Journal of Management & Organization (2022), **28**, 202–220
doi:10.1017/jmo.2020.27

RESEARCH ARTICLE

Firm strategy and CSR: the moderating role of performance management systems

Jeremy Galbreath[1], Lorenzo Lucianetti[2], Daniel Tisch[3] and Benjamin Thomas[4]

[1]Curtin University, Perth, Western Australia, [2]University of Chieti and Pescara, Pescara, Italy, [3]The University of Auckland, Auckland, New Zealand and [4]Curtin University, Bentley
Author for correspondence: E-mail: jeremy.galbreath@gsb.curtin.edu.au

(Received 28 July 2019; revised 11 June 2020; accepted 23 September 2020; first published online 3 November 2020)

Abstract

Little empirical research has explored whether or not firm strategy is linked with corporate social responsibility (CSR) and to that end we explore the impact of low-cost and differentiation strategies on CSR. Using a sample of 229 Italian firms, a low-cost strategy is negatively associated with ethical and discretionary CSR, while a differentiation strategy is positively associated with both. Given its focus on nonfinancial outcomes and stakeholders, we test if a performance management system (PM system) acts as a moderating influence. We find that a PM system positively moderates the negative association between a low-cost strategy and ethical and discretionary CSR, while also positively moderating these relationships with respect to a differentiation strategy. These findings advance the literature on strategy and CSR, while demonstrating the contingent effect of PM systems. The findings are discussed along with limitations and directions for future research.

Key words: Corporate social responsibility; ethics; Michael Porter; performance management system; stakeholders; strategy

Introduction

O'Shannassy (2015) argues that firm strategy is vital to advancing societal welfare, helping to solve economic and broader social challenges. In fact, early work in the field intimated that firm strategy accounts for broader concerns, beyond those of self-interested profitability, to include the social responsibilities of the firm (Andrews, 1971; Carroll & Hoy, 1984; Learned, Christensen, Andrews, & Guth, 1965). However, as the field of strategy evolved and economic theories and methods began to create a more scientific approach (Conner, 1991; Durand, Grant, & Madsen, 2017; O'Shannassy, 2017), research took on a decidedly quantitative focus to answer a fundamental question: why do some firms *perform* better than others (Misangyi, Elms, Greckhamer, & Lepine, 2006; Rumelt, Schendel, & Teece, 1994). Firm performance thus becomes a key focus. To be sure, in the last 10–20 years, corporate social responsibility (CSR) has garnered attention in the strategy literature; however, a parallel theme has emerged in that the research has focused on the relationship between CSR and firm performance (Orlitzky, Louche, Gond, & Chapple, 2017; Orlitzky, Schmidt, & Rynes, 2003). Such research has left short an understanding, empirically, about the extent to which firm strategy is linked with CSR. Yet, there is a guidance offering a way forward to fill this gap.

In his seminal work, Freeman (1984) conceptualised the role of strategy and strategic management as a practice that accounts for a firm's stakeholders – one not just focused on shareholders who care about maximizing their returns. Here, firm profitability is not the sole objective. More specifically, stakeholder theory argues that for a firm to thrive and survive, accountability and action towards a broad set of actors is required (Clarkson, 1995; Freeman, 1984). The theory

posits that as firms effectively serve and steward stakeholders' interests, they will remain willing participants in firms' business ecosystems (Donaldson & Preston, 1995; Freeman, 1984; Stout, 2012), resulting in the material (e.g., capital) and immaterial (e.g., knowledge, skills) resources needed for ongoing survival. One way a firm can effectively serve and steward stakeholders' interests is through the demonstration of CSR (Carroll, 1991, 2004; Guibert & Roloff, 2017; Sciarelli & Tani, 2015). CSR refers to a set of voluntary actions and practices that extend beyond the economic and legal requirements of firm activity (Barnett, 2007; Gras & Krause, 2020; Matten, Crane, & Chapple, 2003). Voluntary CSR targeted at stakeholders include ethical (e.g., abiding by moral rules) and discretionary (e.g., investing in employee training) actions and practices (Carroll, 1979, 1991, 2004). Following the theory, the expectation is that given a focus on stakeholders (Freeman, 1984), strategy will account for CSR. However, there may be complications.

Ideally, all firms would have strategies that not only lead to the generation of superior profits, but that enable them to be model corporate citizens by demonstrating excellence in CSR. However, firms have to face the reality of ruthless competitive markets, resource scarcity and the struggle to generate profits to survive, all while accounting for the fact that CSR is not cost-free (Friedman, 1970; Henderson, 2005). In this sense, there is some question as to what extent strategy can diffuse its focus towards multiple stakeholders, attempting to create value across a broad cohort of actors, and yet remain viable and sustainable (Jensen, 2001). This raises a question as to what extent strategy is linked to CSR. For example, Porter (1980) demonstrates that to achieve an advantage, firms position themselves against competitors by pursuing either low-cost or differentiation strategies, whereby tailored resource allocations are made to achieve the chosen position. Tailored resource allocations to a specific type of strategy require trade-offs (Porter, 1980, 1996), which could potentially undermine the extent to which a broader cohort of stakeholders are addressed, and therefore limit engagement in CSR.

Alternatively, regardless of resource allocation trade-offs, there may be contingent factors that otherwise create greater attention to stakeholders, thereby strengthening the relationship between strategy and CSR. Managers have limited attention (Ocasio, 1997), hindering the extent to which they can give needed focus to stakeholders and the requirement of demonstrating CSR to secure their ongoing support. However, the literature demonstrates that when used, a performance management system (PM system) creates attention to and measurement of nonfinancial outcomes, including those related to CSR (Bento, Mertins, & White, 2017; Franco-Santos, Lucianetti, & Bourne, 2012; Hansen & Schaltegger, 2016, 2018). Hence, we contend that while different strategies may more or less impact on CSR, a PM system is likely to shape the relationship. Understanding how strategy and a PM system interact would shed light on the extent to which firms demonstrate CSR. Yet, no research, to our knowledge, has explored a PM system as a possible contingent factor although there have been calls in the literature to do so (e.g., Bento, Mertins, & White, 2017; Hansen & Schaltegger, 2016, 2018).

Motivated by these research gaps, our study makes a few key contributions. First, we rely on Porter's (1980) strategy typology. Porter's (1980) strategy types are among the most studied in the literature and this is something we extend here – in a new way. Specifically, we seek to determine if low-cost and differentiation strategies are linked to CSR. We therefore extend insight beyond the much studied strategy–firm performance relationship by accounting for a firm's social responsibilities as our outcome variable. This level of research is important because strategy is believed to have profound implications for stakeholders and society (Freeman, 1984; Galbreath, 2006; 2009; Porter, 2006; O'Shannassy, 2015).

Second, there is a debate in the literature over the measurement of CSR. According to recent views, CSR should be considered multidimensional (as opposed to unidimensional) and includes only actions and practices that are voluntary (Barnett, 2007; Gras & Krause, 2020; Orlitzky et al., 2017; Reimer, Van Doorn, & Heyden, 2018; Wang, Tong, Takeuchi, & George, 2016); thus, we rely on individual aspects of CSR. Following Carroll's (1979) seminal work and well-used conceptualisation, we rely on the ethical and discretionary dimensions, as these two are considered

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

voluntary (Carroll, 1979, 1991, 2004). In this way, we not only *dis*aggregate our measure in lieu of previous studies, but respond to calls in the literature to more deeply theorise around the effects of strategy on individual aspects of CSR, as different strategies may have different effects on CSR.

Third, we examine firms' PM systems as a contingent factor. Specifically, we determine if the relationship between strategy and CSR is shaped by a PM system. Here, we advance contingent perspectives by determining how organisational factors are interrelated with respect to impacting on CSR (Orlitzky et al., 2017; Rowley & Berman, 2000). If PM systems help advance nonfinancial outcomes and stakeholder interests, then understanding the value of the construct in terms of both theoretical advancement and empirical verification takes on significance (Franco-Santos, Lucianetti, & Bourne, 2012).

Lastly, CSR is expected to offer many potential benefits (Barnett, 2019; Donaldson & Preston, 1995; Galbreath, 2010; Kurucz, Colbert, & Wheeler, 2008; Orlitzky, Schmidt, & Rynes, 2003; Tantalo & Priem, 2016). As such, the topic continues to generate strong interest among management practitioners. Our study provides empirical evidence as to how management's choice of strategy (and the extent to which they emphasise PM systems) could drive CSR.

Theory and hypotheses

Low-cost strategy and CSR

Strategy is concerned with the actions and choices firms take to position in markets to achieve superior outcomes, including those related to CSR (Mintzberg, 1978; Porter, 1996, Wood, 1991). According to Porter (1980), firms' strategies incorporate efficiency, highly productive asset use and tight control of discretionary expenses. However, strategy is also about the basis of creating value in a unique way and while this does not allow a firm to ignore costs, cost control is not the overarching ingredient. To that end, he specifies two main strategy types: low cost and differentiation. Essentially, firms pursuing a low-cost strategy aim to compete with a lower cost structure than competitors and, in fact, must do so to build and maintain an advantage and generate superior profits. Here, a firm attempts to find and exploit all possible sources of cost advantage, while reducing discretionary expenses (Porter, 1980, 1996). Alternatively, firms pursuing a differentiation strategy aim to operate in a unique way relative to competitors. Implementing a differentiation strategy entails higher costs because creating uniqueness generally requires higher quality, market-based innovation or other dimensions that increase expenses (Porter, 1980, 1996); therefore, firms can and do charge premium prices.

A low-cost strategy could be problematic with respect to CSR that involves ethical considerations. For example, low-cost strategies are more likely to involve tight control over labour (e.g., less labour but the push for higher employee productivity, lower wages), the sourcing of inputs potentially produced under exploitative conditions, be more prone to socializing production costs to the greatest extent possible, while imposing un-priced externalities on society (Jones, 1999). Such actions and activities could, for example, involve shifting sourcing and production to countries with fewer health and safety protections for workers or protections for the natural environment. In this sense, following stakeholder trade-off theorists (Jensen, 2001), firms with low-cost strategies are likely to favour shareholders, while they are willing to sacrifice the interests of other stakeholders in the pursuit of efficiency and performance. In fact, there is evidence to suggest that firms with low-cost strategies breach or ignore ethical considerations, particularly stakeholders in the supply chain and other stakeholders such as employees (e.g., Andersen & Skjoett-Larsen, 2009; Boyd, Spekman, Kamauff, & Werhane, 2007; Gugler & Shi, 2009; Hughes, 2011; Park & Dickson, 2008). Given the sharp focus on cost control, we argue for the possibility that firms with low-cost strategies could potentially neglect, overlook or otherwise ignore ethical considerations that are of interest to stakeholders. Although this might not always be the case, in general, we posit that:

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Hypothesis 1: A low-cost strategy is negatively associated with ethical CSR.

Low-cost strategies also require minimisation of discretionary expenses (Porter, 1980, 1996). For example, control of discretionary resources could mean that some stakeholders are disadvantaged. For example, employees may receive minimal, if no benefits (e.g., paid training, health benefits), while communities may miss out on philanthropic or other investments that would otherwise advance their interests. Further, customers may not be able to enjoy the latest product technology as R&D costs are minimised. As Porter (1980) notes, low-cost strategies require tight cost and overhead control and cost minimisation in innovation activities such as R&D. The aim of a low-cost strategy therefore requires a continual focus on cost reduction and high levels of efficiency and productivity (Porter, 1996). Others argue that because socially responsible practices, such as those that are discretionary, are a cost to the business (Hong, Kubik, & Scheinkman, 2012; Wood & Jones, 1995), firms pursuing a low-cost strategy are likely to have little financial room to engage in such practices as this disrupts their ability to continuously commit to cost reductions. As low-cost strategies largely focus on cost reduction and high levels of efficiency in order to maximise profits (Porter, 1980, 1996), discretionary expenses must be tightly controlled, if not eliminated. In this case, shareholders are likely to benefit at the expense of other stakeholders and therefore investment in discretionary CSR is minimised. Therefore:

Hypothesis 2: A low-cost strategy is negatively associated with discretionary CSR.

Differentiation strategy and CSR

Differentiation strategies involve establishing a firm as different in a positive way. While the means and mechanisms of differentiation are many, one could be investment in and emphasis on CSR. Because a differentiation approach is based on adding value rather than on minimizing cost, this could, for example, open up the possibility of ethical treatment of suppliers (e.g., making sure suppliers are treated fairly and are paid well for quality inputs), treating employees as a source of value-added rather than as an expense or addressing community needs as a basis for positive differentiation in the marketplace. Firms pursuing a differentiation strategy might also place higher value or stricter adherence to ethical practices, because the reputational – if not financial – costs and risks of unethical behaviour can be too high to their strategy (Fan, 2005). In fact, firms pursuing differentiation strategies are expected to view CSR as a means not only to prevent or eliminate negative attention from stakeholders such as employees, customers and communities, but also to improve their product image, signalling quality and trustworthiness (McWilliams & Siegel, 2001). In this sense, ethical practices can lead to a demonstration of honesty and transparency, which helps build mutual trust with stakeholders leading to higher value-add and differentiation from competitors (Barney & Hansen, 1994; Galbreath, 2009). Hence:

Hypothesis 3: A differentiation strategy is positively associated with ethical CSR.

Differentiation strategies are also likely to more readily engage in discretionary resource allocations. For example, firms with differentiation strategies may build unique features into products that demonstrate socially responsible attributes to important stakeholders such as customers. Such efforts may create distinguishing opportunities for differentiators relative to their competitors. Similarly, discretionary resource allocations such as R&D investment can positively affect a firm's socially responsible business practices (e.g., development of environmental-friendly products that customers value and are willing to pay more for) (Choi & Ng, 2011). As resources are allocated to CSR in order to fulfil a differentiation strategy logic, there is evidence to suggest that firms benefit from decreased employee turnover, improved reputation with external

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

stakeholders and increased satisfaction and purchase intent from customers (Choi & Ng, 2011; Galbreath, 2010). However, while such discretionary investments in CSR are expected to satisfy stakeholders, they are not cost-free (Hong, Kubik, & Scheinkman, 2012; McWilliams & Siegel, 2001; Wood & Jones, 1995); therefore, they are more likely a representative of differentiation than low-cost strategies as a differentiation strategy is less concerned with strictly controlling costs (Porter, 1980, 1996). Thus:

Hypothesis 4: A differentiation strategy is positively associated with discretionary CSR.

The moderating effect of a PM system

PM systems have become a popular tool or framework to help firms orchestrate organisational resources to achieve financial and nonfinancial objectives (Franco-Santos, Lucianetti, & Bourne, 2012). PM systems allow firms and their managers to establish and assess links between strategy, execution and value creation (Melnyk, Stewart, & Swink, 2004). PM systems also permit firms to influence employee behaviour to achieve the desired objectives of firm strategy (Hall, 2008; Koufteros, Vergheses, & Lucianetti, 2014). In this sense, a PM system has been described as an ambidextrous system that firms use to both monitor and control organisational resources and influence employees towards desired behaviours (Kaplan & Norton, 2008; Koufteros, Vergheses, & Lucianetti, 2014). We argue that a PM system may shape the relationship between firm strategy and CSR.

In the case of low-cost strategies, the emphasis is on cost control (Porter, 1980, 1996). Here, we recognise, however, that the relationship between a low-cost strategy and CSR could be shaped positively – under certain circumstances. For example, a PM system focused on shareholders would be expected to drive behaviour and decision making with respect to efficiency and cost control in a firm with a low-cost strategy. However, modern PM systems rarely account for a single stakeholder (Bento, Mertins, & White, 2017; Franco-Santos, Lucianetti, & Bourne, 2012; Hansen & Schaltegger, 2016, 2018). A PM system that accounts for stakeholders beyond just shareholders likely expands the attention of firms with low-cost strategies – beyond just the bottom line. Because a PM system is a mechanism used to both monitor and control organisational resources and influence employees towards desired behaviours (Kaplan & Norton, 2008; Koufteros, Vergheses, & Lucianetti, 2014), in cases where they have a broader stakeholder focus, the expectation is that firms with low-cost strategies are likely to take greater notice of those stakeholders – and their expectations of socially desirable behaviour. While we recognise this could run counter to the objectives of a low-cost strategy, nonetheless, as a PM system accounts for a broader stakeholder base, this shapes how stakeholders are addressed (Brignall, 2002; Gardiner, 2002; Länsiluoto & Järvenpää, 2008; Parisi, 2010), likely leading to at least some level of increased emphasis on CSR. Hence:

Hypothesis 5: A PM system with a broad stakeholder focus positively moderates the negative association between a low-cost strategy and ethical CSR.

Hypothesis 6: A PM system with a broad stakeholder focus positively moderates the negative association between a low-cost strategy and discretionary CSR.

A firm with a differentiation strategy seeks to be unique in a way that enables them to 'stand out' from the competition such that they target and attract a customer base willing to pay premium prices for their offered products and/or services. To achieve such uniqueness, differentiation strategies rely on aspects such as quality, advanced engineering, superior reputations, outstanding customer service and customer intimacy, strong commitment to relationship management (e.g., with employees, regulators, suppliers) and high levels of credibility, among others (Porter, 1980, 1996). Such aspects rely on expertise in stakeholder management.

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

More specifically, because firms with differentiation strategies seek to achieve a competitive advantage through their uniqueness (Porter, 1980), they are likely to recognise that CSR can strengthen their advantage (Figge, Hahn, Schaltegger, & Wagner, 2002; Johnson, 1998; McWilliams & Siegel, 2001; Schneider & Vieira, 2010). This is because CSR can translate into, for example, a better image or reputation (McWilliams & Siegel, 2001), as well as signal quality and trustworthiness (McWilliams & Siegel, 2001). Given that PM systems with a broad stakeholder focus emphasise attention to employees, customers, suppliers and government or regulatory authorities (Cousins, Lawson, & Squire, 2008; Mahama, 2006; Simons, 1991), they are likely to increase the extent to which firms with differentiation strategies can translate their actions into an enhanced image, reputation, quality or trustworthiness. In this sense, a PM system that offers provision for a broad stakeholder base is likely to magnify the relationship between a differentiation strategy and CSR (cf. Jamali, 2008; Sundin, Granlund, & Brown, 2010). Therefore:

Hypothesis 7: A PM system with a broad stakeholder focus positively moderates the positive association between a differentiation strategy and ethical CSR.

Hypothesis 8: A PM system with a broad stakeholder focus positively moderates the positive association between a differentiation strategy and discretionary CSR.

Methods

Sample and data collection

The sampling frame included Italian for-profit companies listed on the Aida-Bureau van Dijk database. Our data collection procedure consisted of two parts. For the collection of data on CSR and PM systems (and one of our control variables), an online survey was used. Second, for the strategy and the remaining control variables, secondary data were collected. As for the survey, in order to obtain a target participant list, first, we contacted each firm's management directly by phone to select a list of companies willing to cooperate with our research. Second, we identified and targeted high-level executives (e.g., CEOs, CFOs) as well as controllers and managers (e.g., managing directors, operations managers) to complete the survey as the positional levels of these individuals increases the likelihood that our participants possess substantive and specific knowledge as it pertains to their CSR and PM systems. Lastly, names and email addresses of our potential participants were obtained during phone conversations with the firms.

The survey was created, managed and submitted to our target participants using Qualtrics (https://www.qualtrics.com), a web-based system to conduct online survey research. Prior to receiving a web link, participants were sent an introductory letter clarifying the purposes and objectives of the research project. The participants were also promised a benchmark report allowing them to compare their responses to those of other participating organisations. Of the 1,334 firms surveyed, 280 responses from 229 unique firms were collected, yielding a response rate of 17%. With respect to the participants, nearly 60% have a bachelor's degree and 26% have a postgraduate degree. Regarding age and gender, 51% are 43 years old or younger, while 87% are male. Job functions include a mix of chief financial officers (CFOs), controllers, executive directors and managers, and other managers (e.g., sales manager, financial manager, HR manager). Lastly, the mean firm age is 47 years old, while industries include auto manufacturing, gas services, retailing and retail services, clothing manufacturing, printing services, information technology/telecommunications, industrial manufacturing, consumer products manufacturing, biotechnology, accounting/consultancies and media.

In cases where there were two responses, interrater reliability tests revealed an average π of 0.884 across the scales, which is acceptable (Hackston & Milne, 1996). Hence, responses were combined and the mean taken. Further, for cases where there were more than two responses, within-group agreement was tested by computing $r_{WG(J)}$, obtaining a median value of 0.913 across

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

the scales. Given these results exceed rules for aggregation (Brown & Hauenstein, 2005), responses were aggregated for analysis and the mean taken.

Dependent variables

CSR is voluntary in nature (Barnett, 2007; Carroll, 1979, 1991; Gras & Krause, 2020; Matten, Crane, & Chapple, 2003) and is conceptualised as including economic, legal, ethical and discretionary dimensions (Carroll, 1979, 1991, 2004). According to Carroll (1979, 1991), the ethical and discretionary practices are considered to be the *voluntary* aspects of CSR (the other two practices, economic and legal practices, are considered to be obligatory). Carroll (1979, 1991, 2004) defines ethical responsibility as abiding by moral rules that define appropriate behaviours in society and that meet stakeholder expectations for ethical behaviour. Discretionary responsibilities refer to business practices (e.g., employee training, philanthropic contributions) that are not required by law or are not mandated, but are expected by stakeholders as a demonstration of good citizenship (Carroll, 1979, 1991, 2004). In order to measure the two CSR dimensions in our study, we relied on items adapted from Maignan and Ferrell (2000, 2001) and Maignan, Ferrell, and Hult (1999), who robustly tested and validated both dimensions.

For ethical CSR, the scale consisted of five items (Table 1). Confirmatory factor analysis (CFA) suggests a good fit to the data. The CFI is 0.99, the GFI is 0.99 and the RMSEA is 0.04. The Cronbach α is 0.89. For discretionary CSR, the scale consisted of seven items (Table 1). CFA is acceptable, with a CFI of 0.98, GFI of 0.97 and an RMSEA of 0.07. The Cronbach α is 0.91. For both CSR scales, participants were asked to rate their practices compared to those in their industry on a 6-point Likert scale, ranging from 'well below average' to 'well above average'.

Independent variables

In order to avoid common method bias by collecting our data solely from a survey, we chose to collect secondary data to create proxy measures for both low-cost and differentiation strategies, which is relatively common practice (e.g., David, Hwang, Pei, & Reneau, 2002; Hambrick, 1983; Nair & Filer, 2003). Data were collected for each firm from the Aida-Bureau van Dijk database based on available data.

Firms with low-cost strategies must achieve strength in operational efficiency and asset turnover (Porter, 1980; Selling & Stickney, 1989). Following previous studies on a low-cost strategy (Balsam, Fernando, & Tripathy, 2011; Banker, Mashruwala, & Tripathy, 2014; Yamakawa, Yang, & Lin, 2011), we created a reversed index which included the combination of three ratios: (1) cost efficiency, measured by the cost of goods sold over total revenue; (2) capital intensity, measured by the ratio of total assets to total revenue; and (3) capital expenditure, measured by net investment in plant and equipment over total revenue. For differentiation strategy, a key factor to consider is the ability to offer high-quality and innovative products and services in an effort to distinguish against rivals (David et al., 2002; Hambrick, 1983; Porter, 1980). Hence, following previous studies on a differentiation strategy (David et al., 2002; Hambrick, 1983; Nair & Filer, 2003), we include R&D intensity, measured by expenditure on R&D over total revenue and the book value of patents and intellectual property rights over total revenue. Given that for each indicator the denominator is shared, we aggregated them to capture proxy measures of low-cost and differentiation strategies. Aggregated measures also offer an easier interpretation of the results[1].

[1]Based on a reviewer comment, we examined alternative measures of low-cost and differentiation strategies. Following the work of Banker, Hu, Pavlou, and Luftman (2011), for low-cost strategy, we used sales over assets, and for differentiation strategy, we used operating income over sales. While these are relatively 'simple' proxy measures, the results did not differ materially from those reported here.

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Table 1. Items and fit statistics of main constructs

Items	Parameter Estimates	χ^2/ *df*	CFI	GFI	RMSEA
Ethical CSR		1.72	0.99	0.99	0.04
Abiding with a comprehensive code of conduct	0.79				
Recognized as a trustworthy company	0.85				
Making fairness toward co-workers and business partners an integral part of the employee evaluation process	0.81				
Using a confidential procedure which is in place for employees to report any misconduct at work	0.79				
Assuring that our salespersons and employees provide full and accurate information to all customers and the public	0.82				
Discretionary CSR		2.65	0.98	0.97	0.07
Supporting employees who acquire additional education	0.66				
Deploying flexible company policies to enable employees to better coordinate work and personal life	0.65				
Giving adequate contributions to charities	0.70				
Using a program which is in place to reduce the amount of energy and materials wasted in our business	0.78				
Encouraging partnerships with local businesses and schools to benefit the society	0.76				
Improving sustainability through our product designs	0.90				
Improving sustainability via our product return policies/processes	0.82				
PM system		2.62	0.95	0.97	0.07
Enhance negotiation of capital expenditure, budget allocation and financial support to projects	0.70				
Enrich the utilization of our resources	0.82				
Help to stabilize our existing assets	0.75				
Promote better leveraging of resources by increased levels of coordination amongst constituents	0.87				
Improve employees' sense of accountability	0.80				
Improve employees' commitment to the company	0.61				
Increase senior managers' risk taking approach in strategic decision making	0.72				
Increase the innovation of working practices	0.74				
Improve our relationship with suppliers	0.65				
Improve our relationship with customers	0.70				

(*Continued*)

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Table 1. (*Continued.*)

Items	Parameter Estimates	χ^2/df	CFI	GFI	RMSEA
Improve our relationship with regulators or government institutions	0.54				
Items eliminated due to low loadings: Improve the alignment of strategy and operations					
Increase employees' risk taking approach in operations					
Promote operational improvements					
Increase productivity					
Improve employee performance in their operations					

Moderating variable

To measure PM systems, we wanted items that account for a broad range of stakeholders. According to Clarkson (1995), primary stakeholders include shareholders, customers, employees, suppliers and governments who provide infrastructures and whose laws and regulations must be obeyed. We adopt this stakeholder cohort for our study, as they are important to firms as an ongoing concern (Clarkson, 1995). For measurement, we adapted items from studies including Cousins, Lawson, and Squire (2008), Mahama (2006) and Simons (1991). Items were included that best captured a particular aspect of the stakeholder (e.g., for shareholders, we used items that focused on resource management and generating firm performance; for employees, we used items focused on accountability and risk taking, etc.).

For the scale, participants were asked to assess the extent to which their PM system guides behaviour and decision making to achieve objectives, across 16 items (Table 1), on a 6-point Likert scale ranging from 'not at all' to 'to a very great extent'. In other words, firms may have a PM system in place and yet have little direct effect unless enacted or leveraged, which our scale attempted to ascertain. After scale refinement (Table 1), CFA demonstrates a good fit to the data. The CFI is 0.97, the GFI is 0.95 and the RMSEA is 0.07, all of which are acceptable. The Cronbach α for the scale is 0.92. As a check, we assessed each individual item to ensure that participants were not biased towards only shareholders or that any one stakeholder dominated the results. That is, singular stakeholder emphasis could dominate. Descriptive analysis revealed that the means of all items demonstrated at least some extent of impact suggesting, overall, PM systems in our sample have a broader stakeholder focus rather than a narrow one.

Control variables

Firms of larger size may have more discretionary resources to commit to CSR (McWilliams & Siegel, 2001; Wu, 2006). To account for this effect, firm size was measured by the logarithm of total assets. Firms that are part of a multinational corporation (MNC) could face greater institutional pressure to account for CSR (Galbreath, 2019). Greater pressure to conform to institutionalised expectations for appropriate social behaviour on the part of firms may therefore lead to higher levels of engagement in CSR. Our survey asked participants if their firm was part of an MNC, and was coded 1 if yes, 0 otherwise. Evidence suggests that firms with better financial performance tend to engage more readily in CSR because a higher level of profits can be invested in prosocial activities (Adams & Hardwick, 1998; Waddock & Graves, 1997). To measure financial performance, we used return on assets (ROA). Firms with lower risk are believed to more

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Table 2. Reliability, internal consistency and discriminant validity of multi-item constructs

Construct	Items	A	CR	AVE	ECSR	DCSR	PMS
Ethical CSR	5	0.89	0.90	0.65	**0.81**		
Discretionary CSR	7	0.91	0.91	0.58	0.68	**0.76**	
PM system	11	0.92	0.92	0.55	0.67	0.67	**0.74**

readily engage in CSR because when there are low contracting costs, firms can continue to satisfy the implicit claims of external stakeholders by means of socially responsible investment (Adams & Hardwick, 1998; Orlitzky & Benjamin, 2001). To account for risk, we used a firm's leverage, measured by debt over shareholder's equity. According to George (2005), organisational slack is the potentially utilisable resource that can be diverted or redeployed for the achievement of objectives – including those related to CSR. To measure slack, we relied on cash reserves. Due to the skewed nature of the data, a logarithm was taken. Lastly, as is common in most studies of CSR, potential industry effects were controlled by a dummy variable, where 1 = manufacturing firms, 0 = services firms. Unless noted, data were collected from the Aida-Bureau van Dijk database.

Convergent and discriminant validity

For our multi-item scales, we assessed convergent and discriminant validity. All multi-item constructs have an internal consistency (composite reliability) above 0.7 (Table 2), which is acceptable (Fornell & Larcker, 1981). Discriminant validity was assessed through the technique, Average Variance Extracted (AVE) (Fornell & Larcker, 1981). The AVE for each construct is greater than the minimum threshold value of 0.5, which is acceptable (Table 2). Moreover, the square root of AVE is greater for each construct than across the pairs of constructs (as noted in bold in Table 2). Given the reliability and convergent and discriminant validity of the multi-item scales, subsequent analysis was conducted using the composite average score for each construct.

Results

Means, standard deviations and correlations are presented in Table 3. To assess the hypotheses, moderated hierarchical regression analysis is used. Prior to analysis and to aid interpretation, the interaction variables were centred (Echambadi & Hess, 2007; Iacobucci, Schneider, Popovich, & Bakamitsos, 2016). The highest variation inflation factor (VIF) of 2.643 (2.516) for the low-cost (differentiation) model and the lowest tolerance value of 0.378 (0.397) for the low-cost (differentiation) model is considered to be within acceptable standards (O'Brien, 2007), providing evidence that multicollinearity is unlikely to be problematic.

Hypotheses 1 and 2 state that a low-cost strategy is negatively associated with ethical and discretionary CSR, respectively. As shown in Table 4 Model 2, a low-cost strategy is negatively associated with ethical CSR ($\beta = -0.10$; $p < .05$). Similarly, as shown in Table 4 Model 5, a low-cost strategy is negatively associated with discretionary CSR ($\beta = -0.17$; $p < .01$). The evidence therefore suggests support for Hypotheses 1 and 2.

With respect to Hypotheses 3 and 4, we predict a positive association between a differentiation strategy and ethical and discretionary CSR, respectively. The results offer support for both hypotheses. As demonstrated in Table 4 Model 2, a differentiation strategy is positively associated with ethical CSR ($\beta = 0.18$; $p < .01$). As demonstrated in Table 4 Model 5, a differentiation strategy is also positively associated with discretionary CSR ($\beta = 0.14$; $p < .05$).

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Table 3. Pearson correlations and descriptive statistics

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Ethical practices	2.40	0.94	1.00									
2. Discretionary practices	3.15	1.05	0.12	1.00								
3. Low-cost strategy	0.43	1.57	−0.13*	−0.15*	1.00							
4. Differentiation strategy	0.32	0.20	0.39**	0.31**	−0.11*	1.00						
5. PM system	4.05	1.00	0.10*	0.12*	0.15*	0.09	1.00					
6. Firm size (logarithm)	5.00	0.92	0.10*	0.13*	0.23**	−0.08	0.13*	1.00				
7. Part of MNC	0.55	0.50	0.18**	0.02	0.03	0.08	−0.25**	−0.31**	1.00			
8. ROA (%)	3.63	16.84	0.14*	0.10*	−0.13*	0.11*	0.15*	0.04	−0.07	1.00		
9. Leverage	0.66	1.82	−0.05	−0.04	−0.07	−0.01	−0.01	−0.01	0.07	0.05	1.00	
10. Slack (logarithm)	3.89	0.95	0.11*	0.10*	0.05	0.07	−0.00	0.01	0.09	0.35**	0.01	1.00

*$p = .05$; **$p = .01$.

Table 4. Regression results

	Ethical practices			Discretionary practices		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
		β	β		β	β
Controls						
Firm size	0.57***	0.55***	0.42***	0.55***	0.51***	0.38***
Part of MNC	0.10†	0.11*	0.14**	−0.11†	−0.10†	−0.06
ROA	−0.12*	−0.11*	−0.11*	−0.03	−0.02	−0.02
Leverage	−0.43	−0.34	−0.41	−0.38	−0.51	−0.44
Slack	0.12	0.11	0.11	−0.04	−0.05	−0.06
Industry dummy	−0.01	0.01	−0.02	−0.13*	−0.11†	−0.13*
Main effects						
Low-cost strategy		−0.10*	−0.34*		−0.17**	−0.51**
Differentiation strategy		0.18**	0.11		0.14*	0.12
PM system		0.13**	0.11*		0.17**	0.14**
Interactions						
Low-cost strategy × PM system			0.30*			0.39**
Differentiation strategy × PM system			0.33**			0.29*
R^2	0.45	0.50	0.56	0.40	0.43	0.50
ΔR^2		0.05***	0.06***		0.03***	0.07***
Model F	18.74***	14.56***	14.20***	15.19***	10.66***	12.12***

†$p < .10$; *$p < .05$; **$p < .01$; ***$p < .001$.

Regarding the moderation hypotheses, we first predicted that a PM system will positively moderate the negative association between a low-cost strategy and ethical as well as discretionary CSR (Hypotheses 5 and 6). Table 4 Model 3 shows that the interaction term is positive and significant (β = 0.30; $p < .051$) with respect to ethical CSR. The results in Table 4 Model 6 show that the interaction term is positive and significant (β = 0.39; $p < .01$) with respect to discretionary CSR. We also find support for Hypotheses 7 and 8. The interaction term (Table 4 Model 3) between a differentiation strategy and ethical CSR is positive and significant (β = 0.33; $p < .01$), while the interaction term (Table 4 Model 6) between a differentiation strategy and discretionary CSR is also positive and significant ($\beta = 0.29$; $p < .05$). Hence, the findings suggest support for the moderation hypotheses.

Robustness test

We recognise that our study may suffer from the issue of endogeneity because CSR may not be an exogenous random variable. In order to mitigate the issue of endogeneity, we rely on the widely used instrumental variable (IV) technique (Wooldridge, 2009). Determining a proper IV is challenging but, ideally, should be one that is highly correlated with strategy while having no direct correlation with CSR. In our case, the literature has long acknowledged that the external environment influences firm strategy (Dess & Beard, 1984; Keats & Hitt, 1988; Porter, 1985). Among the more prominently studied aspects include industry munificence (the level of resource

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

abundance and capacity to support growth), industry dynamism (the degree of instability, volatility, turbulence and degree of unpredictable change) and industry complexity (variations in the number, diversity and distribution of competitors) (Dess & Beard, 1984; Keats & Hitt, 1988). All three of these aspects are expected to have an influence on firm strategy. At the same time, Gras and Krause (2020) demonstrate that industry complexity is not correlated with CSR; hence, we use industry complexity as our IV.

For measurement, we followed established research (Boyd, 1995; Haynes & Hillman, 2010; Keats & Hitt, 1988; Palmer & Wiseman, 1999) by calculating the four-firm concentration ratio (market share – by sales – of the four largest firms in each industry scaled by the total sales of that industry) in each industry to represent our indictor of industry complexity. Using a 2SLS estimation, to confirm the validity of our instrument, Cragg and Donald's (1993) instrumental-relevance (F statistic) test and Sargan's (1958) over-identification test were used. The instrumental-relevance test is sufficient with an F-value of 16.89 and the over-identification test is not significant (p value = .23), indicating that our instrument is valid. In the second stage, the independent variables remain significant and in the expected directions, consistent with our primary analysis. We conclude that endogeneity does not appear to be a problem.

Discussion

Strategy is believed to have a profound impact on society and is instrumental in solving economic and social challenges. However, little empirical research has explored the link between strategy and CSR, a gap our paper intended to fill. Following stakeholder theory and the work of Michael Porter, we found that a low-cost strategy is negatively associated with our two CSR dimensions (ethical, discretionary), while a differentiation strategy is positively associated with both. Speculating that our direct relationships were likely to be shaped by contingent factors, we tested our hypothesis that PM systems moderate the predicted relationships. We found that a PM system positively moderated the negative relationship between a low-cost strategy and the two dimensions, while positively moderating the positive relationship between a differentiation strategy and the two dimensions. The results are robust after accounting for endogeneity concerns and offer a few key contributions to the literature.

First, we make an empirical contribution. A substantial body of research explores the relationship between strategy and firm performance and CSR and firm performance. Yet, given the purported impact on society (Galbreath, 2006; O'Shannassy, 2015), surprisingly little research has examined the relationship between firm strategy and CSR. Through a stakeholder lens, ours is one of the first to study the relationship between firm strategy and the ethical and discretionary dimensions of CSR. We found that a low-cost strategy has a negative effect on both ethical and discretionary CSR. Adopting the view that strategy is about choice, positioning and trade-offs (Porter, 1980, 1996), firms who pursue low-cost strategies are likely to face high opportunity costs (e.g., stakeholder support, social reputation) with respect to the extent to which they engage in voluntary practices that address social responsibilities (cf. Parent & Deephouse, 2007). Alternatively, our results demonstrate that a differentiation strategy is positively associated with CSR. Thus, engaging in practices that reflect ethical and discretionary dimensions confer benefits that are likely greater for differentiation than for low-cost strategies. Meta-analyses of the relationship between CSR and financial performance suggest this stems from the uniqueness that underpins perceived high value from the willingness of customers to pay a premium price for products and services (Erdiaw-Kwasie, Alam, & Kabir, 2017; Trumpp, Endrikat, Zopf, & Guenther, 2015). Our empirical findings are important in that they demonstrate the relationship between strategy and CSR, while responding to calls to empirically study the dimensions of CSR individually (Orlitzky et al., 2017; Reimer, Van Doorn, & Heyden, 2018; Wang et al., 2016).

Second, we offer a theoretical contribution to the stream of research concerning strategy and PM systems. Building on stakeholder theory and the literature on PM systems, we posit that a PM

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

system is a moderating variable that has been overlooked, certainly in the context of strategy and CSR. Firms have a need to consider balancing the interests of multiple stakeholders, tend to operate in complex and competitive markets and must apply organisational resources in dynamic ways to survive and thrive (Teece, Pisano, & Shuen, 1997). Such efforts are neither simple nor linear. In the case of our study, we took the position that for firms to realise success, they need to monitor and control organisational resources and influence employees towards desired behaviours (Kaplan & Norton, 2008; Koufteros, Vergheses, & Lucianetti, 2014). In this sense, modern PM systems are believed to have influenced corporate outcomes, success and practices in both positive and negative ways (Grant & Visconti, 2006; Maltz, Shenhar, & Reilly, 2003).

We theorised that where firms have PM systems with broad stakeholder focus, this focus is likely to shape the relationship between strategy and CSR. Because stakeholders have varying interests, when PM systems account for a broader stakeholder cohort firms are less likely to focus attention and resources solely on shareholders for the purpose of profit maximisation. Evidence suggests that not all stakeholders care about profits, and that many of their interests align more closely to socially responsible interests (Konrad, Steurer, Langer, & Martinuzzi, 2006). Hence, a PM system that accounts for broad stakeholder interests is likely to shape the relationship between strategy and CSR. Our findings suggest that a PM system does positively shape this relationship with respect to both low-cost and differentiation strategies and supports our theoretical postulates.

Our study also offers managerial contributions. CSR is believed to be an important component of firm legitimacy (Brammer, Jackson, & Matten, 2012; Christensen, Mackey, & Whetten, 2014; Galbreath, 2009; McWilliams, Siegel, & Wright, 2006; Short, McKenny, Ketchen, Snow, & Hult, 2016). Yet, firms have to cope with competitive markets and difficult decisions and trade-offs in terms of where and how they allocate resources (Parent & Deephouse, 2007; Pearce & Doh, 2005; Porter, 1996).

In the case of firms pursuing a low-cost strategy, CSR as conceptualised in this study could be antithetical to such a strategy. More specifically, CSR is not without cost (Hong, Kubik, & Scheinkman, 2012; McWilliams & Siegel, 2001; Wood & Jones, 1995), even though minimum expectations may be held by stakeholders and society. Therefore, firms with low-cost strategies may need to carefully scrutinise to what extent they can be successful over the long term *without* engaging in CSR. Of course, individual managers and executives could have normative reasons for engaging or institutional pressures may be such that completely avoiding CSR is unlikely. In this study, the findings suggest that carefully designed PM systems could help firms with low-cost strategies more readily account for stakeholders and incorporate and demonstrate CSR. Alternatively, firms with differentiation strategies should give deeper consideration to CSR as a means of uniqueness, while relying on PM systems that are broadly stakeholder focused such that they can more thoroughly align organisational resources and employee behaviour with the social outcomes they seek.

Limitations and future research directions

This study is not without limitations. First, the sample is drawn from an Italian cohort of firms. While our sample does advance published studies of CSR, which tend to be dominated by US samples, this single country limits generalisability. Further studies could include other (non-US) countries or a cross-country design. Second, we rely on cross-sectional data. Hence, we are suggesting correlation, not causation. The results must be interpreted in light of this limitation. Future research could employ panel data to enable a greater capacity for capturing the complexity of variable interactions and causal effects than a cross-section. Third, we specifically study CSR as conceptualised by Carroll (1979, 1991). In this way, our approach is consistent with the literature on the voluntary nature of CSR (Barnett, 2007; Gras & Krause, 2020; Matten, Crane, & Chapple, 2003), and enabled us to explore dimensions individually. However, future studies

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

could examine other dimensions such as diversity, the natural environment or human rights. Lastly, a final limitation is that we constructed items to measure a PM system that were specifically tailored to our stakeholder focus. While the results are encouraging, future studies could explore alternative measures. For example, little CSR research includes PM systems such as the Balanced Scorecard, Performance Prism, or even measures based on Baldrige Criteria. Given the importance of PM system use in business today, we encourage future research to more readily incorporate this construct into the empirical analysis.

Conclusion

Business ethicists and strategy scholars have long debated the extent to which firms have social responsibilities (e.g., Andrews, 1971; Carroll & Hoy, 1984; Freeman, 1984; Freeman & Gilbert, 1988; Galbreath, 2009; Hosmer, 1994; Learned et al., 1965; Porter & Kramer, 2002; Sethi & Sama, 1998). In our study, we sought to determine if Porter's (1980) widely recognised generic strategies effect CSR; namely, ethical and discretionary CSR. A low-cost strategy is negatively associated with the specified practices while a differentiation strategy is positively associated with them. Further, in both cases, a PM system positively moderates these relationships. The findings are important empirically and theoretically. As firms increasingly confront stakeholder expectations for socially responsible behaviour, the findings also offer managerial insights for better alignment between the firm and its stakeholders.

References

Adams, M., & Hardwick, P. (1998). An analysis of corporate donations: United Kingdom evidence. *Journal of Management Studies*, *35*, 641–654.

Andersen, M., & Skjoett-Larsen, T. (2009). Corporate social responsibility in global supply chains. *Supply Chain Management: An International Journal*, *14*, 75–86.

Andrews, K. R. (1971). *The concept of corporate strategy*. Homewood, IL: Dow-Jones Irwin.

Balsam, S., Fernando, G. D., & Tripathy, A. (2011). The impact of firm strategy on performance measures used in executive compensation. *Journal of Business Research*, *64*, 187–193.

Banker, R. D., Hu, N., Pavlou, P. A., & Luftman, J. (2011). CIO Reporting structure, strategic positioning and firm performance. *MIS Quarterly*, *35*, 487–504.

Banker, R. D., Mashruwala, R., & Tripathy, A. (2014). Does a differentiation strategy lead to more sustainable financial performance than a cost leadership strategy? *Management Decision*, *52*, 33–46.

Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review*, *32*, 794–816.

Barnett, M. L. (2019). The business case for social responsibility: A critique and an indirect path forward. *Business & Society*, *58*, 167–190.

Barney, J. B., & Hansen, M. (1994). Trustworthiness as a source of competitive advantage. *Strategic Management Journal*, *15*, 175–190.

Bento, R. F., Mertins, L., & White, L. F. (2017). Ideology and balanced scorecard: An empirical exploration of the tension between shareholder value maximization and corporate social responsibility. *Journal of Business Ethics*, *142*, 769–789.

Boyd, B. K. (1995). CEO duality and firm performance: A contingency model. *Strategic Management Journal*, *16*, 301–312.

Boyd, E. D., Spekman, R. E., Kamauff, J. W., & Werhane, P. (2007). Corporate social responsibility in global supply chains: A procedural justice perspective. *Long Range Planning*, *40*, 341–356.

Brammer, S., Jackson, G., & Matten, D. (2012). Corporate social responsibility and institutional theory: New perspectives on private governance. *Socio-Economic Review*, *10*, 3–28.

Brignall, S. (2002). The unbalanced scorecard: A social and environmental critique. In A. Neely, A. Walters, & R. Austin (Eds.), PMA conference proceedings – performance measurement and management 2002: Research and action: Cranfield School of Management (pp. 85–92). Boston: Performance Management Association.

Brown, R. D., & Hauenstein, N. M. A. (2005). Interrater agreement reconsidered: An alternative to the rwg indices. *Organisational Research Methods*, *5*, 159–172.

Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, *4*, 497–505.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organisational stakeholders. *Business Horizons*, *34*, 39–48.

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Carroll, A. B. (2004). Managing ethically with global stakeholders: A present and future challenge. *Academy of Management Executive*, *18*, 114–120.
Carroll, A. B., & Hoy, F. (1984). Integrating corporate social policy into strategic management. *Journal of Business Strategy*, *4*, 48–57.
Choi, S., & Ng, A. (2011). Environmental and economic dimensions of sustainability and price effects on consumer responses. *Journal of Business Ethics*, *104*, 269–282.
Christensen, L. J., Mackey, A., & Whetten, D. (2014). Taking responsibility for corporate social responsibility: The role of leaders in creating, implementing, sustaining, or avoiding socially responsible firm behaviours. *Academy of Management Perspectives*, *28*, 164–178.
Clarkson, M. B. E. (1995). A stakeholder framework for analysing and evaluating corporate social performance. *Academy of Management Review*, *20*, 92–117.
Conner, K. R. (1991). A historical comparison of resource-based theory and five schools of thought within industrial organisation economics: Do we have a new theory of the firm? *Journal of Management*, *17*, 121–154.
Cousins, P. D., Lawson, B., & Squire, B. (2008). Performance measurement in strategic buyer–supplier relationships: The mediating role of socialization mechanisms. *International Journal of Operations & Production Management*, *28*, 238–258.
Cragg, J. G., & Donald, S. G. (1993). Testing identifiability and specification in instrumental variable models. *Econometric Theory*, *9*, 222–240.
David, J. S., Hwang, Y., Pei, B. K., & Reneau, W. (2002). The performance effects of congruence between product competitive strategies and purchasing management design. *Management Science*, *48*(7), 866–886.
Dess, G. G., & Beard, D. W. (1984). Dimensions of organisational task environment. *Administrative Science Quarterly*, *29*, 52–73.
Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review*, *20*, 65–91.
Durand, R., Grant, R. M., & Madsen, T. L. (2017). The expanding domain of strategic management research and the quest for integration. *Strategic Management Journal*, *38*, 4–16.
Echambadi, R., & Hess, J. D. (2007). Mean-centring does not alleviate collinearity problems in moderated multiple regression models. *Marketing Science*, *26*, 438–445.
Erdiaw-Kwasie, M. O., Alam, K., & Kabir, E. (2017). Modelling corporate stakeholder orientation: Does the relationship between stakeholder background characteristics and corporate social performance matter? *Business Strategy and the Environment*, *26*, 465–479.
Fan, Y. (2005). Ethical branding and corporate reputation. *Corporate Communications: An International Journal*, *10*, 341–350.
Figge, F., Hahn, T., Schaltegger, S., & Wagner, M. (2002). The sustainability balanced scorecard – Linking sustainability management to business strategy. *Business Strategy and the Environment*, *11*, 269–284.
Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobserved variables and measurement errors. *Journal of Marketing Research*, *18*, 39–50.
Franco-Santos, M., Lucianetti, L., & Bourne, M. (2012). Contemporary performance management systems: A review of their consequences and a framework for research. *Management Accounting Research*, *23*, 79–119.
Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
Freeman, R. E., & Gilbert, D. (1988). *Corporate strategy and the search for ethics*. Englewood Cliffs, NJ: Prentice-Hall.
Friedman, M. (1970). The social responsibility of business is to increase its profits. *New York Times Magazine*, 13 *September*, *32–33*, 122, 124, 126.
Galbreath, J. (2006). Corporate social responsibility strategy: Strategic options, global considerations. *Corporate Governance*, *6*, 175–187.
Galbreath, J. (2009). Building corporate social responsibility into strategy. *European Business Review*, *21*, 109–127.
Galbreath, J. (2010). How does corporate social responsibility benefit firms? Evidence from Australia. *European Business Review*, *22*, 411–431.
Galbreath, J. (2019). Drivers of green innovations: The impact of export intensity, women leaders, and absorptive capacity. *Journal of Business Ethics*, *158*, 47–61.
Gardiner, C. (2002). Balanced scorecard ethics. *Business & Professional Ethics Journal*, *21*, 129–151.
George, G. (2005). Slack resources and the performance of privately held firms. *Academy of Management Journal*, *48*, 661–676.
Grant, R., & Visconti, M. (2006). The strategic background to corporate accounting scandals. *Long Range Planning*, *39*, 361–383.
Gras, D., & Krause, R. (2020). When does it pay to stand out as stand-up? Competitive contingencies in the corporate social performance–corporate financial performance relationship. *Strategic Organisation*, *18*, 448–471.
Gugler, P., & Shi, J. Y. J. (2009). Corporate social responsibility for developing country multinational corporations: Lost war in pertaining global competitiveness. *Journal of Business Ethics*, *87*, 3–24.
Guibert, L., & Roloff, J. (2017). Stakeholder dialogue: Strategic tool or wasted words? *Journal of Business Strategy*, *38*, 3–11.
Hackston, D., & Milne, J. J. (1996). Some determinants of social and environmental disclosures in New Zealand companies. *Accounting, Auditing & Accountability Journal*, *9*, 77–108.
Hall, M. (2008). The effect of comprehensive measurement systems on role clarity, psychological empowerment and managerial performance. *Accounting Organisations and Society*, *33*, 141–163.

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Hambrick, D. C. (1983). High profit strategies in mature capital goods industries: A contingency approach. *Academy of Management Journal*, *26*, 687–707.
Hansen, E. G., & Schaltegger, S. (2016). The sustainability balanced scorecard: A systematic review of architectures. *Journal of Business Ethics*, *133*, 193–221.
Hansen, E. G., & Schaltegger, S. (2018). Sustainability balanced scorecards and their architectures: Irrelevant or misunderstood? *Journal of Business Ethics*, *150*, 937–952.
Haynes, K. T., & Hillman, A. (2010). The effect of board capital and CEO power on strategic change. *Strategic Management Journal*, *31*, 1145–1163.
Henderson, D. (2005). The role of business in the world today. *Journal of Corporate Citizenship*, *17*, 30–32.
Hong, H. G., Kubik, J. D., & Scheinkman, J. A. (2012). Financial constraints on corporate goodness. Working paper, Princeton University and NBER.
Hosmer, L. T. (1994). Strategic planning as if ethics mattered. *Strategic Management Journal*, *15*, 17–34.
Hughes, A. (2011). Corporate ethical trading in an economic downturn: Recessionary pressures and refracted responsibilities. *Journal of Economic Geography*, *12*, 33–54.
Iacobucci, D., Schneider, M. J., Popovich, D. L., & Bakamitsos, G. A. (2016). Mean centring helps alleviate 'micro' but not 'macro' multicollinearity. *Behaviour Research Methods*, *48*, 1308–1317.
Jamali, D. (2008). A stakeholder approach to corporate social responsibility: A fresh perspective into theory and practice. *Journal of Business Ethics*, *82*, 213–231.
Jensen, M. C. (2001). Value maximisation, stakeholder theory and the corporate objective function. *Journal of Applied Corporate Finance*, *14*, 8–21.
Johnson, S. D. (1998). Identification and selection of environmental performance indicators: Application of the balance scorecard approach. *Corporate Environmental Strategy*, *5*, 34–41.
Jones, M. T. (1999). The institutional determinants of social responsibility. *Journal of Business Ethics*, *20*, 163–179.
Kaplan, R. S., & Norton, D. P. (2008). Mastering the management system. *Harvard Business Review*, *86*, 1–16.
Keats, B. W., & Hitt, M. A. (1988). A causal model of linkages among environmental dimensions, macro organisational characteristics, and performance. *Academy of Management Journal*, *31*, 570–598.
Konrad, A., Steurer, R., Langer, M. E., & Martinuzzi, A. (2006). Empirical findings on business-society relations in Europe. *Journal of Business Ethics*, *63*, 89–105.
Koufteros, X., Vergheses, A., & Lucianetti, L. (2014). The effect of performance measurement systems on firm performance: A cross-sectional and longitudinal study. *Journal of Operations Management*, *32*, 313–336.
Kurucz, E. C., Colbert, B. A., & Wheeler, D. (2008). The business case for corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility* (pp. 83–112). Oxford: Oxford University Press.
Länsiluoto, A., & Järvenpää, M. (2008). Environmental and performance management forces: Integrating 'greenness' into balanced scorecard. *Qualitative Research in Accounting & Management*, *5*, 184–206.
Learned, E., Christensen, C. R., Andrews, K. R., & Guth, W. D. (1965). *Business policy: Text and cases*. Homewood, IL: Richard D. Irwin.
Mahama, H. (2006). Management control systems, cooperation and performance in strategic supply relationships: A survey in the mines. *Management Accounting Research*, *17*, 315–339.
Maignan, I., & Ferrell, O. C. (2000). Measuring corporate citizenship in two countries: The case of the United States and France. *Journal of Business Ethics*, *23*, 283–297.
Maignan, I., & Ferrell, O. C. (2001). Antecedents and benefits of corporate citizenship: An investigation of French businesses. *Journal of Business Research*, *51*, 37–51.
Maignan, I., Ferrell, O. C., & Hult, G. T. M. (1999). Corporate citizenship: Cultural antecedents and business benefits. *Academy of Marketing Science Journal*, *27*, 455–469.
Maltz, A. C., Shenhar, A. J., & Reilly, R. R. (2003). Beyond the balanced scorecard: Refining the search for organisational success measures. *Long Range Planning*, *36*, 187–204.
Matten, D. A., Crane, A., & Chapple, W. (2003). Behind the mask: Revealing the true face of corporate citizenship. *Journal of Business Ethics*, *45*, 109–120.
McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, *26*, 117–127.
McWilliams, A., Siegel, D. S., & Wright, P. M. (2006). Corporate social responsibility: Strategic implications. *Journal of Management Studies*, *43*, 1–18.
Melnyk, S. A., Stewart, D. M., & Swink, M. (2004). Metrics and performance measurement in operations management: Dealing with the metrics maze. *Journal of Operations Management*, *22*, 209–218.
Mintzberg, H. (1978). Patterns of strategy formulation. *Management Science*, *24*, 934–948.
Misangyi, V. F., Elms, H., Greckhamer, T., & Lepine, J. A. (2006). A new perspective on a fundamental debate: A multilevel approach to industry, corporate and business unit effects. *Strategic Management Journal*, *27*(6), 571–590.

Nair, A., & Filer, L. (2003). Cointegration of firm strategies within groups: A long-run analysis of firm behaviour in the Japanese steel industry. *Strategic Management Journal*, *24*, 145–159.
O'Brien, R. M. (2007). A caution regarding rules of thumb for variance inflation factors. *Quality & Quantity*, *41*, 673–690.
O'Shannassy, T. (2015). Editorial: Strategic management special issue. *Journal of Management & Organization*, *21*, 551–557.
O'Shannassy, T. (2017). Associate editor reflections on the progress in and future of strategic management research in the Journal of Management & Organisation. *Journal of Management & Organisation*, *23*, 473–482.
Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, *18*, 187–206.
Orlitzky, M., & Benjamin, J. D. (2001). Corporate social performance and firm risk: A meta-analytic review. *Business & Society*, *40*, 369–396.
Orlitzky, M., Louche, C., Gond, J.-P., & Chapple, W. (2017). Unpacking the drivers of corporate social performance: A multi-level, multistakeholder, and multimethod analysis. *Journal of Business Ethics*, *144*, 21–40.
Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organisation Studies*, *24*, 403–441.
Palmer, T. B., & Wiseman, R. M. (1999). Decoupling risk taking from income stream uncertainty: A holistic model of risk. *Strategic Management Journal*, *20*, 1037–1062.
Parent, M. M., & Deephouse, D. L. (2007). A case study of stakeholder identification and prioritization by managers. *Journal of Business Ethics*, *75*, 1–23.
Parisi, C. (2010). Using qualitative systems dynamics to enhance the performance measurement of sustainability. In P. Taticchi (Ed.), *Business performance measurement and management: New contexts, themes and challenges* (pp. 115–130). Heidelberg: Springer.
Park, H., & Dickson, M. A. (2008). Engaging in buyer-seller partnership for fair labour management: The role of buyer firm's strategic emphasis. *Clothing and Textiles Research Journal*, *26*, 41–56.
Pearce, II. J. A., & Doh, J. P. (2005). The high impact of collaborative social initiatives. *MIT Sloan Management Review*, *46*, 30–39.
Porter, M. E. (1980). *Competitive strategy*. New York: The Free Press.
Porter, M. E. (1985). *Competitive advantage*. New York: The Free Press.
Porter, M. E. (1996). What is strategy? *Harvard Business Review*, *74*, 61–78.
Porter, M. E. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, *84*, 78–92.
Porter, M. E., & Kramer, M. R. (2002). The competitive advantage of corporate philanthropy. *Harvard Business Review*, *80*, 56–68.
Reimer, M., Van Doorn, S., & Heyden, M. L. M. (2018). Unpacking functional experience complementarities in senior leaders' influences on CSR strategy: A CEO-top management team approach. *Journal of Business Ethics*, *151*, 977–995.
Rowley, T. J., & Berman, S. L. (2000). A brand new brand of corporate social performance. *Business & Society*, *39*, 397–418.
Rumelt, R. P., Schendel, D. E., & Teece, D. J. (1994). *Fundamental issues in strategy*. Boston: Harvard Business School Press.
Sargan, J. D. (1958). The estimation of econometric relationships using instrumental variables. *Econometrica*, *26*, 393–415.
Schneider, R., & Vieira, R. (2010). Insights from action research: Implementing the balanced scorecard at a wind-farm company. *International Journal of Productivity and Performance Management*, *59*, 493–507.
Sciarelli, M., & Tani, M. (2015). Sustainability and stakeholder approach in Olivetti from 1943 to 1960: A lesson from the past. *Sinergie: The Italian Journal of Management*, *33*, 19–36.
Selling, T. I., & Stickney, C. P. (1989). The effects of business environmental and strategy on a firm's rate of return on assets. *Financial Analysis Journal*, *45*, 43–68.
Sethi, S. P., & Sama, L. M. (1998). Ethical behaviour as a strategic choice by large corporations: The interactive effect of marketplace competition, industry structure, and firm resources. *Business Ethics Quarterly*, *8*, 85–104.
Short, J. C., McKenny, A. F., Ketchen, D. J., Snow, C. C., & Hult, G. T. M. (2016). An empirical examination of firm, industry, and temporal effects on corporate social performance. *Business & Society*, *55*, 1122–1156.
Simons, R. (1991). Strategic orientation and top management attention to control systems. *Strategic Management Journal*, *12*, 49–62.
Stout, L. (2012). *The shareholder value myth: How putting shareholders first harms investors, corporations and the public*. Oakland, CA: Berrett-Koehler.
Sundin, H., Granlund, M., & Brown, D. A. (2010). Balancing multiple competing objectives with a balanced scorecard. *European Accounting Review*, *19*, 203–246.
Tantalo, C., & Priem, R. L. (2016). Value creation through stakeholder strategy. *Strategic Management Journal*, *37*, 314–329.
Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*, 509–533.
Trumpp, C., Endrikat, J., Zopf, C., & Guenther, E. (2015). Definition, conceptualization, and measurement of corporate environmental performance: A critical examination of a multidimensional construct. *Journal of Business Ethics*, *126*, 185–204.

https://doi.org/10.1017/jmo.2020.27 Published online by Cambridge University Press

Waddock, S. A., & Graves, S. B. (1997). The corporate social performance–financial performance link. *Strategic Management Journal*, *18*, 303–319.

Wang, H., Tong, L., Takeuchi, R., & George, G. (2016). Corporate social responsibility: An overview and new research directions thematic issue on corporate social responsibility. *Academy of Management Journal*, *59*, 534–544.

Wood, D. J. (1991). Corporate social performance revisited. *Academy of Management Review*, *16*, 691–718.

Wood, D. J., & Jones, E. (1995). Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance. *The International Journal of Organisational Analysis*, *3*, 229–267.

Wooldridge, J. M. (2009). *Introductory econometrics: A modern approach*. Mason: Cengage Learning.

Wu, M. (2006). Corporate social performance, corporate financial performance, and firm size: A meta-analysis. *Journal of American Academy of Business*, *8*, 163–171.

Yamakawa, Y., Yang, H., & Lin, Z. (2011). Exploration versus exploitation in alliance portfolio: Performance implications of organisational, strategic and environmental fit. *Research Policy*, *40*, 287–296.

Cite this article: Galbreath J, Lucianetti L, Tisch D, Thomas B (2022). Firm strategy and CSR: the moderating role of performance management systems. *Journal of Management & Organization* **28**, 202–220. https://doi.org/10.1017/jmo.2020.27