaling (Marquis & Qian, 2014). All these studies indicate that external factors are crucial drivers for companies' CSR activities. However, the internal drivers of CSR in China have been ignored in similar studies.

External stakeholder pressure and CSR implementation

As posited by stakeholder theory, stakeholders are individuals or groups that affect firm performance, as well as the processes that help a company to achieve its purpose; in addition, stakeholder individuals and groups may be affected by firm activities (Freeman, 1984). Based on the ways in which different stakeholders affect organizations, stakeholders can be characterized as internal and external (Maignan, Ferrell, & Ferrell, 2005). Internal stakeholders include functional departments, employees, and interested internal parties. They are essential to a company's survival and have key effects on company performance, consumer purchase intention, and employee satisfaction (Carter & Jennings, 2002; Brammer & Millington, 2004; Mohr & Webb, 2005). External stakeholders include competitors, the media, regulators, and the community as well as business partners, government organizations, and suppliers (Miller & Lewis, 1991). From a motivational perspective, internal stakeholders primarily contribute to organizational effectiveness via production decisions, whereas external stakeholders contribute to organizational effectiveness via participation decisions, which involve supplying the organization with resources and an evaluation of the organization's legitimacy (Fanelli & Misangyi, 2006). For example, customers can decide whether or not to remain loyal to a firm's products, and the media will decide whether to notify the public of firm fraud. From a contextual perspective, external stakeholders interact with the firm managers within a network structure of nonhierarchical relations. CEOs enjoy no authority over external stakeholders. As firms are embedded in a broad set of political and economic institutions that affect their behavior, firms face pressure from both internal and external stakeholders. Of particular relevance are nongovernmental organizations, activists, governments, communities, and the media, which can have the power to transmit both positive and negative corporate images outside the corporation (e.g., Fligstein, 1990, 2001; Roe, 1994). Such groups are mainly external stakeholders and are very important to companies because their actions may damage or assist a company by encouraging or forcing changes to existing practices. External stakeholders also provide pragmatic legitimacy or judgments that 'usually reflect beliefs about whether the activity effectively promotes societal welfare, as defined by the audience's socially constructed value system' (Suchman, 1995: 579). As opposed to internal stakeholders, external stakeholders do not have control of critical organizational resources (Sharma & Henriques, 2005). However, they usually have the capacity to mobilize public opinion in favor of, or in opposition to, the organization's social activities such as environmental practices (Freeman, 1984). For example, studies have shown that regulatory bodies and the government have strong impacts on businesses' environmental issues with their coercive pressures (Zhu & Sarkis, 2007). Businesses tend to yield to regulatory stakeholders to avoid potential lawsuits, damaging the firm's public image, and customer relations (Sarkis, Gonzalez-Torre, & Adenso-Diaz, 2010).

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Institutional theory implies that social norms and institutional expectations create the pressure for organizations to conform or to respond in a manner that is acceptable to important societal constituents (DiMaggio & Powell, 1983; Scott, 1995). From the view of institutional theory, not all decisions made by companies are intended, and not all social performance is the result of corporate governance (Dowling & Pfeffer, 1975; DiMaggio & Powell, 1983; Scott, 1995). External norms and values provide a sense of social legitimacy for organizations. Through this social construction process, external forces influence companies' strategies and management practices, which can motivate companies to become alike with other corporations (Dowling & Pfeffer, 1975; DiMaggio & Powell, 1983; Scott, 1995). Organizations' policy choices can be imposed coercively through sanction or threat from government, activists, or communities on environmental issues (Meyer & Rowan, 1977; Delmas, 2002). According to the study by DiMaggio and Powell (1983), through values and norms, industry associations and professional institutions exert a significant influence on organizations' standard behavior and image. Companies then adopt strategies through a modeling process that are based on the practices of other organizations, which are perceived to be successful.

The social performance of companies has come under increasing isomorphic institutional influence from external stakeholders (Wood, 1991; Kapstein, 2001). Matten and Moon (2008) argued that the 'neo-institutional' drivers in the organizational field are increasingly shifting companies, on a global scale, to an explicit CSR, which focuses on responsibility for some societal interests articulated by corporate policies. Research shows that organizations that are facing significant external stakeholder pressure are expected to make higher levels of charitable donations to show their commitment to social responsibility (Adams & Hardwick, 1998). Community pressure encourages companies to adopt proactive environmental strategies, whereas corporate reactive strategies are more related to pressure from regulatory agencies and the media (Henriques & Sadorsky, 1996; Florida & Davison, 2001).

Like other stakeholders, external stakeholders constitute a special interest group that maintains a central position in the production of moral legitimacy because they are directly embedded in society through memberships, and through donations, and other forms of support. The media, for example, engage in political activities on behalf of the community (Grossman & Helpman, 2001). Social movement organizations could eventually exert tangible influence on firms (Frooman, 1999). External stakeholders also target their activities on companies that affect company interests (Hart & Sharma, 2004). To guard against the ill consequences of external stakeholder negativity, companies must respond to stakeholders' proposals and manage the pressure that they exert. If companies are responsive to stakeholder criticism, then they have an incentive to engage in responsible activities. CSR can be viewed as the integration of social environmental concerns into business operations and in terms of interactions with stakeholders (Enquist, Johnson, & Skålén, 2006). When organizations are subject to external stakeholder pressure to behave in a socially responsible manner, then they must devise and implement effective stakeholder management strategies (Jones, 1995). Companies that are subject to outside stakeholder pressure are thus more likely to orient their management toward CSR.

The engagement of CSR based on stakeholder pressure is particularly the case in China, a country where the fast development of economy has led to the appearance of many serious environmental and social problems (Marquis & Qian, 2014; see 2009). To tackle these issues, the central government of China has announced a series of development plans for National and Economic Development and implemented laws and regulations on renewable energy (Marquis, Zhang, & Zhou, 2011). These plans, laws, and regulations are aimed at the development of a society in harmony and at sustainability, and at the same time convey important signals for companies to engage in and report CSR (Marquis & Qian, 2014). The two stock exchanges in China (i.e., Shanghai and Shenzhen) have also, since 2008, begun to require that listed companies publish their annual CSR reports and have provided the companies with report guidelines and recommendations. In addition, as China is embedded in the global economy, companies are facing pressures to comply with international standards or global social

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norms (Moon & Shen, 2010). Therefore, with a growing concern over CSR issues on the part of stakeholders, companies have to address such concerns and accordingly are more likely to carry out CSR activities. The above arguments lead to the following hypothesis:

Hypothesis 1: External stakeholder pressure has a positive influence on CSR implementation.

Ethical leadership and CSR implementation

Ethical leaders play a key role in setting ethical standards in a company and in incorporating ethical values into decision making (Minkes, Small, & Chatterjee, 1999). Within organizations, leaders at multiple levels play an important role in developing and sustaining ethical cultures and ethical conduct (Avey, Palanski, & Walumbwa, 2011). Though early research supported the view that CEOs or top managers tend to establish the ethical norms for corporations (Robin & Reidenbach, 1987; Desai & Rittenburg, 1997; Agle & Caldwell, 1999), other results also show that middle managers were often the socially responsible change agents (Drumwright, 1994). Findings indicated that responsibility to initiate and monitor CSR activities in many companies operating in Uganda was largely vested in middle- and bottom-level managers (Katamba, Kazooba, Mpisi, Nkiko, Nabatanzi-Muyimba, & Kekaramu, 2012). Leaders possess the behavioral capacity to positively influence the values and guiding principles of their followers and work colleagues (Groves, 2014). Prior research had suggested that ethical leadership played an important role in the internal motivation of behavior (Tu & Lu, 2013). As a moral person, an ethical leader is a person of high moral principles, which guide his or her behavior. As a moral manager, an ethical leader acts as an ethics officer in a company and makes ethical decisions in the interest of other people and society (Treviño, Hartman, & Brown, 2000; Treviño, Brown, & Hartman, 2003; Detert, Treviño, Burris, & Andiappan, 2007). The moral behavior of managers displaying ethical leadership can benefit other people and society. Such managers thus not only care about the company's profitability (Carroll, 1991), but also want to achieve it within legal and ethical frameworks (Carroll, 1991), because ethics requires a higher level of better behavior than simple legal compliance does.

CSR consists of a series of actions that companies take within the constraint of the law and ethical principles that tend to benefit a broad range of individuals and collectives (Schwartz & Carroll, 2003; Harms, Wagner, & Glauner, 2010). Leaders' long-term views on success and their concern for the welfare of society and the environment is rooted in an ethical leader's sense of responsibility to himself or herself and to the community, and may be expressed by a long-term focus on the interests and needs of future generations of society, as well as on the natural environment (Ferdig, 2007; De Hoogh & Den Hartog, 2008; Kalshoven, Den Hartog, & De Hoogh, 2011). Ethical leaders are not only concerned with how the company ensures that all of its policies and processes are ethically sound, but are also implementers of the CSR policies. For example, leaders concerned with ethical values are less likely to force accountants to materially alter financial results (Lamberton, Mihalek, & Smith, 2005). Therefore, they are more likely to employ external auditors to monitor their financial and accounting reports and to provide information to the public. Likewise, ethical leaders also employ legal consultants to provide companies with information on ethical human resource practices and maintain the company's engagement in holding consumer interest first and foremost. In one of the few empirical studies on the role of ethical leadership in terms of CSR, Kanungo and Mendonça (1996) included the leaders' environmental orientation in the measurement of ethical leadership, and the authors noted that ethical leaders are expected to have strong inner obligations and high moral standards, in addition to possessing strong concerns for social and environmental issues as a result (Kanungo & Mendonça, 1996). Kanungo (2001) argued that an internalized norm of responsibility (or social responsibility) forms the basis of a motive of moral altruism and, consequently, is the moral foundation of ethical leadership. De Hoogh and Den Hartog (2008) suggested that leaders' social responsibility (moral–legal standards of conduct, inner obligation, concern for others, concern about consequences, and self-judgment) is related to ethical leadership.

Fairness is another important element of ethical leadership (Treviño, Brown, & Hartman, 2003; Brown, Treviño, & Harrison, 2005). Bowen and Power (1993) defined a moral manager as one who is willing to engage in fair and open dialogue with different stakeholders to achieve genuine consensus. Behavior that is included in the fairness component are making fair choices, showing trustworthy and honest behavior, not practicing favoritism, and taking responsibility for one's own actions (De Hoogh & Den Hartog, 2008). Ethical leaders positively impact corporate ethics through allocating organizational resources fairly and linking the resources appropriately. Leaders who value justice and fairness are more likely to distribute the available resources fairly between firms and stakeholders and among different stakeholder groups. Given that business organizations are often pressured to explain how their activities are just and fair to internal and external stakeholders (Logsdon, Thomas, & van Buren, 2006) and because CSR is also viewed as action that appear to further some social good beyond the interests of the firm (McWilliams & Siegel, 2001), we see a link between leaders' fairness, the expectation of being treated fairly by stakeholders, and the expected responsible activities. Based on these arguments, we propose the following hypothesis:

Hypothesis 2: Managers' ethical leadership has a positive influence on CSR implementation.

The interaction of ethical leadership and stakeholder pressure

As argued through the first two hypotheses, CSR implementation can be a function of external stakeholder pressure or managers' ethical leadership. Based on hypotheses, we further posit that ethical leadership moderates the relationship between external stakeholder pressure and CSR implementation. Under strong ethical leadership, external stakeholder pressure is less important with respect to triggering CSR implementation. In contrast, external stakeholder pressure becomes more important for CSR implementation in the presence of weak ethical leadership.

Managers with high levels of ethical leadership are 'good guys' (Carroll, 2000: 39). Moral managers recognize that their business decisions and behavior should be directed toward the success of the company within the confines of the law and sound ethical concepts (Carroll, 2000). Thus, CSR implementation is the inherently right and natural tactic for ethical managers, and they are highly motivated to implement CSR practices (Basu & Palazzo, 2008). Moral managers both think and act morally in terms of business decisions and behavior and refrain from wrongful acts or behavior that will harm others (Brown, Treviño, & Harrison, 2005). Thus, it seems probable that ethical leaders will score high in terms of self-judgment and concern for negative consequences (De Hoogh & Den Hartog, 2008). If these are indeed the characteristics of ethical leaders, then in the presence of stakeholder pressure, managers with ethical leadership styles are likely to be sensitive to stakeholder needs and complaints and will likely respond quickly to stakeholders' initial appeals to minimize potential negative consequences for the company. Conversely, stakeholder pressure is a meaningful motivator of CSR implementation when managers display relatively weak ethical leadership styles and thus have little inherent regard for others or little concern with respect to behavior in socially constructive ways.

Managers with a low level of ethical leadership tend to be so focused on the interests of their company so that they view behavior and decisions that are limited by ethical principles as barriers to the successful development of their organizations (Carroll, 2000). Leaders who do not engage in ethical activities reward short-term results and tend to model aggressive and Machiavellian behavior (Sims & Brinkman, 2002). Such managers will be put under greater pressure to take responsibility and may be passively forced to do so as a result of pressure from stakeholders such as customers and communities. For example, companies regulate their actions to meet the standards set by external stakeholders and to avoid threats from those stakeholders (King & Lenox, 2000). External stakeholder pressure becomes very important in eliciting CSR activities where managers have a low level of ethical leadership. Thus, we propose the following hypothesis:

> Hypothesis 3: Ethical leadership moderates the relationship between external stakeholder pressure and CSR implementation, such that the relationship is weaker under a high level of ethical leadership and stronger under a low level of ethical leadership.

STUDY 1: METHOD

Sample and procedure

Study 1 was conducted in March 2011. We administered questionnaires to 600 workers, service staff, and clerks who were frontline employees in 53 small- and medium-sized businesses in mainland China. The questionnaires were sent by MBA students to the organizations they served. In total, 70% of the organizations were in the service industry. The investigated businesses were located in developed metropolitan regions, such as Guangdong, Jiangsu, Hunan, and Shanghai. Initial contact was made with the heads of the human resources departments, who were informed of the purpose of this study. As employees have more contact with their supervisors and middle-level managers, we asked them to give some demographic information and to respond to questions about their leaders, the company's CSR activities of which they were aware, and their perceptions of the pressure exerted by the company's stakeholders. The respondents were instructed to send the questionnaires directly to our research assistants. We had an average of five respondents from each company. The largest number of respondents from the companies was 20 employees, and the smallest number was four employees. A total of 292 employees returned usable questionnaires, resulting in a response rate of 66%. The average age of the respondents was 22 years (SD = 0.52), and 48.7% were women. Their average length of education was 15.5 years.

A pilot test was conducted to ensure the quality of the questionnaire for the main survey. In the pilot test, 10 employees were invited to comment on the original questionnaire. Following the pilot test, two questions about ethical leadership, which better conformed to the context of China, were revised and added to the questionnaire. In the main survey, the conventional method of back translation (Brislin, 1970) was used to ensure accuracy of meaning, because most of the measures were originally developed in English.

Measures

External stakeholder pressure

Previous studies used different methods of measuring stakeholder pressure, for example, the content analysis used by Henriques and Sadorsky (1996) or the questionnaire used by Sarkis, Gonzalez-Torre, and Adenso-Diaz (2010) and González-Benito and González-Benito (2006). In their studies, respondents were asked to rate the pressure generally exerted by the stakeholder groups from 1 = 'no pressure' to 6 = 'great pressure.' Though the score of a certain stakeholder group's pressure was obtained, the kind of pressure exerted remained unknown. Based on the measurement developed by Sarkis, Gonzalez-Torre, and Adenso-Diaz (2010) and González-Benito and González-Benito (2006), some specific stakeholder concerns were listed in our survey questions to help the respondents understand what a pressure might entail. Thus, the measurement of stakeholder pressure used in this study provides detailed information about the various categories and kinds of stakeholder pressure, whereas previous measurements have only asked about general attitudes, whether the stakeholder pressure is perceived high or low. Sample items were as follows: 'How strongly have the customers influenced your company's policy to pursue a certain corporate image?' and 'How strongly have

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communities and neighbors made demands on your company to improve community infrastructure?' Six items were used to ask the respondents to evaluate the specific pressure that they experienced based on the information they obtained from the media and the company. A 5-point scale measurement was used, where 1 = 'not at all important' (no pressure) and 5 = 'very important' (high pressure). The Cronbach's α was 0.77 across the six items (see Appendix 1).

Ethical leadership

As previous measurements of ethical leadership have focused on an empirical-descriptive Western-based perspective, the measurement of ethical leadership does not specify any particular norms that ethical leaders in China can refer to. As trust to leaders is currently falling in China because of leaders' corruption scandals, bribery, and nepotism, hiring leaders with high level of self-discipline, integrity, and fairness has become crucial for businesses in China. Confucian philosophies emphasize that leaders should provide role models and get themselves right first before they can lead (Cheng, Chou, & Farh, 2000). To better measure ethical leadership in the current Chinese context, we used eight items derived from the ethical leadership scale of Brown, Treviño, and Harrison (2005) and two items from the moral dimension of the paternalistic leadership scale of Cheng, Chou, and Farh (2000). The two added items suited to Chinese leaders are intended to inquire about whether leaders regulate themselves well in the workplace. They are as follows: 'My supervisor does not use *Guanxi* (personal relationships) or back-door practices to obtain illicit personal gains' and 'Doesn't use his/her authority to seek special privileges for himself/herself.' Altogether, we used 10 items to measure ethical leadership. Employees rated their supervisors' ethical leadership in Study 1, and middle-level managers rated top managers' ethical leadership in Study 2. A 5-point scale was used, where 1 = 'strongly disagree' and 5 = 'strongly agree.' The Cronbach's α of the scale was 0.88 (see Appendix 2). All factor loadings of exploratory factor analysis test are above 0.5. We then used confirmatory factor analysis (CFA) to analyze the convergent validity of the 10 items of the ethical leadership scale. The analysis result revealed that a one-factor structure fit the data well ($\chi^2 = 48.14$, $df = 27$, $p < .00$, CFI = 0.98, GFI = 0.97, RMSEA = 0.04, TLI = 0.97). These results provided evidence for convergent validity (Churchill, 1979). This scale demonstrated high reliability ($a = 0.88$) (see Appendix 2). To establish discriminant validity, we compared ethical leadership with benevolent leadership (Farh & Cheng, 2000) in a test before this study. The average variance extracted estimate of the ethical leadership factor was 0.60 (0.51 for benevolent leadership), whereas the squared estimated correlation between ethical and benevolent leadership was 0.17, this was taken as indicative of distinct leadership constructs (Fornell & Larcker, 1981).

CSR implementation

We adopted a 17-item scale from Turker's (2009) measurement of CSR, which measures four dimensions of CSR activities (employee, customer, community, and tax and legal). With respect to the four dimensions, we selected three items from each of the dimensions. We reduced several original items based on the following statistical criteria: (1) the results of a factor analysis of the abbreviated scale fit the four dimensions of CSR (see Appendix 3), (2) the Cronbach's α of the 12-item scale was 0.86, and (3) the item-to-total correlation values are above 0.3. The sample items included the following: 'our company implements special programs to minimize its negative impact on the natural environment' and 'the management of our company is primarily concerned with employees' needs and wants.' Response options ranged from 1 = 'strongly agree' to 5 = 'strongly disagree.'

Control variable

A significant number of empirical investigations showed that corporate size and corporate ownership are very relevant in reflecting the extent of organizations' commitment to social responsibility (Teoh & Thong, 1984; Johnson & Greening, 1999; Brammer & Millington, 2004; Mahoney & Thorne, 2005). Consistent

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with prior investigations of CSR, we controlled for firm ownership and size in our study. Size was included to control the effect of scale economies on the implementation of CSR practices and the advantages derived from the superior availability of resources in large companies. We recoded the ownership into two dummy variables: 1 = 'state-owned enterprises,' 0 = 'non-state-owned enterprises.' Company size ranged from 1 = (<50 employees), 2 = (51–250 employees), 3 = (251–500 employees), 4 = (501–1,000 employees) to 5 = (>1,000 employees).

CFA and aggregation tests

Before testing the hypotheses, we conducted a CFA to evaluate the discriminant validity of the three variables using LISREL 8.54. The CFA showed that the single-factor model (χ^2 = 2,847.14; p = .000, CFI = 0.87; NNFI = 0.85; RMSEA = 0.13) did not fit the data any better than that of the three-factor model (χ^2 = 1,194.09; p = .000, CFI = 0.94; NNFI = 0.94; RMSEA = 0.07) (Table 1). For the comparative fit index (CFI) and the nonnormed fit index (NNFI), a minimum value of 0.9 is considered acceptable. For the root-mean-square error of approximation (RMSEA), values below 0.08 are regarded as acceptable (Bagozzi & Yi, 1988). The hypothesized three-factor model (external stakeholder pressure, CSR, and ethical leadership) fit the data better than either the two-factor or the one-factor models, thereby providing evidence of the construct distinctiveness of external stakeholder pressure, ethical leadership, and CSR.

Previous studies have provided a theoretical framework and empirical support for the aggregation of leadership to the company level when examining the behavior that leaders exhibit toward the group as a whole (Bono & Judge, 2003; Kark, Shamir, & Chen, 2003; Walumbwa, Hartnell, & Oke, 2010). As our surveys involved multiple employees from each company, and employees from the same company tend to have similar perceptions of CSR implementation, we treated CSR implementation as a company-level construct. Similarly, stakeholder pressure is exerted on companies. We also treated it as a company-level construct. The appropriateness of aggregating responses was justified by calculating the intraclass correlations among the respondents. For all of the three variables, coefficient for intraclass correlation coefficient (ICC1) values ranged from 0.12 to 0.16. Coefficients for ICC2 ranged from 0.66 to 0.95. Coefficients for Rwg ranged from 0.96 to 0.98 (Study 1), which indicate a high level of consistency among respondents, justifying aggregation of the data to the firm level (James, 1982). Thus, the averaged scores were used in further analyses.

STUDY 1: RESULTS AND DISCUSSION

The means, standard deviations, correlations, and reliability statistics from Study 1 at the company level are presented in Table 2.

TABLE 1. COMPARISON OF MEASUREMENT MODEL (STUDY 1, N = 53 COMPANIES)

Models	χ^2	*df*	$\Delta\chi^2$	Δ*df*	*RMSEA*	*CFI*	*NNFI*
Model 1: three factors	1,194.09	347	–	–	0.07	0.94	0.94
Model 2: two factors: combining stakeholder pressure and ethical leadership into one factor	1,936.32	349	742.23	2	0.11	0.91	0.90
Model 3: one factor	2,847.14	350	1,653.05	3	0.13	0.87	0.85

Note. RMSEA = root-mean-square error of approximation; CFI = comparative fit index; NNFI = nonnormed fit index.

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Table 2. Company-level means, standard deviations, and correlations of studied variables (Study 1, n = 53 companies)

Variables	*M*	*SD*	*1*	*2*	*3*	*4*
1. Ownership	0.78	0.62				
2. Size	2.33	0.56	0.33*			
3. Ethical leadership	3.40	0.36	0.28*	0.39**		
4. Stakeholder pressure	3.24	0.58	0.01	0.26	0.31*	
5. Corporate social responsibility implementation	3.63	0.42	0.26*	0.34*	0.56**	0.60**

Note. Company size ranged from 1 = (<50 employees), 2 = (51–250 employees), 3 = (251–500 employees), 4 = (501–1,000 employees) to 5 = (>1,000 employees). We recoded the ownership into two dummy variables: 1 = 'state-owned enterprises,' 0 = 'non-state-owned enterprises.'
*$p < .05$, **$p < .01$.

Table 3. Results of regression analysis of corporate social responsibility (CSR) implementation on ethical leadership and stakeholder pressure (Study 1, n = 53 companies)

	CSR implementation			
Models	*1*	*2*	*3*	*4*
Control variables				
Ownership	0.17	0.22	0.15	0.11
Size	0.28*	0.12	0.02	0.06
Independent variables				
Stakeholder pressure		0.57***	0.48***	0.35**
Ethical leadership			0.36**	0.31**
Interaction				
Stakeholder pressure × ethical leadership				−0.27*
R^2	0.14	0.44	0.54	0.59
ΔR^2	0.14	0.30	0.10	0.05
ΔF	4.04*	25.84***	10.41**	5.78*

Note. *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

To test the hypotheses of the study, hierarchical multiple regression analyses were conducted. We conducted a moderated regression with mean-centered predictor variables to examine the interactive effects of external stakeholder pressure and ethical leadership on CSR. We examined the significance of the simple slopes representing the relationship between external stakeholder pressure and CSR activities at high (1 SD above the mean) and low (1 SD below the mean) values of ethical leadership by controlling for company ownership and size. Table 3 (n = 53 firms and 292 respondents) shows the regression results. CSR was regressed on the controls, stakeholder pressure, ethical leadership, and their interaction term. Models 2 and 3 in Table 3 show that stakeholder pressure and ethical leadership were positively related to CSR implementation ($\beta = 0.48$, $p < .01$; $\beta = 0.36$, $p < .01$, respectively). Thus, Hypotheses 1 and 2 are supported. Model 4 in Table 3 shows that when the interaction terms were entered in the last step ($\Delta R^2 = 0.05$), the interaction between perceived stakeholder pressure and ethical leadership was negatively related to CSR activities ($\beta = -0.27$, $p < .05$). Indeed, for regressions of CSR, stakeholder pressure was significant at low and high levels of ethical leadership, although the

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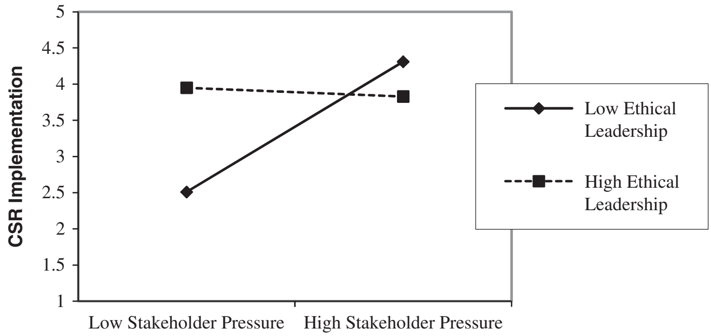

Figure 1. The interactive effects of stakeholder pressure and ethical leadership on corporate social responsibility (CSR) implementation (Study 1, *n* = 53 companies)

relationship was significantly negative at high levels of ethical leadership (β low = 0.72, $t = 4.38$, $p < .01$; β high = −1.68, $t = -2.13$, $p < .05$). The results indicate support of Hypothesis 3.

We followed Aiken and West's (1991) suggestion of plotting the interactive effect. As shown in Figure 1, the relationship between stakeholder pressure and CSR activity weakened under a high level of ethical leadership and strengthened under a low level of ethical leadership.

The results presented in Study 1 offer some interesting insights on CSR strategies of SMEs and medium-sized firms in China. Results showed that stakeholder pressure and ethical leadership have direct and interactive effects on CSR implementation. The association between firm size and CSR practices diminished after the main factors of ethical leadership and stakeholder pressure were entered. We therefore conclude that stakeholder pressure and ethical leadership are effective factors driving CSR initiatives in SMEs in China.

It may be that employees in small companies are unable to accurately evaluate external conditions, leaders' ethics, and companies' CSR behavior. Middle-level managers have more access to external stakeholders than employees, and are also well aware of their companies' policies and activities with respect to carrying out their daily managerial duties. As small and large companies possess fundamentally different resources and capabilities (Dean, Brandes, & Dharwadkar, 1998), implementation of CSR in large enterprises is not necessarily the same in SMEs (Lepoutre & Heene, 2006). Management literature typically describes small businesses as having less access to resources and as being powerful in engaging in small business social responsibility (Aldrich & Auster, 1986; Nooteboom, 1994; Carson, Cromie, McGowan, & Hill, 1995; Chen & Hambrick, 1995; Dean, Brandes, & Dharwadkar, 1998). Given the above two circumstances, we selected large companies as the targeted respondents in Study 2. We conducted a second field study among middle-level managers from large organizations to increase the validity and generalizability of the proposed theoretical model.

STUDY 2: METHOD

Sample and Procedure

Data for this study were collected among the MBA alumni in June 2011 from 40 large companies in 22 coastal cities in China's southeast. In contrast to Study 1, which had 70% of the organizations from service industry, the sample companies in Study 2 covered a wide range of industries: 14% were in manufacturing, 13% in construction, 22% in tourism, 13% in finance and real estate, 4% from the retail trade, and 34% were from other industries. As the investigated companies are where the alumni have been serving, they had more contacts with middle-level managers. Middle-level managers were defined as those below top managers. Middle-level managers have more access to external stakeholders than employees, and are also well aware of their companies' policies and activities with respect to carrying out their daily managerial duties. Completed questionnaires were collected directly by the project coordinators (four MBA students) to ensure respondent anonymity. Questionnaires were sent to the respondents and collected 1 week later by the students. Attached to each questionnaire was a short cover letter explaining that the purpose of the survey was to explore the factors that influence organizations' CSR implementation. Of the 40 companies sampled, 54% were medium sized with 50–250 employees, and 46% were large companies with >250 employees.

Of the 400 questionnaires that were sent to the middle-level managers, 224 usable questionnaires were returned, giving a response rate of 56%. The respondents had an average age of 32 (SD = 0.91) with a maximum age of 51, and 52% were male. Their average organizational tenure was 5 years (SD = 0.93), and 81% of the respondents had earned a college degree or above. We had an average of five respondents from each company. The largest number of respondents from a company was 10 managers, and the smallest number was four managers.

Measures

We used the same measures as Study 1. The Cronbach's α for external stakeholder pressure was 0.77, that for ethical leadership was 0.87, and that for CSR implementation was 0.88. We recoded industry into two dummy control variables, 1 = 'manufacturing,' 0 = 'nonmanufacturing.'

CFA and aggregation tests

The CFA showed that the single-factor model ($\chi^2 = 505.89$; $p = .000$, CFI = 0.88; NNFI = 0.87; RMSEA = 0.14) did not fit the data better than that of the three-factor model ($\chi^2 = 161.12$; $p = .000$, CFI = 0.94; NNFI = 0.94; RMSEA = 0.05) (Table 4). The results showed that the three-factor model fit the data better than the two-factor and the one-factor models. To justify aggregation of individual-level data to the firm level, ICC1, ICC2, and Rwg were calculated. For the three variables, coefficient for ICC1 values ranged from 0.12 to 0.13. Coefficients for ICC2 ranged from 0.69 to 0.82.

STUDY 2: RESULTS AND DISCUSSION

Table 5 demonstrates the company-level means, standard deviations, and zero-order correlations of the study variable.

TABLE 4. COMPARISON OF MEASUREMENT MODEL (STUDY 2, $N = 40$ COMPANIES)

Models	χ^2	*df*	$\Delta\chi^2$	Δdf	*RMSEA*	*CFI*	*NNFI*
Model 1: three factors	161.12	95	–	–	0.05	0.94	0.94
Model 2: two factors: combining stakeholder pressure and ethical leadership into one factor	337.36	97	176.24	2	0.07	0.91	0.90
Model 3: one factor	505.89	98	344.77	3	0.14	0.88	0.87

Note. RMSEA = root-mean-square error of approximation; CFI = comparative fit index; NNFI = nonnormed fit index.

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Table 5. Company-level means, standard deviations, and correlations of studied variables (Study 2, n = 40 companies)

Variables	*M*	*SD*	*1*	*2*	*3*	*4*	*5*
1. Ownership	0.70	0.33					
2. Size	4.22	0.56	−0.15				
3. Industry	0.22	0.41	0.49*	0.26			
4. Ethical leadership	3.32	0.39	0.27	−0.00	−0.18		
5. Stakeholder pressure	2.58	0.37	0.02	0.14	0.05	0.11	
6. Corporate social responsibility implementation	3.55	0.33	0.01	−0.26	−0.16	0.51**	0.46**

Note. Company size ranged from 1 = (<50 employees), 2 = (51–250 employees), 3 = (251–500 employees), 4 = (501–1,000 employees) to 5 = (>1,000 employees). We recoded the ownership into two dummy variables: 1 = 'state-owned enterprises,' 0 = 'non-state-owned enterprises.' Industry was recoded into two dummies: 1 = 'manufacturing,' 0 = 'non-manufacturing.'
*$p < .05$, **$p < .01$.

Table 6. Results of regression analysis of corporate social responsibility (CSR) implementation on ethical leadership and stakeholder pressure (Study 2, n = 40 companies)

	CSR implementation			
Models	*1*	*2*	*3*	*4*
Control variables				
Ownership	0.05	0.03	−0.11	−0.04
Size	0.27	0.20	0.19	0.15
Industry	0.02	0.11	−0.08	0.13
Independent variables				
Stakeholder pressure		0.41**	0.39**	0.49**
Ethical leadership interaction			0.49**	0.46**
Stakeholder pressure × ethical leadership				−0.29*
R^2	0.07	0.25	0.47	0.54
ΔR^2	0.07	0.18	0.22	0.07
ΔF	1.38	10.77**	16.57**	5.72*

Note. *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

We used the same method as that applied in Study 1 to examine the interactive effect of external stakeholder pressure and ethical leadership on CSR. Table 6 ($n = 40$ firms and 224 respondents) shows the regression results. CSR was regressed on the controls, external stakeholder pressure, ethical leadership, and their interaction term. Model 3 demonstrated that external stakeholder pressure and ethical leadership were positively related to CSR implementation ($\beta = 0.39$, $p < .01$; $\beta = 0.49$, $p < .01$, respectively). Hence, Hypotheses 1 and 2 were supported. Model 4 showed that when the interactive terms were entered, the interaction between perceived stakeholder pressure and ethical leadership was negatively related to CSR activity ($\Delta R^2 = 0.07$, $\beta = -0.29$, $p < .05$). The plot illustrated that the relationship between ethical leadership and CSR implementation was stronger under low stakeholder pressure and weaker under high stakeholder pressure (Figure 2). For the simple slope, we found that stakeholder pressure was significant at low and high levels of ethical leadership, although the relationship was more negative at high levels of ethical leadership (β low = 0.32, $t = 4.29$,

https://doi.org/10.1017/jmo.2015.14 Published online by Cambridge University Press

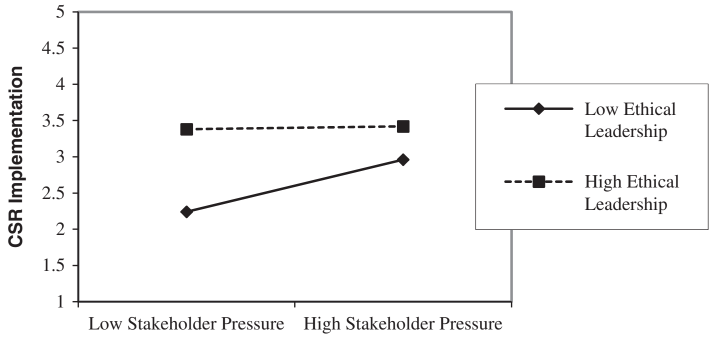

FIGURE 2. THE INTERACTIVE EFFECTS OF STAKEHOLDER PRESSURE AND ETHICAL LEADERSHIP ON CORPORATE SOCIAL RESPONSIBILITY (CSR) IMPLEMENTATION (STUDY 2, $N = 40$ COMPANIES)

$p < .001$; β high = −1.39, $t = -1.89$, $p < 0.05$). These results indicate that in support of Hypothesis 3, the relationship between stakeholder pressure and CSR is weaker under a high level of ethical leadership and stronger under a low level of ethical leadership.

We do not think that common method variance influenced our results for two reasons. First, because all individual-level responses in the two studies were aggregated up to firm level, the problems of common method variance might have been minimized. Second, key findings in our study are the interaction effects. Common methods were present regardless of the level of ethical leadership. However, it is somewhat difficult for a common methods artifact to explain why the relationship between stakeholder pressure and CSR implementation is weaker in response to high level of ethical leadership. Even if respondents tend to associate successive items, common method variance is unlikely to distort interaction-based analysis (Brockner, Siegel Taylor, & Martin, 1997; Kotabe, Martin, & Domoto, 2003).

The results of Study 2 generally converged with our findings from Study 1. In Study 2, the sample was from large-sized organizations, which is different from the sample of SMEs in Study 1. In addition, middle-level managers were raters of the ethical level of top managers in Study 2, which is different from employees as raters in Study 1. With these two new elements in Study 2, we obtained findings similar to what we had in Study 1. Therefore, it may be confident to claim that stakeholder pressure and ethical leadership positively influenced businesses' CSR initiatives and they also interactively affected CSR implementation.

GENERAL DISCUSSION

Theoretical implications

This study has several theoretical implications for the study of external stakeholder pressure, ethical leadership, and CSR implementation. As reviews of CSR studies within the emerging economy context, especially in China (Lam, 2002; Kolk, Hong, & van Dolen, 2008; Ip, 2009), are currently scarce (Belal & Momin, 2009; Li et al., 2010), the current study attempts to extend the study of CSR in emerging markets, especially in China, toward understanding the effect of external stakeholder pressure and internal ethical leadership on CSR implementation.

Our findings have built a framework for CSR in China by showing that external stakeholder pressure and ethical leadership are crucial drivers for CSR. On the one hand, stakeholder pressure as an antecedent of CSR enriches the understanding of CSR implementation in China. Although China has

https://doi.org/10.1017/jmo.2015.14 Published online by Cambridge University Press

a fast-growing development of economy, Chinese companies have been criticized for the lack of CSR implementation as well as reporting partly because there is a decoupling of regulation and enforcement in China (Marquis, Zhang, & Zhou, 2011). In recent years, both the government (central and local) and the public of China have become aware of the adverse side-effects of fast development and have shifted attention from pure economic development to a harmonious development. Thus, it seems natural to know whether companies respond to stakeholder pressure. Consistent with recent studies on CSR in China (Marquis, Zhang, & Zhou, 2011; Marquis & Qian, 2014), our research shows that companies are more likely to engage in CSR under stakeholder pressure.

On the other hand, the current study is one of the few to explore CSR implementation from both the external and internal perspectives. Voluntary CSR is manifested not only through the responsive activities (e.g., transparency and environmental proactivity), but also through the internal activities (e.g., codes of ethics and employee justice) by leaders. Past research has largely focused on the effect of external stakeholder pressure on CSR implementation (e.g., Brammer & Millington, 2004; Baron, 2009), but has neglected the role of organizational leaders. Our findings add to the current literature on CSR by showing that an organization can behave either in a more reactive way when facing the demands of its stakeholders or in a more proactive manner when guided by ethical managers.

In addition to examining the direct effects of external stakeholder pressure and ethical leadership on CSR, we delved further into their complementary roles in promoting CSR and found an interactive effect between stakeholder pressure and ethical leadership on CSR. This result provides a more thorough picture of how external and internal factors jointly influence organizations' CSR implementation and how the two variables complement each other in cases of high ethical and low ethical leadership. The current study lends support to the view that managerial priorities and attention act as a filter that shapes how institutional forces are 'received, interpreted, and acted on' (Hoffman, 2001: 134). Thus, this study provides an alternative to the neo-institutional perspective on the relationship between stakeholders and CSR by focusing on the interaction between internal factors (ethical leadership) and external pressures. Addressing recent calls for studies on the role of ethical leadership in CSR (Eisenbeiss, 2012), this study enriches the ethical leader's role in CSR. Although ethical leadership has gained significant attention for its influence on followers' ethical behavior, such as antibribery and reporting corporate fraud, the present study is one of the few empirical studies to examine ethical leaders' role in corporate governance, thus supporting the role of ethical leadership in CSR implementation.

Managerial implications

The results of this study also have several practical implications, particularly for companies in China. First, given the important role of stakeholders, it is worthwhile for organizations to use stakeholders as a driver of performance of CSR activities. The results of our study show that the more powerful pressure exerted by external stakeholders, the more likely it is that the focal company responds to the pressures and accordingly engages in CSR. Therefore, we suggest that managers should take a proactive stakeholder approach by effectively responding to the stakeholder's demands and pressures. To gain a better understanding of the stakeholders' concerns, organizations can establish a communication system so that the stakeholders can make their concerns known. Second, the results show that companies with managers who are ethical are more likely to implement CSR policies, regardless of the external conditions. Thus, it makes sense to employ leaders who act consistently in terms of their moral principles and consider the ethical consequences of their decisions. We suggest that companies use selection methods that assess a managerial candidate's integrity or moral philosophy to recruit ethical leaders. Providing managers with ethics training on the types of appropriate behavior and how to develop a stakeholder orientation would also help to ensure that organizations' CSR activity is sustainable. Leaders should engage in the activities of identifying organizational expectations and requirements regarding corporate codes of conduct at the board and senior management levels to promote CSR. Third, the negative interaction between stakeholder pressure and ethical leadership also suggests that external stakeholder pressure plays a restraining role in the presence of less ethical leaders. In such cases, external pressure is necessary to reverse the inaction of leaders who have a poor awareness of ethical issues and are not concerned about business ethics. To reduce the negative effect of external stakeholder pressure, companies should take steps to provide initiatives for ethical leaders and improve their problem-solving abilities. Fourth, in comparison with most Western countries, institutional legal frameworks in emerging economies are not yet well developed, and business ethics are not yet institutionalized. This can limit the extent to which firms implement CSR (Rettab, Brik, & Mellahi, 2009; Dartley-Baah & Amponsah-Tawiah, 2011). As such, the driving forces of CSR will not be entirely the same as that of Western countries. The driving function of external stakeholders will be effective for promoting CSR in firms in emerging markets. Contrary to the findings of studies of CSR practices in Western countries, the present research shows that stakeholder pressure and ethical leadership influence CSR initiatives in the same way in small-, middle-, and large-sized firms in China.

Limitation and future directions

In terms of limitations, it should be noted that the data in our study were collected from a sample of businesses in mainland China. More data from other regions of the world, especially from other emerging markets, would be a useful extension to this study. Individual attitudes toward CSR and organizational values among different industries should be considered in future studies, because managerial CSR decisions and likelihood of success are shaped by the managers' individual ethical perspective and their organizational culture. CEO visionary leadership and individual integrity are key factors associated with CSR values. Future research should explore which CSR activities companies are likely to engage in if they experience external pressures as opposed to the activities engaged in when CSR is largely driven by ethical leadership. In addition, studies could examine which stakeholder groups are likely to exert the most pressure. Separate measure of stakeholder pressure needs to be considered in future research. Similarly, we only examined the perceived CSR among employees and middle-level managers and, therefore, future research could usefully examine other sources of CSR information, such as CSR disclosures contained in company annual reports.

Although our company-level aggregated data were derived from both employees and middle-level managers, obtained in two separate studies, the self-reported data and the same questionnaire may cause common method variance. The cross-sectional design might cause endogeneity problem. To overcome these limitations, future research should consider including a measure of CSR implementation by stakeholders and customers. Asking top-level managers about their perceptions of stakeholder pressure seems more appropriate because they often feel such pressure most acutely and are charged with implementing CSR within the organization. However, research that examines multiple CSR resources would add confidence in the results of this study.

The study could also be extended by exploring other antecedents of CSR initiatives, such as the overseeing of committees and the community outreach councils of organizations, and the different types of ethical climates in organizations. Future research could also explore the mechanism by which ethical leadership positively influences CSR initiatives. By doing so, the concept of ethical leadership could be extended to include its influence on corporate governance. Future studies could also examine managers' beliefs about the extent to which organizational interests surpass ethical principles and the effect of their beliefs on managers' efforts to implement CSR. Finally, our study was carried out in China, which may hinder the generalizability of our results to other emerging markets. China has its uniqueness in business environment. In China, companies are predominantly state-owned and have strong ties to all levels of governments. Therefore, we cannot conclude that the managerial implications of our results are applicable to companies outside China. We suggest that future research replicate our study in a different context from China.

ACKNOWLEDGEMENT

The authors would like to thank the anonymous reviewers for their valuable comments and suggestions to improve the quality of this paper.

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APPENDIX 1: STAKEHOLDER PRESSURE MEASURE

1. How strongly have your customers influenced your company's policy of maintaining a certain corporate image?
2. How strongly have communities and neighbors made demands on your company to improve community infrastructure?
3. How strongly have environmental organizations influenced your company's environmental practices?
4. How strongly has government made demands on your company's tax obligations and duties?
5. How strongly have the media questioned your company's ethical conduct?
6. How strongly have institutional associations exerted an influence on your company's standard behavior and image using their values and norms?

APPENDIX 2: ETHICAL LEADERSHIP

1. Is open to criticism and different opinion.
2. My supervisor does not use Guanxi (personal relationships) or back-door practices to obtain illicit personal gains.
3. Doesn't use his/her authority to seek special privileges for himself/herself.
4. Disciplines employees who violate ethical standards.
5. Has the best interests of employees in mind.
6. Makes fair and balanced decisions.
7. Discusses business ethics or values with employees.
8. Sets an example of how to do things the right way in terms of ethics.
9. Defines success not just by results but also the way that they are obtained.
10. Can be trusted.

APPENDIX 3: ABBREVIATED CSR IMPLEMENTATION

1. Our company makes investments to create a better life for future generations.
2. Our company implements special programs to minimize its negative impact on the natural environment.
3. Our company targets sustainable growth that considers future generations.
4. Our company contributes to campaigns and projects that promote the well-being of society.
5. The management of our company is primarily concerned with employees' needs and wants.
6. Our company implements flexible policies to provide a good work and life balance for its employees.
7. Managerial decisions related to employees are usually fair.
8. Our company respects consumer rights beyond the legal requirements.
9. Our company provides full and accurate information about its products to its customers.
10. Customer satisfaction is highly important to our company.
11. Our company always pays its taxes on a regular and continuing basis.
12. Our company complies with legal regulations completely and promptly.

https://doi.org/10.1017/jmo.2015.14 Published online by Cambridge University Press