CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY (CSR): IMPLICATION FOR DEVELOPING ECONOMY FIRMS

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DECLARATION

I hereby certify that the work embodied in the thesis is my own work, conducted under normal supervision.

The thesis contains no material which has been accepted, or is being examined, for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to the final version of my thesis being made available worldwide when deposited in the University's Digital Repository, subject to the provisions of the Copyright Act 1968.

Abdullah Al Mamun

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ABSTRACT

This thesis attempts to make original empirical contributions regarding the relationship between institutional settings, corporate governance and corporate social responsibility (CSR) from a multi-theory perspective. The thesis, in study one, first investigates the effects of institutional qualities on institutional level CSR adoption by examining for an association based on an empirical study of 85 developed and emerging economies. The research focuses on the following important institutional qualities rule of law, economic financial development, human capital formation and exposure to international trade. Hypotheses are developed separately for developed and emerging economies. The main findings of the Study One from an institutional level perspective are that rule of law, human capital formation and international trade exposure have a significant positive influence on institutional level CSR adoption among emerging economies. In contrast, the results show that the rule of law is not associated with institutional level CSR adoption across developed countries. This was expected as CSR adoption is viewed as a standard operational activity among businesses in developed countries, meaning enforcement by regulators is less necessary. Overall, the global level analysis shows that all four institutional qualities are positively associated with institutional level CSR adoption. Human capital formation appears to be the most significant as, despite the economic standing of the country, the level of its institutional human capital formation was important for overall development of CSR adoption.

The research framework was then extended by Study Two to encompass a firm level analysis of how institutional qualities combined with board attributes, influence CSR adoption practices among Asian emerging economies. Among the six focal board attributes, the findings show that with the exception of board community engagement/involvement, all other attributes (political influence, business expertise, international experience, interlocking directorships and

independence from management) were all positively associated with CSR adoption practices when in presence of the institutional qualities specified earlier.

For a deeper understanding of the board attributes and CSR adoption relationship, additional analysis was performed which showed that board independence significantly moderated the relationship between board community engagement/involvement and CSR adoption (positively) and CSR adoption and board political influence, interlocking directorships (negatively). Overall, this thesis suggests that both institutional and firm-level factors are important to encourage CSR adoption. This is important particularly for corporate regulators and governments who need to recognise that CSR reform has to be developed as a two-pronged approach to improve CSR acceptance at both the institutional and firm level.

TABLE OF CONTENTS

LIST OF TABLES

LISTS OF FIGURES

ACRONYMS

ASX	Australian Stock Exchange
CFO	Chief Financial Officer
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
FRC	Financial Reporting Council
FTSE	Financial Times-Stock Exchange
GDP	Gross Domestic Product
GRI	Global Reporting Initiatives
ISO	International Standards Organization
KLD	Kinder, Lyndenberg, and Domini
NASDAQ	National Association of Securities Dealers Automated Quotation
NGO	Non-Governmental Organization
NYSE	New York Stock Exchange
OLS	Ordinary Least Square
OECD	Organisation for Economic Co-operation and Development
PRC	Pew Research Centre
ROE	Return on Equity
ROA	Return on Asset
SEC	Securities and Exchange Commission
SRI	Stanford Research Institute
S&P	Standard and Poor
SOX	Sarbanes-Oxley Act
UNCATD	United Nations Conference on Trade and Development
U.K.	United Kingdom
UN	United Nations
U.S.A.	United States of America
VIF	Variance Inflation Factor

CHAPTER ONE: INTRODUCTION

1.0 Introduction and Background

What factors influence the adoption of corporate social responsibility (CSR) across emerging economies? To tackle this question, this study takes a multi-theory, analytical approach to investigate the influence of both macro and micro level factors on the adoption of CSR among emerging economy firms (See e.g., Ahern & Dittmar, 2012; Jain, Aguilera, & Jamali, 2016; Jamali, Karam, Yin, & Soundararajan, 2017). While various definitions abound, this research refers to CSR as the social and environmental actions adopted by firms that influence the quality of their relevant stakeholders' lives (Hillman, Shropshire, & Cannella, 2007). Increasing CSR involvement by firms likely increases the value accruing to a broader set of perspectives of stakeholders e.g., customers, employees, suppliers, community groups, governments, and stockholders, especially institutional stockholders (McWilliams & Siegel, 2001). A shift away from an exclusive shareholder-oriented view of business strategy in recent decades has seen CSR emerge as a core dimension of the business strategy literature (McWilliams & Siegel, 2001; Oliver, 1991). This literature holds that by focusing on broader stakeholder groups, CSR adoption benefits the organization by increasing its legitimacy (Young & Makhija, 2014b), reputation (Filatotchev & Nakajima, 2014), efficiency (Davis, 1973), and performance (Luo, Wang, Raithel, & Zheng, 2015) while simultaneously benefiting the wider society (Hubbard, Christensen, & Graffin, 2017).

Studying CSR from a multi-theory and analytical perspective is of particular interest for two reasons. Firstly, understanding CSR adoption practices from such a perspective is an area of future research recommended by many recent studies of CSR across many research disciplines (See e.g., Ahern & Dittmar, 2012; Al Mamun, Seamer, Yasser, & Heyden, 2017a; Jamali et al., 2017). While CSR adoption motivators have been studied from a board characteristics perspective (See e.g., Al Mamun, Heyden, & Seamer, 2016; Al Mamun et al., 2017a; Khan, Muttakin, & Siddiqui, 2013), a board leadership perspective (See e.g., Hubbard et al., 2017; Petrenko, Aime, Ridge, & Hill, 2016) and an institutional perspective (See e.g., Lim & Tsutsui, 2012; Young & Makhija, 2014b) the interaction of both institutional and firm level influences on CSR adoption practices remains largely unexplored (Orlitzky, Louche, Gond, & Chapple, 2015).

Secondly, such a focus allows greater cross-country comparison by removing the bias inherent in studying a single-context analysis of CSR adoption practices. While CSR adoption is not homogenous across borders (Chapple & Moon, 2005b), the extant literature tends to assume the drivers of CSR adoption and the resulting benefits it offers are universal (McWilliams & Siegel, 2001). With respect to emerging economy firms, several drivers of CSR adoption and the degree of related benefits remain un-examined particularly from a nested factors perspective, such as how firm-level factors are nested within institutional settings.

An important emerging theme within the CSR research is the influence of corporate governance on firm CSR adoption (Blowfield & Frynas, 2005). The CSR literature posits that corporate governance mechanisms play a pivotal role in promoting firm CSR adoption as effective corporate governance not only enhances the effectiveness and monitoring of firm leadership but also ensures firm strategy acknowledges the firm's responsibility to its broader constituents extending beyond its shareholders (Walsh & Seward, 1990). Again while many varied definitions exist, this research defines corporate governance as the systems and mechanisms by which organizations are directed and controlled (Cadbury, 1992). An emerging body of empirical evidence indicates governance mechanisms such as the board of director attributes and firm ownership structure are key paradigms in ensuring firms operate in a socially and environmentally engaged manner. While still a developing area of research, early indications are that corporate governance mechanisms are important in understanding CSR and its implications for creating mutually-beneficial outcomes for the firm and its stakeholders (Tihanyi, Graffin, & George, 2014). Nor are these findings restricted to specific disciplines with the link between corporate governance and CSR highlighted by researchers in several fields (Dam & Scholtens, 2013; Zhao, 2012a) including management (Filatotchev & Nakajima, 2014; Luo et al., 2015), accounting and finance (Rekker, Benson, & Faff, 2014), and international business (Young & Makhija, 2014b). Within the international business paradigm, institutional forces (rather than firm-level factors) are claimed to be the factors most important in promoting CSR adoption and an important focus of this research is the investigation of how these institutional factors impact CSR within emerging economies and the effect they have on firm-level drivers of CSR (Campbell, 2007; Ioannou & Serafeim, 2012b; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b).

Based on the above suppositions, the main focus of this thesis is the investigation of the drivers of CSR adoption both at the institutional level and the firm level (Campbell, 2007; Matten & Moon, 2008). In recent times attempts have been made to identify whether the CSR adoption decision is driven primarily by firm decision authority (Abdullah, Ismail, & Nachum, 2016; Al Mamun et al., 2016; Al Mamun et al., 2017a; Khan et al., 2013) or institutional forces (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b). Since the 1980s, a large number of studies have been published across a variety of disciplines and Chapter Two of this thesis is devoted to a systematic review of these studies and the related theories framing the debate on the importance of institutional level and/or firm level drivers of CSR. Chapters, Three and Four, detail the results of two empirical studies that form the main body of this research. These studies use differing datasets (hand collected secondary data, CSRHub and Datastream) to assess the drivers of CSR adoption practices across a range of emerging economies with a particular focus on South-East Asia.

These research studies attempt to provide further evidence for understanding the effect of institutional factors and firm-level factors on CSR adoption practices by focusing on a number of different drivers of CSR adoption across a variety of emerging nations. The remainder of this chapter is developed as follows: Section 1.1 presents an overview of the theoretical perspectives relating to the interactions between institutional settings, corporate governance and CSR adoption. Section 1.2 presents a brief review of the literature and empirical evidence that forms the basis of the primary research questions proposed for Study One and Study Two. Section 1.3 outlines the research objectives of this thesis with Section 1.4 describing the research methodology, data collection processes and analytics to be employed. The chapter is concluded by Section 1.5 which details the structure of this thesis.

1.1 Theoretical Perspectives of CSR Adoption

Several theoretical perspectives have been applied to understand the motivations for firms to engage with CSR adoption practices. For example, institutional theorists (See e.g., Campbell, 2007; DiMaggio & Powell, 1983; Filatotchev & Nakajima, 2014; Matten & Moon, 2008; Young & Makhija, 2014b), argue organizations within a specific context tend to adopt similar characteristics and norms, and as positive arrangements of social actions can influence community social perceptions. Hence, institutional theorists prioritize the institutional settings within which firms operate as the dominant factor driving organizational CSR adoption practices (Campbell, 2007; Ioannou & Serafeim, 2012b; Lim & Tsutsui, 2012; Matten & Moon, 2008). They also argue that as organizations face many uncertainties in their operating environments, they seek to minimize risk by adopting strategies that address social and environmental costs (DiMaggio & Powell, 1983) and that such socially-oriented strategies can function as a form of social insurance policy (Godfrey, Merrill, & Hansen, 2009).

Alternatively, proponents of resource dependency theory posit that firms are driven to ensure access to resources to minimize uncertainties and to promote consistent operation and development (See e.g., Hillman & Dalziel, 2003; Peng, Sun, & Markóczy, 2015). In relation to CSR, resource dependency theory sees the primary role of a firm's leadership is to secure resources from the external environment through establishing positive relations with society as an important legitimizing and access factor (Boyd, 1990). Stewardship theorists, on the other hand, postulate that firm decision authorities are self-motivated to act as good stewards of the organization with a natural inclination to act in the best interests of its principals (Donaldson & Davis, 1991). In relation to CSR, stewardship theory posits that managers with the unfettered authority vested in them will always adopt strategies that will maximize the long-term value of the firm, a recognised benefit of investing in socially and environmentally viable projects (McWilliams, Siegel, & Wright, 2006). Stakeholder theory assumes that the organization is viewed as part of a larger social system comprising to, but not restricted to, stakeholders such as shareholders, employees, customers, lenders, suppliers, government and various community interest groups to advance the firm managers need to consider the interests of all stakeholders (Freeman, 1984). Therefore, in relation to CSR adoption, stakeholder theorists posit that managers will recognize the need to consider all internal and external stakeholders when making decisions such as adopting CSR strategies which affect a broad range of stakeholders.

With regard to studies of the impact of corporate governance on CSR adoption, agency theory remains the predominant theoretical perspective. Agency theory posits that conflict arises when one party (principal/owners) contracts with another party (agents/managers) to make decisions on their behalf (Jensen & Meckling, 1979). Although managers are contracted to have a positive influence on firm outcomes that benefit the owners (Rekker et al., 2014), they can be motivated by self-interest which creates agency conflict and subsequent costs to owners and stakeholders (Deegan, 2007). Agency costs can arise with regards to CSR adoption decisions as CSR delivers long-term benefits to shareholders at the expense of short-term profitability on which manager's performance is usually based (Jensen & Meckling, 1979). A large body of empirical evidence shows that effective corporate governance mechanisms reduce agency costs and emerging evidence similarly indicates effective corporate governance enhances firm CSR adoption by monitoring management to ensure the long-term benefits offered by CSR adoption to owners are appreciated by managers (Luo et al., 2015; McWilliams & Siegel, 2001).

One core limitation of the CSR literature that this thesis intends to address is that both the theoretical development and the empirical evidence is largely grounded on assumptions of how developed economies function (Chapple & Moon, 2005b; Khan et al., 2013; Meyer, 2004). Firms across emerging economies not only operate in different social and institutional environments but also face different agency problems than those faced by firms in developed countries. For example, one reason that corporate institutional settings differ in emerging economies is due to the domination of family founders as substantial shareholders (Banalieva, Eddleston, & Zellweger, 2014; Campbell, 2007; Matten & Moon, 2008). Moreover, the limited evidence from emerging economies tends to focus on singular influences such as board characteristics (See e.g., Al Mamun et al., 2016; Al Mamun et al., 2017a; Khan et al., 2013), board leadership (See e.g., Hubbard et al., 2017; Petrenko et al., 2016) or institutional factors (See e.g., Campbell, 2007; Ioannou & Serafeim, 2012b; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b).

Although CSR adoption among organizations in developed countries such as the US, the UK and Japan has become an accepted and expected business practice, a review of CSR practices in Asian countries (Table 1.1) shows that not only is CSR adoption experience in emerging economies different from that of developed economies but also varies *within* and *between* the levels emerging economies (Heugens & Oosterhout, 2008; Khan et al., 2013). The extant literature largely views CSR from the perspective of developed countries and assumes international applicability. However, emerging economy CSR adoption practices tend to be heterogeneous and therefore the varying drivers of CSR adoption in emerging economies are important to understanding. Table 1.1 presents an overview of current recommendations by emerging economy regulators relating to social and environmental policies across selected Asian emerging economies.

Table 1.1: Emerging Economy Corporate Regulator Recommendations on CSR Initiatives

Country	Year	Stipulations on the social and environmental responsibility	Compulsory CSR
India	2000 2009	Companies are to spend two percent of their net operating profit after tax on corporate social responsibility.	Yes
Indonesia	2000 2001 2007	Boards of directors are responsible for stimulating company awareness of social responsibilities and in particular the environmental and societal interests of the communities in which a company operates.	No
Malaysia	2000 2007 2012	Corporate attention should be given to environmental, social and governance aspects of the business which underpin sustainability since protecting the interests of all stakeholders is essential to enhancing investor protection and public trust.	Yes
Pakistan	2002 2012	Board of directors should prepare a "statement of ethics and business practice" which will formulate significant policies on health, safety and environment, donations, charities, contributions and other payments of a similar nature.	No
Philippines	2002 2009	Board of directors is to place emphasis on social and environmental issues.	No
Thailand	2002 2006	The board of directors should set clear policies on environmental and social issues.	No

Source: Author compilations

Given the importance of emerging economies to the global GDP, investigation of the CSR activities of firms operating in these jurisdictions is important. In addition, applying practices from developed countries to developing countries could be problematic, as several assumptions of the predominant theories for understanding the drivers of CSR adoption practices are violated when applied to emerging economies. These include predictive validity and the contextual meanings upon which policy recommendations can be made. This is further confounded by the large number of companies in emerging economies that lack proper corporate governance practices and the lack of mandatory and recommended codes of corporate governance good practice (Khan et al., 2013).

1.1.1 Shortcomings of the Extant Literature and Intended Contributions

This research intends to make several contributions to the understanding of the theories that underlie the CSR literature. Firstly, from an institutional perspective, emerging economies (a) tend to differ within and between levels of the pervasiveness of CSR adoption and (b) operate in background institutions that are differentially concerned with and able to promote or enforce adoption of CSR practices. To clarify what role the institutional context plays, it is important to understand why emerging economies differ in their rate of CSR adoption both in comparison to developed economies and other developing economies. Thus, key boundary conditions need to be considered prior to adopting theoretical insights from institutional theory to understand the corporate governance and CSR relationship in emerging economies.

Secondly, resource dependency theory presumes emerging economies (a) face different types of uncertainties than developed country firms and (b) are more diverse. For example, unlike developed economy firms, emerging economy firms maybe highly dominated by family ownership and control, which may compromise resource utilization (Shu & Lewin, 2016). Although resource dependency theory scholars highlight the importance of responses to institutional pressures in order to avoid uncertainties that firms may face, this thesis will argue that institutional pressures for CSR adoption are not homogenous throughout emerging economies (Campbell, 2007; Matten & Moon, 2008; Oliver, 1991; Preffer & Salancik, 1978). As such, the institutional context can be expected to interact with firm-level aspects to explain the adoption of CSR practices at the firm level. Unlike developed economies, corporations in emerging economies face different forms and levels of normative, cognitive and regulatory pressures due to their diverse characteristics. Thus, a multilevel theory that takes into account the pervasiveness of CSR in the institutional context as well as firm-level mechanisms, as informed by resource dependency theory, may be useful to understand how these factors interact to influence CSR adoption at the firm level.

Thirdly, from an agency theory perspective, it is common for developing economies to face different agency issues such as greater family dominance (with the CEO and chairman often being appointed from the same family) and greater levels of ownership concentration and foreign and government ownership (Abdullah et al., 2016; Claessens & Yurtoglu, 2013; Jain et al., 2016). Moreover, institutional factors such as culture, weak regulation and government policies affect the inclinations of opportunistic behaviours. In such diverse institutional environments, the traditional agency assumptions are systematically different from those applied in developed countries. Thus, the relationship between corporate governance and CSR adoption in developing economies might be expected to differ from that traditionally assumed from a developed economy agency perspective.

In summary, the main focus of this thesis is to contribute to the literature regarding the relationship between institutional and organizational level drivers and CSR adoption in the context of developing economies. This will be achieved by applying theories based on the institutional qualities of this relationship and investigating their multi-level manifestation in emerging economies. Table 1.2 outlines the relevant theoretical basis used to develop an overarching conceptual framework that connects Study One and Two and presents the intended research design. Study One will examine the institutional level drivers of CSR based on institutional theory and institutional logics from a global perspective, while Study Two will investigate firm-level factors that determine CSR adoption among emerging economy firms.

Table 1.2: Theoretical Overview of the Corporate Governance and CSR Relation

	Study 1	Study 2
Core Problem Statement	To what extent do institutional qualities influence CSR adoption practices from a global perspective?	To what extent do board attributes influence CSR adoption decisions of emerging economy firms?
Main Intended Contribution	Developing theory on the qualities of institutional-level variation in CSR adoption distribution and assigning boundary conditions.	Developing multi-level theory to understand how population-level pervasiveness of CSR practices cascade into corporate strategy and policy through resource dependency and agency theory mechanisms.
Theoretical Basis	Institutional Theory	Resource Dependence and Agency Theories
Unit of Analysis	Macro: Institutional level (between and within economies).	Mezzo: Institutional and firm (between and within emerging economies and firms).
Analytical Techniques	Regression, Correlation and Descriptive Statistics.	Multi-level regression and hierarchical linear-regression analysis.

Source: Author compilations

1.2 Literature Review and Theoretical Framework

1.2.1 Study 1: Institutional Pressure on CSR Adoption

According to institutional theory, corporations are influential arrays of social actions (Campbell, 2007; Cannella, Park, & Lee, 2008; Marquis, Glynn, & Davis, 2007; Matten & Moon, 2008; Ou et al., 2014). Corporations in developed countries are also viewed as role models of social action because of their effective governance mechanisms and active CSR adoption (Chapple & Moon, 2005b). Such corporate environments have resulted from the combined pressures of policymakers' expectation for appropriate social and environmental practices and stakeholder concern to ensure practices are within relevant social contexts (Aguilera, Rupp, Williams, & Ganapathi, 2007). The institutional settings in which corporations exist, therefore, have a significant impact on CSR adoption.

Accordingly, due to institutional pressures (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008), CSR has become (a) to be regarded as a corporate tradition (Chapple & Moon, 2005b; Davis, 1973) and (b) part of day to day operations among developed economy corporations (Dam & Scholtens, 2013; Yang & Rivers, 2009; Zhao, 2012a). This is based on the widely accepted premise that CSR confers long-term economic and reputational benefits to firms (Heugens & Oosterhout, 2008; Marcus, 2012; Van Oosterhout & Heugens, 2006). Corporations in developed economies include the well-being of communities as a central part of their strategic objectives to ensure more legitimacy (McWilliams & Siegel, 2000a), greater returns in terms of loyal clientele (Moir, 2001), more committed employees (Blowfield & Frynas, 2005), and more supportive stakeholders (Zellweger, Nason, Nordqvist, & Brush, 2013). As institutional settings (i.e., normative, cognitive and regulatory) vary across national contexts so will their impact on CSR adoption (Campbell, 2007; Matten & Moon, 2008; Zhao, 2012a). For example, CSR in the US is rooted in local institutions and culture, whereas CSR in Japan is articulated to a large degree by government guidance as to best practice (Blowfield & Frynas, 2005).

Nations also differ in terms of social, political, economic, religious, and cultural traits *within* and *between* levels (Wanderley, Lucian, Farache, & de Sousa Filho, 2008; Zhang, Zyphur, & Preacher, 2009). In addition, [un]organized civil society, government [in]efficiency and varying regulatory and media pressures can impact national social and environmental development leading to increased social exclusion and even poverty (Auger, Devinney, Louviere, & Burke, 2010). This thesis argues that the main reasons for this variation are the extent to which countries' rule of law (regulatory), financial development (normative), human capital formation (normative) and international trade exposure (cognitive) vary, particularly when companies in developed and emerging economies (Wanderley et al., 2008). These institutional factors are seen as important as institutional theorists posit that organizational CSR adoption is heavily reliant on underlying societal standards (Campbell, 2007; Matten & Moon, 2008; Wanderley et al., 2008; Young & Makhija, 2014b).

The efficiency of regulatory enforcement and recommendations is expected to be an important driver of institutional-level CSR adoption and norms (Campbell, 2007; Ioannou & Serafeim, 2012b; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b). The most obvious examples include regulatory bodies that enhance organizations' CSR compliance by enacting various mandatory laws (e.g. environmental laws and labour laws) that are directly imposed on the business (Young & Makhija, 2014b). Since organizations are major social actors, their compliance level with country-specific rules and regulations are reflected through their social and environmental practices (DiMaggio & Powell, 1983). Though, Young and Makhija (2014b) claim that regulation was not found to have a positive effect on CSR responsiveness, effective law implementation and compliance are expected to enhance societal expectation (Castelló & Galang, 2014).

Variations in financial development at the economic institutional level results in differences in economic growth of nations (See e.g., Campbell, 2007; Greenwood, Sanchez, & Wang, 2013; Hsu, Tian, & Xu, 2014; Matten & Moon, 2008). Organizations and investors need an effective and efficient financial system to allow diversification of risk and effective capital allocation. Although economic financial development has been studied within the economic discipline in relation to economic growth, this important institutional setting has had little focus b from other business research perspectives and evidence is needed to understand the ability of effective financial systems in decreasing moral disruptions (Hsu et al., 2014). Whilst much extant empirical evidence exists to support a link between financial development and economic development (See .eg., Greenwood et al., 2013) this study aims to investigate whether economic financial development at the aggregate level results in increased CSR adoption practices at the institutional level.

The third institutional factor identified for examination is human capital formation. The development of a human capital formation is widely acknowledged for its influence on economic growth with a large body of empirical evidence linking human capital formation and development to the economic growth of a country (See e.g., Beine, Docquier, & Rapoport, 2008; Cervellati & Sunde, 2005). In fact, many scholars claim that improving human capital formation is the most significant aspect of the process of economic growth (Kalemli-Ozcan, Ryder, & Weil, 2000). Hence, this thesis it is interested in determining whether the level of human capital formation can significantly influence CSR adoption practices at the aggregate level. This is because when the population of an economy are provided with advanced education, training and skills an individual's recognition of the significance of social norms and societal standards is enhanced. Therefore, this thesis expects that the level of human capital formation in an economy will have a positive impact on CSR adoption levels at the institutional level.

Another potential explanation for variation in CSR adoption across nations is the extent to which individual economies are engaged in cross-border inter-business activities (Herrera, 2012; Young & Makhija, 2014b). A core mechanism through which international trade can enhance CSR adoption is through the reverse transfer of knowledge (Dhanaraj, Lyles, Steensma, & Tihanyi, 2004; Schleimer, Coote, & Riege, 2014; Yang, Mudambi, & Meyer, 2008). As organizations engage in trade with other economies (particularly from emerging economies to developed economies) they face pressure to conform to the norms of their counterparts to ensure they are seen as legitimate, responsible and trustworthy partners. Through this engagement, corporations learn the benefits of CSR strategies and introduce them as legitimizing practices. As more businesses from a particular economy engage in trade with another, practices become more diffused in that particular setting. Therefore, the level of international trade exposure of an economy is likely to be reflected in the CSR adoption practices of that particular economy.

Institutional contexts of different economies are characterized by differential features that result in the application of variable societal standards which may be weaker in emerging economies (Wanderley et al., 2008) compared to that of developed countries (Aras, Aybars, & Kutlu, 2010). These factors include variations in regulatory systems, financial systems, living standards of the population, political influence and corruption (Abdullah, Mohamad, & Mokhtar, 2011; Herrera, 2012). The variations in these institutional settings are important to understand to determine to what extent they contribute to the diversity of CSR adoption practices observed across economies. Therefore, the following research question is proposed for study one:

Research Question 1: To what extent do institutional settings contribute to variations in CSR adoption across emerging and developed economies at the aggregate level?

1.2.2 Study 2: Emerging Economy Firms Motivation to Adopt CSR

Governance of the firm is bestowed on the board of directors who are appointed by shareholders as the primary corporate governance structure (Tihanyi et al., 2014). The board, as the highest authority, is entrusted with defining the strategic scope of the firm and determining how stakeholder demands are prioritized (Chen, Hsu, & Huang, 2010). Board member responsibilities include guiding and monitoring management, developing business strategies, engaging in effective leadership and ensuring proper disclosure to stakeholders. Another major role the board plays is coordinating governance responsibility to the broader society with which the firm interacts to foster effective firm outcomes (Hahn, Preuss, Pinkse, & Figge, 2014; Walsh & Seward, 1990). Building on Study One, this thesis intends to supplement the research into how institutional level settings interact with CSR strategy with an investigation of the factors that impact firm-level CSR adoption decisions in an emerging economy setting by drawing on both resource dependency theory and agency theory.

Resource Dependency Theory and CSR

Resource dependency theory holds that firms are motivated to minimize the uncertainty caused by external influences to ensure that resources are available for their operations, development and survival (Hillman, Withers, & Collins, 2009; Menon & Pfeffer, 2003). According to resource dependency theory, the main role of board members is to establish networks for accessing a number of important resources such as information, expertise, knowledge, experience, legitimacy as well as access to suppliers, public policy decision-makers and social groups in order to reduce uncertainties (Hillman & Dalziel, 2003).

It is also the board of directors that has the responsibility for establishing, monitoring and disclosing CSR strategic decisions and activities (Cannella et al., 2008). Therefore, as well as being influenced by economic institutional settings (Campbell, 2007; Matten & Moon, 2008), CSR adoption at the firm level is also determined by the motives and choices of those who make decisions (Khan et al., 2013). Proponents of resource dependency theory argue that, as resource providers, board members can be relied on to adopt and promote CSR strategies to benefit both the firm’s tangible and intangible assets (Peng et al., 2015; Tang, Hull, & Rothenberg, 2012).

Considering the board of directors as a crucial link between the firm and its external environment (Boyd, 1990), this thesis examines how board attributes interact with the institutional pervasiveness of CSR practices to influence variation in firm-level CSR adoption. As such, this research develops a multi-theory model focusing on the strategic response of boards (i.e., adoption of CSR) to institutional processes (i.e., the institutional pervasiveness of CSR) in emerging economies (Campbell, 2007; Matten & Moon, 2008; Oliver, 1991).

As the board is the central mechanism through which the firm accesses resources its effectiveness will be determined by its board attributes such as the presence of members who possess political influence, community engagement/involvement, international experience, business expertise, and outside directorial experience (Hillman & Dalziel, 2003; Khan et al., 2013). Study Two, therefore expects that as the ability of directors to access resources varies depending on their profiles so does the extent to which these factors will influence their ability to embrace and promote CSR strategies (Hillman, Cannella, & Paetzold, 2000).

Acknowledging the heterogeneity of CSR adoption practices in different emerging economies (Zhao, 2012a), this thesis argues that firms in different emerging economies will experience differential uncertainty and utility from the adoption of CSR practices (Al-Mamun, Heyden, & Seamer, 2015). This approach is important, as previous studies have tended to assume that CSR adoption practices are normally distributed in the institutional context. Given the board of directors is a crucial link between the firm and its environment, the consideration of stakeholder concerns particularly when they relate to societal issues within which the firm operates should be a priority (Boyd, 1990). However, firms in emerging economies often view social and environmental responsibility as an additional burden (Al-Mamun et al., 2015) and one easily avoided since government regulations are lax and pressure from social groups often minimal (Khan et al., 2013).

Study Two, therefore, investigates whether board members with political influence are an important resource access mechanism and to what extent does board political influence provide access for firms to regulatory and power resources that emphasise the importance of CSR (Shu & Lewin, 2016). Along with political influence, the level of community engagement and involvement by directors also provides firms with important access to external resources (Mallin & Michelon, 2011). According to Hillman et al. (2000), community engaged/involved board members provide firms with connections and linkages not directly available from their experience with other corporations but important networks with influential community connections and societal groups such as social interest groups that may impact or be impacted by the firm’s operations. As a result, having community engaged/involved directors on board privileges firms with committed and supportive stakeholders which provides legitimacy to the firm. However, despite the acknowledgement of the important resources provided by board community engagement/involvement, this mechanism remains largely unexplored in research into firm CSR adoption practices.

Boards make an important strategic decision on the basis of the cumulative business expertise provided by individual director's skills and knowledge (Hillman et al., 2000). Directors acquire these skills and knowledge as a result of their operating experience in other firms. Operating as a CEOs and/or having long-term managerial experience with large organizations allows directors to collate diverse experiences enabling them to be better able to provide alternative views on internal and external problems (Hillman et al., 2000). This is particularly relevant in regard to advising the firm regarding ethically viable strategies and advising to what extent other firms (often competitors) invest in socially and environmentally responsible projects.

Following resource dependency theory, researchers have argued that when a board member gains international experience a number of valuable resources are available to the firm including an understanding of international level policies and standards, networks, counsel and strategies (Al-Mamun et al., 2015; Forbes & Milliken, 1999; Minichilli, Zattoni, & Zona, 2009). In particular, board members that accumulate cross-border experiences are also more likely to promote changes in firm behaviour and strategies (Al Mamun, Yasser, Seamer, & Heyden, 2017b). This is because international experience enables board members to consider strategies from a diverse perspective and think contemporarily beyond the local status quo through a reverse transfer of knowledge (Dhanaraj et al., 2004; Yang et al., 2008). Therefore, Study Two investigates whether board international experience may overcome the lack of institutional pressure to adopt CSR in emerging economy firms.

Strategic management and international business scholars (See e.g., Hillman et al., 2000; Zona, Gomez-Mejia, & Withers, 2015) acknowledge resource constraints requires firms to minimize external dependencies, especially under differential institutional settings (Campbell, 2007;

Ioannou & Serafeim, 2012b; Lim & Tsutsui, 2012; Matten & Moon, 2008). As board members with interlocking directorships[1] with other firms have a ‘power’ advantage they can enrich firms with greater access to resources which leads to better performance (Shu & Lewin, 2016). Scarce resources (Menon & Pfeffer, 2003) and power imbalances (Casciaro & Piskorski, 2005) are addressed through board interlocking directorships as these board members are better able to respond to external influences impacting the firm and reduce the scope for managerial opportunism (Zona et al., 2015). Board member interlocking directorships also provide boards with connections/linkages with other firms, both local and cross-border, exposing directors to a wider range of operations and strategies (Shropshire, 2010). Therefore, in Study Two, this thesis argues interlocking directorships are an important mechanism in positively influencing firm ethical behaviour.

Agency Theory and CSR

An alternative explanation for the importance of the board in promoting ethical behaviour is offered by agency theory (Weaver, Trevino, & Cochran, 1999). Agency theory proponents emphasize the role of the board in monitoring and controlling the implementation of strategic decisions that may otherwise be rejected by management where those decisions are contrary to managers self-interest (Jensen & Meckling, 1976). While effective implementation of CSR can be expected to generate enhanced long-term firm value, insiders may avoid investing in CSR due to its negative impact on short-term value. This is because manager’s personal wealth and remuneration are usually tied to firm short-term performance. This is exacerbated when insiders use their power to misappropriate rents and exploit the information asymmetry between them and outsiders (Abdullah et al., 2016; Petrenko et al., 2016). The corporate governance literature and corporate regulators both ascribe two key mechanisms to limit these agency conflicts and

[1] Interlocking directorships refers to directors that also hold directorships with other corporations.

the resulting agency costs – the appointment of independent monitoring directors to the board and reducing CEO power by separating the roles of CEO and board chair.

Board independent directors are those who do not have current or past ownership, employment or financial relationships with the firm or represent those that do. The corporate governance literature posits that these directors will better safeguard the interests of both shareholders and stakeholders through the application of their independent judgement (Hillman & Dalziel, 2003; Tihanyi, Johnson, Hoskisson, & Hitt, 2003). While the decisions of board insiders may prioritize owners' and management's interests (Yermack, 1996), board independent members are more likely to apply their external links, independence and knowledge to consider the impact of decisions on broader stakeholder groups (Hillman et al., 2000). Moreover, Study Two proposes that the relationship between the previously outlined board's attributes (political influence, community engagement/involvement, business expertise, international experience and interlocking directorships) and CSR adoption will be enhanced by the moderating role of board independence.

While studies show a relationship between given board attributes and CSR adoption in developed economies (Banalieva et al., 2014; Claessens & Yurtoglu, 2013; Khan et al., 2013), the evidence in emerging economies is scarce and contradictory (Zhao, 2012b). As such, Study Two of this thesis will apply a theoretical framework based on the board's resource dependence role and its agency conflict resolution role to better understand the process of CSR adoption under given institutional settings. This thesis, therefore, intends to contribute both theoretically and empirically regarding the impact of differing board attributes and CSR adoption practices among emerging economies. The following research question is therefore proposed for examination in Study Two:

> *Research Question* 2: To what extent do board attributes influence firm-level CSR adoption within the presence of institutional pressures among emerging economies?

1.3 Research Objectives

Although CSR adoption is widely studied and a well-established phenomenon across developed countries (Chapple & Moon, 2005b), both at the macro and mezzo level (See e.g., Petrenko et al., 2016; Young & Makhija, 2014b), related concepts, determinants and implementation of CSR varies across economies and business portfolios (Welford, 2004). Therefore, the primary objectives of this thesis are:

1. To examine to what extent CSR adoption variation across economies is driven by variations in economic institutional settings; and
2. To examine whether there are variations in CSR adoption practices among firms across different emerging economies; and
3. To understand, what factors drive CSR adoption *within* and *between* economies and firms?

1.4 Methodology

1.4.1 Data Sample

To achieve the specified research objectives the examination of the relationship between institutional settings, board attributes and CSR adoption will be achieved by analyses performed at both the macro and mezzo levels. To apply the multi-theory perspective previously outlined, data will be extracted at the institutional level and the firm level. In regard to measuring institutional qualities, this research will extract data on the previously outlined institutional qualities of both developed and emerging economies from the World Development Indicates database published by the World Bank. An initial screening of data availability regarding firm-level data across different databases (e.g. Datastream), revealed that several emerging economies in Asia have (a) a very small number of publicly-listed firms, (b) a lack of corporate governance and CSR regulatory recommendations (Khan et al., 2013) and (c) potential data corruption due to poor disclosure processes (Peng et al., 2015). Therefore, a final sample was chosen comprising the following six Asian emerging economies where these issues were minimized: India, Indonesia, Malaysia, Pakistan, Philippines, and Thailand (Auger et al., 2010).

The largest 100 publicly-listed firms from each stock exchange of these six Asian economies were examined due to time and resources constrain concerns (Khan et al., 2013). The reason for selecting the largest 100 listed firms is that larger firms often play a major role in influencing the strategy decisions and disclosure policy of other firms, while large, internationally diversified, companies tend to disclose more information compared to small firms (Chen, 2004). Adopting advanced disclosure policies and systems may be regarded as too costly for small firms who may consider that the costs of adoption outweighs any benefits (Beattie & Fearnley, 1995).

Compared to others emerging economies, Asian emerging economies are unique with differential characteristics (Mishra & Suar, 2010; Roland, 2004) created by their differing cultural (Abdullah et al., 2016), political (Chang & Chu, 2006) and trade environments (Khan et al., 2013). In relation to culture, Asian economies are blended from a variety of cultural origins spanning from the Indian Sub-continent to China and other South-East Asian countries. The business environments of the Asian region are also diverse due to different colonialist heritages (e.g. Japan, UK), exposure to economic downturns (e.g. 1997-1998 economic recession) and varying attitudes towards protecting stakeholders' interests (e.g. implementing codes of corporate governance such as the revised Codes of Corporate Governance in 2014 by Malaysia, Pakistan, India) (Al-Mamun, Heyden, Seamer, Yasser, & Rojer, 2016). Firms in Asia have been also shown to have greater levels of concentrated ownership, pyramidal ownership structure, family dominance, and high levels of related-party transactions compared to other emerging economy firms such as those in Latin America, Africa and the Middle East (Perkins, Morck, & Yeung, 2014). Data regarding the CSR adoption practices of these firms was adopted from their individual rating developed by the CSRHub organization[2]. To ensure currency of the findings data was accessed in respect of the most recent years available: 2010-2014.

1.4.2 Data Collection

Data on the focus institutional qualities (i.e., rule of law, financial development, human capital formation, international trade exposure and other institutional level controlling factors) was collected from the World Bank Databank and other relevant archives (e.g. Heritage Foundation Index[3]), while data on firm CSR adoption was indexed and gathered using the CSRHub ratings. Board attributes and other firm-level factors were hand-collected from the relevant company annual reports (Boyd, 1990) with financial data collected from Datastream.

1.4.3 Analyses

As previously outlined CSR adoption among firms and institutions is heterogeneous and this research attempts to understand the degree of that heterogeneity and its drivers at both the institutional and firm level (Torugsa, O'Donohue, & Hecker, 2012). Due to the possibility of reverse causality, hierarchical regression analyses of institutional qualities, board attributes and CSR adoption is applied (Knyazeva, Knyazeva, & Masulis, 2013).

The relationship between the relevant institutional qualities: rule of law, financial development, human capital formation and international trade, and CSR adoption at the institutional level will be examined by applying an Ordinary Least Square analysis over the five consecutive years of data. With respect to firm-level variables (e.g. board attributes and other cognitive factors), descriptive statistics and inferential statistics (hierarchical regression analysis) are initially performed in order to test the developed hypotheses. Frequencies, means, unstandardized-

[2] CSRHub rates companies from 127 countries and provides access to corporate social responsibility and sustainability ratings and information

[3] The Heritage Foundation is an American conservative "think-tank" based in Washington, D.C.

variances, residual variances and observed variances are also computed to test whether CSR adoption increases in parallel with economic macro-level factors. Statistical analysis will be performed to examine the extent to which board attributes and other cognitive factors, moderated by board independence, influence firm CSR adoption within and between levels under the pressure of institutional qualities (Zhang et al., 2009). Figure 1.1 presents the analytics will be applied to examine the research questions both at macro and mezzo level. This thesis aims to examine CSR adoption from both the institutional level and the firm level with reference to macro factors (as the institutional level analysis) and mezzo factors (as the firm level analysis).

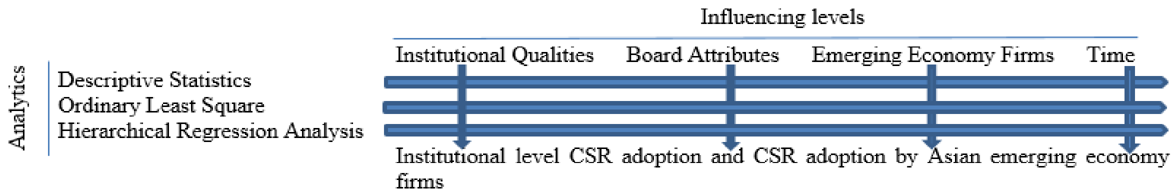

Figure 1.1: Conceptual Framework of the Research

1.5 Expected Research Findings

This thesis aims to examine CSR adoption drivers both from macro and mezzo level. Institutional level drivers such as rule of law, financial development, human capital formation and international trade exposure are expected to have a significant positive influence on macro-level CSR adoption in both developed and emerging economies. This expectation is based on institutional theory and institutional logics which holds that organizations exhibit similar behaviours and actions in order to ensure their existence and remain competitive in the market. This is also influenced by institutional pressures (DiMaggio & Powell, 1983) and formal and informal rules and regulations created by organizations and individuals that are set to regularize and predict the behaviour and actions of corporations operating in a particular institutionalized context (Ocasio & Thornton, 1999; Thornton & Ocasio, 2008). These expected findings will have both theoretical and practical implications to contribute to the existing literature.

Study Two of this thesis expects that the mezzo level factors, board attributes, identified (board member political influence, community engagement/involvement, international experience, business experience, interlocking directorship and independence) will have a significant positive influence on CSR adoption among Asian emerging economy firms. This is because board members that possess these attributes will import valuable and rare resources to the firms which would stimulate them to solicit for socially and environmentally strategic firm policies. Furthermore, when board members are independent of managers and owners they are more likely to prioritize the interest of the boarder groups of stakeholders of any specific group. By taking into consideration the institutional pressures faced by firms within their operating environments this research expects to contribute to integrate multi-theory perspectives and deliver expected findings that will be important for practitioners, regulators as well as academicians.

1.6 Research Structure

The remaining thesis is structured as follows. Chapter Two (Literature Review) reviews the extant literature related to the drivers of CSR adoption taking both an institutional and organizational perspective. It also details the various theories that have been applied in the study of CSR adoption and outlines a concise summary of the relevant empirical evidence. Chapter Three (Study One) develops the hypotheses to be examined regarding the impact of institutional qualities on CSR adoption at the institutional level, based on institutional theory and examines a sample of institutional level data gathered with respect to both developed and emerging economies.

Based on the research opportunities identified in Chapter Three, Chapter Four develops multi-theory hypotheses regarding the link between board attributes and CSR adoption practices under the pressure of institutional qualities in emerging economies. The chapter details the research of Study Two using a firm-level CSR index derived from data extracted from the CSRHub database. The thesis concludes with Chapter Five which contains concluding remarks regarding the importance of the findings of this thesis and suggests avenues for future research in the field of CSR.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction – Corporate Governance and Corporate Social Responsibility

With the evolution of the modern industrial era in the early nineteenth century, cities and societies became dominated by populations responding to the demand for labour to supply firms and factories. From the onset, the issue of balancing ethical societal outcomes with capitalistic economic outcomes led governments and societies to demand that firms be held accountable for the impact of their activities on society and the environment. In recent times corporate moral and ethical responsibilities continue to concern regulators and societal stakeholders (e.g. trade unions) who call for the protection of all stakeholders in society as well as the environment. This issue has also been at the centre of much scholarly investigation and debate with a large body of empirical evidence focussing on the types of social and environmental responsibilities firms should adopt and the identification of factors that motivate firms to embrace those social responsibilities. Many recent studies have identified firm decision-making mechanisms among the key factors that influence firm corporate social responsibility (CSR) although the debate to some extent remains a controversial one (See e.g., Chen, Ho, & Hsu, 2013; Khan et al., 2013).

Firm decision-making mechanisms are also the fundamental focus of the corporate governance literature and various principles, recommendations and practices prescribed internationally (Hoitash, Hoitash, & Bedard, 2009). With the Anglo-Saxon model of corporate governance dominating Western developed economies (such as the U.S.A., Australia and U.K.) many other non-Anglo jurisdictions in both developed and developing countries have replicated the Anglo model in the hope of promoting better transparency, accountability and reliability of corporate actions (Deegan, 2012). While corporate governance mechanisms are claimed to primarily safeguard stockholders' wealth (Godfrey, 2005), a growing body of scholarly literature also posits that governance mechanisms are also important in ensuring corporations meet their responsibilities to protect other stakeholder groups and the wider society through encouraging the adoption of CSR practices (Zhao, 2012a).

Corporate governance can be defined as the relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability (Deakin & Hughes, 1997). Critical corporate governance mechanisms comprise both internal and external mechanisms (Aguilera, Desender, Bednar, & Lee, 2015; Hambrick, Misangyi, & Park, 2014). Internal governance mechanisms include board independence, board leadership structure (e.g. CEO-Chair duality), board sub-committees and board diversity, while external mechanisms include external auditors, blockholding shareholders, ownership concentration and management equity holdings.

With regard to a link between corporate governance and CSR, a number of theories have been adopted to explain the key factors that affect firm CSR adoption processes. These include agency theory, stakeholder theory, stewardship theory, institutional theory and resource dependency theory with each offering different propositions for why firms adopt CSR. For example agency theorists claim that CSR adoption can lead to reduced agency costs (See e.g., Khan et al., 2013; McWilliams et al., 2006), while stakeholder theorists posit that CSR results from a natural inclination by firms to consider the needs of all their stakeholders in order to sustain their business and gain long-term legitimacy (Banalieva et al., 2014). Alternatively, resource dependency theory holds that firms adopt CSR because they are motivated to minimize the uncertainty caused by external influences and to ensure that resources are available for their operations and development (Hillman & Dalziel, 2003; Pfeffer & Salancik, 1977).

The remainder of this chapter is organized as follows. The following section (Section 2.1) details the various theories of corporate governance and CSR that are the focus of this study. This is followed in Section 2.2 by a general discussion of the development of international corporate governance regulatory recommendations. The chapter presents international models of corporate governance in Section 2.3. In Section 2.4, external and internal governance mechanisms such as blockholding stockholders, ownership concentration, auditor quality, manager equity holding, board independence, CEO-Chair duality are discussed. The chapter then examines the literature regarding key corporate governance mechanisms on board structure in Section 2.5. Section 2.6 presents board size followed by board composition in section 2.7. Board sub-committees are presented in section 2.8. Various external governance factors are presented in Section 2.9. The chapter discusses corporate governance in emerging economies and its impact on CSR adoption by reviewing the extant empirical evidence. The chapter concludes with Section 2.6 which summaries the main themes covered in this chapter and outlines existing gaps in the literature and the research opportunities they present.

2.1 Theories of Corporate Governance

This thesis focuses on the following theories that have been held to impact on the relationship between corporate governance and CSR: agency theory, stewardship theory, stakeholder theory, institutional theory, resource dependency theory and behavioural. This section details the literature and empirical evidence regarding these theories to develop the research arguments and research agenda central to this thesis.

2.1.1 Agency Theory

Agency theory is regarded by many researchers and regulators as the leading corporate governance theory (Bosse & Phillips, 2016; Fama & Jensen, 1983). From its introduction by Bearle and Means in 1932, and its promotion by Jensen and Meckling (1976) and Fama and Jensen (1983), agency theory views the modern corporation as characterised by widely-dispersed ownership that necessitates a two-party owner/manager contractual relationship between principals and agents. Agency theory posits that although managers are contracted to have a positive influence on firm outcomes for the benefit of owners (Rekker et al., 2014), they can be motivated by self-interest to diverge from acting in shareholders' best interests. This creates agency conflict and subsequent agency costs to owners (Deegan, 2012; Hillman & Dalziel, 2003).

As outlined in *The Modern Corporation and Private Property*, (Berle & Means, 1932), this "agency problem" remains unchanged in modern times (El Ghoul, Guedhami, Pittman, & Rizeanu, 2016). The large capital requirements of corporations' results in them comprising many small diversified shareholders/owners, none of who have sufficient incentives to devote time to managing the affairs of the company. As a result, professional managers are contracted to manage firms and possess a monopoly over information and decision making authority. This leads to agency problems between shareholders and managers, as the later are self-motivated to prioritise their own interests over those of shareholders (Deegan, 2012). Jensen and Meckling (1976) introduction of a formal agency theory to explain the agency problem defined the agency relationship as: 'a contract which one or more persons [the principal(s)] engage another person (agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent' (Jensen & Meckling, 1976, p. 310). After four decades, the same definition is still supported by Bosse and Phillips (2016) who state that 'the problem arises whenever one party (a principal) employs another (an agent) to create value' (p. 276). In corporations, it is the shareholders who deliver capital and hire management to manage that capital to maximize their wealth, however, as there is a separation of ownership and control, potential conflicts of interest arise between the shareholders and managers resulting in agency costs that must be controlled.

The agency theory literature identifies a number of sources of conflict between the interests of shareholders and managers (e.g., Denis, 2001). Among these are management's motivation to preserve their controlling power to maintain their position and the benefits attached to it. This results in conflicts when managers make decisions designed to protect their positions although being against the best interests of shareholders. Another conflict arises when managers make risk-averse decisions to protect firm short-term performance on which their incentives are based. This results in lower returns for shareholders who due to the diversification of their wealth, have a higher risk tolerance (Lan & Heracleous, 2010). Such risk-averse behaviour is often referred to as the "management-horizon" problem and results in agency cost when managers take action to ensure short-term performance at the risk of long-term growth (Seamer, Choi, & Doowon, 2015). Another potential conflict arises when free cash flows which are generated by the firm that exceed the amount required to fund all available positive net present value investments (Jensen & Meckling, 1976). Managers can opt to disburse these free cash flow either through paying cash dividends to shareholders (or repurchasing shares) or retaining them for reinvestment. Given these disbursement options, managers will prefer to retain free cash flows or reinvest them in a project which has a negative net present value to retain that value under their control. As shareholders prefer to receive free cash flows as cash dividends inevitable conflict arises between principals and agents.

The corporate governance literature proposes several mechanisms that can be applied to reduce the agency conflicts between principals and agents (e.g., Lan & Heracleous, 2010). As previously stated, self-monitoring of management by individual shareholders is impractical as they lack the expertise and time to adequately monitor management performance (Godfrey, 2005). The relatively small holdings of diversified shareholders also act as a disincentive to monitor since the cost of monitoring will outweigh any benefit (Denis, 2001). As a result, shareholders are motivated to appoint a board of directors to monitor management in addition to relying on external management monitors such as external auditors, creditors and large blockholder shareholders. Another important corporate governance mechanism is the alignment of managerial interests with those of shareholders through appropriately structured executive compensation contracts and through encouraging managerial ownership of the firm's shares (Donaldson & Davis, 1991). When managers are given incentivized executive compensation and have greater levels of ownership of the firm they are motivated to increase firm value to advance their personal interests.

Agency theorists see the board of directors as the principal governance mechanism for monitoring managerial performance and actions (Denis, 2001; Hermalin & Weisbach, 1998). However, to be effective the board of directors should be comprised of both firm insiders (executive directors) and directors independent from management (non-executive directors). Executive directors are full-time managers who hold the responsibility of providing the board with valuable firm-specific information regarding the firms' daily activities. Non-executive directors have no executive responsibilities for the firm's day to day operations (Nahar Abdullah, 2004; Roberts, McNulty, & Stiles, 2005) but rather are appointed to the board to ensure independent monitoring of management (Daily & Dalton, 1994). Independent directors are also expected to offer their expertise and provide other resources in assessing and advising managerial actions. The literature also recognizes that independent directors are motivated to build their reputations as business decision makers and decision controllers (Hillman et al., 2000) and as such they can be relied on to be effective monitors as they will use their directorships to signal their ability to the market (Fama & Jensen, 1983; Hermalin & Weisbach, 1998).

In addition to the board of directors, the Chief Executive Officer (CEO) is recognised as a position that can significantly influence agency problems as CEOs are tasked with the primary responsibility of setting corporate goals (Finkelstein & Hambrick, 1996). Agency problems are compounded when either the CEO has little interest in the outcome of their decisions as they have little impact on their own financial wealth or when decisions are made to better the CEO's self-interest (Fama & Jensen, 1983; Jensen & Meckling, 1976). The literature posits that the CEO can be expected to implement a strategy that will maximise their personal interest at the expense of shareholders when that strategy possesses little or no risk to themselves (Boyd, 1995).

In addition to the CEO, the board chair is an important board leader who possesses the authority to approve corporate decision delegation (Rhoades, Rechner, & Sundaramurthy, 2001). Rhoades et al., further claim that shareholders' interests are best safeguarded when the CEO and chair positions are held by different individuals (Donaldson & Davis, 1991). The literature acknowledges that combining these two roles delivers the incumbent individual with excess power and a monopoly on information control (Rechner & Dalton, 1991). When the CEO also holds the position of board chair, the role of the board as a monitoring and control mechanism is compromised and it is more likely that shareholders' interests will be sacrificed in favour of those of management. For example, the opportunistic behaviour could result in higher levels of executive compensation as the CEO has pursued personal goals that are in variance with those of shareholders (Donaldson & Davis, 1991).

Segregating the two most powerful positions relating to decision making and decision control is regarded as critical to ensuring the legitimacy and performance of the decision management function (Al Mamun, Yasser, & Rahman, 2013). This is because the board of directors has the authority of decision control whilst authority of decision management vests with senior management. Shareholder and CEO goal variance will inevitably become problematic when managerial actions depart from those required by shareholders to maximize their own interests. In this event, corporate governance is concerned with the constraints that are applied to minimize the opportunistic activities of the CEO. Bosse and Phillips (2016) note that in order to ensure a manager such as the CEO carries out their duties diligently; principals often resort to such governance mechanisms as share-based incentives (such as stock grants and options) or setting remuneration linked to the organization's profit to align CEO behaviour with the interests of the firm. These incentives are either designed to ensure monitoring by the principal or bonding by the agent.

In relation to CSR, firm CSR adoption strategy decisions are also argued to be a source of agency problems (Chen et al., 2013). Agency theory suggests that firm managers may be reluctant to embrace CSR strategies and invest in socially viable projects, due to the negative impact such actions have on firm short-term performance which is the metric on which managers are assessed and remunerated. Alternatively, a powerful entrenched manager may overinvest in socially viable projects that provide no value to the firm, motivated by the personal desire to attract attention to provide the manager with enhanced career opportunities and future bargaining power (Petrenko et al., 2016).

2.1.2 Stewardship Theory

While agency theory has its origin in economics and management, stewardship theory has evolved from psychology and sociology. Stewardship theory was developed from the seminal work of Donaldson and Davis (1991) who put forward a model that assumes senior executives are inherently motivated to act as good stewards of the organization's assets with a natural inclination to act in the best interests of its principals. Donaldson and Davis (1991) further assert that managers will make decisions and act in the best interest of the firm as they will place collectivist options above self-serving options. Stewards are motivated solely to make decisions which are in the best interest of the organization's assets that are central to their stewardship (Al Mamun et al., 2013). There is also the assumption that stewards will benefit from these actions in terms of receiving increased incentives as the firm prospers. As executives and managers focus on maximizing firm performance, both principals and stewards will benefit from an enhanced performance by the organization (McWilliams et al., 2006).

Davis, Schoorman, and Donaldson (1997) describe this relationship as: “a steward protects and maximizes shareholders’ wealth through firm performance because by doing so, the steward’s utility functions are maximized” (p. 25). Block (1996) also sees the stewardship role as ‘‘service over self-interest’’ believing that both organizational and individual needs will be best achieved by honouring relationships and treating managers like ‘‘owners and partners.’’ While there are covenantal duties owed to stakeholders to acknowledge the importance of a systemic fit of the organization within its environment (Caldwell & Karri, 2005), stewardship theory implies an innate managerial behaviour that places the long-term interest of the organization and that of shareholders ahead of individual managers’ self-interest. While agency theory suggests that firm managers aim to further their self-interest, stewardship theory ignores individualism, rather highlighting managers’ roles as stewards that align their interest along-side organizational goals (Donaldson & Davis, 1991). The stewardship concept suggests that a successful organization leads to personal satisfaction and hence motivates stewards to focus on not individual success but group goals (Davis et al., 1997).

Unlike agency theory which relies on monitoring managers, stewardship theory argues for empowering managers and executives with the information and authority they need in the belief that they will make decisions in the best interest of the organization and principals. It emphasizes that decision makers should have unfettered authority to act on behalf of the firm and that other should have faith that those decisions will maximize firm long-term value. Placing control structures or monitoring managers ultimately discourages this process and results in unproductive outcomes for the organization as well as for principals and stewards (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). In order to ensure full decision authority for stewards, free from control and monitoring structures, principals are required to dismiss the core assumptions which form the basis of agency theory. Instead, principals are required to build trusting relationships with executives and managers allowing them ultimate authority to make decisions independently to ensure the best outcomes for the organization.

Davis et al. (1997) identify a series of factors which describe the management philosophy of stewardship to include trust, open communication, empowerment, long-term orientation and performance enhancement. As professional decision makers, executives and managers can be trusted to be motivated to maintain their reputation by leading the firm in such a way that maximizes returns on the principal’s invested capital (Donaldson & Davis, 1991). Shleifer and Vishny (1997) also argue that managers are conscious of returning profits to investors to establish a good reputation so that they can re-enter the market for future finance.

In opposition to agency theory recommendations, stewardship theory argues for uniting the two key leadership positions of the CEO and board chair to enhance leadership effectiveness through appointing a major steward for the organization (Davis et al., 1997). Furthermore, stewardship theory recognizes the importance of structures that deliver authority to firm executives and directors who are offered maximum autonomy to build on trust (Donaldson & Davis, 1991). An executives’ role is to maximize the potential of the organization to pursue long-term wealth creation with organizational and individual goals best achieved by pursuing collective ends (Gomez-Mejia et al., 2011). Unlike agency theory, stewardship theory has a greater focus on aligning the goals of managers and shareholders (Davis et al., 1997). When managers and shareholders’ goals are aligned firm performance can be expected to increase in the absence of conflicts of self-interest.

An important aspect of stewardship theory (Donaldson & Davis, 1991) is the notion that managers have a moral imperative duty to ‘do the right thing’ with regard to other stakeholders as well as shareholders (McWilliams et al., 2006). This moral duty can also be expected to encompass the social and environmental responsibilities of the corporation which will be recognised and met by managers/stewards of the organization. Hence, stewardship theorists expect board members and managers to be proactive with regards to embracing CSR with managers acting as the initiator of firm CSR adoption decisions.

2.1.3 Stakeholder Theory

In recent decades, the notion of a stakeholder focused corporate governance theory has gained widespread attention and popularity among scholars and practitioners. Stakeholder theory was originally defined by the Stanford Research Institute (SRI) in 1963 to emphasise the importance of firm consideration of those groups of stakeholders without whose support the organization would cease to exist. Freeman (1984) introduced a broader perspective, by defining a relevant stakeholder as any group or individual who can affect or be affected by the achievement of the organization objectives. Common to both definitions, is an emphasis on recognizing a broad range of stakeholder groups who are vital to the organization's success and survival.

Friedman and Miles (2006) stress stakeholder theory takes into consideration a wide range of groups outside the firm and states that groups may consider themselves to be stakeholders of an organization without the firm directly recognizing them as such. Regardless of inclusions, stakeholder theory dictates that the interplay between the organization and each group needs to be managed in order to further the overall interests of the organization (Freeman, 1984). The organization, therefore, is to be viewed as part of a larger social system comprising of, but not restricted to, shareholders, employees, customers, lenders, suppliers, government and various community interest groups (Freeman, 1984).

Each of the stakeholder groups is important to the organization, which is required to provide information to each group about how the organization impacts them (e.g. through pollution, community sponsorship, provision of employment, safety initiatives). The stakeholder literature argues that recognition of broad stakeholder groups enhances the transparency of organizational activities, increases the trust of key stakeholders and hence leads to overall better firm outcomes. Through increasing organizational transparency and adopting organizational strategies aimed to satisfy the boarder community, stakeholder theory assumes such actions will increase the traditional objective of increased long-term growth (Friedman & Miles, 2006).

The greater the importance to the organization a stakeholders group is, the greater the probability of that particular stakeholder's expectations being accommodated in organizational operations (Friedman & Miles, 2006). For example, organizations will have incentives to disclose information about their programs and initiatives involving CSR adoption and socially viable projects to different stakeholder groups to clearly indicate that they are conforming to those stakeholders' expectations.

Publicly disseminating information regarding firm's stakeholder related programs and initiatives is also useful in developing and maintaining satisfactory relationships with different stakeholders such as creditors and other directly related parties (Friedman & Miles, 2006). By developing a positive corporate reputation. The literature also holds that giving priority to various stakeholder groups through disclosing related information can reduce agency problems by building stronger relationships between owners and managers.

Stakeholder theorists focus on corporate governance as a mechanism to ensure that managers are provided with the resources and capability to recognize and develop relationships with important stakeholder groups in order to work to advance joint interests over time (Freeman, 1984). A stakeholder focus can help firms to achieve organizational goals that satisfy shareholders as creating value for stakeholders creates long-term value for shareholders (Freeman, 1984). Value is created for shareholders not only through managerial actions such as creating goods and services for consumption by customers and creating jobs for employees but through building relationships with customers, creditors and suppliers as well benefiting from a reputation as a good corporate citizen in the community.

2.1.4 Institutional Theory

Related to the stakeholder view is the premise that the institutional setting in which a firm operates has important impacts on its business operations and decision-making processes (Bondy, Moon, & Matten, 2012). Institutional theorists have a particular focus on the observation that firms within a specific industry tend to exhibit similar behaviours, characteristics and norms (Campbell, 2007; Deegan, 2012; DiMaggio & Powell, 1983; Matten & Moon, 2008). They claim that institutions are formed by individuals to reduce the uncertainties and risks of transactions between economic agents, where a major part of those risks and uncertainties is due to opportunistic human behaviour (Williamson, 2007). Firms do not exist without institutions and markets for transactions and are traditionally defined by what is regarded as acceptable frameworks in which an action finds its legitimacy (Deegan, 2012). As organizations lose their sustainability without legitimacy, approval of the firm's actions against institutional standards, values and belief systems are determined socially (Campbell, 2007; Matten & Moon, 2008; Suchman, 1995). Critical to the institutional viewpoint is the suggestion that the environment identifies and empowers institutions to award firms, or withhold from firms, resources such as legitimacy (Bondy et al., 2012).

According to institutional theory, organizational activities are not limited to producing goods and services but also involve interacting with social and cultural systems in which organizations compete for legitimacy (Campbell, 2007; Marquis et al., 2007; Matten & Moon, 2008; Suchman, 1995). DiMaggio and Powell (1983) define an institutional field as a group of organizations that, in the aggregate, constitute a recognized area of institutional life such as key suppliers, resources users/providers, regulatory agencies, and other organizations that produce similar products and services. Organizations, therefore, tend to adopt a process where similar rules and practices are borrowed from each other, a practice known as ‘isomorphism’ (DiMaggio & Powell, 1983). More specifically isomorphism is a process in which one entity in the population influences other entities to attempt to resemble then when faced with the same environmental conditions.

Mizruchi and Fein (1999) describe the three distinct types of isomorphic processes: coercive, mimetic and normative. Coercive isomorphism is linked to stakeholders on whom the organization is dependent and arises when organizations change institutional practices and procedures due to the pressures forced on them by these influential stakeholders (Campbell, 2007; Matten & Moon, 2008; Suchman, 1995). For example, organizations may be coerced to adopt voluntary reporting practices and CSR strategies by customer demands and threats to boycott purchases. Mimetic isomorphism occurs when organizations respond to uncertainty by adopting the patterns of others. For example, voluntary social oriented actions of organizational leaders may influence other firms to adopt similar actions (Campbell, 2007; Kostova & Roth, 2002; Matten & Moon, 2008). Normative isomorphism occurs when organizations adopt patterns considered appropriate in the institutional environment (Kostova & Roth, 2002; Mizruchi & Fein, 1999).

Institutional theory also suggests that there are external pressures on firms to meet certain corporate governance standards (Shleifer & Vishny, 1997) and corporate governance mechanisms are best adopted by organizations in an institutional environment where there are high levels of regulatory efficiency (Deegan, 2012). Similarly, Eisenhardt (1988) suggests that the core of the institutional perspective is that organizational actions progress over periods and become legitimized within the organization and its environment. Of particular significance is institutional theory’s openness regarding individual behaviours and organizational actions and the requirement they are socially and environmentally viable to ensure the firm's sustainability (Etzion, 2007).

2.1.5 Resource Dependence Theory

The basic tenant of resource dependency theory is that corporations exist and function for the purpose of minimizing the potential uncertainty and risks posed by the external environment. This is only possible by ensuring that the firm secures access to the available resources necessary for operations and operational development (Hillman et al., 2000). Resource dependency theory therefore values board members not as monitors of managers but rather as a conduit source to import resources such as access to information, skills, advice and counsel, knowledge, expertise, legitimacy and access to suppliers, buyers, public policy decision-makers, social groups (Deegan, 2012; Hillman et al., 2000; Hillman et al., 2009). The prominence placed by agency based corporate governance regarding the roles of executive and non-executive directors is not significant to resource dependency theorists (Haniffa & Cooke, 2005; Roberts et al., 2005) who prioritise director's ability to collaborate and build relations with outsiders to gain access to information and resources (Hillman & Dalziel, 2003; Shu & Lewin, 2016).

Resource dependency theory assumes that board of directors are appointed to serve and connect the firm with external resources in order to overcome uncertainty and that the resources imported by the board of directors are essential for the survival of the firm (Hillman et al., 2000; Shu & Lewin, 2016). As corporations depend on the external environment for resources to ensure their survival and sustainability, minimizing any uncertainty acts as a social insurance policy (Godfrey et al., 2009; Hillman & Dalziel, 2003). Resource dependence theory, therefore, supports the view that board of directors have an obligation to propose and implement strategies which minimize any external uncertainties that may arise from the environment, with socially and environmentally viable strategies a key focus (Walsh & Seward, 1990).

2.1.6 Behavioural Theory

Behavioural theory is another important corporate governance theory with its origin in a focus on the concept that the learning that all behaviours is obtained via conditioning (Fairburn, Shafran, & Cooper, 1999) and that such conditioning is created through communication with the environment (Fairburn et al., 1999). Behavioural theory from the firm perspective explicates that a firm's decision authority assesses the requirement to change prevailing practices by associating organizational performance with a mark or objective level (Conger & Kanungo, 1987; Desai, 2016). Behavioural theorists hold that as firm performance deteriorates below the target level, firm decision authorities (both insiders and outsiders) undertake actions or initiatives to effect a solution. Desai (2016) terms this a 'problemistic' search, where there is an intuition to reverse the deterioration with the intent to improve performance.

Behavioural theory research focusses on the behaviours of [un]successful leaders compiling taxonomies of behaviours, such as monitoring, advising, counselling, consulting and delegating (Conger & Kanungo, 1987; Desai, 2016). In addition management leadership styles such as autocratic, democratic and laissez-faire, employee-oriented and directive, task-oriented and relationship oriented are also posited as effective factors in relation to contributing to firm decision making processes. The impact of these behaviours on board leader influence on firm decisions and initiatives is well documented (Conger & Kanungo, 1987).

Decision makers will initiate a search for a solution to a problem usually within the organisation or its near environment with a preference for incremental or familiar changes. However, if the performance deterioration is extreme, decision makers will increasingly pursue urgent, risky initiatives for a quick recovery (Desai, 2016). In relation to this research, behavioural theory will be applied to suggest that when there is firm performance deterioration, the firm decision authorities may undertake CSR adoption strategies in order to reverse the deterioration as part of their problemistic search. However, in the case of extreme/severe decline in performance, management may choose risky initiatives over CSR adoption strategy. This is because CSR adoption benefits firm stakeholder in the long run at the cost of short-term performance (McWilliams & Siegel, 2000b).

2.2 Corporate Governance Recommendations

The development and recommendation of corporate governance mechanisms have received attention since the 1930s from a variety of organizational and business scholars who have developed theoretical frameworks from different perspectives (Van Buren, 2003). These include frameworks derived from focusing on transaction costs (Jensen & Meckling, 1976), institutional isomorphism (DiMaggio & Powell, 1983), agents' behaviour (Fama & Jensen, 1983), occupational communities (Seo & Creed, 2002), resources dependence (Pfeffer & Salancik, 1977) and stakeholder views (Freeman, 1984). This section outlines the extant literature and the development of corporate governance principles that have resulted in the current regulatory recommendations for effective corporate governance mechanisms.

The concept of 'governance' has received increased attention in recent decades particularly in the literature regarding the advancement of economics, management and political studies (Cornforth, 2003). The Oxford Dictionary defines governance as 'the action or manner of governing a state or organization', with "govern" defined as to conduct the policy, action and affairs of (a state, organization, or people), and/or to control or influence (Crozier, 2007).

Although the concept of corporate governance is broadly embraced by regulators, scholars and corporations, there is still no universally accepted definition with variations depending on the focus of those applying them (Kaufmann, Kraay, & Mastruzzi, 2011). For example, some definitions focus on broad terms such as the World Development Report (2002) which refers to 'rules, enforcement mechanisms and organizations', while others have a narrower focus such as Scherer, Palazzo, and Baumann (2006) who define governance as the regular enactment of policies, decisions and matters within a political apparatus. Table 2.1 attempts to canvas a wide variety of definitions of corporate governance found in the literature.

Table 2.1: Corporate Governance Definitions

Reference	Definition
Iskander and Chamlou (2000, p. 6)	"A set of arrangements internal to the corporation that define the relationships between managers and shareholders".
OECD (1999, p. 76)	"Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this it also provides the structure through which the company objectives are set and the means through which those objectives and monitoring performance are attained".
Mayer (2009)	Ways of bringing the interests of investors and managers into line and ensuring that firms are run for the benefit of investors.
Deakin and Hughes (1997)	The relationship between the internal governance mechanisms of corporations and society's conception of the scope of corporate accountability.
Short, Keasey, Wright, and Hull (1999)	The structures, processes, cultures and systems that engender the successful operation of organizations.
Cadbury (1992, p.14)	"The system by which the companies are directed and controlled".
Malaysian High-Level Finance Committee (1999)	The process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value whilst considering the interests of other stakeholders.

Source: Author compilations

Table 2.1 shows that although there is a wide range of interpretations of corporate governance principles, there are several recurring themes (Mayer, 2009). These include a focus on systems and procedures, the board of directors, direction and control and coordinating the interests of managers, shareholders and other stakeholders. Similarly, many of these core corporate governance functions have been adopted as guidelines by various jurisdictional regulators who have enacted and implemented codes of corporate governance. One of the first code of corporate governance recommendations arose in response to a series of corporate failures in the 1980s that saw the establishment of the UK Cadbury Committee in 1992. The committee was charged with the formulation of a corporate governance code recommendation on board structures, procedures and other internal governance mechanisms aimed at making firms more accountable to corporate stakeholders (Cadbury, 2002). The committee proposed important mechanisms that are central to most current corporate governance recommendations codes including the appointment of independent directors to the board, CEO and Board Chair separation and establishing board sub-committees such as the audit committee, remuneration committee and nomination committee. In 1999 the Organization for Economic Cooperation and Development (OECD) formulated their corporate governance principles along similar lines to Cadbury (revised in 2004) and they are still widely referred to by corporations, regulators and academics. The aim of the OECD recommendations was to assist governments and regulators to assess and improve the legal, institutional and regulatory frameworks for corporations in regard to corporate governance (Jain et al., 2016). The OECD stated aims were to encourage equitable treatment, responsibility, accountability, and transparency by:

- protecting shareholders' rights;
- treating all shareholders equitably;
- recognizing shareholders' roles in the corporation;
- ensuring timely and accurate disclosure and transparency; and
- emphasizing the board's fiduciary duty to the company, shareholders and other stakeholders.

The International Corporate Governance Network (ICGN) also adopted the OECD principles in 2005 in order to facilitate their members' investment decisions and stipulating that members must consider governance aspects before allocating their investment capital.

2.2.1 International Corporate Governance Regulation and Recommendations

This section outlines the specific corporate governance recommendations of a sample of prominent regulatory corporate governance recommendations including the US Sarbanes-Oxley Acts, the UK Cadbury Financial Aspects of Corporate Governance and Corporate Governance Code and the Corporate Governance Principles and Recommendations published by the Australian Securities Exchange Corporate Governance Council.

2.2.1.1 U.S. Sarbanes-Oxley Acts

After the corporate scandal involving Enron, the US government initiated the Sarbanes-Oxley Act (SOX) in 2002 which mandated corporate governance principles for US companies registered under the US Securities and Exchange Commission (SEC). Unlike other corporate governance codes which focus on voluntary recommendations and company disclosure/explanation of their adoption decisions, compliance with SOX is compulsory (Stanwick, 2008). SOX imposes legal responsibilities on the board of directors, top management team, auditors, accountants and financial analysts with the aim of improving financial disclosures, increasing auditor independence, augmenting corporate governance, protecting stakeholders such as employees, whistle-blowers and shareholders, increasing corporate executive accountability, penalizing fraudulent actions and behaviour. Of the 65 sections that comprise SOX three critical sections (302, 404 and 409) are reproduced in Table 2.2.

Table 2.2: Relevant Sections of the Sarbanes-Oxley Act

	302	404	409
Require:	Quarterly certification of financial reports.	Management to annually certify internal controls.	Monitoring of operational risks.
	Disclosure of all known control deficiencies.	Independent accountant to attest financial reports.	Material event reporting.
	Disclosure of acts of fraud.	Quarterly change reviews.	'Real-time' implications – event reports being filed within four business days.
Responsible	CEO	Management	Management
	CFO	Independent Auditor	Independent auditor

Source: Author compilations

Publicly incorporated companies are required to respond and answer to the government appointed Public Company Oversight Board as stated in SOX act 2002. Although SOX did not expressly address board composition, increasing the independence of public company boards was a primary objective of the legislation. Listing requirements established by the New York Stock Exchange and NASDAQ at the time established definitions for independent directors and required that independent directors make up a majority of a listed company's board of directors.

2.2.1.2 UK Corporate Governance Recommendations

As previously mentioned in response to the corporate scandals of the 1980s the UK authorities initiated the Cadbury Committee in 1990 to develop a code of best corporate governance practice. Chaired by Sir Adrian Cadbury, the commission published the Financial Aspects of Corporate Governance in 1992 which gained widespread attention and recognition with its recommendations embraced by many international jurisdictions.

The Cadbury Report emphasized the board of directors as the paramount corporate governance mechanism to ensure the consistent monitoring and assessment of management of the firm (Letza, Sun, & Kirkbride, 2004). The report recommended that a majority of the non-executive directors on a board should be independent of the company. It further recommended that given the importance of the two leading decision-making roles. Chairman and CEO, these roles should be separated.

Firms listed on the UK Stock Exchange can voluntarily adopt those corporate governance practices recommended by the Combined Code on Corporate Governance which is regulated by the Financial Reporting Council (FRC). This combined recommendations from the Cadbury and Greenbury reports, the Turnbull Report on Internal Control, the Smith Guidelines on audit committees, and the Higgs Report. Companies that choose not to adopt a given corporate governance recommendation under the Code must disclose a valid reason for not compliance (FRC, 2007).

2.2.1.3 Corporate Governance Recommendations in Australia

Regulatory bodies in Australia have embedded a range of legal regulations and regulator recommendations into the Australian corporate governance framework. Legal regulations include the Corporations Act 2001 with the major self-regulatory corporate governance recommendations prescribed under the Australian Securities Exchange (ASX) listing rules. The later requires companies listed on the ASX to annually publicly disclose their corporate governance practices, the level of their compliance with the ASX recommendations and any reason for opting for non-compliance. The ASX Corporate Governance Council was established in August 2002 and released its Corporate Governance Principles and Recommendations in 2003.

After the issuance of its original corporate governance principles in March 2003, the ASX produced revised editions in both 2009 and 2014. The original publication defined corporate governance as a system that directs and manages a company, while the latest edition refers to corporate governance as a framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. The ASX Corporate Governance Council further states that corporate governance encompasses the mechanisms by which companies and those in control are held to account. The council holds that it is the corporate governance principles that influence the way companies' objectives are set and achieved, risks are assessed and monitored, and performance is evaluated. The principles also recommend that a company should have an effectively composed board to which set responsibilities and duties are delegated, where a majority of the board members should be independent and CEO and chair positions separated.

2.3 International Models of Corporate Governance

As previously outlined, while there is no world-wide accepted definition of corporate governance, the OECD principles (1999) are viewed by many as the benchmark due to their focus on fairness, transparency, accountability, and responsibility. The Asian financial crisis of 1997-1998, which many saw as a systematic failure in corporate governance, was an important driver of the formation of the OECD corporate governance principles which were later endorsed by the World Bank, the International Monetary Fund and the Asian Development Bank. These recommendations were seen to have a global appeal as a response to failures in market-based fundamentals to target the exponents of insider systems using relationship-based approaches, in particular for developing countries. The principles comprise five basic areas of corporate governance: the protection of shareholder rights, equitable treatment of shareholders, protection of stakeholder rights, timely and accurate disclosure and transparency, and diligent exercise of the board of directors' obligations. Tailoring corporate governance structure recommendations for leading Asian countries such as Indonesia, Korea, Malaysia, Thailand and the Philippines is seen as important as studies conducted by Asian Development Bank in 2000 reveal similarities in these economies particularly in terms of high ownership concentration, high levels of family ownership, bank-centric financial systems, ineffective shareholders rights laws, and low levels of transparency.

Recognition of institutional differences is also relevant to other developed economies (Heyden, Oehmichen, Nichting, & Volberda, 2015). For example, while the focus in the US and the UK is on implementing governance controls for firms with dispersed shareholdings, German and Japanese recommendations focus more on governance issues common with concentrated ownership structures. The Anglo-American model dominates many Western economies and is based on a shareholder or equity market approach which gives importance on investors' ability to influence firm corporate governance by appointing independent monitors of management and pricing and trading the firms' securities. Bank dominated governance systems are another significant model which prioritises monitoring firms' actions through the banking system's control of financial support and is common among US firms (Kroszner & Strahan, 2001). Family-based corporate governance models are also prevalent in emerging economies and they rely on concentrated family ownership to exert their controlling power to influence firm management (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008).

2.3.1 Equity Market-Based Governance Model

According to an equity market-based governance model, management is vested with the power autonomy to make decisions for the firm. Such autonomy and authority may, however, result in biased decisions, given that agents are influenced by self-interest prioritization (Jensen & Meckling, 1976). This may result in management over-investment or firm strategies that are motivated by a manager's enhancement of their own power (Deegan, 2012). For example, to protect their position or increase their power, management may engage in over-investment even when low or negative profitability is expected to adversely affect shareholders' investments (Djankov et al., 2008). To overcome this, continental European economies espouse insider systems which rely on empowering a handful of strong investors with controllability (Mayer, 2009). In Anglo-American based economies, however, shareholder power and voting control are widely dispersed necessitating authority of approving corporate strategy to vest with a monitoring board of directors controlled by appointing and removing board members through voting by a large number of unrelated investors.

Various structures of ownership and control separation in Europe, the US and the UK have proposed and implemented multiple solutions to address agency problems. These vary in terms of their focus on conflicts of interest between managers and dispersed shareholders in the US and conflicts between dominating shareholders and minority shareholders in Europe. As direct control is easier in the absence of dispersion (Becht, 1999), empirical studies of the Anglo-American model show that stock market forces have a positive effect on firm performance (Maug, 1998). However, dispersed voting power may also lead to free-riding, which represents a burden to a single or selected shareholder group who to bear the majority of the cost of control (Renneboog, 1996). Such situations hinder shareholders' ability to control and thus empowers management to take advantage of the lack of controllability (Becht, 1999).

2.3.2 Bank-Based Governance Model

While in the UK and the US, shareholders exert control through trading their shares of publicly traded firms, in Japan and Germany control is often enforced by financial institutions, mostly banks, which has resulted in a bank-based governance model (Prowse, 1992).

For example, while studies reveal that companies are the main ownership block-holders in these firms they also confirm that banks hold greater voting power than vests with their equity shares as they often vote with the proxies of other individual shareowners (Mayer, 2009). Other studies show that the relationship between bank ownership and firm performance varies depending on the ownership spectrum being directly proportionate to the percentage of ownership that is held by banks (Gorton & Schmid, 2000; Morck, Nakamura, & Shivdasani, 2000).

2.3.3 Family-Based Corporate Governance Model

Recognition of a family-based governance model was proposed by Khan (2003) who highlights a focus on financing, monitoring and performance of family-controlled businesses with specific emphasis placed on the information asymmetry and monitoring aspects inherent therein.

The difference between bank-based and equity market-based governance models and family-based governance models is that for family-controlled firms the equity market or banks do not have exerted significant control over the entity (Khan, 2003). The family-based governance model allows flexibility with regard to managerial decision-making processes and an efficiency for equity accumulation which has made it a favoured model in emerging economies (Nickerson & Zenger, 2004).

2.4 Corporate Governance Mechanisms

As previously outlined, one of the key objectives of corporate governance is to reduce the agency costs that arise from the potential conflict between managers (agents) and shareholders (principals). In order to achieve this objective, both the corporate governance literature and regulatory recommendations identify several corporate governance mechanisms as key fundamentals. These are categorised as either external control mechanisms or internal control mechanisms (Jensen, 1993).

2.4.1 External Control Mechanisms

External corporate governance control mechanisms include firm ownership structure (Birt, Bilson, Smith, & Whaley, 2006), shareholder activism (Sarkar & Sarkar, 2000) debt structure (Shleifer & Vishny, 1997), the media and political activism (Aguilera et al., 2015; Bednar, 2012; Bednar, Boivie, & Prince, 2013) and the market for corporate control (Chatterjee, Harrison, & Bergh, 2003; Dalton, Hitt, Certo, & Dalton, 2007; Heyden, Kavadis, & Neuman, 2017; Jensen, 1988; Shivdasani, 1993; Walsh & Kosnik, 1993).

The recent developments in the corporate governance literature have seen a recognition of the media as an external governance mechanism (Aguilera et al., 2015; Bednar, 2012). The media plays an important role as a governance control mechanism by reducing information asymmetry and adopting an active monitoring role (Bednar, 2012). The media also reduces information asymmetry between agents (management) and the firm's external constituents (Bednar et al., 2013) and can inflict costs (e.g. reputational) on firms and agents who act contrary to the owner (shareholder) and stakeholder interests. As the media focuses on issues where firm decision authority has failed it plays a role in influencing firm positive behaviour. This is particularly relevant to firm actions that are detrimental to society and the environment.

In relation to ownership mechanisms, controlling power is often vested with the major shareholders of the company, as minority shareholders are less likely to have the incentives or resources to monitor managers. Large shareholders are often referred to as "blockholders" and are categorised in the literature as those holding a given percentage of total company shares with more than five percent a common benchmark (Claessens, Djankov, & Lang, 2000; La Porta, Lopez-de-Silanes, & Shleifer, 2002). Such shareholders may be individuals, but more often they are corporations and/or institutional investors. Blockholders can be either active or passive monitors of managers with institutional investors often regarded as more active monitors. Shleifer and Vishny (1997) argue that institutional investors play a significant role in encouraging enhanced corporate governance and have been active in petitioning for corporate governance reform globally[4].

[4] An example of an active institutional investor is the Californian public employees' pension fund which has been shown to encourage companies to adopt good corporate governance practices, have active communication with management and take part in official proxy contests.

Organizational debt structure is also considered as another important external control mechanism (Denis, 2001) since preserving free cash flow in the firm often leads to conflicts of interest between managers and shareholders (Jensen, 1993). For example, when there is cash available without any associated cost, managers tend to re-invest in existing or new projects or repay owners using non-cash bases, such as the issuance of stock. Managers realise that this strategy increases liquid cash which in turn increases the performance of the firm. Driven by personal motivations, managers may also invest free cash in projects that generate poor or even negative returns to avoid free cash flow problems. Firms having a greater proportion of debt to assets are under pressure to operate more efficiently to produce the higher cash flows required to meet payments of interest and repayment of the debt as per creditor debt covenants (Denis, 2001). Such debt structures can also lower managerial discretion when creditors require and monitor corporate governance structures which often leads to enhanced firm outcomes, measured through leverage buyout transactions (Haniffa & Hudaib, 2006). However, such a structure may also result in conflicts of interest between shareholders and creditors, particularly when shareholders demand riskier investments than the projects that managers receive approved by creditors to invest in.

Another important external governance mechanism that exists is the market for corporate control which plays a critical role when other legal and internal control mechanisms fail to add value to the firm. The market for corporate controls, particularly in relation to hostile takeovers, has been claimed to be effective for shareholder value-creation, especially among poorly performing firms (Heyden et al., 2017; Shivdasani, 1993; Walsh & Kosnik, 1993). This is particularly so when internal governance mechanisms become deficient and are compromised (Heyden et al., 2017). Unlike mergers and acquisitions, here both acquirer and poor performing/acquired firm authority (e.g. managers and owners) concordantly organize mutually beneficial arrangements (Shivdasani, 1993; Walsh & Kosnik, 1993) as the acquirer believes that the takeover of the firm's resources and strategic changes to operations and management will result in increased value. Hostile offers or attempts to acquire a firm that the owners and managers resist are signals of the underperformance of management (Heyden et al., 2017) and often the owners lack confidence in management commitment (Chatterjee et al., 2003). While corporate takeovers usually benefit both parties through adding combined value (Fama & Jensen, 1983), the fear of takeover can adversely impact management who may manipulate performance and disclosure to create firm outcomes designed solely to prevent a potential takeover that would have benefited shareholders (Chatterjee et al., 2003; Shivdasani, 1993; Walsh & Kosnik, 1993).

2.4.1.1 Ownership Concentration

As previously mentioned the effectiveness of ownership characteristics as external governance mechanisms varies depending not only on ownership concentration but also the type of owner with institutional ownership and foreign ownership also shown to be influential mechanisms.

Ownership concentration refers to the degree to which a limited number of owners possess a majority of the stocks in the firm (Demsetz & Villalonga, 2001). Depending on the corporate environment, a single dominating shareholder may exist when they control 51 percent of the firm's total voting stock with other smaller block-holders able to exercise direct influence over management (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000). Shleifer and Vishny (1997) claim that ownership concentration increases firm value and adds value to shareholders' investments. The effects of ownership concentration has gained much scholarly interest from various research spectrums including management (Birt et al., 2006); banking and finance (Shim & Okamuro, 2011); accounting (Demsetz & Villalonga, 2001; La Porta et al., 2002) and business ethics (Khan et al., 2013). While many theorists argue the ownership structure of a company is affected by its corporate value rather than vice-versa Birt et al. (2006) and Shim and Okamuro (2011) claim that the empirical evidence fails to show any significant impact of ownership concentration on firm value. They argue this is because existing theories focus on a linear specification which dismisses all non-linear relationships.

When ownership concentration is high, it may decrease discretionary expenditures by managers in areas such as research and development and advertising (Shleifer & Vishny, 1997). Moreover, dominating stock owners can often use their power to force managers to proceed with a greater number of value maximizing strategies, compared to firms with dispersed ownership where no dominating shareholder exists to monitor managers (Allen & Phillips, 2000). Several studies have shown that a single dominating shareholder can lead to effective monitoring which results in an increased firm value (e.g., Amit, Brander, & Zott, 1998), through their abilities to restrain managers from pursuing self-interest (Short et al., 1999).

However, disadvantages can also be associated with concentrated ownership including the promotion of operational inefficiencies in the business (Harrison, Bosse, & Phillips, 2010) when controlling owners force strategies that target short-term gains at the expense of long-term value maximization (Bosse & Phillips, 2016). Concentrated owner/shareholders may also encourage managers to exploit minority shareholder groups (Short et al., 1999). In European economies, in particular, ownership concentration has increased due to low levels of floating stocks leading some jurisdictions to legislate to limit block-holding shareholders to no more than 25 percent of stocks on offer (Crespí-Cladera & Gispert, 2002). For example in Spain, 80 percent of Spanish firms have the largest shareholder that holds on average approximately 69 percent of the total stocks with the second largest shareholder holding 12 percent of the total stock (Crespí-Cladera & Gispert, 2002) on average. Ownership concentration is also prevalent in Germany and is often represented by bank ownership, (Gorton & Schmid, 2000) with similar concentrations observed in the Czech Republic (Claessens & Djankov, 1999) and China (Xu & Wang, 1997).

The empirical evidence shows that concentrated ownership can lead to high firm value and low agency costs. For example, consistent with Harrison et al. (2010), Chen, Cheung, Stouraitis, and Wong (2005) report a positive association with concentrated ownership and firm performance. Chen et al. (2005) conducted a study using 412 publicly listed firms from Hong Kong and reported that concentrated ownership has a positive influence on ROA, ROE and market-to-book ratio. Similarly, Wang and Shailer (2015) report a positive relationship between ownership concentration and firm performance using 419 correlations collected from 42 primary studies of listed corporations in 18 emerging markets.

However, other studies of the relationship between concentrated ownership and firm value reporting contradictory findings. For example, Yasser and Mamun (2015a) conducted a study on the largest 100 listed firms on the Karachi Stock Exchange and found no evidence that ownership concentration had any relationship with either accounting-based performance, market-based performance measures or economic profit. In addition, studies have also reported that high ownership concentration can lead to both increased and decreased corporate social responsibility adoption by firms. For example, while Khan et al. (2013)'s study of 116 manufacturing companies listed on the Dhaka Stock Exchange in Bangladesh report that ownership concentration has a positive influence on firm CSR adoption, Dam and Scholtens (2013)'s study of almost 700 European firms found that more concentrated ownership leads to poorer CSR policies. However, Dias, Rodrigues, and Craig (2017), using a sample of 48 Portuguese publicly listed firms, report that high ownership concentration does not have any influence (either positive or negative) on firm CSR adoption practices.

2.4.1.2 Institutional Ownership

A widely researched and debated issue in recent decades is the increasing importance of institutional investors as influential shareholders of corporate entities (e.g., Demsetz &

Villalonga, 2001; Smith, 1996). Institutional investors are defined to include the following: commercial and investment banks, insurance companies, investment companies, mutual funds, private and public pension funds, trusts and endowment funds (Koh, 2003).

One of the reasons for the increased attention on institutional investors is due to the growth of their prevalence in international capital markets. They are influential as institutional investors are well-informed and can systematically exercise their voting rights to pressure management (Demsetz & Villalonga, 2001). Unlike dominating individual shareholders, institutional shareholders have long-term investment strategies that focus on value maximization, employ significant capital and have an aversion to risk-taking (Pedersen & Thomsen, 1997). Using their activism in firm activities, institutional owners are more likely to encourage firms to achieve common goals and objectives (Sarkar & Sarkar, 2000). Even when institutional investors are not the dominating shareholders of the firm, and therefore less likely to monitor, they retain significant influence over the effectiveness of firm governance mechanisms (Smith, 1996).

However, not all institutional investors are the same, with some can be pressure-resistant and others pressure-sensitive, depending on whether they are prone to adopt an active monitoring role (Attig, Cleary, El Ghoul, & Guedhami, 2013). Active institutional investors tend to concentrate on improving poorly performing firms directly by taking part in management decision-making processes or influencing board composition through the appointment of their preferred independent outside directors (Koh, 2003). They can also influence corporate governance and firm management by enhancing auditor independence, setting management compensation, manipulating the takeover process, voting against announced mergers and acquisition, demanding free cash flow repayment and by ensuring the firms' disclosure and transparency policies are adequate (Mayer, 2009). These actions of institutional investors are more likely to reduce agency costs and prevent the exploitation of minority shareholders (Shleifer & Vishny, 1997). However, some theorists argue that institutional shareholders may also seek short-term benefits at the expense of long-term growth given that many fund managers are evaluated on their investment returns on a quarterly basis (Jung, 2016).

The empirical evidence supports the suggestion that high levels of institutional investor ownership can minimize management's opportunistic behaviour (e.g., Attig et al., 2013) and that they are effective in monitoring managers and minimizing agency costs (Koh, 2003). In Australia Birt et al. (2006) show that firms with high institutional ownership are more likely to make voluntary disclosures when compared to firms with low institutional ownership. Attig et al. (2013)'s study of 8402 US firms over the period 1981–2008, reported that investment sensitivity to internal cash flows decreases in the presence of long-term institutional investors suggesting that institutional investors with a long-term investment horizon play a more valuable governance role in mitigating agency problems than investors with a short-term horizon.

There is also a growing number of studies of the relationship between institutional ownership and CSR adoption. For example, Saleh, Zulkifli, and Muhamad (2010)'s study on the 200 largest companies listed with Bursa Malaysia reported that institutional ownership is positively and significantly related to CSR disclosure among Malaysia companies. Based on these findings the authors suggest that Malaysian publicly listed companies are able to attract and maintain their institutional investors provided they engage in social activities. Similarly, Oh, Chang, and Martynov (2011) conducted a study of 118 companies listed on the Korean Stock Exchange and also reported that institutional ownership is positively associated with CSR adoption practices.

2.4.1.3 Foreign Ownership

The literature also posits that foreign ownership can also be a pivotal determinant of corporate governance mechanisms. Foreign ownership is defined in the literature as the percentage of shareholders who hold shares while residing overseas or from outside of the jurisdiction of the business's current operations (Devereux, Griffith, & Klemm, 2002). In particular, when a majority of shares are held by foreign owners they have the power not only to influence management but also impose their standards on the acquired firm (Shleifer & Vishny, 1997). Foreign shareholders have also been shown to impose and share their tangible and intangible experiences of governance structures adopted in the country of their origin (Booth, Cornett, & Tehranian, 2002). Foreign owners may also benefit the firm through reducing hidden management actions, addressing adverse selection problems and promoting better information communication between owners and the acquired firm (Amit et al., 1998).

Some recent empirical evidence has indicated that multinational firms where foreigners dominate stock ownership perform better compared to their domestically controlled competitors (e.g., Cui & Jiang, 2012). For example, focusing on Belgium firms taken over by foreign corporations, Goethals and Ooghe (1997) conclude that foreign ownership is effective in terms of increasing firm monitoring mechanisms which leads to the firm achieving better performance. Similar results were reported by Allen and Phillips (2000) based on a study of 333 British firms acquired by foreigners. Piscitello and Rabbiosi (2005) examined short and long-term firm performance and found that the influence of inward foreign direct investment through foreign acquisition on firm monitoring mechanisms was significantly positive in Italian firms.

While the literature highlights the benefit of foreign shareholders' monitoring capability, they have also been criticized for sometimes exhibiting a lack of commitment to a long-term relationship with their investee firms due to their financial focus and concerns regarding liquidity (Claessens et al., 2000). When dissatisfied with the firm performance they may apply exit strategies rather than persisting with firm improvement measures (Aguilera & Jackson, 2003). While domestic shareholders have been shown to exhibit advantageous behaviours with their focus on long-term and greater preference for liquid stocks, their affiliations with other domestic shareholders, however, may result in complex business relationships (Claessens et al., 2000). Hence, foreign shareholders are often considered as favourable in improving business strategies, reducing agency costs and protecting broader stakeholders' interests by importing and applying their expertise and knowledge.

Recent empirical evidence also suggests that foreign ownership has a positive impact on firm CSR adoption strategies. For example, Oh et al. (2011) studied the largest 118 companies listed on the Korean Stock Exchange and reported that foreign owners are positively associated with CSR adoption practices. Similarly, Khan et al. (2013)'s study of 116 manufacturing companies listed on the Dhaka Stock Exchange in Bangladesh found foreign ownership of local firms had a significant positive influence on CSR adoption practices. The authors suggest that the increase in CSR adoption practices resulted from the resources imported by foreign owners in terms of superior policies, practices and business standards.

2.4.1.4 External Governance Factors: Firm External Auditor

The appointment by the firm of external auditors is seen as one of the key external mechanisms for promoting corporate governance in corporations (Klein, 2002). In accordance with SOX (2002), every listed firm in the US is required to appoint an external auditor (Klein, 2002), with regulators in other jurisdictions applying similar rules for listed companies in their jurisdictions. This includes developing economies such as Malaysia (Malaysian Code on Corporate Governance, 2000) and Pakistan (code of corporate governance, 2002) who require all publicly listed companies to appoint external auditors to audit and attest their financial statements before public disclosure (Muttakin, Khan, & Subramaniam, 2015).

External auditors are appointed to protect shareholders' interest by ratifying the financial reporting process, a duty they can pursue as they conduct their auditing process independently without any influence from the company (Spira, 1999). Auditors report the state of the firms' financial reports and attest the validity of financial reports that are released publicly providing the financial reports with credibility. External auditors also ensure that the board, particularly non-executive directors, have access to accurate and reliable information. The board may also seek the auditors' advice on the accuracy and appropriateness of the accounting principles used by the firm.

The majority of the empirical evidence regarding the benefits of appointing an external auditor focusses on the distinction between appointing a top-tier (Big Four[5]) vs a non-top-tier auditor. For example, El Ghoul et al. (2016) conducted a study based on 42,679 firm-year observations representing 4,920 unique firms from 42 countries over the period 1994–2003 to determine whether public firms improve accounting transparency by appointing a Big Four auditor and whether they benefit from having a larger fraction of long-term debt in their capital structures. The authors report that top-tier audit clients worldwide enjoyed longer debt maturity, implying that high-quality audits substitute for short-term debt for monitoring purposes. Guedhami, Pittman, and Saffar (2014) using a sample of 1,371 firm-year observations from 28 countries covering the period from 2001 to 2005, similarly report that Big Four auditors are more valuable for protecting outside investors by disciplining insiders against diverting corporate resources. They also report that firms that appoint a Big Four firm as their external auditor enjoy higher valuations and lower equity financing costs.

The above empirical evidence shows that auditors are empowered to introduce policies and measures which can be exercised to promote accountability in organizations (El Ghoul et al., 2016). In order to protect shareholders' interest and prevent fraudulent actions of managers, auditors may impose penalties for managers who manipulate financial statements. Moreover, external auditors assess whether organizations comply with regulatory requirements (Godfrey,

[5] Top-tier audit firm comprise Ernst & Young, Deloitte & Touche, KPMG and PriceWaterhouseCoopers

2005) and therefore regulatory bodies are likely to rely on auditors attested reports the company releases. As a result, external auditors are also considered as moderator of firm CSR adoption strategies that enhance the firm and regulator relationship and will advise on best practice disclosure regimes.

2.4.2 Internal Control Mechanisms

In addition to external control mechanisms, internal control mechanisms are critically important in ensuring effective decision-making processes in corporations. As previously outlined key internal control mechanisms is the board of directors that is appointed by shareholders to monitor management and set their compensation. As executive compensation is aimed to align managers' and shareholders' interests, the determination of the structure and extent of managerial compensation by the board of directors is critical. In achieving alignment, compensation plans are often set based on performance, on the pretext result managers will increase their efforts to enhance firm performance and add value to shareholders' investments when they will also benefit financially (Wallace, 1997). Compensation can be either cash-based or equity-based with proponents of equity-based compensation arguing it results in better alignment of shareholder and managerial interests compared to cash-based compensation. Even though equity-based compensation is widely used, its impact on firm outcomes is still debated with some opponents arguing it increases the executive power and causes power entrenchment (Suhomlinova, 2006).

Shareholders elect the board of directors and vest them with authority to make decisions and select business strategies for adding value to their investment. Hence, the board of directors are empowered with the obligation to appoint, fire, compensate, monitor and advise top management. In recognition of the importance of the board's role, all recent recommendations on corporate governance have a strong focus on improving the board of directors as an effective control mechanisms by increasing the proportion of independent board outsiders, allowing external directors to control the nomination of new board members and setting of executive compensation, and recommending the segregation of the two-leading board positions of CEO and board chair (Denis, 2001).

2.4.2.1 Board Leadership Structure

Board leadership structure is an important issue of regulatory, scholarly and theoretical debate in both the management literature (Hillman & Dalziel, 2003; Petrenko et al., 2016; Rechner & Dalton, 1991) and the accounting and finance literature (Brickley, Coles, & Jarrell, 1997; Jensen, 1993; Nelson, 2005). Regulatory initiatives and recommendations that have evolved from the literature have resulted in either endorsement of the separation of the important corporate leadership roles of board chair and CEO. Regulatory interest began as early as 1992 with the publication of Cadbury Report in the UK, which recommended separation of the positions of CEO and board chair. The Cadbury Report acknowledged the importance of the board chair role in securing effective corporate governance as the chair is vested with responsibilities for ensuring the functional working of the board, balancing board membership, setting of board agenda and ensuring that all board members, whether executives or non-executive, are empowered and motivated to effectively pursue their roles. The report stipulated that to be effective, the board chair should stand separated from the day to day running of the business to ensure the independence of the boards' control over the firms' activities and strategy setting.

The board chair is also trusted with the responsibility to ensure that relevant and timely information is produced and available for non-executive directors (Financial Reporting Council, 2010) and ensuring non-executives are informed regarding the issues to be considered at board meetings (Roberts et al., 2005). The board chair is also in a position to monitor whether board insiders are pursuing their executive duties and conforming to their responsibilities regarding governance. Many current regulatory authorities emphasize the importance and responsibility of the board chair role and stress the role should be segregated from that of the board CEO (e.g. Corporate Governance Principles and Recommendations, 2014; Financial Aspects of Corporate Governance, 1992). As the board CEO is vested with responsibility for implementing the decisions approved by board chair (Withers & Fitza, 2017), if a single individual is given both of the roles, it results in an unreasonable concentration of power (Daily & Dalton, 1994; Fitza, 2017). The Cadbury Report recommends there should be a clear division of the responsibilities of all board leadership positions to ensure that power and authority are balanced and that autonomous power has not been authorised to a single individual.

Although the Cadbury Report and other regulatory initiatives recommend the separation of the roles of CEO and board chair, traditionally US firms have preferred to appoint a single individual to both roles (Dalton, Daily, Ellstrand, & Johnson, 1998). The argument used to support combined leadership is that board executives should be empowered to make use of their multiple perspectives and possess the power to quickly enact firm decisions. While early surveys, such as that by Forbes in 1989, reported that 81 percent of the 661 large US firms surveyed opted for a combined leadership structure, recent major corporate scandals and the enactment of regulations such as the NACD Blue Ribbon Commission (2000) and SOX (2002) has seen an increasing number of US companies segregating the roles[6]. This trend is also increasing in Europe with more than 90 percent of FTSE (Financial Times Stock Exchange) 100 firms separating the roles (Roberts et al., 2005). Following the US and UK standards, many

[6] A more recent survey reporting that 44 percent of US S&P firms had separate CEO and board chairs in 2012, a notable increase to the 21 percent and 29 percent of firms which separate the roles in the 2001 and 2005 surveys respectively. Similarly, a survey conducted by Russel Reynolds Associates shows that 62 percent firms listed in the NASDAQ 100 had separated the CEO and chair roles in 2011 an increase from the 45 percent observed in 2005.

other constitutions have recommended similar initiatives. A summary of recommendations of a sample of both developed and developing economy regulators is presented in Table 2.3.

Table 2.3: International Recommendations on CEO-Chair Duality

Constitutions	Code/Reports	Recommendations
International	OECD Principles of Corporate Governance (OECD, 1999)	Silent
England	Cadbury Report (Committee on the Financial Aspects of Corporate Governance, 1992)	The two roles should be separate.
United States	NACD Blue Ribbon Commission (2000)	The two roles should be separate.
Canada	Toronto Stock Exchange Committee Report (1994)	The two roles should be separate.
Australia	Bosch Report (1995), Corporate Governance Principles and Recommendations (2014)	The two roles should be separate. If combined, an independent non-executive director as deputy chairman is recommended.
Hong Kong	Stock Exchange Code (1995)	Silent
India	Kumar Mangalam Birla Committee Report, (1999), Indian Companies Act of 2013	The Chairman's role should in principle be different from that of the CEO, though the same individual may perform both roles.
Indonesia	Corporate Governance Manual (2012)	The two roles should be separate
Malaysia	Malaysian Code on Corporate Governance (2014)	The positions of chairman and CEO should be held by different individuals.
Pakistan	Corporate Governance Code (revised, 2012)	The Board shall define clearly the respective roles and responsibilities of Chairman and CEO, whether or not these offices are held by separate persons or the same individual.
The Philippines	Corporate Governance Code (2009)	The chair and CEO should, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the board.
Bangladesh	Corporate Governance (2004)	The chair and CEO positions should be filled by different individuals.
Brazil	IBGC Code (2001)	Chair of the Board of directors and CEO should be two separate positions, held by different persons.
Mexico	CCE/CNBV Code (1999)	Silent
Russia	Federal Securities Commission Code (2002)	The Code allows that the positions of chairman and director general may be held either by the same person or by separate persons.
China	CSRC Code (2002)	Silent
Singapore	Institute of Directors Code (2001)	There should be a clear division of responsibilities and balance of power.
South Africa	King's Report	The Chairperson should preferably be an independent non-executive director.
Thailand	The Principles of Good Corporate Governance for Listed Companies (2006)	The roles and responsibilities of the chairman of the board are different from those of the managing director. The chairman of the board should be an independent director.
Japan	Code of Corporate Governance (Final Proposal, 2015)	Silent

Source: Author compilation

Despite increased attention from international regulatory bodies, the scholarly debate regarding board leadership structure remains one of the most contentious corporate governance issues (Finkelstein, Hambrick, & Cannella, 2009; Krause & Semadeni, 2014). The issue of CEO-chair duality has been studied by many researchers utilising either an agency theory (Brickley et al., 1997; Hillman & Dalziel, 2003; Jensen, 1993) or stewardship theory perspectives (Dalton et al., 1998; Davis et al., 1997). Agency theory suggests that when board leaders are empowered with greater authority, they have greater scope to act against shareholders' interests, which results in an increased conflict of interest, entrenchment, and higher agency costs (Kaufman & Englander, 2005). Thus, agency theorists argue for separating the board leadership roles to enable efficient monitoring and reduce agency costs (Bosse & Phillips, 2016; Vafeas, 1999). Alternatively, stewardship theorists hold that as firm managers can be trusted to be good stewards and can be depended upon to take actions to maximizing shareholder wealth (Laplume, Sonpar, & Litz, 2008), combining the CEO and chair positions simplifies the decision-making process and empowers the board leader to implement the necessary decisions to achieve firm objectives (Davis et al., 1997). Research in the areas of management, business and financial economics usually focuses on the results from the empirical analysis of discrete measures such as executive compensation levels, management turnover, socially viable investments and stock returns to examine the effectiveness of different leadership structures (e.g., Dalton et al., 1998; Davis et al., 1997; Petrenko et al., 2016).

Despite governance scholars and regulators consistently advocating for the separation of board leadership as best practice (Ramdani & Witteloostuijn, 2010), the empirical evidence has failed to reveal any consistent significant, systematic and constructive conclusions regarding the benefits of a separated board leadership structure to firm performance (Jain & Jamali, 2016). For example, Krause, Semadeni, and Cannella Jr (2014) studied all firms in the Corporate

Library database[7] and failed to find any relationship between either CEO duality or non-duality and firm performance and were therefore unable to support either agency or stewardship theory. Other studies have developed their theoretical observations on leadership structure using a contingency perspective (Boyd, 1995). For example, Bezemer, Zajac, Naumovska, Van Den Bosch, and Volberda (2015) argue that splitting the two roles leads to effective governance as power is not concentrated. A combined leadership structure is more likely to hinder the firm's governance system and thus adversely affect performance. Using an unbalanced panel of 184 firms (comprising 1,216 firm-year observations) listed during the period 1992–2006 on the Euronext Stock Exchange, they found that combined leadership (CEO-chair duality) was negatively associated with firm performance in terms of ROA. As previously outlined recommendations to adopt a separate leadership structure are based on agency theory (Dalton et al., 1998; Fama & Jensen, 1983) that holds that when the decision-making authority is consolidated by the agent (CEO), they are able to extract excessive rents from shareholders in order to increase their personal interests at the expense of shareholders (Jensen, 1993).

Li, Pike, and Haniffa (2008) also argue that separation of the CEO and chair may enhance monitoring quality of the board over management and found that segregating the roles led to the increased performance of UK firms. However, they also reported that CEO-chair duality had no influence on firm intellectual capital disclosure. Haniffa and Cooke (2005) also argue that separation of the two leadership roles offer checks and balances for performance management which should result in better performance. Rechner and Dalton (1991)'s study of 250 Fortune 500 companies over a 6-year period reported significant differences in performance between those that separate the CEO-chair roles and those that did not among a number of performance measures, including ROE and ROI, and concluded that firms opting for separate leadership consistently outperformed those relying upon combined leadership. Similarly,

[7] The Corporate Library database includes the firms in the S&P 1500 and Fortune 1000 indices, between 2003 and 2006.

Syriopoulos and Tsatsaronis (2012)'s study of 43 US shipping corporations over 2002-2008 supported the agency theory view of combining CEO-chair leadership and found that separate leadership structure resulted in an increased firm performance in terms of both ROA and ROE.

However, there are studies which report differential findings on the link between separate leadership structure and firm performance. For example, Judge and Dobbins (1995), using a sample of Fortune 500 firms, found that a separate leadership structure had a negative influence on firm financial risks. Abdul Rahman and Haneem Mohamed Ali (2006)'s study of the 100 largest firms listed on the Bursa Malaysia also found that separate leadership structure had no association with performance of Malaysian firms.

As previously mentioned in opposition to agency theory, there are theoretical views which argue the stewardship theorem of managerial motivation (Donaldson & Davis, 1991). Stewardship theorists see board executives as good stewards of the firm's assets who want to pursue strategies that will benefit the organization as a whole and are not motivated by an opportunistic self-interest prioritizing (Baliga, Moyer, & Rao, 1996). Stewardship theory posits that executive motivation is not a problem, however, a collective initiative to align and enhance shareholder and management interests is necessary. This requires an organizational hierarchical structure that gives executives control and allows them to quickly frame and implement organizational decisions leading to higher performance.

Baliga et al. (1996) conducted a study of Fortune 500 companies and found that firms with combined leadership have higher firm performance when measured using accounting measures ROA and ROE. Similarly while Peng, Zhang, and Li (2007) framed research questions using both stewardship and agency theory their findings supported the stewardship theory perspective. Using the database of 403 publicly listed firms (1,202 company-years) in China, Peng et al. (2007) found that firms with combined leadership results increased ROE compared to firms having separated the roles of CEO and board chair. There are also studies which report that combined leadership has no influence, either negative or positive, on firm performance. For example, Xie, Davidson, and DaDalt (2003) conducted a study using S&P 500 firms for the period of 1992-1996 and found that firms separating the roles of CEO and board chair should either no increase or decrease in subsequent firm performance.

There are also a large number of studies reporting that board leadership structure does positively impact on other corporate governance outcomes such as mitigating earnings management, fraudulent financial reporting and executive compensation. For example, Abdul Rahman and Haneem Mohamed Ali (2006) using a sample of the 100 largest firms listed with Bursa Malaysia found that separate leadership restricted firm earnings management. Dunn (2004) argues that as it is the chair of the board of directors that controls the board agenda, giving that power to the most senior manager can lead to adverse consequences, such as issuing fraudulent financial statements. Dunn (2004) studied the leadership of a matched sample of 103 firms that were convicted of issuing fraudulent financial statements in the period from 1992 to 1996 and found that fraudulent reporting was is more likely to occur when there was a concentration of power in the hands of insiders. Beasley (1996) also claims that when the company chair is also the CEO, this leads to increased entrenchment and over-confidence that fraudulent behaviour will not be detected. Based on this argument Chen, Firth, Gao, and Rui (2006) conducted a study on a sample of 338 Chinese firms and found that combined leadership was significantly associated with corporate fraud.

Much empirical evidence also supports that board leadership structure impacts the appropriateness of executive compensation (Fosberg, 1999). Fosberg (1999)'s study of 350 of the largest U.S. corporations reported that the CEO/chair duality undermines the functioning of the board and allows the firm's management to garner excessive compensation. Fosberg (1999) showed that CEOs of separate leadership firms received less total compensation than CEOs of dual leadership firms. Table 2.4 summarizes the empirical evidence regarding CEO-chair duality.

Table 2.4: Empirical Evidence on CEO-Chair Duality

Authors	Data period	Sample context	Area of study	Research Focus	Findings
Chaganti, Mahajan, and Sharma (1985)	1971-1976	US retailing firms	Management	Combined leadership	Negatively impacts firm performance.
Rechner and Dalton (1991)	1978-1983	US firms in Fortune 500	Management	Separated leadership	Positively influences firm performance.
Daily and Dalton (1992)	1990	100 US firms in Inc. magazine	Entrepreneurship	Combined leadership	Positively influences firm performance.
Daily and Dalton (1993)	1990	186 small US firms	Entrepreneurship	Combined leadership	Negatively influences firm performance.
Fosberg (1999)	1990-1996	350 US firms	Management	Separated leadership	Receives compensation
Judge and Dobbins (1995)	1985-1987	US firms in Fortune 500	Management	Separated leadership	Negatively influences firm financial risk.
Baliga et al. (1996)	1980-1991	98 US firms in Fortune 500	Strategic management	Combined leadership	Positively influences firm performance.
Dalton et al. (1998)	1978-1996	Meta-analysis	Strategic management	Separated leadership	No relationship with performance.
Fosberg (1999)	1990-1996	178 US firms	Business	Combined leadership	Higher compensation
Jensen (1993)	1990	432 US firms	Finance	Separated leadership	Less conflict
Yermack (1996)	1884-1991	452 US firms	Finance	Separated leadership	Higher compensation
Simpson and Gleason (1999)	1989-1993	287 Banking firms	Banking and Finance	Combined leadership	Low financial distress
Shin (2012)		401 South Korean firms	Ethical management	Separated leadership	Positively associated with firm ethical climate.
Khan et al. (2013)	2005-2009	135 Bangladeshi firms	Ethical management	Combined leadership	No association with disclosure
Abdullah (2004)	1994-1996	336 Malaysian firms	Accounting	Combined leadership	No association with firm performance.
Waldman, Siegel, and Javidan (2006a)	1992	150 US and Canadian firms	Management	Separated leadership	No association with social disclosure.
Peng et al. (2007)	1996	530 Chinese firms	Management	Combined leadership	Positively influences firm value
Kholeif (2008)	2006	50 Egyptian firms	Accounting	Combined leadership	Negatively influences firm performance.
Syriopoulos and Tsatsaronis (2012)	2002-2008	43 US firms	Accounting	Separated leadership	Positively associated with firm performance.
Krause and Semadeni (2014)	2002-2006	Fortune 1000	Management	Separated leadership	Effective response to poor performance.
Guo and Masulis (2015)	1996-2009	1231 US public firms	Finance	Separated leadership	Negatively influences firm performance.

Authors	Data period	Sample context	Area of study	Research Focus	Findings
Yasser and Mamun (2015b)	2011-2013	Listed firms from Australia, Malaysia and Pakistan	Management	Separated leadership	Positively associated with firm performance.
Abdul Rahman and Haneem Mohamed Ali (2006)	2002-2003	97 Malaysian Firms	Management	Separated Leadership	No association with firm performance.
Davidson, Goodwin-Stewart, and Kent (2005)	2000	434 Australian firms	Accounting and Finance	Separated Leadership	No association with firm performance.
Xie et al. (2003)	1992-1994	Standard and Poor 500	Finance	Combined leadership	No association with firm performance.
Bassett, Koh, and Tutticci (2007)	2003	500 Australian firms	Accounting	Combined leadership	Associated with lower levels of mandatory disclosure.
Donaldson and Davis (1991)	1985-1987	337 US firms	Management	Combined leadership	Positively influences firm performance.

Source: Author compilation

2.4.2.2 Leadership Structure and CSR adoption

Given that board leaders are critical to developing strategy, it is expected that social and environmental strategies are directly imported and promoted by board leaders. Corporate leaders, especially CEOs, may view CSR adoption initiatives as an expression of their personal reputation (Godfrey, 2005; Jensen & Meckling, 1976) and may use CSR strategies for attention seeking and image reinforcements (Petrenko et al., 2016). However, a CEO may also strategize CSR adoption in relation to its impact on financial performance particularly its negative impact on short-term profit on which the CEO's remuneration depends (e.g., Krause et al., 2014). While CSR adoption is an intangible decision, from it flows both tangible and intangible benefits to the firm, which can be problematic (Petrenko et al., 2016) given that CEO decisions are not usually focussed on situations where returns are uncertain or where outcomes cannot be easily measured (Godfrey, 2005) as CSR adoption produces benefits in the long-term rather than the short-term. With CEO performance usually tied to short-term performance, CEOs may view CSR adoption as a risk which is tied to their personal interests (Petrenko et al., 2016).

While stakeholder theory suggests that firms will naturally act in a socially responsible manner by aggregating the interests of the stakeholders (Devinney & Hohberger, 2016), agency theorists argue that the firm's executive self-focus is detrimental to their ability to respond to or consider wider community stakeholder interests (Bosse & Phillips, 2016). According to the agency literature, the psychological characteristics and experiences of firm top management, such as the CEO's personality, directly affect organizational shareholder outcomes (Petrenko et al., 2016). When CEOs/chairs hold dual power, they will implement strategies that will enhance short-term outcomes using their concentrated power to the detriment of CSR adoption strategies which adversely impact short-term profit.

Despite a wide range of recent studies of the links between CEO/chair duality and CSR adoption, the results remain mixed. For example, Petrenko et al. (2016)'s study of leadership characteristics and CSR adoption on the S & P 500, applied both agency theory and upper echelons theory and found that CEO narcissism was positively associated with CSR adoption decisions. Similarly, Dahlmann and Brammer (2011) conducted a study on S&P 500 firms using the KLD database to measure CSR and report that an empowered firm CEO is positively associated with CSR adoption among US firms. Bear, Rahman, and Post (2010) also found a positive influence of combined leadership on firm CSR adoption strategies among 695 US firms. The authors argued that single unfettered leader is able to implement decisions taken in firms faster.

However, there are many studies which report either no or a negative relationship between board leadership duality and CSR adoption. For example, Khan et al. (2013)'s study of 116 emerging economy firms found that CEO-chair duality had no influence on CSR adoption, however the authors supported the agency theory perspective and claimed that regardless of the findings of the study, a CEO with dual power is more likely to exercise authorized power to substantiate their self-motivated strategies which would not include a focus on CSR. Similarly, Post, Rahman, and Rubow (2011) conducted a study of 1000 US firms to examine corporate governance and CSR adoption strategies (using KLD to measure CSR) and reported that CEO-chair duality has no influence on firm CSR adoption strategies.

A more recent study by Hubbard et al. (2017) of Fortune 500 firms reported a negative relationship between CEO-chair duality and firm CSR adoption strategies. Similarly, Said, Zainuddin, and Haron (2009)'s study of 150 Malaysian firms also reported that CEO-chair duality resulted in decreased CSR adoption among Malaysian firms. A potential compilation in emerging economies is the dominated of family firms, where it is common for both the CEO and chairperson to be appointed from the same family (Abdullah et al., 2011). This can accentuate problems relating to family dominance and CSR implementation and suggests board independence and CEO/chair duality issues may be overly complex in emerging economies (Khan et al., 2013). Table 2.5 lists the results of the important empirical examination in this area.

Table 2.5: Empirical Evidence on CEO-Chair Characteristics and CSR Adoption

Authors	Contexts	Period	Findings
Tang, Qian, Chen, and Shen (2015)	Standard and Poor 500	2001-2010	CEO-chair duality has a positive influence on CSR adoption.
Hambrick et al. (2014)	Standard and Poor 1500	2005	CEO-chair separation can resolve agency problems.
Hubbard et al. (2017)	Fortune 500	2003-2008	CEO-chair duality is negatively associated with firm CSR adoption.
Dahlmann and Brammer (2011)	Standard and poor 500	1997-2006	Firm CEOs power is positively associated with CSR strategies.
Khan et al. (2013)	116 Bangladeshi firms	2005-2009	CEO-chair duality has no influence on firm CSR adoption.
Galbreath (2016)	295 Australian firms	2004	CEO-chair duality has no influence on firm CSR adoption
Bear et al. (2010)	695 US firms	2009	CEO-chair duality has a significant positive influence on firm CSR adoption.
Chen et al. (2013)	Standard and Poor 1500 firms	2004-2006	CEO power is positively associated with firm CSR adoption.
Post et al. (2011)	1000 US firms	2006-2007	CEO-chair duality has no influence on firm CSR adoption.
Waldman, Siegel, and Javidan (2006b)	929 US and 188 Canadian firms	Survey	CEO-chair duality is positively associated with firm CSR adoption.
Said et al. (2009)	150 Malaysian firms	2006	CEO-chair duality has a negative influence on firm CSR adoption.
Jain et al. (2016)	Review paper		CEO-chair duality with concentrated power may not advance CSR adoption.

Source: Author compilations

2.5 Board Structure

The structure of the board of directors as the primary firm governance structure can be driven by two contradicting views. First, the board can be formed with the aim of maximizing a firms' managerial control to generate superior performance. Such as board would be dominated by insiders who possess firm-specific information and a better understanding of the needs of the firm compared to that of external directors (Colli, Pérez, & Rose, 2003; Wang & Hsu, 2013; Zattoni & Cuomo, 2010). Alternatively, the board can be formed with a majority of independent directors with the aim of minimizing agency costs through focusing on processes that empower non-executive directors to ratify and monitor management to reduce conflicts of interest between shareholders and managers (Fama & Jensen, 1983). Most boards of directors are positioned somewhere between these two streams where management control and independent monitoring are concurrently balanced and implemented (Petra, 2007). However, within different economies and constitutions two separate distinct board governance practices have evolved: the one-tier board and the two-tier board system.

2.5.1 One-Tier Board

The one-tier and two-tier board structure systems have traditionally evolved from corporate law practices in the UK and Germany respectively. The one-tier board is widely practised in the UK, the US and other Anglo-American based jurisdictions where the firm is governed through one corporate body that undertakes both the management and monitoring functions. To accommodate this dual task the one-tier board is comprised of both insiders (executive members) and independent non-executive members. Depending on the desired mix, the one-tier boards can be constituted to represent, (a) an all executive board, (b) a majority executive board, or (c) a majority independent board (Ferris, Jagannathan, & Pritchard, 2003). Proponents of the one-tier board structure argue it is superior in its professional competency as it creates a direct linkage between authority and responsibility and encourages participative management. With a mix of insiders and independent directors, it provides an atmosphere of incentive, involvement and motivation that helps managers reach top levels in career advancement.

2.5.2 Two-Tier Board

In a two-tier board system, governance is the responsibility of two separate bodies that operate independently: the board of directors and the supervisory board organized in two layers of control (Heyden et al., 2015). The upper layer is comprised of non-executive directors commonly referred to as the supervisory board or council, while the lower layer is comprised of executive members referred to as the management board or board of directors. The management board is charged with maintaining the day to day operations of the company, while the supervisory board maintains the monitoring functions over the management board exercising its duties as an independent body. A minimum of three and maximum of eleven members can sit on the management board with the board chairperson elected from among its members or alternatively appointed at a shareholders' meeting.

The supervisory board also acts as an independent body, whose members seek firm documents, statements and explanations from the management board. Two-tier board systems are common in civil law countries, such as Germany, Sweden, Netherlands, Finland and China. It is claimed such a board system has greater ability to secure shareholders' interests and ensure that the shareholders' views are taken into consideration by management (Allen & Phillips, 2000). As such, it balances the rigours of external control with management, however, it does so by segregating general authority and responsibility into two streams which cause bureaucratic delays in the decision-making process.

2.6 Board Size

The board should be composed of adequate members to perform its tasks and to ensure responsibilities are distributed and pursued appropriately (Finkelstein et al., 2009). The Cadbury Report (1992) recommends that the size of the board should remain relatively small comprising mainly non-executive and independent directors. The agency theorist, Jensen (1993) claims that a board should be composed no more than eight members to function effectively arguing a larger board may lead to conflict and gives rise to agency costs. However, there are proponents who favour large boards such as Lipton and Lorsch (1992) who argue a ten-person board is ideal. Proponents of a larger board argue it improves firm market value providing a variety of managerial ability and knowledge which expands its ability to solve agency problems (Jensen & Meckling, 1976). Many regulators have made recommendations regarding board size such as the Malaysian Code of Corporate Governance which stipulates that “every board should examine its size, with a view to determining the impact of the number upon its effectiveness” (2007, p. 12). Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council states that: “the board should be of sufficient size so that the requirements of the business can be met and changes to the composition of the board and its committees can be managed without undue disruption” (2014, p. 14). Empirical research conducted in Australia has shown that most boards are relatively small with an average of less than ten members (Lawrence & Stapledon, 1999).

There have been few empirical studies relating board size and firm outcomes since Yermack (1996)’s study which examined the effects of board size on firm value and firm performance measured as Tobin’s q and ROA. Yermack (1996) studied the largest 500 US companies and reported that a small board can positively contribute to the increased firm value and influence firm performance. Alternatively, Eisenberg, Sundgren, and Wells (1998) using a sample of 838 firms from Helsinki Stock Exchange reported a positive correlation between board size and profitability among firms in Finland. Similarly, Vafeas (1999) also reported an inverse relationship between board size and firm value. In his study of 1382 observations for 307 firms over the years 1990–1994 from COMPOSTAT database and using market-to-book ratio to measure firm value.

In a later study Vafeas (2000) also reported that earnings of firms with the smallest boards in the sample (a minimum of five board members) were perceived as being more informative by market participants in a study of 307 of the 800 firms listed in the Forbes 1992 compensation survey.

In relation to other corporate governance outcomes such as CSR adoption, there is a scarcity of research regarding the impact of board size although many studies do use board size as a controlling factor (Al Mamun et al., 2016; Al Mamun et al., 2017a). A recent exception is Al Mamun et al. (2016) who conducted a study of 238 firms listed on the Bursa Malaysia, Karachi Stock Exchange and the Philippines Stock Exchange. The authors report that board size is negatively associated with firm CSR adoption strategies among Asian emerging economy firms. Similarly, Al Mamun et al. (2017a) also reported an inverse relationship between board size and CSR adoption strategies based on 2699 firm-year observations for the period of 2010-2014. While board size is recognised an important governance mechanism both theoretically and practically, the empirical evidence on this governance mechanism remains mixed and scarce.

2.7 Board Composition

Universal to all regulatory requirements and recommendations is the stipulation that every company should be headed by a board with a particular emphasis on its composition in terms of board member independence. Both regulators and the literature not only distinguish between executive directors and non-executive directors but also recognise not all executive directors are independent (“grey” directors). Executive directors are working directors of organizations, usually full-time employees with specific executive decision-making roles (Hage & Dewar, 1973). Non-executive directors are those who are not part of the executive team and do not typically engage in day-to-day operations of the organization, rather focussing on board monitoring, policy-making and strategic planning (Roberts et al., 2005). Non-executives, however, can be either independent of management or not where they have some relationship with the firm that may affect their independence such as a consultancy role in addition to their non-executive directorship. Hambrick et al. (2014) define an independent non-executive director as those who are totally ‘unaffiliated’ with the organization.

Regulators recognize there should be an appropriate balance of executive and non-executive (outsiders or independent) directors in order to protect the interest of minority shareholders and to ensure that no individual or group, (e.g. management or majority shareholders) can dominate the board’s decision-making process (McCabe & Nowak, 2008).

While different constitutions specify non-executive director attributes differently, most expect independent board members to be individuals of calibre and credibility that possess the necessary skills and experience to bring independent judgement to bear on the issues of business strategy, performance and resources, in the form of key appointments and standards of behaviour and conduct (Hillman et al., 2000). The ASX Corporate Governance Council (2010) sees non-executive director’s traits in terms of the: “rudimentary need for integrity among those who can influence firms’ strategy and performance, together with responsible and ethical decision-making which considers not only the lawful obligations but also the stakeholder interest from a broader perspective” (ASX Corporate Governance Council, 2010, p. 26). The ASX also states that to be effective, the board should consist of a majority of independent non-executive directors.

The agency theory argument that the presence of independent non-executive directors on the board will promote board’s monitoring ability has been accepted by many international regulators who have issued guidelines and recommendations for a minimum representation of independent directors on boards. Influential governance guidelines include the OECD Principles of Corporate Governance, Cadbury Report, NACD Blue Ribbon Commission, Sarbanes Oxley Act, Bosch Report, ASX Code of Corporate Governance, Toronto Stock Exchange Committee Report and the Hong Kong Stock Exchange Code. Specific recommendations on board composition from a sample of different global constitutions are presented below in Table 2.6.

Table 2.6: Recommendations on Board Composition

Jurisdiction	Guideline/Report	Recommendations		
		Board Size	**Outsiders**	**Independent Directors**
International	OECD Principles of Corporate Governance (2004)	No Recommendation (NR)	Should be sufficient numbers.	No Recommendation (NR)
England	Cadbury Report (1992)	As required to perform tasks adequately.	Minimum three	Majority
United States	NACD Blue Ribbon Commission (2000) & Sarbanes Oxley Act (2002)	Board to determine	NR	Substantial majority
Australia	Bosch Report (Bosch, 1995) & Code of Corporate Governance (2010; 2014)	Nomination committee to determine	Majority	Majority
Canada	Toronto Stock Exchange Committee Report (1994)	10-16, Board to determine	NR	Majority must be unrelated
Hong Kong	Stock Exchange Code (1995)	NR	Should be an appropriate mix of inside and outside directors.	Majority of the members should be independent directors.
Pakistan	Code of Corporate Governance (2002)	NR	Executive directors should not be more than 75% of members.	At least one independent director to protect minority interests.
India	Kumar Mangalam Birla Committee Report, (1999) & Companies Act of (2013)	NR	An optimum combination of executive and non-executive directors with not less than fifty percent of the board comprising non-executive directors.	If a company has a nonexecutive chairman, at least one-third of the board should be comprised of independent directors. If a company has an executive chairman, at least half of board should be independent.
Brazil	IBGC Code (2001)	5 to 9 according to the company needs	Majority should be outside directors.	Most of the board should be independent.
Mexico	CCE/CNBV Code (1999)	5 to 15 members	Outside members should together make up at least 40% of the board with outsiders making up at least 20% of the board of directors.	NR
Russia	Federal Securities Commission Code (2002)	Companies should primarily seek a number that will enable the board of directors to hold productive and constructive discussions, make prompt and rational decisions, and	Executive directors may not exceed one-fourth of the board of directors.	Independent directors should comprise at least one-fourth of the total board of directors.

Jurisdiction	Guideline/Report	Recommendations		
		Board Size	Outsiders	Independent Directors
		efficiently organize the work of its committees.		
China	CSRC Code (2002)	The number of directors and the structure of the board of directors shall follow regulations and shall ensure the effective discussion and efficient, timely and prudent decision-making process of the board of directors.	NR	One-third of the board should consist of independent directors.
Singapore	Institute of Directors Code (2001)	The board should decide on what it considers an appropriate size to facilitate effective decision-making. The board should consider the scope and nature of the operations of the company.	There should be a strong representation of non-executive directors, who are able to exercise objective judgment independently from management.	There should be a strong and independent element on the board, with independent directors making up at least one-third of the Board.
South Africa	King's Report (1992)	Every Board should consider whether or not its size, diversity and demographics make it effective. (S2.1.10)	The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors.	Board should comprise sufficient independent directors to protect shareowners interests.
Malaysia	Code of Corporate Governance (2007)	Every board should examine its size	NR	To be effective, independent non-executive directors should make up at least one-third of the board membership
The Philippines	Code of Corporate Governance (2009)	The Board shall be composed of at least five, but not more than fifteen, members who are elected by the stockholders.	NR	At least two independent directors or a such number of independent directors that constitute twenty percent of the members of the board, whichever is lesser, but in no case less than two.
Thailand	The Principles of Good Corporate Governance for Listed Companies (2006)	NR	NR	There should be a number of independent directors equivalent to at least one-third of the board size, but not less than 3.
Indonesia	Code of Good Corporate Governance (2006)	Board of Commissioners shall be of sufficient size that suits the complexity of the business	NR	The number of Independent Commissioners shall be such, to ensure that the control mechanism runs

Jurisdiction	Guideline/Report	Recommendations		
		Board Size	Outsiders	Independent Directors
		of the company by considering the effectiveness in decision making.		effectively and in accordance with laws and regulations.
Sri Lanka	Code of Best Practice on Corporate Governance (2013)	NR	NR	The board should include at least two non-executive directors or such number of non-executive directors' equivalent to one-third of the total number of directors, whichever is higher. In the event the chairman and CEO is the same person, non-executive directors should comprise a majority of the board.
Bangladesh	The Code of Corporate Governance (2004)	To ensure a well-functioning and involved board, the size of the board should be large enough to include directors with diverse expertise and experience, but should not be too large to enable involvement by all directors.	NR	Companies should articulate and implement a nomination programme to enable a majority of board members to be non-executive and independent directors.
Japan	Code of Corporate Governance (Final Proposal, 2015)	The board should be well balanced in knowledge, experience and skills to fulfil its roles and responsibilities, and it should be constituted in a manner to achieve both diversity and appropriate size.	Companies should appoint one or more outside directors on the board.	Companies should, therefore, appoint at least two independent directors that sufficiently have such qualities

Source: Author compilations

2.7.1 The Importance of Director Independence

The corporate governance literature posits that board members are given responsibility to protect the interests of firm shareholders and as such, are relied on to supervise and monitor managements' behaviour and efficacy in favour of the owners of the company (e.g., Hambrick et al., 2014). While not all firm insiders may be self-serving, shareholders are aware of the governance failures which may flow when monitoring is inadequate (Hambrick et al., 2014). Prominent examples include the greenmail payments[8] of the 1980s, stock option backdating in the 1990s and the systematic risk disregard for in 2000s that is largely blamed for the global financial crisis. Among such events, there are also many individual incidences, where boards have act in their own self-interest at the expense of shareholders. Examples include management perpetrated fraud, undesirable takeover actions, manipulating disclosure and financial reporting and excessive executive remuneration. Over recent decades researchers have dedicated considerable effort to examining the reasons for monitoring failures and the possible actions that can be taken to prevent management inefficiency and misconduct (e.g., Coles, Daniel, & Naveen, 2008; Duchin, Matsusaka, & Ozbas, 2010; Hillman & Dalziel, 2003).

The agency theory perspective that has dominated this research has argued that increasing the monitoring capabilities of boards relies predominantly on increasing the number of independent members appointed on the board (e.g., Al Mamun et al., 2016; Finkelstein et al., 2009; Khan et al., 2013). Independent non-executives are routinely defined as those who neither had, nor have, a working relationship with the firm in the form of employment, consultancies or have any association with the firm managers or key shareholders (Australia Stock Exchange Corporate Governance Council, 2010). The belief is that independent directors are less exposed to

[8] Greenmail is the practice of buying a voting stake in a company with the threat of a hostile takeover to force the target company to buy back the stake at a premium. In the area of mergers and acquisitions, the greenmail payment is made in an attempt to stop the takeover bid.

management influence and hence are more effective monitors (Jensen, 1993). Moreover, independent directors operate in an employment market for corporate control and concerns for how their reputations are viewed in that market causes them to ensure they are seen as effective monitors (Fama & Jensen, 1983). Effective monitors are highly regarded among organizations, as they act to protect best interests of the shareholders, hence independent directors can be depended upon to act to protect their reputational capital (Hermalin & Weisbach, 1998). Table 2.7 outlines some prominent regulator definitions of director independence:

Table 2.7: Definitions of Independence

Regulation	Definition of independence
Sarbanes Oxley (2002)	Person who does not accept any fee from the issuer (other than as a director) and is not an "affiliated person of the issuer or any subsidiary"
NYSE (2003)	Person who has "no material relationship" with company
Nasdaq (2003)	Person who does not have a relationship with a company that would interfere with "independent judgment"
ASX (2014)	"Independent directors are not members of management and are free of any business or other relationship that could materially interfere with – or could reasonably be perceived to interfere with – the independent exercise of their judgement"

Source: Author compilations

A large number of studies have investigated for a direct link between the presence of independent directors on the board and overall firm performance. For example, Baysinger and Butler (1985) reported that boards with more independent directors positively influence firm performance based on classifying directors of 266 US firms into three categories: executive (inside directors), instrument (grey directors, conceptually distinct from the executive and other monitoring components) and monitoring (independent or outside directors). A more recent study conducted by Duchin et al. (2010) also report firm performance benefits from appointing higher numbers of independent directors. Based on 15,820 firm-year observations, the authors report that independent directors are associated with improved firm performance. However, there are other studies that provide evidence of a negative impact on firm performance by the increased independence of the board. For example, Agrawal and Knoeber (1996) found that the proportion of independent directors has a significant negative effect on firm performance in terms of Tobin’s q based on a study of 400 US firms. Hermalin and Weisbach (1991) examine the effects of board composition and ownership structure on firm performance based on 142 firms listed on the NYSE and report no evidence of a relationship between board independence and firm performance in terms Tobin’s q or return on assets.

However a large body of empirical evidence shows that board independence is associated with good governance (e.g., Aguilera & Jackson, 2003; Hermalin & Weisbach, 1998) and therefore is effective in reducing the incidence of poor corporate outcomes such as the occurrence of corporate fraud, management self-prioritising actions and other governance failures (Beasley, 1996; Hambrick et al., 2014). For example, Beasley (1996) using a sample of 150 publicly traded firms during the period 1980-1991 reported that the inclusion of independent members on the board increases the board's effectiveness at monitoring management for the prevention of financial statement fraud. Similarly, Chen et al. (2006)’s study of 338 Chinese firms reported that firms with a large proportion of independent directors experienced less fraud. Abdul Rahman and Haneem Mohamed Ali (2006), using a sample of 100 largest firms listed with Bursa Malaysia, found that board independence negatively impact firm earnings management while Xie et al. (2003)’s study of S&P 500 firms from 1992-1996 reported that earnings management is less likely to occur in companies whose boards include both more independent outside directors and directors with corporate experience.

Lin (2005), using a sample of listed manufacturing companies in Taiwan between the years 1997 and 1999, examined the link between board composition and executive pay and reported a negative correlation between board independent members and CEO compensation. Lin (2005) suggests that CEO compensation will be high when firm monitoring mechanisms are relatively ineffective. This is supported by the agency theory perspective that independence increases the effectiveness of the board as a monitoring mechanisms to reduce agency problems. The empirical evidence is also consistent with the rationale of the Cadbury Committee (1992, 4.4-4.6)

> *"Non-executive directors have two particularly important contributions to make to the governance process as a consequence of their independence from executive responsibility. Neither is in conflict with the unitary nature of the board. The first is in reviewing the performance of the board and of the executive. Non-executive directors should address this aspect of their responsibilities carefully… The second is in taking the lead where potential conflicts of interest arise. An important aspect of effective corporate governance is the recognition that the specific interests of the executive management and the wider interests of the company may at times diverge, for example over takeovers, boardroom succession, or directors' pay. Independent non-executive directors, whose interests are less directly affected, are well-placed to help to resolve such situations."*

Table 2.8 summarises some key empirical studies regarding board independence and firm performance and other governance outcomes.

Table 2.8: Studies of Board Independence

Examiner (s)	Jurisdictions	Sample	Findings
Baysinger and Butler (1985)	USA	266 firms	A more independent board leads to better performance.
Schellenger, Wood, and Tashakori (1989)	USA	526 firms	Independent directors on the board lead to positive financial outcomes.
Pearce and Zahra (1992)	USA	450 firms	Board outsiders' representation increases the performance of previously poor performing firms.
Agrawal and Knoeber (1996)	USA	400 firms	There is a significant negative relationship between board outsiders and firm performance.
Duchin et al. (2010)	USA	2897 firms	Independent directors are associated with improved firm performance.
Vafeas and Theodorou (1998)	UK	250 firms	No relationship between board non-executive directors and firm shareholder outcomes.
Lawrence and Stapledon (1999)	Australia	69 firms	Independent directors on the board are not linked with firm shareholder outcomes.
Lin, Pope, and Young (2003)	UK	714 firms	Board outsiders are not associated with firm performance.
Hossain, Prevost, and Rao (2001)	New Zealand	108 firms	There is a significant positive relationship between board independent directors and firm performance.
Yoshikawa and Phan (2003)	Japan	262 firms	Independent board members have a significant positive influence on firm stock returns.
Erickson, Park, Reising, and Shin (2005)	Canada	236 Firms	Board independent members are negatively associated with firm performance.
Dahya and McConnell (2005)	UK	1,124 firms	Board independent directors are positively associated with increased stock market prices.
Peng (2004)	China	405 firms	Board outsiders have a positive impact on firm sales growth.
Haniffa and Hudaib (2006)	Malaysia	347 firms	There is no relationship between board non-executive members and firm performance.
Choi, Park, and Yoo (2007)	South Korea	464 firms	Independent directors have a strong positive effect on firm performance.
Kumar and Singh (2012)	India	157 firms	Board independent directors have no significant influence on firm performance.
Yammeesri and Kanthi Herath (2010)	Thailand	245 firms	Independent directors have no impact on firm performance.
Lin (2005)	Taiwan	Listed Manufacturing firms	Ineffective monitoring due to lower numbers of independent directors on the board leads to increased CEO compensation.
Xie et al. (2003)	US	S&P 500	More independent boards are less likely to be associated with earnings management.
Beasley (1996)	US	150 listed firms	Independent directors prevent financial statement fraud.

Source: Author compilations

2.7.2 Independent Directors and CSR

As mentioned earlier, independent directors strengthen board effectiveness through effective monitoring (Esa & Anum Mohd Ghazali, 2012). The literature also posits that as both internal and external stakeholders, they are motivated to pressure management to behave in a socially sensitive manner even though managers will gain no immediate personal short-term benefits from such actions (Haji, 2013). The empirical evidence also shows that independent directors are associated with increased disclosure of both financial and social/environmental information related to the firm (Devinney & Hohberger, 2016). This is particularly evident in studies of developed countries, where there is lower information asymmetry between the firm and its stakeholders as a result of strong regulatory governance of transparency and accountability (Muttakin et al., 2015; Rahim, 2016).

The literature also suggests that increasing the number of independent members on a firm board increases the racial, ethnic, and gender diversity of the firm (e.g., Johnson & Greening, 1999; Zahra, Oviatt, & Minyard, 1993). An increasingly diverse board would be more likely to encourage firm CSR adoption, given a diverse board would be more sensitive to racial and gender effects that may result from the firms' operations (Pfeffer, 1972). Moreover, an independent board is more likely to appreciate the importance of maintaining constituency legitimacy and consistent sustainability of the firm (Johnson & Greening, 1999). Those that support the resource dependence theory also argue that appointing independent board members should be viewed as a strategy for dealing with the firm's relationship with the external environment where it operates (Hillman et al., 2000; Pfeffer & Salancik, 1977) with empirical evidence supporting independent directors as effective resource acquisition agents of the firm (Johnson & Greening, 1999).

Board members are also anticipated to enhance the reputation and credibility of an organization as well as build and maintain organizational legitimacy (Hillman et al., 2000; Pfeffer & Salancik, 1977). Independent directors are aware that their employability is linked to having a good reputation as effective monitors and decision control experts (Fama & Jensen, 1983). They are also appointed to the board to manage the external uncertainties and constituencies the firm may face and advise its actions towards stakeholders and the broader community (Hillman et al., 2000). Independent directors will presumably work as proponents for investments in the quality of products and services considering the best interest of all stakeholders from a broader perspective (Khan et al., 2013; Muttakin et al., 2015), encouraging and influencing CSR adoption strategies of the firm (Johnson & Greening, 1999). Because independent directors have expertise and knowledge regarding the uncertainties the firm may face, they will encourage the board to comply with local and international social and environmental standards, as non-compliance can result in regulatory action and a negative media image, which will affect both firm performance and the board members' future bargaining power (Hillman et al., 2000). Independent directors are also believed to have a stronger stakeholder orientation than non-independent directors who may represent a specific group such as shareholders. Independent directors are therefore incentivized to identify themselves as cognizant of the needs of different groups of stakeholders involved with the firm (Jain et al., 2016).

As previously stated managers and CEOs are also commonly remunerated based on their performance, which is often tied to the short-term performance of the firm (Zahra et al., 1993). As CSR projects produce long-term benefits for stakeholders at the expense of short-term profit (Banalieva et al., 2014; Khan et al., 2013), managers are dis-incentivised to engage with CSR leaving its promotion reliant on non-executive directors.

Building on the above theoretical arguments, board independence is expected to be positively related to CSR adoption (Johnson & Greening, 1999). There are a number of studies confirming a positive relationship between board independence and CSR in developed economies (Bear et al., 2010; Harjoto & Jo, 2011), however, the evidence in emerging economies is scarce and mixed (Al Mamun et al., 2016). For example, despite Malaysia recommending at least one-third independent boards for listed companies, Abdullah et al. (2011) report that board independence has no significant effect on firm CSR adoption or voluntary disclosures in Malaysia. This could be because independent directors on the board often have some other link with the firm or key insiders on the board, that jeopardize their independence (Haji, 2013; Khan et al., 2013). Esa and Anum Mohd Ghazali (2012) also contend that board independence has a negative influence on CSR disclosure among government-linked companies in Malaysia due to the fact that the independent directors in these Malaysian firms are conscious of the costs of information disclosures.

In relation to jurisdictional based board models (e.g. one-tier versus two-tier) it is unclear whether emerging economies with two-tier board structures, such as China, actually engage in higher levels of CSR (Wang & Chaudhri, 2009). While Bangladeshi listed firms, traditionally one-tiered, are required by their securities and exchange commission to have at least 10% non-executive members on the board (Khan et al., 2013), it is argued that due to close personal relationships with management these non-executive directors cannot be considered truly independent (Khan et al., 2013). Indeed, many non-executive directors in emerging economies are appointed because of their connections with government or non-government organizations and are seen as useful to the company in securing finance or government business. It is therefore not surprising that studies find no association between board independence and CSR disclosure in emerging economies (Sufian & Zahan, 2013).

2.8 Board Sub-Committees

Apart from board leadership structure, independence, and ownership structure board sub-committees are also considered important corporate governance mechanisms by both the literature and regulators (Spira & Bender, 2004). As far back as 1978, the US Securities and Exchange Commission required that the public companies produce a proxy report containing the details of the composition, meeting frequency and purpose of three important sub-committees: the audit committee, nomination committee and remuneration committee (Main & Johnston, 1993). The corporate governance literature holds that sub-committees are suitable mechanisms to improve corporate governance through the delegation of certain tasks from the main board to a smaller group (Spira & Bender, 2004). Since board sub-committees offer board effectiveness and contribute to the smoother functioning of the board, by providing higher efficiency and efficacy, sub-committees have become an essential part of governance mechanisms.

2.8.1 Audit Committee

The audit committee is defined as: "a sub-committee of the main board comprised mostly of non-executive or independent directors with responsibility for oversight of auditing activities" (Cadbury Committee, 1992, para 4.35(a)-(b)) including responsibility to monitor the firm's internal control system, financial reporting and communicating with and monitoring the external auditor's activities. Audit committee formation is based on agency theory, as audit committee members provide an independent professional oversight function to protect shareholders' interests in relation to functional reporting (Klein, 2002).

Establishing an audit committee is mandatory for all firms listed on the New York Stock Exchange (NYSE) and the NASDAQ[9] with both institutions requiring that the audit committee comprise of at least three directors, and that: "none of them should have any relationship to the company that may interfere with the exercise of their independence from management and the company" (NYSE Listing Guide, Section 303.01(B)(2)(a)). Similarly, the Australian ASX Corporate Governance Principles and Recommendations (2014) also require the board of a listed entity to have an independent audit committee consisting of at least three independent directors. Similarly, in Singapore, Section 201(B) of the Companies Act 1967 requires firms to appoint an audit committee of at least three members, a majority of whom should be independent directors. Table 2.9 presents regulatory mandates on audit committees across multiple jurisdictions.

[9] National Association of Securities Dealers Automated Quotation

Table 2.9: Corporate Governance Recommendations on Audit Committee Composition

Country	Guidelines/Reports	Recommendations	
		Audit Committee Composition	**Audit Committee Chair Status**
International	OECD Principles of Corporate Governance (OECD, 1999)	Board may consider establishing specific committees which may require a minimum number, or be composed entirely of, non-executive members.	NR
USA	Sarbanes Oxley (2002)	Each member of the audit committee of the issuer shall be a member of the board of directors of the issuer, and shall otherwise be independent.	Independent
	NYSE (2002)	Audit committee shall form with 100 percent independent directors.	Independent
	NASDAQ (2003)	Audit committee shall form with 100 percent independent directors.	Independent
UK	Cadbury Report (1992)	Minimum three members of the audit committee should be confined to the non-executive directors of the company and a majority of the non-executives serving on the committee should be independent.	NR
Australia	Corporate Governance Principles and Recommendations (2014)	Audit committees should be composed of at least three members, all of whom should be non-executive directors and a majority of whom are independent.	NR
Czech Republic	KCP Code (2001)	The audit committee will usually have 3 to 5 members, mainly or wholly independent directors.	NR
Malaysia	High-Level Finance Committee Code (2000) and Code of Corporate Governance (2007)	The board of every company should appoint a committee of directors composed exclusively of nonexecutive directors, a majority of whom are independent.	NR
The Philippines	Code of Corporate Governance (2009)	The Audit Committee shall consist of at least three directors, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience.	The chair of the Audit Committee should be an independent director.
Pakistan	Code of Corporate Governance (2002; 2012)	The Board of directors of every listed company shall establish an audit committee. The majority of the members of the audit committee shall be from among the non-executive directors.	Chairman of the audit committee shall preferably be a non-executive director.
India	Kumar Mangalam Birla Committee Report, (1999), Indian Companies Act of 2013	The Audit Committee should have a minimum of three members, all being non-executive directors.	The chairman of the committee should be an independent non-executive director.
Brazil	IBGC Code (2001)	Committee members of the board of directors should have experience in finance and include at least one board member representing minority shareholders.	NR
Mexico	CCE/CNBV Code (1999)	NR	The (committee) in charge of auditing should be chaired by an outside board member.

Country	Guidelines/Reports	Recommendations	
		Audit Committee Composition	**Audit Committee Chair Status**
Russia	Federal Securities Commission Code (2002)	Committee should include only independent directors. If… this is impossible, the audit committee should be headed by an independent director and its members should be independent and NEDs.	NR
China	CSRC Code (2002)	Independent directors shall constitute the majority of the committee.	The audit committee shall be chaired by an independent director.
Singapore	Institute of Directors Code (2001)	The Audit Committee should comprise at least three directors, all non-executive, the majority of whom should be independent	The chairman of the audit committee should be an independent director.
South Africa	King's Report II (2002)	The board should appoint an audit committee that has a majority of independent non-executive directors.	The chairperson of the audit committee should be an independent non-executive director and not the chairperson of the board.
Sri Lanka	Code of Corporate Governance (2013)	Audit committee should be comprised of a minimum of two independent non-executive directors, or exclusively by non-executive directors, a majority of whom should be independent, whichever is higher.	Chairman of the committee should be a non-executive director appointed by the board.
Bangladesh	Code of Corporate Governance (2004)	Audit committee should be composed of at least three members and the majority of them shall be non-executive.	NR
Thailand	Code of Corporate Governance (2006)	Audit committee is required under the Stock Exchange of Thailand listing rules. Majority of the committee members should be independent.	Independent director
Indonesia	Code of Corporate Governance (2006)	The audit committee may consist of Commissioners and or professionals from outside the company. One of the members should have an accounting and or finance background.	Audit committee chaired by an independent commissioner.

Source: Author compilations

A substantial body of empirical evidence supports the contention that establishing an effective audit committee enhances the accuracy of financial reporting. For example, Hoitash et al. (2009) report that an independent audit committee constrains earnings management with respect to bank loan loss reserves. Other studies also show a positive correlation between audit committee independence and quality of earnings (Carcello & Neal, 2000; Klein, 2002; Vafeas, 2005). Klein (2002), using a sample of 692 firms based in the US, examined audit committee influence on firm earning management and found that audit committee independence is negatively associated with firm abnormal accruals. Klein (2002) suggests that although a negative relationship exists between audit committee and earnings management, maintaining a wholly independent audit committee may not be necessary. Moreover, Vafeas (2005) using a sample of 252 publicly traded US firms from 1994-2000 as sample period reported that audit committee independence reduces managerial earnings increases. He suggests that as more independent audit committee are more effective monitoring mechanism for the financial reporting process and to ensure the high quality of financial statements, it is desirable that audit committees comprised of large proportions of independent members.

A growing body of recent studies also supports the importance of the audit committee's impact on the quality of firm non-financial disclosures. For example Jamali, Safieddine, and Rabbath (2008) find that board managers emphasize the use of the audit committees to oversee all of the company's disclosure practices while Khan et al. (2013) posit that audit committees comment on and approve disclosure policies and statements and therefore can be expected to influence the company's approach towards all corporate reporting and disclosure. They report a positive influence of an effective audit committee on firm CSR disclosure using 580 firm-years observations in Bangladesh. However, as the literature posits that family connections tend to override skills and competence as a selection criterion for members of boards and committees across emerging economies further insight into the extent audit committee characteristics have on firm CSR adoption and disclosure is necessary.

2.8.2 Nomination Committee

Corporate governance guidelines also commonly recommend that firms form a nomination committee for the purpose of identifying, selecting and appointing members to the board. The nomination committee, as a board sub-committee, is expected to enhance governance effectiveness through managing board composition by assessing qualifications and independence of nominees for board positions and evaluating current board performance (Gay, 2001; Ruigrok, Peck, Tacheva, Greve, & Hu, 2006).

The board member appointment process has long been criticised in many jurisdictions, including the US, as often being dominated by overly powerful CEOs (Monks & Minow, 2004). Although shareholders eventually have the right to accept the appointment at a later Annual General Meeting, dismissing an appointment is uncommon (Vafeas, 1999). Table 2.10 outlines a summary of regulators recommendations regarding establishing a board nomination committee as a sub-committee.

Xie et al. (2003) in their study claim that the overall composition of the board is unrelated to firm performance, but that the structure of sub-committees, such as the nomination committee does impact performance. Ruigrok et al. (2006) also show that having a nomination committee significantly influences firm board independence, board leadership structure and gender diversity. Despite few studies of a directional link, given the importance of the nomination committee's influence on board effectiveness and independence, it is reasonable to consider the existence and composition of such a committee's may play a role in encouraging CSR adoption.

Table 2.10: Corporate Governance Recommendations on Nomination Committee Formation

Country	Guidelines/Reports	Recommendations	
		Nomination Committee Composition	**Nomination Committee Chair Status**
International	OECD Principles of Corporate Governance (OECD, 2005)	Companies shall establish a nomination committee.	NR
USA	Sarbanes Oxley (2002)	NR	NR
	NYSE (2002)	Nomination committee shall form with 100 percent independent directors.	NR
	NASDAQ (2003)	Nomination committee shall form with a majority of independent directors.	NR
UK	Cadbury Report (1992)	A nomination committee should comprise a majority of non-executive directors.	Nomination committee to be chaired either by the chairman or a non-executive director.
Australia	Corporate Governance Principles and Recommendations (2014)	Nomination committee should consist of a majority of independent directors.	Nomination committee to be chaired by an independent director.
Czech Republic	KCP Code (2001)	Nomination committee should be established comprising a majority of non-executive directors.	NR
Malaysia	High-Level Finance Committee Code (2000) and Code of Corporate Governance (2001)	Board shall form a nomination committee.	NR
The Philippines	Code of Corporate Governance (2009)	A nomination committee, which may be composed of at least three (3) members, one of whom should be an independent director.	NR
Pakistan	Code of Corporate Governance (2002; 2012)	NR	NR
India	Kumar Mangalam Birla Committee Report, (1999), Indian Companies Act of 2013	The company may establish a nomination committee comprising a majority of independent directors.	Chairman should be independent.
Brazil	IBGC Code (2001)	Firms should form a nomination committee which shall contain at least one independent director.	NR
Mexico	CCE/CNBV Code (1999)	Nomination committee shall form with a majority of independent directors.	NR
Russia	Federal Securities Commission Code (2002)	It is recommended to form a nominating committee with a majority of its members being independent directors	NR
China	CSRC Code (2002)	Nomination committee shall form with a majority of independent directors.	NR
Singapore	Institute of Directors Code (2001)	Nominating committee should form with members with relevant knowledge and skills in order to perform their roles effectively.	NR

Country	Guidelines/Reports	Recommendations	
		Nomination Committee Composition	**Nomination Committee Chair Status**
South Africa	King's Report II (2002)	Nomination committee should constitute only non-executive directors, of whom the majority should be independent.	Nomination committee to be chaired by the board chairperson.
Thailand	Code of Corporate Governance (2006)	The majority of nomination committee members should be independent directors.	The chairman of the nomination committee should be an independent director.
Indonesia	Code of corporate governance (2006)	Members of commissioners of the nominating committee shall be independent.	NR
Sri Lanka	Code of Corporate Governance (2013)	Majority of the nomination committee members shall be non-executive directors.	Chairman of the committee shall be non-executive.
Bangladesh	Code of Corporate Governance (2004)	Nomination committee shall comprise of a majority of non-executive directors.	NR

Source: Author compilations

2.8.3 Remuneration Committee

The seminal Cadbury Committee report (Cadbury, 1992) states that: "Boards should appoint remuneration committees, consisting wholly or mainly of non-executive directors and chaired by a non-executive director, to recommend to the board the remuneration of the executive directors in all its forms, drawing on outside advice as necessary. Executive directors should play no part in decisions on their own remuneration" (Cadbury, 1992, 4.42: 31).

Directors with relationships, either personal or professional, with firm managers, are more likely to be influenced by the managers. Daily, Johnson, Ellstrand, and Dalton (1998) claim that such affiliations erode directors’ capability to exercise their independent judgement, especially in regard to executive compensations. Moreover, powerful CEOs are also in a position to influence a director’s appointment and tenure, if the director challenges CEO/top management pay. Accordingly, CEOs may use their power to offer various contracts and services to non-executives that may jeopardize those directors’ ability to set independent compensation packages. Non-executives with personal and professional relationships with the CEO have been shown to set higher pay for those CEOs and are more likely to set non-performance based compensation packages for management (Daily et al., 1998). International regulator recommendations regarding remuneration committee existence and composition are presented in Table 2.11.

Table 2.11: Corporate Governance Recommendations on Remuneration Committee Formation

Country	Guidelines/Reports	Recommendations	
		Remuneration Committee Composition	**Remuneration Committee Chair Status**
International	OECD Principles of Corporate Governance (OECD, 2005)	Remuneration committee of the board should be comprised wholly of a majority of independent directors.	NR
USA	Sarbanes Oxley (2002)	NR	NR
	NYSE (2002)	Remuneration committee shall form with 100 percent independent directors.	NR
	NASDAQ (2003)	Remuneration committee shall form with a majority of independent directors.	NR
UK	Cadbury Report (1992)	Remuneration committees should consist wholly or mainly of non-executive directors.	Remuneration committee should be chaired by a non-executive director.
Australia	Corporate Governance Principles and Recommendations (2014)	Remuneration committee to consist of a majority of independent directors.	Remuneration committee is chaired by an independent chair.
Czech Republic	KCP Code (2001)	Remuneration committee should be established comprising a majority of non-executive directors.	NR
Malaysia	High-Level Finance Committee Code (2000) and Code of Corporate Governance (2001)	Remuneration committee should consist of exclusively, or a majority of, non-executive directors.	NR
The Philippines	Code of Corporate Governance (2009)	A Compensation or Remuneration Committee may be composed of at least three members, one of whom should be an independent director.	NR
Pakistan	Code of Corporate Governance (2002; 2012)	Remuneration Committee to comprise members who are non-executive directors.	The chair of the remuneration committee to be an independent director.
India	Kumar Mangalam Birla Committee Report, (1999), Indian Companies Act of 2013	Remuneration committee should comprise of at least three members, a majority of whom should be non-executive directors with at least one being an independent director.	NR
Brazil	IBGC Code (2001)	Compensation committee should comprise of at least one independent director.	NR
Mexico	CCE/CNBV Code (1999); Code of corporate governance (2012)	Remuneration committee should comprise at least three directors, the majority of whom should be non-executive directors.	Remuneration committee chair should be independent.
Russia	Federal Securities Commission Code (2002)	Remuneration committee should be established with a majority of non-executive directors.	NR
China	CSRC Code (2002)	Remuneration committee should form with a majority of independent directors.	NR

Country	Guidelines/Reports	Recommendations	
		Remuneration Committee Composition	**Remuneration Committee Chair Status**
Singapore	Institute of Directors Code (2001)	Remuneration committee should comprise at least three directors, the majority of whom should be non-executive directors.	Remuneration committee chairman should be independent.
South Africa	King's Report II (2002)	Remuneration committee should comprise a majority of non-executive directors of which the majority should be independent.	NR
Thailand	Code of Corporate Governance (2006)	Remuneration committee should comprise a majority of independent directors.	NR
Indonesia	Code of Corporate Governance (2006)	Remuneration committee should be comprised of independent directors.	Remuneration committee should be chaired by an independent commissioner.
Sri Lanka	Code of Corporate Governance (2013)	Remuneration committee should consist exclusively of non-executive directors.	It should have a chairman.
Bangladesh	Code of Corporate Governance (2004)	Remuneration committee shall comprise of a majority of non-executive directors.	NR

Source: Author compilations

Conyon and Peck (1998)'s study of *Financial Times* top 100 companies claim that companies adopting remuneration committees generally had higher levels of executive pay with the authors suggesting that to be effective remuneration committee should consist of independent non-executive directors. Seamer and Melia (2015) studied the largest 400 Australian-listed companies for the year 2008 to determine those that remunerated non-executive directors with stock options against regulator recommendation. The authors found that 18.25 percent of the sample firms designed their non-executive directors' pay to include stock options and that option payers are less likely to establish a remuneration committee compared to non-option payers and when they did, the committee was less likely to be independent of management. Seamer and Melia (2015) suggest that the existence and independence of the remuneration committee is an important corporate governance mechanism in ensuring companies adopt remuneration practices that are seen to be in the best interest of shareholders and maintain the independence of non-executives.

2.9 Chapter Summary and Research Opportunities

This chapter has reviewed the important organizational theories central to the literature related to the impact of corporate governance mechanisms on firm shareholder and stakeholder outcomes with a focus on firm CSR adoption in both developed and emerging economies. As outlined, the recognition of the importance of understanding how corporate governance principles influence firm CSR adoption is increasing worldwide receiving both regulatory attention and academic significance. From the critical analysis of regulatory mandates and scholarly research, a developed country governance model regarding CSR adoption initiatives is emerging as consistent and profound (Filatotchev & Nakajima, 2014; Khan et al., 2013; Zhao, 2012a). Many studies have shown that firm CSR adoption strategies are dependent on both institutional (See e.g., Butkiewicz & Yanikkaya, 2006; Campbell, 2007; Ioannou & Serafeim, 2012b; Matten & Moon, 2008; Young & Makhija, 2014b) and firm governance factors (See e.g., Banalieva et al., 2014; Cannella et al., 2008; Devinney & Hohberger, 2016) however this evidence is primarily derived from studies in developed countries (Zhao, 2012a). Emerging economies are also increasingly adopting Western governance models as mandatory under the assumption that CSR and the socially viable investments necessary for corporate legitimacy will follow as they do in developed economies (Adegbite, Amaeshi, & Nakajima, 2013).

Motivated by the above literature, this thesis separates the conceptual framework into two levels to examine the influence on CSR adoption strategies by (a) institutional level mechanisms and (b) firm-level mechanisms. Building on institutional theory, Chapter Three reports the results of a study (Study One) examining the relationship between institutional level factors and macro level CSR adoption strategies in emerging economies compared to that in developed countries. The following institutional level factors are the focus of the hypotheses developed in Study One: the rule of law, financial development, human capital formation and international trade exposure with controls applied for possible related influential factors such as GDP growth, culture, the effectiveness of governance and literacy rates.

Building on the findings of Study One regarding institutional level factors, Chapter Four reports the results of a study (Study Two) into the organizational level governance factors that impact on firm CSR adoption strategies in emerging economy firms. The extant literature shows that governance mechanisms such as ownership structure, board leadership structure, board composition, and board sub-committees are significant predictors of CSR adoption in developed economies and to a limited scale in emerging economies (Khan et al., 2013). However, the issue in emerging economies remains understudied (Fainshmidt, Judge, Aguilera, & Smith, 2016). In addition, several other governance factors which are not considered in developed country regulatory mandates have been recently identified as requiring empirical examination to determine their possible effects in emerging economy mandates (Hillman et al., 2000). These include board political influence (Attig et al., 2013; Chen et al., 2013; Gupta, Briscoe, & Hambrick, 2016), director community involvement/engagement (Mallin & Michelon, 2011), director business expertise (Hillman et al., 2000), existence interlocking directorship (Zona et al., 2015), director international experience (Carpenter, Sanders, & Gregersen, 2001; Daily, Certo, & Dalton, 2000; Heyden, Oehmichen, Nichting, & Volberda, forthcoming) as well as board independence (Davis, 1973; Hillman et al., 2000). These additional factors will be utilized to develop the hypotheses to be examined in Study Two building on resource dependence theory and agency theory. The key gap in the literature identified is that the link between corporate governance and CSR adoption practices has not been studied in highly volatile environments typical of many emerging economies.

2.9.1 Institutional Level Mechanisms and CSR Adoption

As emphasised by both the corporate governance literature and regulators, rather than relying on a single mechanism, firms generally consider and implement multiple corporate governance mechanisms to increase corporate governance efficiency. Implementing multiple mechanisms increases the interaction among various governance mechanisms increasing flexible and increasing efficiency (Denis, 2001). In addition, apart from the interaction among each other, specific governance mechanisms can substitute for one another when needed. Much empirical investigation has examined the combined effect of multiple governance structures such as board composition, ownership structure, debt policy, managerial labour market and the market for corporate control (e.g., Agrawal & Knoeber, 1996). Agrawal and Knoeber (1996) argue that measures and results of single mechanisms can be misleading as they fail to cover the joint effect of all combined mechanisms. Moreover, the relationship between institutional level mechanisms and board attributes are critically important factors to understand CSR adoption both from the institutional level and the firm level.

Much regulatory and scholarly debate revolves around whether CSR research should focus on institutional pressures or firm-level behaviour as the critical drivers of CSR adoption (Campbell, 2007; Matten & Moon, 2008; Young & Makhija, 2014b). For example, international business scholars stress an institutional setting focus, which implies that in response to pressures applied within their institutional setting, corporations are inclined to exhibit homogenous behaviour in terms of CSR adoption practices. Institutional theorists (See e.g., Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008; North, 1990; Wright, Filatotchev, Hoskisson, & Peng, 2005) emphasize that CSR adoption by organizations is driven by their need to obtain legitimacy at the institutional level and avoid risks to the organization that can result from poor CSR behaviour. Even though CSR adoption is associated with costs that impact on short-term profitability, the long-term benefits CSR adoption brings to the organization (and the real risks it faces from corporate social irresponsibility) mean CSR cannot be complementary and ought to be institutionalized as part of the organisation's day-to-day operations (Devinney & Hohberger, 2016).

There are two different views, the normative assumptions of institutions and intra-institutional flaws of extant organizational practices on one hand, and the emblematic resources and inter-institutional flaws of the institutional settings on the other hand. Academics claim that any CSR adoption variation is determined by institutional qualities as a result of different intra- and inter-institutional flaws (See e.g., Butkiewicz & Yanikkaya, 2006) and emphasize to the need to examine institutional settings and their influence on institutional level CSR adoption from a global perspective, comparing both emerging and developed economies. The role that corporate governance mechanisms play in this interface is of particular importance to this thesis.

This research area is of specific interest as there is a paucity of empirical evidence regarding the influence of institutional settings on CSR adoption and motivation from a global perspective (Abdullah et al., 2016; Aguilera, Williams, Conley, & Rupp, 2006; Khan et al., 2013; Zhao, 2012a). For example, the extant empirical evidence tends to have a sole focus on either developed economies (See e.g., McWilliams & Siegel, 2010; Petrenko, Aime, Ridge, & Hill, 2015) or emerging economies (Claessens & Yurtoglu, 2013). Very few studies have attempted to gauge institutional level CSR adoption practices from a global perspective by comparing emerging and developed economies to investigate the role differing institutional settings play in determining CSR activities (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008). Therefore, based on the opportunities identified in the above literature review, this thesis aims to gauge institutional settings to understand the drivers of institutional level CSR adoption variation both across developed and emerging economies from a macro perspective (Lopatta, Buchholz, & Kaspereit, 2015).

2.9.2 Firm Level Mechanisms and CSR Adoption

As outlined in this chapter firm decision authority and the cumulative attributes of its board and members are integral in understanding the nature and patterns of firm resource allocation (Tihanyi et al., 2014) within its institutional settings (Campbell, 2007; Jain et al., 2016; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b). Indeed, boards function as a mechanism for aligning the organization with its environment at the highest level of strategy (Boyd, 1990). Boards bring new and valuable tacit knowledge to strategy through the functional expertise of non-executive directors as they 'inform firm strategy with insights about opportunities and threats residing in blind spots (e.g. changing consumer preferences), assist in identifying weak signals in the environment (e.g. emerging technologies), act as early-warning system for imminent changes (e.g. regulatory), and provide assessments and judgments of best practices. (e.g. new ways of working)' (Heyden, Oehmichen, et al., 2015: 156).

Apart from institutional pressures and widely examined agency based governance mechanisms, there are several understudied board attributes identified by academics as potential drivers of

CSR (See e.g., Hillman & Dalziel, 2003). Resource dependency theory posits that boards, through their attributes, help align the organization with its social environment by reducing uncertainty around securing crucial resources (e.g. knowledge, legitimacy) for the firm's wellbeing (Hillman & Dalziel, 2003; Preffer & Salancik, 1978). Firms are provided with differing access to important resources through their differing board attributes. Though board leadership structure, composition and establishing sub-committees are identified as important governance mechanisms, board access to regulatory bodies (Attig et al., 2013; Chen et al., 2013; Gupta et al., 2016); the community (Mallin & Michelon, 2011); and knowledge of business strategies (Hillman et al., 2000), competitors (Zona et al., 2015) and international standard policies and practices are also important (Carpenter et al., 2001; Daily et al., 2000; Heyden et al., forthcoming).

The literature review presented in this chapter will be used as a foundation to design the conceptual framework to develop the relevant hypotheses of the two studies central to this thesis. In relation to research objectives this thesis focuses on firm-level mechanisms, both those in the corporate governance literature and those yet to be studied to seek to explain the association between institutional pressures and institutional level CSR adoption with a particular focus on emerging economies (Anderson, Becher, & Campbell, 2004; Fama, 1980a).

CHAPTER THREE, STUDY ONE: INSTITUTIONAL QUALITIES AND CORPORATE SOCIAL RESPONSIBILITY ADOPTION: A GLOBAL PERSPECTIVE

3.0 Introduction

In December 1984, the world was shocked by the Bhopal gas explosion which resulted in the immediate death of 10,000 Indian citizens and an additional 25,000 deaths over the following ten years. Unfortunately, Bhopal is only one of countless social and environmental disasters arising as a by-product of the pursuit of profits by corporations. Other notable examples include the Exxon Valdez disaster, toxic waste dumping in Asia and Africa, child labour in India and the payment of sub-subsistence wages to garment workers throughout South-East-Asia (Arata, Picou, Johnson, & McNally, 2000). The current decade has also not been spared with events like the 2010 Deepwater Horizon oil rig explosion (killing 11 and spilling thousands of barrels of oil into the Gulf of Mexico) and the 2013 Rana Plaza collapse in Bangladesh (which resulted in the deaths of over 1,100 garment workers). Such events have only strengthened calls for greater scrutiny of the collateral damage inflicted on stakeholders and the environment in the pursuit of profit and greater corporate awareness of the responsibility they owe to society.

Corporate social responsibility (CSR) can be defined as the social and environmental actions of businesses that influence the quality of relevant stakeholders' lives (Heugens & Oosterhout, 2008). In particular, CSR activities are those corporate actions designed to enhance stakeholders 'social and environmental well-being' and include activities, such as philanthropy and community engagement as well as internal focuses such as workplace safety, product quality, employee welfare, workplace diversity and labour rights (Lagoarde-Segot, 2011).

However, despite much research on the topic, the motivations and drivers of CSR adoption remain undetermined, and the world continues to witness corporate-made social and environmental disasters (Rahim, 2016). Scholars argue that at the base of this lack of insight is the debate over whether CSR research should focus on institutional pressures or firm-level profit maximizing behaviour as the critical drivers of CSR adoption (Campbell, 2007; Matten & Moon, 2008; Young & Makhija, 2014b). For example, international business scholars stress an institutional setting focus, which implies that in response to pressures applied within their institutional setting, corporations are inclined to exhibit homogenous behaviour in terms of CSR adoption practices. Institutional theorists (See e.g., Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008; North, 1990; Wright et al., 2005) emphasize that CSR adoption by organizations is driven by their need to obtain legitimacy at the institutional level and avoid risks to the organization that can come from poor CSR behaviour. Even though CSR adoption is associated with costs that impact on short-term profitability, the long-term benefits CSR adoption brings to the organisation (and the real risks it faces from corporate social irresponsibility) mean CSR cannot be complementary and ought to be institutionalized as part of the organisation's day-to-day operations (Devinney & Hohberger, 2016).

This chapter reports the results of Study One which is draws on institutional theory (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008) and institutional logics (Ocasio & Thornton, 1999; Thornton & Ocasio, 2008) to examine the role of institutional qualities on the institutional level CSR adoption practices of emerging and developed economies (Al Mamun et al., 2016; Butkiewicz & Yanikkaya, 2006). Institutional qualities are defined as those factors that may translate into an [in]decreased degree of institutional frameworks that send mixed signals to the market, hence affecting the process of institutions operating in the settings (Chong & Calderon, 2000). Thornton and Ocasio (2008) refer to institutional logic as "the way a particular social world works" (pg. 101) that entails a set of complicated and experientially structured rules created by different organizations and individuals that are set in a way that helps to regularize and predict the behaviour and actions of corporations operating in a particular institutionalized context. The focus of Study One is to investigate the question "To what extent do institutional settings contribute to varied CSR adoption across both emerging and developed economies at the aggregate level".

According to Thornton and Ocasio (2008), institutional logics are embodied in practices, sustained and imitated by cultural norms and political struggles. However, there are two different views, the normative assumptions of institutions and intra-institutional flaws of extant organizational practices on one hand, and the emblematic resources and inter-institutional flaws of institutional settings on the other hand. That is, firm-level drivers versus institutional level drivers. This study proposes that any CSR adoption variation is determined by institutional qualities as a result of different intra- and inter-institutional flaws (Butkiewicz & Yanikkaya, 2006). Study One's focus, therefore, is to examine institutional qualities and their influence on institutional level CSR adoption from a global perspective, comparing both emerging and developed economies. This research area is of specific interest for several reasons. First, there is a paucity of empirical evidence regarding the influence of institutional qualities on CSR adoption and motivation from a global perspective (Abdullah et al., 2016; Aguilera et al., 2006; Khan et al., 2013; Zhao, 2012a). For example, the extant empirical evidence tends to have a sole focus on either developed economies (See e.g., McWilliams & Siegel, 2001; Petrenko et al., 2016) or emerging economies (Claessens & Yurtoglu, 2013). Very few studies have attempted to gauge institutional level CSR adoption practices from a global perspective comparing emerging and developed economies in the aggregate. This research will focus on investigating the role differing institutional logics and institutional qualities play in determining CSR adoption (Lim & Tsutsui, 2012). Of particular interest to this study are the following economy level institutional qualities: (1) rule of law, (2) financial development, (3) human capital formation, and (4) international trade exposure (Lopatta et al., 2015).

Scholarly emphasis on studying CSR adoption from an institutional perspective is less prevalent than an emphasis on firm profit maximization motives (Campbell, 2007; Lim & Tsutsui, 2012;

Matten & Moon, 2008; Young & Makhija, 2014b). From a profit maximisation perspective CSR adoption is associated with a cost that has to be compared to expected future financial benefits before being attractive to the firm. Such rationalisation is supported by those who emphasize the profit maximization motive for firm CSR adoption choices (Lim & Tsutsui, 2012). Institutional theory however requires consideration of both regulatory and normative institutional qualities that influence firms' CSR adoption strategies beyond profit/cost considerations (Young & Makhija, 2014b). Institutional theory stipulates that institutional qualities are likely to have a systematic influence on the firm's legitimacy (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008) and to gain legitimacy and social security, there exists pressure from institutional factors for the firm to adopt CSR.

Second, such a research focus should allow a greater cross-country comparison which can reveal CSR adoption variations *between* levels of different economies (Zhang et al., 2009) allowing a greater insight into how institutional level CSR adoption variations between economies. Moreover, adverse societal impacts of institutional anomalies are a continuing concern, both among emerging economies (Abdullah et al., 2016) and developed economies particularly given the increasing interaction between the two (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008). Recent studies such as Young and Makhija (2014b) and Lim and Tsutsui (2012) emphasize the need for further research on CSR adoption practices from a global perspective focusing on institutional settings and their signals towards stakeholders. They argue that this is of particular importance in emerging economies where low quality information and power resource imbalances are predominant (Banalieva et al., 2014). Despite the emerging economies attempts to imitate 'Western' business contexts (Al-Mamun et al., 2016), the fact that they are often institutionally unbalanced and heterogeneous (Lim & Tsutsui, 2012) means they are unlikely to expect similar flows of development and outcomes (Cuervo-Cazurra, 2007).

Also sampling a larger number of economies should improve the generalizability of the research findings (Cuervo-Cazurra, 2008).

In both developed and emerging economies, there has been a discernible shift away from an exclusive shareholder-oriented view of corporate behaviour that has also seen CSR emerge as a core dimension of the business strategy literature (McWilliams & Siegel, 2001; Oliver, 1991). This literature holds that by focusing on broader stakeholder groups, CSR adoption benefits the organization by increasing its legitimacy (Young & Makhija, 2014b), reputation (Filatotchev & Nakajima, 2014), efficiency (Davis, 1973), and performance while simultaneously benefiting the wider society at the institutional level (Luo et al., 2015).

This study will consolidate institutional theory and institutional logics to propose that as it is institutional qualities (embedded in institutional settings) that influence institutional level CSR adoption behaviour, it is important to gain an understanding of which institutional qualities are important and how their influence on CSR adoption varies across nations. Although the CSR literature does acknowledge the critical role of institutional qualities such as the rule of law (Butkiewicz & Yanikkaya, 2006; Campbell, 2007; Ioannou & Serafeim, 2012b; Matten & Moon, 2008; Young & Makhija, 2014b) and international trade exposure (Abdullah et al., 2016) in influencing CSR adoption, little focus has been placed on other institutional factors such as economic financial development and human capital formation which may also play important role at the institutional level (Abdul Rahman & Haneem Mohamed Ali, 2006; Campbell, 2007; Ioannou & Serafeim, 2012b; Matten & Moon, 2008). Study One proposes that by integrating institutional logics and institutional settings and focusing on a broader range of institutional qualities a complete understanding of the diffusion of institutional level drivers of CSR adoption can be obtained. In particular, this study will focus on four main economy level institutional qualities: (1) rule of law, (2) financial development, (3) human capital formation, and (4) international trade exposure. This is a more rigorous approach that recognizes that a broader range of institutional qualities may interact to impact on the CSR activities of organizations that operate within a set institutional bounds.

The consolidation of institutional theory and institutional logics, normally confined in two separate disciplines, enables this research to add important insights to the international business literature. Its aim is to shed light on the contextual effects of varying institutional qualities on the macro level need for institutional legitimacy, and how that impacts on organizations at the mezzo and micro organizational levels to adjust their perceptions of a conflict between CSR activities and financial performance. Integrating these two perceptions should also facilitate a greater understanding of how institutional qualities affect an organization's strategies regarding long-term benefits to its various stakeholders.

The remainder of the chapter is structured as follows. Section 3.2 outlines the relevant theories and literature. Section 3.3 introduces the hypotheses to be tested with section 3.4 outlining the methodology applied in Study One. Section 3.5 discusses the relevant findings of the research with section 3.6 concluding the study with a discussion of the implications for these findings to both the literature and international business practice.

3.1 Institutional Impacts on CSR: Relevant Theories and Review of the Literature

Chapter Two of this thesis outlined the considerable body of literature devoted to understanding CSR adoption process, the related theories and empirical evidence regarding institutional level and firm level drivers. Of particular importance to Study One is the literature outlined in Section 3.3 focusing on institutional level drivers of CSR. Several theoretical stances (e.g. institutional theory) have been applied to argue for a positive relationship between institutional level factors and CSR adoption practices (See e.g., Aguilera et al., 2007; Butkiewicz & Yanikkaya, 2006; Wright et al., 2005). For example, institutional theorists posit that it is societal standards that determine the CSR practices of organizations operating in a given context and that organizations within a specific context tend to adopt similar characteristics and norms (See e.g., Campbell, 2007; DiMaggio & Powell, 1983; Filatotchev & Nakajima, 2014; Matten & Moon, 2008; Young & Makhija, 2014b). In relation to CSR activity, as arrangements of social actions, organizations will be influenced by the community and social perceptions that prevail in the institutions in which they operate. In addition, as organizations face uncertainties due to varied institutional settings in environments (Lim & Tsutsui, 2012; Young & Makhija, 2014b), they will seek to minimize those uncertain risks by adopting strategies that address social and environmental uncertainties (DiMaggio & Powell, 1983; Wright et al., 2005).

In fact, some scholars argue that socially-oriented strategies can function as a form of social ‘insurance’ policy (Godfrey et al., 2009). While the literature drawing on sociology-based rationales has stressed the role of exogenous factors in an organization’s decision to adopt CSR (Strand, 1983; Walsh & Ellwood, 1991), the institutional perspective sees corporations as obliged to comply with their set institutional settings to secure a sustainable existence in order to maximize value (Butkiewicz & Yanikkaya, 2006; Campbell, 2007; Ioannou & Serafeim, 2012b; Matten & Moon, 2008). For example, Drucker (1984) stresses institutional level value creation in relation to organizational CSR adoption by noting that social responsibility at the institutional level is a responds aimed at converting an institutional problem into a macro-level opportunity that provides institutional benefits such as improved productive capacity and human resources which leads to well-paid jobs and increased wealth.

Institutional theorists (See e.g., Campbell, 2007; DiMaggio & Powell, 1983; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b) also suggest that organizations converge around collective norms, beliefs and standards which they are forced to comply with through three different types of pressures: (a) cognitive, (b) normative and (c) regulative pressures. Cognitive pressures arise due to collective agreements on priorities and norms of behaviours. They are influences associated with the construct of cognitive discrepancies and received as granted understandings. Normative pressures arise due to an organization's adaptation to uncertainty by following legitimate examples of success adopted by others in the system. Organizations often adopt informal rules for moral behaviour and commitment associated with the market they are vested in. Finally, regulatory pressures to adopt CSR practices are exerted by ruling players in institutional contexts that possess the ability to force organizations to comply with norms and penalise those that do not. These pressures can be in the form of formal rules of compliance or incentives to reward appropriate behaviour constructed by governments and other regulatory bodies.

North (1994) and Doh and Guay (2006), on the other hand, emphasize a three-way divide of institutional qualities into formal, informal and organizational. The authors include informal institutions, the constitutions, laws, policies and formal agreements created by individuals and groups while informal institutions include the behavioural norms and moral codes that may be determined according to different cultural, religious or political beliefs by people or groups that reside in different geographic areas (Doh & Guay, 2006). In both institutional settings, organizations tend to advance collective interests, often with the objective of having these interests codified as informal practices, formal rules or both. The institutional literature holds that in the developed world major institutions are political, legal and social institutions that act at the supranational, national, and sub-national levels (Campbell, 2007; Doh & Guay, 2006; Matten & Moon, 2008). This study will predominantly focus on national level institutions from the macro perspective. North (1994) argues institutional variation emanates from differences in a range of social, political and economic experiences in respective political and geographic jurisdictions across Europe and USA (North, 1994) and such variations are expected to be greater across emerging economies (Doh & Guay, 2006; Wright et al., 2005).

As an alternative to the common notions of institutional theory, Ocasio and Thornton (1999) and Thornton and Ocasio (2008) argue for a new approach to institutional analysis that asserts institutional logics as the basis for elucidating the complex constructs of institutions. Thornton and Ocasio (2008) argue that institutional logics differs in its concerns regarding how cognitive structures are utilized to form organizational structures. Institutional logics project a focus beyond isomorphism covering a larger variety of contexts including markets, industries and populations that determine organizational forms regardless of the global system, society or organizational environment in which the organizations exist. While institutional logics focuses on the actors that shape rational, mindful behaviours of organizations, it does align with an institutional theory which suggests that organizations present similar behaviours within the constraints of the institutional settings in which they operate (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008; Young & Makhija, 2014b).

For the purposes of Study One, it is proposed that specific institutional qualities will determine CSR adoption practices at the institutional level. It is further argued that variances in these specific institutional qualities lead to variances in the requirement for legitimacy both within and between levels of different institutional contexts. Further, moral and ethical concerns to do societal good, or do no harm (normative, informal) (North, 1994), are linked to the constructs that regulatory bodies use to ensure that organizations do not engage in actions that harm the community or the environment (regulatory, formal) (North, 1990). Accordingly, as nations and/or economies develop, they confront existing discrepancies in aligning their changing status with their external counterparts. For example, emerging economies which typically view social and environmental care as a burden and luxury (Khan et al., 2013) inevitably must reflect themselves at the same level with developed economies who exercise CSR as a ‘traditional’ part of their day-to-day operations (cognitive, organizations) (North, 1990, 1994). This study views this process as an example of institutional influence.

However, institutional level pressures are not homogenous across nations (Doh & Guay, 2006), with vast variations in state pressures and business practices both among emerging and developed economies (Al Mamun et al., 2016). However, this provides corporations the opportunity to avoid negative institutional forces to accrue value through distinguishing themselves from others in similar institutional settings by adopting CSR strategies. As emerging economies often view CSR adoption as a luxury due to scarce resources and greater uncertainties, organizations with social and environmentally positive strategies at the aggregate level can confirm their legitimacy by complying with institutional norms.

However, when high uncertainty and scarce resources risk market failure, institutional qualities will dictate strategic behaviours to which organizations much confirm to be deemed legitimate. Under these conditions, when organizational legitimacy is threatened, organizations will tend to conform to institutional pressures to restore their legitimacy in order to gain resources and support for their continuation and sustainability (Campbell, 2007; Matten & Moon, 2008; Pfeffer & Salancik, 1977).

As previously outlined, various theories view both CSR adoption and the impact of institutional settings differently (Abdullah et al., 2016; Campbell, 2007; Doh & Guay, 2006; Matten & Moon, 2008; Young & Makhija, 2014b). For example, from an institutional perspective, economies around the world (a) tend to differ in the general level and diffusion of CSR adoption and (b) have background institutions that are differentially concerned with or able to enforce CSR adoption. To clarify what roles institutional qualities play in influencing CSR adoption practices, we first need to understand the nature of different global institutional qualities and to what extent they vary. As previously outlined, Study One will focus on four distinct economy level institutional qualities: (1) rule of law, (2) financial development, (3) human capital formation, and (4) international trade exposure. The following section provides a review of the relevant literature regarding how these institutional factors impact organizations which are used to develop the hypotheses regarding their expected impact on CSR adoption.

3.2 Hypotheses Development

3.2.1 Rule of Law

Each country delegates formal proper authority to regulate and enforce organizational activity at the institutional level (Ioannou & Serafeim, 2012b) with various levels of government and regulators given authority and responsibility to mandate and enforce laws on organizations that operate within its jurisdiction (Campbell, 2007; Matten & Moon, 2008; Young & Makhija, 2014b). However, the level of compliance with government laws and policies by various actors within the jurisdiction depends upon the extent to which government enforcement is consistent with the enacted laws (Aguilera et al., 2007). Across emerging economy organizations, in particular, poor regulatory systems are associated with an increase in the extent to which actors violate the policies and laws. Young and Makhija (2014b) and Lim and Tsutsui (2012) claim that a greater congruousness of law is visible and effective, where regulatory actions by government stay within a legal framework. In contrast, when entities within a jurisdiction do not act within a set legal framework (Young & Makhija, 2014b) the rule of law is weakened and legal enforcement adds little value (Rahim, 2016).

Within each country, the legal environment consists of legislation, regulation and litigation, all aimed at constraining business behaviour (Ioannou & Serafeim, 2012b). With the rapid growth and dispersed ownership of large public corporations, their controlling bodies face an ever-increasing number and complexity of laws and regulations. Today modern corporations, find themselves with continuously expanding duties to protect the rights of various stakeholders, including suppliers, employees, consumers, the environment, the public and even their competitors (Abdullah et al., 2016). Even though the requirements for ethical behaviour and CSR adoption go beyond corporate legal duties, regulation of ethics and CSR is often transferred from the voluntary realm and encoded into law (Zhao, 2012a). Furthermore, corporations have a continuing need to anticipate expanding liabilities and equip directors with training to cope with rapid technological change and the emergence of new laws and regulations (Ioannou & Serafeim, 2012b).

In this scenario, regulatory enforcement and recommendations are seen as formal institutional-level drivers and/or motivators (North, 1994) of CSR adoption and ethical norms (Abdullah et al., 2016; Butkiewicz & Yanikkaya, 2006; Ioannou & Serafeim, 2012b; Young & Makhija, 2014b). The most obvious examples include regulatory bodies that punish organizations' CSR non-compliance by enacting laws (e.g. environmental law and labour law) that are directly imposed on the corporation (Young & Makhija, 2014b). Since organizations are major social actors, their compliance level with country-specific rules and regulations are reflected in their social and environmental practices (Abdullah et al., 2016; Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008). Although, Young and Makhija (2014b) claim that regulation was not found to have a positive effect on CSR adoption practices based on 38 developed and developing countries, effective law implementation and compliance are expected to enhance societal expectation (Castelló & Galang, 2014).

The role played by the law in influencing CSR strategy formation, implementation and communication is a topic that has been discussed broadly in the corporate world. While it is argued that CSR is viewed by corporations as an informal set of rules, it is also heavily influenced in many jurisdictions by different sets of fundamental principles in law (Zhao, 2012a). Specific instruments of international law combine with national laws and standards to shape the main tenets of CSR adoption with academics predicting that legal requirements will play an increasingly important role in enforcing voluntary corporate policy (Ioannou & Serafeim, 2012b). These increasing legal developments are directly driven by stakeholder activism and market pressure to increasingly shift what was previously perceived to be voluntary actions to be legally enforceable.

The extant literature posits that the extent that enforcement of the law is applied to influence corporate CSR adoption depends on the levels of national political interference with business, shareholder activism, public awareness of CSR issues, competitor CSR performance and the degree of support offered by a sound legal system (Zhao, 2012a). From an institutionalized organizational context, the purpose of legal enforcement is to maintain corporate integrity (Ioannou & Serafeim, 2012b), avoid legal proceedings by stakeholders (Ioannou & Serafeim, 2014), improve the efficiency of production (Young & Makhija, 2014b) and optimize the management of supply chains (Ioannou & Serafeim, 2014) in a socially and environmentally responsible manner. These aspects are also key from the point of view of regulators to support the enforcement of standards of CSR and business ethics, to achieve broader societal goals (Castelló & Galang, 2014).

It is important to institutionalize a stakeholder-orientated legal environment to ensure directors initiate socially responsible practices, thereby assisting non-shareholder groups to influence corporate decisions that ignore broader stakeholders' interests (Zhao, 2012a). When laws and regulation remain stable over time in a given constitution, regulatory procedures become accepted and uncertainty is reduced (Castelló & Galang, 2014) creating a stable and predictable national regulatory system that reduces risks that corporations face (Young & Makhija, 2014b). Organizations within such stable regulatory systems also begin to perceive their behaviours in terms of the set societal and environmental standards. Corporations also have a clear understanding of the consequences of perverse societal and environmental behaviour within the given jurisdiction. Therefore, in an environment where stability and consistency are institutionalized, organizations who act and adhere to the standards and regulations are expected to be seen as more legitimate than to those who do not.

On the other hand, nations, where rules and laws are not established within a specific framework and with weak enforcement, contribute to institutional settings that are unstable and inconsistent and increase latent risks that corporations face (Young & Makhija, 2014b). Such conditions are also associated with the political instability, corruption and lower societal standards that are associated with emerging economies (Lim & Tsutsui, 2012). Corporations operating in such environment face lower levels of regulatory pressure to embrace CSR adoption while those that operate in jurisdictions that exhibit more reliable enforcement of law – in particular, labour and environmental laws – are more likely to adopt CSR practices at the institutional level (Campbell, 2007; Matten & Moon, 2008; Young & Makhija, 2014b). This study, however, argues that given the stage of maturity of developed country institutional settings, CSR adoption practices are unlikely to be formed through the rule of law as they are considered day-to-day operations by participant organizations.

However, the empirical evidence regarding the influence of the rule of law on socially and environmentally responsible actions at the institutional level is sparse. Some recent exceptions include Young and Makhija (2014b) who studied 612 clothing manufacturing corporations from thirty-eight countries (both developed and developing) and found a positive relationship between the strength of a nation's rule of law and CSR adoption activity. The authors suggest that organizations are more likely to conform to the rule of law when the authority to act within the expected legal framework is accepted and legal enforcement is consistent and within the specified framework. They highlight that the positive influence of the rule of law depends on the consistency of laws and procedures and their predictable enforcement over time.

A qualitative study by Rahim (2016) of the garment industry in Bangladesh also suggests that regulatory bodies at the institutional level are influenced primarily by public interest and tend to frame rules and regulations in such a way that attempts to serve the interests all the stakeholders and the broader society in the best possible way. Rahim argues that governments and regulatory bodies introduce laws which attempt to link social values to the economic incentives or disincentives used to motivate an organization's actions. Organizations are influenced to respond to such economic values as the rules and laws are institutionalized internally by the authority.

Buhmann (2006) however argues that institutional influences of the rule of law differ across jurisdictions as State set regulations regarding CSR to have different forms and emanate from differing regulatory bodies at different governmental levels. For example, regulatory bodies and/or governments may legislate formal mandatory rules, or opt for non-binding recommendations which are intended to guide organizations but have no legal binding or standing. Buhmann (2006) concludes that both mandatory rules and informal recommendations, when introduced institutionally, should contribute to improved collective CSR adoption at the aggregate level. Although nations regulate corporations' actions through rules and regulations set by governments, there are few formal laws on CSR adoption practices internationally, with some notable exceptions such as India and Malaysia.

A study conducted by Butkiewicz and Yanikkaya (2006) also showed effective institutional regulation creates an environment that fosters economic activity, inventiveness, growth and development, and positively contributes to the society at large, while weak institutional regulations result in both economic and social stagnation. Based on the above theoretical assumptions and empirical evidence the following hypotheses will be examined:

Hypothesis 1 (H1): *The stronger the rule of law at the national level among developed economies, the higher the rate of organizational CSR adoption at the institutional level among those developed economies.*

Hypothesis 1 (H1a): *The stronger the rule of law at the national level among emerging economies, the higher the rate of organizational CSR adoption at the institutional level among those emerging economies.*

3.2.2 Economic Financial Development

The economic-financial development of an economy and its institutional level impact on CSR adoption practices is an area that remains under-researched. Financial development is defined as “the policies, factors, and the institutions that lead to efficient intermediation and effective financial markets” (Adnan, 2011, p. 1). An effective and efficient financial system is desirable as it provides organizations and investors with diversified risk and effective capital allocation. While much empirical evidence exists to support a link between financial development and economic development (See .eg., Greenwood et al., 2013), more evidence is needed to support the ability of effective finance systems in reducing moral hazards (Hsu et al., 2014). While there is a number of academic studies which urge consideration of the significance of financial development in contributing towards overall economic growth (Adnan, 2011; Hsu et al., 2014), this study will investigate whether economic financial development at the aggregate level results in increased CSR adoption practices at the institutional level.

While there are different methods of measuring economic financial development e.g. depth, size, access and effectiveness of financial systems, this study posits that enhanced economic financial development provides organizations with greater access to financial resources which delivers greater resources to apply for socially and environmentally viable projects. A developed financial system also offers specialized services and efficient operations that may help minimize information asymmetry in the market. Thus, potential investors can place more faith in the market which, in turn, attracts more investments (Mincer, 1996). A reduction in information asymmetry will also lead to greater transparency in terms of corporations’ CSR adoption practices.

Two commonly defined perspectives for measuring the economic financial development of an economy are firstly the size, access and depth of its financial systems, and secondly the stability of its legal, business and political systems (Hsu et al., 2014). The later has a particular focus on the institutional business and political environment to measure the financial development of a country. Institutional level financial development is determined through effective policies, strong regulations and effectiveness of enforcement of laws and monitoring by an effective financial system authority (Hsu et al., 2014) such as a stock exchange. When a country establishes a strong institutional environment through establishing an organised and regulated stock exchange, it helps to safeguard investors' interests through achieving high levels of financial development (Greenwood et al., 2013). Several studies have concluded that when there is a strong institutional financial environment, there is an emphasis for participants to comply with international standards of business practice (Bun & Singh, 2016). For example, a large number of countries have developed codes of corporate governance to strengthen their financial markets with ongoing benefits to society and environment.

Financial development of an economy also relies on the openness of its capital markets (Hsu et al., 2014) and their depth, and particularly to what extent investors are assured access to their savings and investments (Meyer & Rowan, 1977). When the openness of a financial system is institutionalized, organizations face pressure to exhibit themselves as adherent to social and environmental expectations and the financial system can be structured to penalize organizations for non-adherence to their social and environmental responsibility. Another important factor for the financial development of a country is the availability of a skilled workforce and infrastructure (Adnan, 2011). A skilled workforce is acquired through training, research and development and good quality education (Hsu et al., 2014). Access to solid infrastructure and a skilled workforce increases efficiency and reduces risk and business costs freeing more resources to apply to CSR practices.

A study conducted by Hsu et al. (2014) examined the relationship between economic financial development and innovation based on 32 developed and emerging economies. They report that businesses that can access external finance in a stable market exhibit a disproportionally higher innovation level than businesses in the countries with less developed financial markets. The authors argue that a well-functioning financial market plays an important role in reducing financing costs, allocating scarce resources, allowing more accurate evaluation of investment projects, managing risk as well as monitoring business operations. The authors further argue that financial development at the institutional level is critical for a nation's overall development. Consistent with the arguments made by Hsu et al. (2014), this study argues that the financial development of a nation critically contributes to the well-being of its society and the wider environment. When financial markets are developed, regulators and authorities also tend to be more effective at enforcing rules and laws to regulate business activities. This is critical as unregulated businesses are free to harm society and the environment while regulations can be used to motivate businesses to fulfil their CSR responsibilities (Chapple & Moon, 2005b). Therefore, the premise of this study is that financial development at the institutional level may lead to increased CSR adoption practices at the macro level.

However, the empirical evidence regarding the impact of institutional level financial development on CSR adoption is limited. A recent exception is Ozturk and Acaravci (2013) who examine the effect of economic financial development on carbon emissions by Turkish corporations and conclude that while the initial impact of financial development was to increase the overall level of carbon emissions, as financial development continued it acted to stabilize emission levels eventually leading to their decline. They also suggest that aggregate carbon emissions in a country are not influenced by any single factor but rather multiple factors such as national income level, energy consumption, foreign trade as well as overall financial development. The authors conclude that the reason for initial increases in carbon emissions through financial development is that expanded investment markets lower financing costs which increase the number of new production installations and projects which increase overall energy consumption and therefore carbon emissions. However, when the market reaches its peak a combination of formal and informal factors come into play to either enforce or encourage a reduction in energy consumption and hence carbon emissions.

As previously stated, to the best of the author's knowledge there are few studies conducted on the impact of financial development on CSR adoption practices at both the micro and macro level. Moreover, despite the recognised importance of economic financial development to progressing CSR adoption, research on the relationship is sparse both from emerging and developed economy contexts. Based on the arguments presented above, this study predicts that the economic financial development of a nation does influence institutional level CSR adoption. Hence the following hypotheses will be examined:

> Hypothesis 2 (H2): *The greater the level of national economic financial development at the institutional level of developed economies, the higher the level of CSR adoption by its participant corporations at the aggregate level.*

> Hypothesis 2 (H2a): *The greater the level of national economic financial development at the institutional level of emerging economies, the higher the level of CSR adoption by its participant corporations at the aggregate level.*

3.2.3 Human Capital Formation

Along with the impact of a nation's rule of law and financial development, the level of its human capital formation is also an institutional mechanism which may impact CSR adoption practices. Human capital formation is widely acknowledged for its influence on economic growth with a large body of empirical evidence linking human capital education and development to the economic growth of a country (See e.g., Beine et al., 2008; Cervellati & Sunde, 2005). In fact, many claim that increased human capital formation is the most significant aspect of the process of economic growth (Kalemli-Ozcan et al., 2000).

For the purposes of this study, human capital formation is defined as the proportion of the population of a specific country that have received sufficient levels of education, skills and training within a specific time-period (Perli & Sakellaris, 1998) and is seen as an investment designed to contribute to increased economic growth (Mincer, 1996).

Sustained growth is heavily reliant on human capital formation which is enhanced directly through education and training to generate innovation and stimulate growth at the aggregate level (Lucas, 1988). In this study, it is argued that when a nation's people are developed program through education and training they receive not only enhanced innovation and entrepreneurship skills but also achieve a higher living standard and greater awareness of social and environmental issues and desire for improved communities and protected environments. This is because formal education and training expands participants appreciation of their quality of life as well as delivering them the economic tools to achieve such a life (Hungerford & Volk, 1990).

Variations in human capital formation are also suggested to impact on organizational actions through their effect on participant and stakeholder living standards and social and environmental cognizance (Steckel, 1995). In this study, it is argued that as institutional level authorities (e.g. government) are responsible and play the major role in developing human capital formation, greater emphasis on human capital formation at the institutional level will be reflected in increased CSR adoption practices to secure organizational legitimacy. Organizational legitimacy depends on to what extent the organization is contributing to society and the extent to which society is accepting of those contributions.

There is increasing pressure at the institutional level for advances in human capital formation from various regulatory bodies such as the United Nations and the World Bank. For example, United Nation Secretary-General Ban Ki-moon in his 2013 Peace Bell Ceremony in New York stated that:

> *"Every girl and every boy deserves to receive a quality education and learn the values that will help them to grow up to be global citizens in tolerant communities that respect diversity. Governments and development partners are working hard to meet this goal. But, we must do more — much more. We need to accelerate momentum in countries with the greatest needs, such as those affected by conflict".*

Furthermore, a report published by the United Nations in 1999 refers to evidence that suggests that international corporations actively react to the availability of skilled manpower in host countries through increasing their technological contribution and upgrading their investments (United Nations, 1999). This implies that human capital formation attracts international organizational investment which should be associated with greater levels of compliance with both local and international business standards and policies.

Based on the previous discussion, this study argues that as a result of economies developing their human capital, their populations acquire an enhanced standard of living, a reduction in poverty, more equitable work environments and a greater appreciation of the necessity of CSR (Newell & Frynas, 2007). This investigation is important as there is a scarcity of empirical research on the relationship between human capital formation and CSR adoption practices in both emerging economies and developed countries. Therefore the following hypotheses are proposed for examination:

> Hypothesis 3 (H3): *The greater the level of human capital formation among developed economies, the greater the level of CSR adoption practices at the aggregate level of those developed economies.*

Hypothesis 3 (H3a): *The greater the level of human capital formation among emerging economies, the greater the level of CSR adoption practices at the aggregate level of those emerging economies.*

3.2.4 International Trade Exposure

International trade exposure is an important institutional level factor that the literature recognises can pressure organizations to alter their behaviour (Abdullah et al., 2016). From a critical perspective, it is often hypothesized that globalization in relation to trade also fosters increased social and environmental focused corporate practices, as globalization is considered a function of increased activity in the form of international trade across nations (Chapple & Moon, 2005b). Institutional level CSR adoption is also thought to be promoted through globalization in the form of foreign direct investment across nations. This is because when foreign companies invest they transfer their expectations of CSR adoption practices to the investee corporation and are less likely to invest in corporations whose poor CSR performance may present them with financial and reputational risks (Chapple & Moon, 2005b).

Factors which increase the effect of international trade and investment on the level of CSR adoption in target economies include the investor corporation's desire to establish an image as a good local corporate citizen to gain favour with the host country's consumers and regulatory bodies. In addition to adopting CSR as part of a corporate strategic direction, global corporations are also more likely to have higher political visibility and be subject to a broader range of regulators. These may include a greater number of international corporate activist organisations (i.e., not-for-profit ethical, environmental and social watchdog organizations), international business standards, recommendations and policies (i.e., ISO 2600, Global Reporting Initiatives, World Bank, the Organization for Economic Cooperation and Development, and the United Nations Global Compact) as well as jurisdictional specific legislation such as the Indian government legislation's requiring that two percent of corporate profits be distributed as donations).

In addition to such direct influences, there are also indirect forms of institutional enforcement from the government on the international transactions of businesses. For example, laws governing international trade often include tariff barriers that place restrictions on what can cross a country's borders, including quotas on the number of items allowed into a country, local content requirements, anti-dumping policies, and subsidies for local firms. Laws that direct the inflows and outflows of goods and services (e.g. import and export) have a direct impact on the costs associated with the ability to offer its goods to potential markets, as well as the competitive forces businesses must face (Caves, 1971).

However, in such environments where governments protect local businesses, they will face lower levels of uncertainty in terms of competition and reduced transaction costs which may, in turn, attract inflows of foreign direct investments. This will provide additional funds that local businesses can allocate for CSR practices, while foreign investors are also more likely to emphasize the importance of adopting similar CSR adoption practices as in their home jurisdictions.

Economies that are more inclined to allow the market to determine the flow of products and services across borders are more likely to have less restrictive trade policies. Such liberal policies will also encourage foreign direct investment and trade, fostering competition among organizations which incentivizes local organisations to reduce costs to remain competitive and take action to reduce the uncertainty caused by increased competition (Buckley et al., 2007). This study uses the level of foreign direct investment as a proxy for international trade exposure at the institutional level. The economic need to survive against foreign competitors places a greater value on the legitimacy of local organizations which also drives them to adopt CSR practices. Moreover, increased competition should motivate businesses to engage in CSR adoption practices to differentiate themselves in the market (Caves, 1971).

A potential explanation for the variation in CSR adoption practices across countries is the extent to which the level of foreign direct investment in an economy varies in due to state-policies, market competition and market stability (Abdullah et al., 2016). A key result of direct foreign investment is the [reverse-] transfer of knowledge (Schleimer et al., 2014). This occurs when knowledge resources of developing economies help developed economy organizations learn how to exploit emerging markets while, at the same time, the emerging market subsidiary becomes the beneficiary of useful knowledge of corporations of a developed country organization (Yang et al., 2008). Moreover, foreign investors will pressure local corporations to adopt socially viable models that are sanctioned internationally (Lim & Tsutsui, 2012) before they are deemed to be legitimate, responsible and trustworthy partners (Al Mamun et al., 2016). Empirical studies show evidence of that domestic organization conform to foreign investor demands and that they have a significant effect on reorienting state-level policies and practices regarding human rights, environmental regulations and governance in line with international policies and practices (See e.g., Lim & Tsutsui, 2012; Young & Makhija, 2014b). This effect is strengthened when developed country corporations also face pressures from their state authorities to comply with legal standards regarding human rights, labour rights, quality, control, and fair-trade when transacting with emerging economy firms (Abdullah et al., 2016). Recent examples include the case of garment workers in Bangladesh who received a 77 percent wage increase due to pressure from foreign investors based in Canada, USA and UK (Burke, 2013; Rahim, 2016).

Similarly, increased levels of inter-country trade and foreign direct investment encourage nations to become signatories to international agreements and treaties to ensure fair-trade and promote socially and environmentally sensitive operations. For example, Lim and Tsutsui

(2012) show that foreign organizations operating in a country experience pressure to comply with treaty provisions relating to human rights, labour rights and environmental protection. Therefore, increased levels of treaty agreements among countries are also expected to increase foreign direct investment and eventually force CSR adoption practices among those countries.

As outlined above the literature holds that organizational concerns regarding market differentiation, legitimacy, reputation and compliance with state policies means that international trade plays a significant role in encouraging CSR adoption by domestic businesses. For example, Boehe and Barin Cruz (2010) argue that CSR is a form of differentiation of the business in the market while Roberts (2003) also posits that organizations are more likely to adopt CSR if there are strong reputational concerns at play. This is particularly important if the firm competes internationally rather than in a closed small domestic market. Investors have been shown to be particularly concerned regarding business viability and sustainability while making investments (Manova, Wei, & Zhang, 2015), and are therefore more likely to be to demand businesses embrace ethical standards to reduce risk (Boehe & Barin Cruz, 2010).

In addition, when investment flows from developed to emerging economies corporations engage in reverse loop learning, where corporations learn benefits of introducing CSR adoption practices as a legitimizing factor (Schleimer et al., 2014). Despite these arguments, empirical studies gauging the influence of foreign direct investment on CSR adoption are scarce (Abdullah et al., 2016). Exceptions are Frost and Ho (2005) who observe that the increase in Chinese foreign direct investment to South East Asia in the 1990s was large enough to have impacts on entire economies. While the study was unable to examine for a direct impact on CSR adoption in the region, it did question whether "such investment has the potential to further CSR initiatives already in place or hinder them" (Frost & Ho, 2005, p. 166). Goyal (2006) using game theory, suggests that CSR adoption practices work as a type of signalling and assist our understanding of foreign direct investment, arguing that “CSR should increase with FDI” (Goyal, p. 161). In his study of CSR is a contribution to poverty reduction, Jenkins (2005) claims that given the increased significance of foreign investment as a major source of capital for emerging economies, and an international emphasis on poverty reduction, the paucity of research on the influence of international trade on poverty reduction is surprising. This study attempts to address this paucity of evidence by arguing that the extent of international business exposure of an economy is an important influence of CSR adoption variation across countries. Therefore, the following hypotheses are proposed to be examined:

Hypothesis 4 (H4): *The greater the level of international trade engagement of a developed country nation, the greater the level of CSR adoption of that nation.*

Hypothesis 4 (H4a): *The greater the level of international trade engagement of an emerging economy nation, the greater the level of CSR adoption of that nation.*

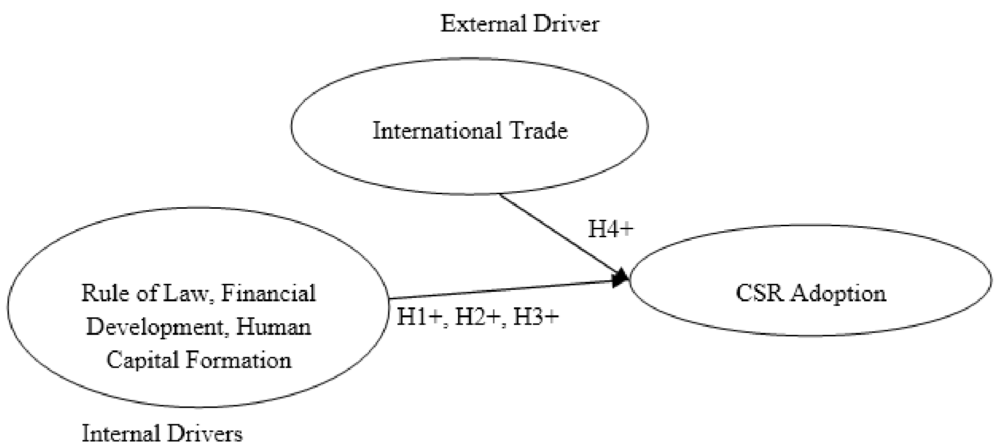

Figure 3.1: Model Integrating Institutional Qualities of CSR Adoption

Figure 3.1 conceptualizes the institutional qualities that impact institutional level CSR adoption practices from a global perspective. The figure highlights an external institutional driver, international trade, which interacts with the internal institutional qualities: rule of law, financial development and human capital formation. This conceptual framework is developed based on institutional theory and institutional logics.

3.3 Methodology

3.3.1 Sample

To explore the impact of institutional qualities on CSR adoption from a global institutional level context, analyses are pursued at both the macro and mezzo level. In the process of integrating institutional theory and institutional logics to examine the effect of institutional qualities on CSR adoption practices, a pilot study was conducted of the features of a number of developed and emerging economy nations[10]. The results of the pilot study revealed that several emerging economies had (a) a small number of publicly-listed firms (b) a lack of CSR best practices and regulatory recommendations (Khan et al., 2013) and (c) potential data corruption due to poor disclosure processes (Peng et al., 2015). Therefore, it was decided to canvas a large number of countries, including both developed and emerging economies, in order to compare the CSR adoption practices of several emerging and developed country organizations (Lim & Tsutsui, 2012). This resulted in the extraction of secondary data, both macro and mezzo level data, related to 93 economies for the period 2010 to 2014 (Appendix I).

The period, 2010-2014, was selected due to its proximity to the global financial crisis (2008-2009) which severely impacted investors and regulatory bodies globally (Frankel & Saravelos, 2012). This is an important period to study given that after the crisis there was a number of regulatory reforms implemented globally Western economies such as the USA to emerging economies such as Pakistan.

[10] A Pilot study on twenty-two developed and emerging economies was conducted to gauge the availability of data and other resources (e.g. access to archives, time and ethical concerns).

The relevance of the results of recent similar studies may be limited due to their restricted sample focus. For example, Lim and Tsutsui (2012) investigated a number of corporations from 99 countries that complied with the UN Global Compact principles[11]. Despite the Global Compact's principles being recognized as important, very few corporations worldwide are known to have adopted the principles (only 3000 Communications of Progress were submitted by companies worldwide in the focus year of 2007) and therefore Lim and Tsutsui (2012)'s study sample may not be representative. Lim and Tsutsui (2012) also measured national level CSR based on the number of firms of each country opted for the Global Compact, further restricting the sample and measurement parametres. Young and Makhija (2014b) focus on firms operating solely in the apparel industry in developed economies may also limit the generalizability of their findings to other industries. This thesis has adopted a wider approach to measure national level CSR which is based on the CSRHub ratings for companies from each country. This rating consists of an accumulation of a total of 57,090 firm CSR-year observations from both developed and emerging economies.

3.3.2 Measurement of the Dependent Variable – CSR Activity

Many mezzo level studies that focus on developed countries, use the KLD index (Kinder, Lyndenberg & Domini) as a measure of organizational CSR performance (See e.g., Banalieva

[11] United nation launched 10 principles which widely illustrates international business norms. The principles are given below:

Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Make sure that they are not complicit in human rights abuses.
Labour	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	The elimination of all forms of forced and compulsory labour;
	The effective abolition of child labour; and
	The elimination of discrimination in respect of employment and occupation.
Environment	Businesses should support a precautionary approach to environmental challenges:
	Undertake initiatives to promote greater environmental responsibility; and
	Encourage the development and diffusion of environmentally friendly technologies
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery.

et al., 2014; McWilliams & Siegel, 2000b; Petrenko et al., 2015). The KLD database is not relevant for this study as emerging economy firms are not covered. A more appropriate database of firm CSR performance is provided by CSRHub[12] which rates the CSR adoption practices of both developed and emerging economy corporations using four categories and twelve sub-categories. The primary categories include community engagement, employee welfare, environmental sustainability and corporate governance.

Within these four categories are twelve sub-categories which focus on community development and philanthropy; human rights and supply chain; product safety; employee compensation and benefits; diversity and labour rights; training, safety and health; energy consumption and climate change; environment policies and reporting; resource management; board leadership ethics; and transparency and reporting. These sub-categories cover the fundamental aspects of corporate economic, social and environmental activities that are the focus of many scholarly studies (See e.g., Abdullah, Ismail, Izah, & Nachum, 2014; Banalieva et al., 2014; Filatotchev & Nakajima, 2014; Khan et al., 2013). In comparison, the KLD database covers five measurements of CSR (Banalieva et al., 2014; Petrenko et al., 2015): (a) environment, (b) community and safety, (c) employee and supply chain, (d) customers, and (e) governance and ethics. All measures are covered by the CSRHub ratings. Data for each CSRHub sub-categories is collected separately and rated based on the activity's contribution to overall CSR performance. For example, the community development and philanthropy sub-category evaluate how a company interacts with its community by measuring monetary contributions to local charities and the extent to which a company adopts programs that allow its employees paid leave to do volunteer work. The environment policy sub-category includes data on the existence of policies for minimizing paper printing and using recycled products (CSRHub). The

[12]CSRHub rates companies from 127 countries and provides access to corporate social responsibility and sustainability ratings and information

board sub-category includes the number of charity board memberships held by the company's board members and their involvement with trusts and foundations while the training, health and safety sub-category measures to what extent employees' health and safety issues are prioritised by the firm (CSRHub).

The information gathered under different sub-categories is then cross-checked by CSRHub with multiple available sources, such as company websites and annual reports (CSRHub). Cross-checking is performed to determine and avoid any bias in the data, with all the scores from a source adjusted to create a more consistent rating. Sample companies are dropped from the ratings when there is insufficient information disclosed to enable evaluation of sub-categories (CSRHub).

Each of the sub-categories is then rated based on the data collected using numerical numbers ranging from 0 to 100. Once the sub-categories are rated, they are averaged and rolled up into the four primary categories, with each item of the company's CSR scores converted to a 0 to 100 scale (100 = most positive rating). This process is completed quarterly each year with ratings published quarterly. This study uses all four quarter ratings for the five consecutive years 2010 to 2014, with quarterly scores averaged for each year to generate a yearly score for each company (Al-Mamun et al., 2016; Al Mamun et al., 2017a).

This firm level CSR data is then combined and averaged to generate an institutional level CSR rating for each individual country that has organizations rated by CSRHub. Where a score is missing for a specific year for a firm that firm is excluded from the overall sample for the specific country. The number of companies rated by CSRHub varies across the countries with 3,547 USA firms rated at one extreme and one firm only from Andorra at the other extreme. This study has excluded countries with fewer than ten firms rated by CSRHub. The lowest number of firms for a country included in this study was thirteen firms (Bahamas and

Bangladesh). The dependent variable was comprised from a total of 57,090 firm CSR-year observations from developed and emerging economies.

3.3.3 Independent Variables

The model (Figure 3.1) applied in this study introduces four independent variables to gauge the relationship between institutional qualities and institutional level CSR adoption practices. As previously outlined, these four variables are a measure of a nation's rule of law, financial development, human capital formation and international trade exposure. Measurement of each variable is as follows:

3.3.3.1 Rule of Law

Evaluation of a nation's rule of law has been previously used by Young and Makhija (2014b) as a measure to assess the extent that regulatory bodies/governments (formal institutions) enforce the law in a specific constituent free from corruption. For the purposes of this study, a nation's rule of law is measured using the annual index developed by the Heritage Foundation[13]. The Heritage Foundation index rates the rule of law of nations on a scale of 0 to 100, with a higher score representing a stronger rule of law. A strong rule of law protects property rights and helps to minimize corruption meaning that expropriation is highly unusual and enforcement of contracts is reliable (Foundation). There are a number of factors taken into consideration in the rule of law index, including corruption evaluations, enforcement of property rights and the condition of employees (in terms of minimum pay, maximum working hours, health and safety, pensions and social security, hiring and firing). The more factors that are enforced by the

[13]The Heritage Foundation is an American conservative think tank based in Washington, D.C.

nation's authorities, the stronger the rule of law in the constituent nation (Young & Makhija, 2014b).

3.3.3.2 Financial Development

As previously outlined the literature suggests that a nation's financial development can be expected to influence CSR adoption practices at the institutional level (Hsu et al., 2014; Ozturk & Acaravci, 2013). To measure financial development, this study adopts the World Development Indicator provided by the World Bank Data Bank. The World Development Indicator provides a large number of measures for financial development however, for the purpose of this study the relative proportion of GDP represented by domestic credit compared to private business sector credit. Earlier studies have also employed this as a measure of financial development (See e.g., Adnan, 2011; Djankov, McLiesh, & Shleifer, 2007; Greenwood et al., 2013; Lucas, 1988), although to date there are few/no studies attempted to investigate an association between financial development and CSR adoption practices at the institutional level.

3.3.3.3 Human Capital Formation

As previously outlined, human capital formation is an important focus in the economics literature and has been empirically shown to influence economic growth (Beine et al., 2008; Cervellati & Sunde, 2005). However, in relation to CSR adoption practices, there are few studies to date which have investigated human capital formation as an institutional factor that may influence CSR adoption. Given the importance of human capital formation to national social development, this study posits that human capital formation will significantly positively impact on CSR adoption practices at the institutional level. This study adopts the Penn World Table (version 9.0) a database comprising national levels of income, output, input and labor productivity covering 182 countries between the years 1950 and 2014 (Feenstra, Inklaar, & Timmer, 2015). The Penn World Table indexes human capital per capita, based on years of schooling and level of education.

3.3.3.4 International Trade

To measure international trade, this study uses a measure of foreign direct investment which has been previously used by a number of studies (See e.g., Frost & Ho, 2005; Goyal, 2006). Emerging empirical studies suggest that an increased level of foreign direct investment inflows and outflows across both developed and emerging economies influences CSR adoption practices both at the mezzo and macro level. This study extracts foreign direct investment data from the United Nations Conference on Trade and Development (UNCATD) which publishes national foreign direct investment using the following seven measures: (a) US dollars at current prices in millions, (b) US dollars at current prices per capita, (c) percentage of total world investment, (d) percentage of gross domestic product, (e) percentage of gross fixed capital formation, (f) percentage of total trade in merchandise and services, and (g) percentage of total merchandise trade. Data is available annually for the period 1970 to 2015. The focus of this study is US dollars at current prices per capita as this is widely used in empirical studies on the basis it is a superior measure of foreign direct investment in a country allow valid comparisons across nations (Abdullah et al., 2016; Goyal, 2006).

3.3.4 Control Variables

In accordance with previous related studies, the model used in this study controls for the following factors that could potentially affect aggregate CSR adoption levels: national GDP growth, corruption control, political stability, population growth, religious diversity, culture and barriers to the conduct of business. Positive (Negative)-GDP growth observed at the national level may advance (limit) CSR adoption as it reflects living standard of the overall population of the economy. Corruption control is a national level measure using a country's corruption index, with the higher the corruption index, the higher its prevalence in the country. A low corruption control index would be associated with increased CSR adoption practices at the aggregate level. A country's political stability encourages corporate operations at the aggregate level (Ellstrand, Tihanyi, & Johnson, 2002) which would be expected to increase CSR adoption at the institutional level.

Population growth in a country is controlled by its potential impact on its human capital formation. This study assumes a country's population growth rate will influence the rate of human capital formation, hence, potentially affect institutional level CSR adoption practices. Religion diversity and intensity across nations may also affect corporate justification for societal attitudes to corporate responsibility (See e.g., Chapple & Moon, 2005b) while national culture has been argued to have a similar impact on attitudes to CSR adoption (See e.g., Abdullah et al., 2016; Davis, 1973; Lim & Tsutsui, 2012). Barriers to the efficient conduct of business can decrease the opportunity to differentiate businesses from each other lowering competition. Therefore barriers to the conduct of business in a nation impede CSR adoption practices at the aggregate level.

To measure GDP growth, data is collected from the World Bank Development Indicator provided by World Bank Data Bank. There are 12 related GDP measures produced by the World Bank[14] with this study using the GDP annual growth rate (%,) on the basis this figure best represents a country's economic development over each year. This measure is also consistent with previous empirical studies (See e.g., Abdullah et al., 2014; Lim & Tsutsui, 2012).

[14] The 12 measures are GDP constant 2005 US$, GDP constant LCU, GDP current LCU, GDP current US$, GDP deflator base year varies by country year, GDP growth annual (%), GDP per capita constant 2005 US$, GDP per capita constant LCU), GDP per capita current LCU, GDP per capita current US$, and GDP per capita growth annual (%).

Data on political stability is extracted from the World Development Indicators retrieved from the World Bank Data Bank. The higher the score for political stability the greater the level of stability observed in the country. Population growth data is produced and made publicly available by the World Bank Data Bank on a yearly basis. Percentage of population growth is extracted from the World Bank Data Bank for use in this study. Religious diversity is measured using data published by the Pew Research Centre which uses a scale based on the premise that the greater the number of religions recognized in a country, the higher its religious diversity. The Centre also ranks countries according to their tolerance to religious minorities and peace among the different religions observed in a country.

Cultural factors are also argued to impact CSR adoption practices across nations, as different cultures have different paradigms for being socially responsible (Davis, 1973). While there are few cultural measures available, the Hofstede cultural index is an exception that offers guidelines for defining culturally acceptable approaches to corporate organizations (Devinney & Hohberger, 2016). The Hofstede cultural index is calculated based on six cultural dimensions: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence. This study will focus on power distance as the most relevant cultural factor since power distance refers to the relative distance among different level of decision makers. The extent of barriers to conducting business within a country is evaluated using data collected from the World Development Indicators provided by the World Bank Data Bank. The score provided shows to what extent barriers exist to conducting business in a given country with the higher the score, the lesser the impediments to conducting business in that specific country. The mentioned institutional level factors measurement criteria explicated above are based on the database and authority explanations. As these variables are based on definitions provided by the various authorities, there may be issues with specific measurement criteria that may be considered as the limitations of the study.

3.4 Analyses and Model Specification

As CSR adoption practices are heterogeneous within and between countries, this study employs panel data for the examination of cross-national CSR adoption practices (Torugsa et al., 2012) and identifies Ordinary least-square (OLS) regression analysis as suitable analytics of the institutional level variables and their impact on CSR adoption (Aguilera et al., 2007; Knyazeva et al., 2013). Moreover, to ensure that endogeneity and reverse causality were not an issue, Hausman test will also be performed for each of the models at all three different levels (Bhagat & Bolton, 2008). After excluding observations with missing data, the final sample comprises 415 country-year observations, drawn from 83 countries, after 10 countries were excluded from the dataset due to insufficient data. The final sample consists of 52 emerging economies and 31 developed economy countries producing 260 and 155 sample year observations over the five-year period respectively (refer Appendix II). To avoid issues relating to multicollinearity, a Pearson correlation matrix is applied to the data prior to applying OLS analysis to the complete dataset. A similar analysis is then applied to two sub-sets comprising developed versus emerging economies separately to compare results and examine for theoretical support for the influence of institutional qualities on CSR adoption practices as hypothesized.

This study uses OLS regression analytics to test the relationship between institutional qualities and CSR adoption practices from both developed and emerging economy perspective. The assumptions underlying the regression model were tested for multicollinearity based on a correlation matrix as well as variance inflation factors (VIF). The OLS regression equation is as follows:

$$\text{CSRAdoption} = \beta_0 + \beta_1\text{Ruleoflaw} + \beta_2\text{Financialdevelopment} + \beta_3\text{Humancapitalformation} + \beta_4\text{Internationaltrade} + \beta_5\text{controlvariables} + \epsilon$$

3.5 Results

After outlining descriptive statistics, the hypotheses developed in this study are tested using correlation matrix techniques and OLS multiple regression analysis. Descriptive statistics are performed separately for each set of developed and emerging economies. A similar strategy is applied in relation to the correlation matrix, while the OLS multiple regressions are performed as a series of models for both developed and emerging economies. These models are developed by focussing initially on the complete data set (developed and emerging economies combined) they applied separately to developed economy data compared to emerging economy data to examine the separate hypotheses developed. Descriptive statistics are presented in Table 3.1 with the correlation matrix results are presented in Table 3.2 to 3.4.

Table 3.1 following summarizes the descriptive statistics of the outcome variable (institutional level CSR adoption), explanatory variables (institutional qualities), and control variables used in the study. The mean scores of CSR adoption from a global, developed and emerging economy perspective are 64, 77 and 35 respectively. This confirms the expectations that the CSR adoption rating of the developed country subset is higher compared to the emerging economy subset and place somewhere in between when the analysis is performed from a global perspective. CSR adoption among emerging economies tended to be more prominent in the later years sampled. This finding is theoretically acceptable as scholarly claims persist that developed countries view CSR as part of their day to day operation (Chapple & Moon, 2005a; Dam & Scholtens, 2013; Roberts et al., 2005) whilst it is viewed as a luxury in emerging economies that is subservient to other priorities (Al Mamun et al., 2016; Khan et al., 2013). This could be due to the development of the realisation of the importance of CSR due to higher institutional pressures, competitive advantage and greater competition for legitimacy. GDP growth also varies based on the economic standing of the nations with the mean GDP growth among developed economies 0.8 percent compared to 4 percent among emerging economies.

This is consistent with expectations regarding growth and given that low base emerging economies are coming from.

Table 3.1: Mean and Standard Deviation of CSR Adoption and Institutional Qualities

	Globally		Developed Countries		Emerging Economies	
	Mean	Std. Dev	Mean	Std. Dev	Mean	Std. Dev
CSR	0.640	0.086	0.770	0.108	0.353	0.051
GDP Growth	0.030	0.047	0.008	0.026	0.045	0.044
Corruption control	0.167	0.045	0.166	0.017	0.160	0.043
Political stability	0.233	0.023	0.231	0.011	0.211	0.034
Population growth	0.054	0.097	0.064	0.052	0.068	0.101
Religious diversity	0.377	0.221	0.469	0.180	0.312	0.225
Culture	1.700	0.024	1.624	0.224	1.803	0.134
Ease of doing business	0.175	0.023	0.120	0.468	0.176	0.446
Rule of law	1.033	0.222	1.78	0.048	1.001	0.274
Financial development	0.952	0.808	1.440	0.833	0.645	0.612
Human capital formation	0.890	1.810	1.610	0.199	0.468	2.174
International trade	0.055	0.030	0.066	0.266	0.043	0.055
2010	0.200	0.400	0.200	0.401	0.200	0.400
2011	0.200	0.400	0.200	0.401	0.200	0.400
2012	0.200	0.400	0.200	0.401	0.200	0.400
2013	0.200	0.400	0.200	0.401	0.200	0.400
2014	0.200	0.400	0.200	0.401	0.200	0.400

Source: Author computations

The mean corruption control shows little variations between developed and emerging economies where was expected to be higher. Mean political stability was scored at 23 among developed countries and 21 among emerging economies which shows that on average emerging economies are politically less stable than developed countries. The population growth rate of emerging economies of 6.8 percent is slightly higher compared to the developed country population growth rate 6.4 percent.

Mean religious diversity was scored at 46 among developed countries which is much lower than that of emerging economies with 31. This presents the multiplicity of individuals among developed and emerging economies with emerging economies characterized by lower religious diversity, while developed countries are containing multi-religions. Culture is shown to exhibit a lower power distance among developed countries (score 16) while emerging economies scored a mean of 18 which shows that power distance is higher among emerging economies.

Emerging economies have shown to have a higher mean ease of doing business, 17 percent, compared to developed countries having 12 percent. This reflects the recent policy changes among emerging economies which is visible through alarming contribution to the world economic development. The mean rule of law was higher across developed countries compared to emerging economies with a score of 1.78 and 1.00 respectively. This is consistent with the theoretical expectation that the rule of law is more effective and consistent among developed countries. The mean financial development was found to be 1.44 among developed countries compared to 0.64 across emerging economies. This shows developed countries have more effective and matured financial systems which are reflected through their active stock exchange regulations. Human capital formation was found to score a mean of 1.6 among developed countries while emerging economies scored a mean of 0.46. This implies that human development programs such as regular education, training and social development are more prevalent in emerging economies. This study measured international trade exposure using foreign direct investment as a proxy and scored mean international trade at 6.6 percent among developed countries compared to 4.3 percent across emerging economies. International trade exposure is higher among developed countries, whereas theoretically it is claimed that emerging economies receive more foreign direct investment. The balance of foreign net received and net invested foreign direct investment could be the cause of the higher international trade scored for developed countries compared to that of emerging economies. This study also controlled for years which are created as dummy variables, and hence remain equal through at the analysis for both developed and emerging economies as well as the combined sample.

Prior to applying the OLS analysis, the data were examined for evidence of violations of normality and whether multicollinearity is a problem among the explanatory variables. This was was performed at all three levels: global, developed countries and emerging economies. The results are presented in Table 3.2, Table 3.3: Correlations Matrix of Institutional Qualities and CSR Adoption Practices from a Developed Country Perspective

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	1														
owth	.071	1													
on control	-.027	-.234**	1												
stability	.046	.203*	.438**	1											
on growth	.157	.032	.368*	.480**	1										
s diversity	.092	.097	-.089	.108	.029	1									
	.251**	.004	-.256**	.031	-.072	.163*	1								
oing business	.131	-.408**	.415**	-.033	-.044	.182*	.166*	1							
aw	-.008	-.167*	.555**	.088	.280	-.045	-.093	.300**	1						
l development	-.061	.005	.104	.155	.090	-.059	.019	.007	.225**	1					
capital formation	-.209**	.218**	-.311**	-.172*	-.082	.064	-.350**	-.408**	-.268**	-.051	1				
onal trade	-.035	.163*	-.204*	-.054	-.082	-.162*	.057	-.141	-.110	.318**	.128	1			
	-.039	.125	.424**	.455**	.379*	.003	-.037	.000	.411**	.087	-.054	.045	1		
	-.054	.076	.154	.499**	.125	.012	-.037	.000	-.576**	-.083	-.028	-.116	-.250**	1	
	-.093	-.185*	-.174*	-.328**	-.315*	.021	-.037	.000	.046	.116	-.001	.060	-.250**	-.250**	1
	-.003	-.098	-.203*	-.313**	-.025	.030	-.037	.000	.059	-.076	.027	-.044	-.250**	-.250**	-.250**
	.190*	.082	-.203*	-.313**	-.164	-.065	.148	.000	.059	-.044	.055	.054	-.250**	-.250**	-.250**

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 155 (two-tailed)
Source: Author computations

and **Error! Reference source not found.** respectively for the global sample and the developed and emerging economy subsets. The results showed that the outcome variable is normally distributed in all three levels and that multicollinearity of explanatory variables is not an issue.

For multicollinearity, this study examines the correlations among the explanatory variables, control variables as well as the outcome variable. It can be seen from Table 3.2 to **Error! Reference source not found.**, that the associations between independent variables are all below 0.40 after controlling for the relevant institutional factors (Aguinis & Glavas, 2012). Variation inflation factors (VIF) show no more than 36, suggesting that multicollinearity is not a problem among explanatory variables (Deegan, 2007), using a two-tailed test, suggesting the results are not subject to multicollinearity concerns (Tihanyi et al., 2003). The correlation matrix simplifies the interpretation of the variables and shows VIF and linear dependency.

Table 3.2: Correlations Matrix of Institutional qualities and CSR Adoption Practices from a Global Perspective

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 CSR	1																
2 GDP Growth	.000	1															
3 Corruption control	.037	-.059	1														
4 Political stability	.150**	.213**	.770**	1													
5 Population growth	.102*	.404**	.027	.213**	1												
6 Religious diversity	.022	.113*	.069	.102*	.042	1											
7 Culture	.232**	.228**	-.200**	-.056	.015	-.201**	1										
8 Ease of doing business	.201**	.062	-.111*	-.157**	-.071	-.287**	.399**	1									
9 Rule of law	.072	-.099*	.927**	.717**	.017	.106*	-.175**	-.212**	1								
10 Financial development	-.025	.032	.070	.054	.021	.081	-.077	-.048	.053	1							
11 Human capital formation	-.270**	-.059	-.337**	-.318**	-.105*	-.019	.031	-.013	-.356**	-.040	1						
12 International trade	.002	.097*	-.069	-.007	.039	-.112*	.081	-.029	-.030	.024	-.020	1					
13 2010	-.009	.164**	.138**	.229**	.306**	-.051	-.002	.000	.077	.046	-.005	.028	1				
14 2011	-.010	.113*	.051	.243**	.126*	-.017	-.002	.000	-.082	-.025	-.003	-.070	-.250**	1			
15 2012	-.069	-.099*	-.063	-.206**	-.142**	.016	-.002	.000	.003	.070	.000	.036	-.250**	-.250**	1		
16 2013	.027	-.079	-.063	-.133**	-.144**	.049	-.002	.000	.001	-.045	.003	-.027	-.250**	-.250**	-.250**	1	
17 2014	.060	-.099*	-.063	-.133**	-.145**	.004	.010	.000	.001	-.046	.005	.034	-.250**	-.250**	-.250**	-.250**	1

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 415 (two-tailed)

Source: Author computations

Table 3.3: Correlations Matrix of Institutional Qualities and CSR Adoption Practices from a Developed Country Perspective

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 CSR	1																
2 GDP Growth	.071	1															
3 Corruption control	-.027	-.234**	1														
4 Political stability	.046	.203*	.438**	1													
5 Population growth	.157	.032	.368*	.480**	1												
6 Religious diversity	.092	.097	-.089	.108	.029	1											
7 Culture	.251**	.004	-.256**	.031	-.072	.163*	1										
8 Ease of doing business	.131	-.408**	.415**	-.033	-.044	.182*	.166*	1									
9 Rule of law	-.008	-.167*	.555**	.088	.280	-.045	-.093	.300**	1								
10 Financial development	-.061	.005	.104	.155	.090	-.059	.019	.007	.225**	1							
11 Human capital formation	-.209**	.218**	-.311**	-.172*	-.082	.064	-.350**	-.408**	-.268**	-.051	1						
12 International trade	-.035	.163*	-.204*	-.054	-.082	-.162*	.057	-.141	-.110	.318**	.128	1					
13 2010	-.039	.125	.424**	.455**	.379*	.003	-.037	.000	.411**	.087	-.054	.045	1				
14 2011	-.054	.076	.154	.499**	.125	.012	-.037	.000	-.576**	-.083	-.028	-.116	-.250**	1			
15 2012	-.093	-.185*	-.174*	-.328**	-.315*	.021	-.037	.000	.046	.116	-.001	.060	-.250**	-.250**	1		
16 2013	-.003	-.098	-.203*	-.313**	-.025	.030	-.037	.000	.059	-.076	.027	-.044	-.250**	-.250**	-.250**	1	
17 2014	.190*	.082	-.203*	-.313**	-.164	-.065	.148	.000	.059	-.044	.055	.054	-.250**	-.250**	-.250**	-.250**	1

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 155 (two-tailed)
Source: Author computations

Table 3.4: Correlations Matrix of Institutional Qualities and CSR Adoption Practices from an Emerging Economy Perspective

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1 CSR	1																
2 GDP Growth	.128*	1															
3 Corruption control	.206**	-0.014	1														
4 Political stability	.166**	.176**	.832**	1													
5 Population growth	0.092	.404**	0.034	.189**	1												
6 Religious diversity	.139*	.266**	0.048	.164**	0.058	1											
7 Culture	0.008	0.063	-.177**	-.222**	-0.091	-.250**	1										
8 Ease of doing business	0.051	-0.059	-.167**	-.332**	-.163**	-.304**	.293**	1									
9 Rule of law	.163**	-0.06	.951**	.795**	0.029	0.069	-.175**	-.230**	1								
10 Financial development	0.056	-0.024	-0.029	-0.006	0.11	0.067	-0.113	-.113*	0.013	1							
11 Human capital formation	-.267**	0.043	-.411**	-.314**	-0.098	-.167**	.362**	.253**	-.435**	-0.009	1						
12 International trade	0.056	-0.024	-0.029	-0.006	0.11	0.067	-0.113	-.133*	0.013	1.000**	-0.009	1					
13 2010	0.012	.168**	0.088	.188**	.282**	-0.082	0.032	0.000	0.056	0.01	-0.004	0.01	1				
14 2011	0.02	.124*	0.033	.196**	.142*	-0.033	0.032	0.000	-0.045	0.012	-0.002	0.012	-.250**	1			
15 2012	-0.056	-0.072	-0.045	-.191**	-.129*	0.015	0.032	0.000	-0.002	-0.04	.000	-0.04	-.250**	-.250**	1		
16 2013	0.05	-0.062	-0.038	-0.096	-.140*	0.063	0.032	0.000	-0.005	-0.04	.002	-.04	-.250**	-.250**	-.250**	1	
17 2014	-0.026	-.158*	-0.038	-0.096	-.155*	0.038	-.129*	0.000	-0.005	0.058	0.004	0.058	-.250**	-.250**	-.250**	-.250**	1

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 260 (two-tailed)
Source: Author computations

Table 3.5 outlines the OLS regression results of predictor variables on CSR adoption at the institutional level with the dependent variable developed from the average CSRHub CSR ratings of corporations for each individual country. Six models are applied to regress institutional quality variables against CSR adoption practices at the institutional level among the 83 global countries. Model one includes all control variables while models 2 to 5 progressively introduces each of the independent variables until finally all variables are included in model 6. This process is performed to test the overall consistency of the results. The results show that all institutional qualities have a statistically significant association with CSR adoption from the global perspective. Similar OLS results are presented separately for developed and emerging economies to examine the hypotheses developed.

The results show that a nations rule of law is significantly positively associated with the level of its CSR adoption practices (beta = 0.116; $p < 0.05$), and (beta = 0.189; $p < 0.001$) (models 2 and 6, Table 3.5). Economic-financial development was also shown to have a significant positive impact on CSR adoption practices globally (beta = 0.014; $p < 0.010$), (beta = 0.01; $p < 0.05$) (models 3 and 6, Table 3.5). This suggests that when a nation achieves economic financial development is more likely to devote resources to promoting CSR at the institutional level. This study also finds a positive association between human capital formation and CSR adoption at the institutional level (beta = 0.012; $p < 0.01$) and (beta = 0.01; $p < 0.01$) suggesting that as countries achieve advancements in human capital formation, the level of CSR adoption in that country increases. The results also show that a nation's international trade exposure (using proxy foreign direct investment) is also positively associated with CSR adoption practices from a global perspective (beta = 0.010; $p < 0.01$) and (beta = 0.020; $p < 0.01$). This implies that the higher the level of international trade engagement of a country, the higher its CSR adoption practices at the aggregate level.

Table 3.5: Ordinary Least Square Regression Analysis — 83 Countries Sampled

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(Constant)	1.848***	1.929***	1.907***	1.967***	0.464***	1.978***
	0.000	0.000	0.000	0.000	0.000	0.000
2010	0.04***	0.04***	0.04***	0.04***	-0.005***	0.04***
	0.010	0.000	0.000	0.000	0.009	0.000
2011	0.04***	0.05***	0.05***	0.05***	-0.003***	0.05***
	0.000	0.000	0.000	0.000	0.01	0.000
2013	0.05***	0.05***	0.05***	0.05***	0.008**	0.05***
	0.000	0.000	0.000	0.000	0.027	0.000
2014	0.05***	0.05***	0.05***	0.05***	0.012*	0.05***
	0.000	0.000	0.000	0.000	0.06	0.000
GDP Growth	-0.130	-0.090	0.000	0.000	0.244	-0.010
	0.260	0.450	0.990	0.990	0.246	0.930
Corruption Control	0.120	-0.500	-0.570	-0.79**	-0.031*	-0.78**
	0.510	0.170	0.120	0.020	0.102	0.030
Political Stability	-0.420	-0.57*	-0.420	-0.370	-0.066*	-0.390
	0.200	0.090	0.220	0.260	0.103	0.230
Population Growth	-0.02***	-0.02***	-0.03***	-0.03***	-0.03***	-0.03***
	0.000	0.000	0.000	0.000	0.000	0.000
Religious Diversity	0.06***	0.06***	0.06***	0.06***	0.010***	0.06***
	0.000	0.000	0.000	0.000	0.002	0.000
Culture	-0.47**	-0.49**	-0.380	-0.360	-0.384	-0.360
	0.050	0.040	0.120	0.120	0.181	0.120
Ease of Doing Business	-0.070	-0.020	0.000	0.010	0.017**	0.020
	0.450	0.810	0.970	0.870	0.022	0.820
Rule of Law		0.12**				0.19***
		0.050				0.000
Financial Development			0.01***			0.010**
			0.010			0.03
Human Capital Formation				0.01***		0.01***
				0.000		0.000
International trade					0.001***	0.020***
					0.002	0.001
Adjusted R Square	0.13	0.13	0.15	0.21	0.21	0.21
F- Change	0.44	0.48	0.1	0.13	0.28	0.29
Prob.	0	0	0	0	0	0
Number	415	415	415	415	415	415

Standardized beta coefficients; p-value in parentheses; statistical significance tests are one tailed for hypothesized effects and two tailed for control variables *P < 0.10; **P < 0.05; ***P < 0.01

Source: Author computations

In addition to the independent variables, there are also a number of control variables found to have a significant relationship with CSR adoption at the institutional level. Religious diversity and lack of barriers to conducting business are positively associated with CSR adoption practices while corruption control, population growth and culture are negatively associated at the institutional level from a global perspective.

Table 3.6 shows the results of the investigation of the institutional level hypotheses developed in respect of the developed county subset. These show that the rule of law in developed countries is not associated with CSR adoption practices (beta = 0.030; $p > 0.10$), and (beta = 0.170; $p > 0.10$) (models 2 and 6, Table 3.6) providing no evidence to support H1. This is consistent with the view that developed country organizations view CSR adoption practices as a part of day-to-day operations, hence, regulatory enforcement is not needed. However, the level of economic financial development is shown to have a significant positive impact on CSR adoption practices among developed countries (beta = 0.02; $p < 0.050$), (beta = 0.02; $p < 0.05$) (models 3 and 6, Table 3.6). This implies that as a nation financially develops, its CSR adoption at the aggregate level increases. Therefore, H2 is supported.

Table 3.6: Ordinary Least Square Regression Analysis— 31 Developed Countries Sampled

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(Constant)	1.348***	1.373***	1.468***	.932**	1.348***	.973**
	0.001	0.002	0.001	0.049	0.001	0.034
2010	-0.030	-0.030	-0.040	-0.030	0.005**	0.000
	0.310	0.330	0.150	0.230	0.012	0.920
2011	-0.050	-0.060	-0.09*	-0.070	-0.026	-0.010
	.04**	0.170	0.060	0.170	0.306	0.900
2013	0.05***	0.05***	0.05***	0.05***	0.055**	0.07***
	0.000	0.000	0.000	0.000	0.040	0.000
2014	0.04***	0.04***	0.04***	0.03***	0.055***	0.04***
	0.000	0.000	0.000	0.000	0.000	0.000
GDP Growth	0.49*	0.49*	0.430	0.250	0.040***	0.110
	0.070	0.080	0.110	0.340	0.000	0.590
Corruption Control	-0.87*	-0.850	-0.480	-0.220	0.491*	-0.120
	0.090	0.120	0.400	0.690	0.074	0.820
Political Stability	-3.24**	-3.36*	-4.16**	-3.25*	-0.868*	1.250
	0.030	0.060	0.020	0.060	0.098	0.530
Population Growth	-0.06***	-0.06***	-0.07***	-0.09***	-0.040***	-0.08***
	0.000	0.000	0.000	0.000	0.000	0.000
Religious Diversity	0.012**	0.054	0.010**	0.020**	0.006	0.101
	0.03	0.040	0.034	0.045	0.04	0.022
Culture	-0.130	-0.130	-0.070	0.070	0.466	0.030
	0.350	0.370	0.660	0.660	0.667	0.830
Ease of Doing Business	0.030	0.040	0.150	1.23**	1.2**	1.2**
	0.790	0.780	0.310	0.030	0.030	0.030
Rule of Law		-0.030				0.170
		0.890				0.610
Financial Development			0.04**			0.04**
			0.020			0.020
Human Capital Formation				0.32**		0.33**
				0.040		0.030
International Trade					0.001*	0.01*
					0.083	0.100
Adjusted R Square	0.87	0.86	0.87	0.89	0.87	0.9
F- Change	0	0.88	0.18	0.04	0.08	0.1
Prob.	0	0	0	0	0	0
Number	155	155	155	155	155	155

Standardized beta coefficients; p-value in parentheses; statistical significance tests are one tailed for hypothesized effects and two tailed for control variables *P < 0.10; **P < 0.05; ***P < 0.01;
Source: Author computations

This study also finds a positive association between human capital formation and CSR adoption at the institutional level among developed countries (beta = 0.032; $p < 0.05$) and (beta = 0.033; $p < 0.05$), offering support for H3 is supported. This suggests that as human capital formation improves in developed countries through increased training and education, increasingly so does the adoption of CSR practices at the institutional level. The results also show that international trade exposure, measured using foreign direct investment as a proxy, has a similar significant positive association with CSR adoption practices across developed countries, (beta = 0.001; $p < 0.1$) and (beta = 0.01; $p < 0.1$) (models 5 and model 6, Table 3.6). These results provide support for H4, which argued that an increased international trade at the institutional level will influence CSR adoption practices at the aggregate level. The study did not control for the source country of the foreign direct investment and whether the investment came from either an emerging economy or other developed countries. Therefore, this result could be due to the reverse transfer of knowledge when the investment is received from emerging economies, whilst investment is from other developed countries may cause CSR adoption through imitation.

The results of investigating the separate hypotheses developed in relation to emerging economy CSR adoption practices are presented in Table 3.7. These show that the rule of law has significant positive association with CSR adoption practices across emerging economies at the institutional level, (beta = 0.016; $p > 0.05$), and (beta = 0.19; $p > 0.01$). This provides support for hypothesis 1a that argued that when the rule of law is effective and consistent in an emerging economy CSR adoption increases at the institutional level. This is theoretically consistent with claims that when emerging economies face weak regulatory pressure and enforcement CSR adoption practices are determined (Al Mamun et al., 2016; Khan et al., 2013). The results, however, find no evidence to support hypothesis 2a which held that increased financial development in an emerging economy would influence CSR adoption practices.

Table 3.7: Ordinary Least Square Regression Analysis— 52 Emerging Economies Sampled

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
(Constant)	1.348***	1.373***	1.468***	.932**	0.511***	0.973**
	0.001	0.002	0.001	0.049	0.040	0.034
2010	0.030	0.04**	0.04*	0.04**	0.04**	0.04**
	0.110	0.050	.06*	0.020	0.035	0.020
2011	0.04**	0.05***	0.05***	0.06***	0.003***	0.06***
	0.040	0.010	0.010	0.000	0.000	0.000
2013	0.05***	0.05***	0.05***	0.05***	0.005***	0.05***
	0.000	0.000	0.000	0.000	0.000	0.000
2014	0.04***	0.04***	0.04***	0.04***	0.04***	0.04***
	0.020	0.010	0.010	0.010	0.010	0.010
GDP Growth	-0.170	-0.090	-0.060	-0.090	0.006	-0.080
	0.340	0.590	0.760	0.590	0.507	0.650
Corruption Control	0.010	-0.89*	-0.93*	-0.97**	0.12	-0.650
	0.970	0.090	0.080	0.050	0.17	0.180
Political Stability	-0.140	-0.250	-0.170	-0.770	0.029	-0.740
	0.780	0.620	0.740	0.120	0.351	0.120
Population Growth	-0.05***	-0.06***	-0.06***	-0.07***	0.572***	-0.05***
	0.000	0.000	0.000	0.000	0.025	0.000
Religious Diversity	0.09***	0.09***	0.09***	0.11***	0.171**	0.09***
	0.000	0.000	0.000	0.000	0.022	0.000
Culture	-0.490	-0.410	-0.330	-0.91*	-0.005	-0.720
	0.340	0.430	0.520	0.070	0.528	0.140
Ease of Doing Business	0.180	0.230	0.240	0.110	-0.370***	0.170
	0.230	0.130	0.120	0.470	0.000	0.240
Rule of Law		0.16**				0.19***
		0.050				0.010
Financial Development			0.010			-0.010
			0.270			0.490
Human Capital Formation				0.02***		0.02***
				0.000		0.000
International Trade					0.001***	0.01***
					0.002	0.000
Adjusted R^2	0.18	0.19	0.19	0.19	0.22	0.26
F- Change	0.27	0.05	0.27	0.27	0.27	0.27
Prob.	0	0	0	0	0	0
Number	260	260	260	260	260	260

Standardized beta coefficients; p-value in parentheses; statistical significance tests are one tailed for hypothesized effects and two tailed for control variables *P < 0.10; **P < 0.05; ***P < 0.01.
Source: Author computations

Table 3.7 also shows that increased human capital formation results in increased CSR adoption practices among emerging economies at the institutional level, (beta = 0.020; p > 0.01), and (beta = 0.02; p > 0.01) (models 4 and 6, Table 3.7) hence hypothesis 3a is supported. This implies that the more trained, educated and skilled individuals among emerging economies the higher the living standard which positively impacts on CSR adoption practices at the aggregate level. Finally, the results show that international trade exposure is positively correlated with CSR adoption practices among emerging economies, (beta = 0.001; p > 0.01), and (beta = 0.01; p > 0.01) (models 5 and 6, Table 3.7). This study, therefore, accepts hypothesis 4a which posited that as emerging economies increasingly engage in international trade and receive foreign direct investment, the level of CSR adoption practices increases. This may be because the emerging economies face increased pressure from foreign partners to adopt CSR as proof of their legitimacy. In addition, there are some interesting findings relating to some of the control variables, particularly in relation to political stability, corruption control, GDP growth, religious diversity, ease of doing business and culture. A Hausman specification test (Bhagat & Bolton, 2008) is performed on each of the models to determine that the model is appropriate and the results suggest that endogeneity is not an issue (Appendix IV).

The results of this study are also found significant in terms of adjusted R-square with little change observed among models. Moreover, F-value changes and significance results also remain consistent across the models. The repeated analysis applied to the emerging economies and developed countries subsets also shows consistency regarding F-value change and significant results.

3.6 Discussion and Analysis

The above empirical findings offer some important insights into the theoretical constructs regarding the institutional qualities and institutional logics that impact CSR adoption from the perspectives of both emerging and developed economy contexts. In particular, the results support the premise of institutional theory and the institutional logics literature that suggests that to survive in a given environment firm must gain and retain legitimacy to ensure their sustainability in the society they operate. To test these theories this study focused on the relationship between the national institutional qualities of rule of law, financial development, human capital formation and international trade exposure and the rate of country-level CSR adoption practices (Ioannou & Serafeim, 2014). This is an area that has not been examined previously and extends on existing studies of the influence of institutional factors on CSR adoption at the macro level (e.g. Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b). Lim and Tsutsui (2012) controlled for GDP growth in their study and found it had a negative influence on CSR adoption. This study also shows a significant negative relationship between GDP growth and CSR adoption based on 83 countries (Table 3.5). Other researchers have suggested that international trade exposure would have a significant positive impact on CSR adoption at the institutional level and the results of this study are consistent with this theorem.

Table 3.8: Summarised Findings on Institutional Qualities and CSR Adoption

	Variable	Findings
H1	Rule of law and CSR adoption relationship among developed countries	No association has been observed between rule of law and CSR adoption
H1a	Rule of law and CSR adoption relationship among emerging economies	Significant positive association found between rule of law and CSR adoptin
H2	Financial development and CSR adoption relationship among developed countries	Significant positive association found between financial development and CSR adoptin
H2a	Financial development and CSR adoption relationship among emerging economies	No association observed between financial development and CSR adoption
H3	Human capital formation and CSR adoption relationship among developed countries	Significant positive association found between human capital formation and CSR adoptin
H3a	Human capital formation and CSR adoption relationship among emerging economies	Significant positive association found between human capital formation and CSR adoptin
H4	International trade and CSR adoption relationship among developed countries	Significant positive association found between international trade and CSR adoptin
H4a	International trade and CSR adoption relationship among emerging economies	Significant positive association found between international trade and CSR adoptin

Source: Author compilations

The most important overall result from the empirical findings in this study is perhaps the significantly positive impact that these variables have on aggregate CSR levels despite the existance of institutional variations across nations in both developed and emerging economies. The results suggest that regardless of economic status, institutional level pressure has a significant influence on CSR adoption decisions.

3.6.1 Rule of Law

The strength of national rule of law showed a significant positive influence on CSR adoption among emerging economies but not among developed economies. This finding is consistent with the findings documented by Young and Makhija (2014b)'s study of apparel industry firms based in 38 countries. These findings imply that when governments and regulatory bodies function effectively and rigorously apply rules and regulations to corporate actions, corporations are more likely to comply to be better social and environmental constituents. When the regulatory system is weak, corporate engagement in terms of social and environmental responsibilities is also weak (See e.g., Young & Makhija, 2014b).

The positive effect of the rule of law in promoting CSR adoption practices at the institutional level found in this study may result in part because of direct institutional pressure from local, state and federal authorities who demand corporations have a CSR focus when bargaining for public sector contracts, or direct lobbying activities (Campbell, 2007; Ioannou & Serafeim, 2012b; Matten & Moon, 2008). Importantly this study shows that the efficiency of bureaucracy and the overarching systems which are created by state law positively affect the level of CSR adoption practices across emerging economies. This is, however, not applicable to developed countries. This may be because organizations operating in developed countries are more concerned about their legitimacy hence voluntarily adopt social and environment-friendly projects regardless of the level of pressure from national rule of law. This also indicates that CSR is predominantly considered as a developed economy phenomenon (Mishra & Suar, 2010) regardless of the level of regulatory the pressures faced by organizations in these economies (Chapple & Moon, 2005b).

3.6.2 Financial Development

To determine to what extent national financial development influences CSR adoption practices at the macro level, this study tested hypotheses developed regarding developed countries and emerging economies. Despite being theoretically important and institutionally legitimate, this institutional factor has not previously been examined in extant studies and therefore the finding of this study that financial development is positively associated with CSR adoption practices across both emerging and developed countries is important to the literature.

Financial development at the macro level is a strong institutional force to change business practice as the financial development of an economy is itself an indication of the overall development and sophistication of the business practices of a nation (Bun & Singh, 2016; Hsu et al., 2014). While financial development at the institutional level is recognised to have a positive influence on economic development (Greenwood et al., 2013) this study also shows that when as an economy financially develops, and its financial markets become more effective and influential, the nation is more likely to propose and implement rules and regulations that are consistent with international business best practice. Organizations in financially developed economies are also more likely to expand international business affiliations and strategic alliances that will, in turn, encourage local organizations to comply with rules and laws set at international standards.

Therefore, this study provides important empirical evidence that economic financial development at the institutional level places positive pressure on organizations to adopt CSR practices.

3.6.3 Human Capital Formation

Along with other institutional qualities, this study proposed that the level of a nation's human capital formation would impact the institutional level CSR adoption practices across developed and emerging economies. This is based on theoretical arguments that suggest that organizations will improve their CSR engagement when human capital formation advances in a country as it signals an increase in national quality of life which results in the nation's population becoming more conscious of social and environmental factors that impact the living standards.

As stipulated by institutional theory and institutional logics, human capital formation was defined as the stage that a nation's population is aggregately educated, skilled and trained which enables advances in national living standards (Beine et al., 2008; Cervellati & Sunde, 2005). Advancing human capital formation places extra pressure on organizations to act in a socially and environmentally viable manner, as educated, and trained people understand the importance of a better standard of living (Kalemli-Ozcan et al., 2000). The results of this study support the hypotheses that firms operating in countries with the relatively high human capital formation, have greater rates of adoption of CSR practices. This provides evidence that firms respond to demands from stakeholders and that education impacts the population's lifestyle allowing them to recognise the importance of social and environmental concerns.

The results of this study are consistent with the hypothetical argument that national level human capital formation influences CSR adoption of a nation at the aggregate level across both developed and emerging economies. These findings are important not only because the relationship has not been previously studied, but because it provides evidence that human capital formation is an important institutional factor both from an economic perspective as well as international business and social perspective.

3.6.4 International Trade Exposure

International trade as an institutional quality has received much attention in the international business, management and economics disciplines (Abdullah et al., 2016; Boehe & Barin Cruz, 2010; O'Connor, Vera-Muñoz, & Chan, 2011) with a large body of empirical evidence showing international trade has a positive effect on the economic development of a country (Campbell, 2007; Greenwood et al., 2013; Lim & Tsutsui, 2012; Matten & Moon, 2008). This study uses foreign direct investment in a country as a proxy for international trade exposure to examine its effect on CSR adoption practices.

The international business literature holds that international investors will seek an investment environment where they perceive their investment is secure (Brander & Spencer, 1984). This study posits that socially-oriented strategies can function as a form of social insurance policy (Godfrey et al., 2009) and hence increase the confidence of foreign investors. Therefore, to need to access increased foreign direct investment inflows may prioritize the State to emphasize the importance to a stable business environment and place extra pressure on businesses to adopt increased levels of CSR adoption. In addition, when organizations operate in foreign destinations, different cultures can result in miscommunication of information and imperfect information sharing (Buckley et al., 2007). This can be avoided by recipient organizations ensuring they are seen as engaging with CSR adoption practices.

The results of this study confirmed this relationship between international trade exposure and CSR adoption both developed and emerging economies. In the case of emerging economies, this may be because of increased pressure from developed country investors to comply with international standards or adopt their accepted standards as a requirement for investing. In the case of developed countries, when the investment flow from emerging economies, there may be a reverse transfer of knowledge which encourages them to comply with the innovations from emerging economies and to place greater emphasis on CSR to address the in-depth social and environmental issue associated with emerging economies.

3.7 Theoretical Implication

This study is based on institutional theory and institutional logics and while institutional logic research has been expedited in the last decade (Jarvis, 2017), recognition of its significance to institutional theory as a framework for understanding the social and environmental interactions of corporations is only developing (Thornton & Ocasio, 2008). As outlined this study focusses on the following four institutional qualities to gauge their influence on institutional logics in the form of CSR adoption practices at national level of a sample of developed and emerging economies: The rule of law (Lim & Tsutsui, 2012; Young & Makhija, 2014b), economic financial development (Bun & Singh, 2016; Greenwood et al., 2013; Hsu et al., 2014), human capital formation (Beine et al., 2008; Cervellati & Sunde, 2005) and international trade exposure (Abdullah et al., 2016; Goyal, 2006).

Institutional theorists posit that organizations can be expected to behave in a similar fashion to each other (Campbell, 2007; Doh & Guay, 2006; Matten & Moon, 2008; Young & Makhija, 2014b) to comply with the institutional settings they must face to secure their survival (DiMaggio & Powell, 1983; Ioannou & Serafeim, 2012b). Thornton and Ocasio (2008) also claim that institutional contents and meanings are created by individuals and authorities, known as institutional logics. This study represents an examination of the relationship between institutional qualities (both formal and informal) and CSR adoption practices as a proxy for institutional logics (Doh & Guay, 2006).

Throughout the world, nations enact and implement legal frameworks, laws and regulations (DiMaggio and Powell (1983) Doh and Guay (2006) to safeguard the interest of wider stakeholder groups from organizational actions that are aimed to benefit a specific group of stakeholders over another. For instance, labour exploitation through lower wages and excessive working hours in Bangladesh is designed to benefit shareholders at the expense of workers (Rahim, 2016). In such instances, an effective and strong rule of law is an important institutional quality that can reduce opportunism and positively impact on corporate decisions that benefit the wider society (such as institutional CSR adoption practices). The findings of this study confirm the view of institutional theory and institutional logics that institutional settings protect stakeholders by forcing organizations to act in a similar manner (Campbell, 2007; Matten & Moon, 2008; Young & Makhija, 2014b) and comply with institutional settings through institutional logics (Jarvis, 2017; Thornton & Ocasio, 2008).

The financial development of an economy has been shown to be an important regulator of business practices and operations. There is also significant variations regarding the development of financial markets both in developed and emerging economies (Hsu et al., 2014; Schutz, 2001). This is further supported by the fact that both developed and emerging economies have experienced a number of corporate scandals (e.g. Enron, Satyam) causing national stock exchanges to focus on enforcing organizations to be transparent regarding their actions. The empirical evidence suggests that as a country's financial systems develop, the finance market tends to impose and enforce policies and standards on the organizations that wish to participate. A recent example is a growth in the number of national stock exchanges that have adopted codes of corporate governance with the aim of protecting stakeholders (Al-Mamun et al., 2016). The findings of this study of a positive relationship between an economic financial development and the CSR adoption practices of its participants is consistent with the theoretical view that holds that dominant institutions are more likely to act to protect the interests of stakeholders.

As previously outlined, the development of an economy's human capital formation is a function of an important set of institution tools such as education, training and skills development (Ioannou & Serafeim, 2012b). Institutional level human capital formation also impacts the labour market by increasing the quality of labour available to sell to organizations. When a nation achieves advanced human capital formation through improved education, training and skills development, the labour market becomes more powerful in influencing organizations to comply with institutional level rules and regulations (e.g. minimum wage requirements, employee health and safety, labour rights, child labour). In addition, the advancement of human capital impacts on participant's aggregate living standards and stakeholder awareness. The findings of this study of a positive influence of human capital formation on increased CSR adoption practices at the institutional level offers empirical support for recognising the importance of continuing institutional level human resource development.

The impact of international trade on national institutional qualities is widely recognized in the social science literature (Abdullah et al., 2016). International trade, as measured by foreign direct investment in this study, is considered an important institutional influence as foreign investors demand stable and secure markets in which to invest. Therefore, when developed country investors consider investing in emerging economies, they require strong institutional logics to be adopted. This study shows a potential signal is increasing the level of CSR adoption by organizations. Alternatively, when emerging economy participants invest in developed countries, they import a reverse transfer of information, knowledge and practices to be adopted by the developed country organizations.

3.8 Managerial Implication

Along with theoretical implications, the results of the study offer important implications for firm management. Developing an integrated model which focusses on both institutional qualities and institutional logics, this study presents a rigorous understanding of the institutional effects on CSR adoption from a global perspective considering both developed and emerging economies. Importantly, these results provide support for management's recognition of the important impacts of institutional qualities on CSR adoption in both developed and emerging economy environments. By recognising and controlling for a number of institutional factors, management can adapt CSR strategies to the varied influences of institutional qualities of developed and emerging economies along with other regulatory and non-regulatory influences (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008). Globalisation of business makes the examination of the relationship between institutional qualities and CSR adoption from global perspective important.

In regard to institutional quality and institutional logic arguments, the results of this study highlight an important discrepancy between the short-term and long-term benefits of CSR adoption. While socio-science theorists are sceptical about the potential application of CSR adoption under the influence of institutional pressure, this study reports that the rule of law, financial development, human capital formation and international trade relations help encourage institutional level CSR adoption and substantive commitment among corporations of emerging economies. The same were found to be applicable to developed countries with the exception of the rule of law. This analyses suggests that Western developed nations can be substantially considered as self-responsible for basing their operational environments on socially and environmentally friendly frameworks that focus on the societal life of the world and impose normative influences on firms to substantively adopt CSR. However, this is not the case in emerging economies, where the results suggest that regulatory pressure is required for firms to be committed to meet their social and environmental responsibilities. Hopefully the above findings will convey a message to both regulators and practitioners that assimilating CSR adoption within business practice is not curtailed solely by a lack of resources and aptitude per se, rather from the will and pressures exerted from institutional settings and environments.

Therefore an important managerial contribution of this study is to highlight the distinction between two different perspectives of the role of lack of capacity to enable regulators and actors to take substantial actions with regarding to emerging economy social and environmental approaches. These findings are contrary to that of Lim and Tsutsui (2012) who claim that there is an organized hypocrisy in encouraging CSR in emerging economies, due to a lack of will and action by regulators. This study posits that regulatory pressures can be applied to supplement the existing normative and coercive pressures on organizations to adopt CSR both in developed and emerging economies. These findings suggest that instiutional qualities are a strong force for change among both developed and emerging economies regarding CSR adoption, however, the issue requires further examination.

3.9 Concluding Remarks and Future Research Agenda

This study sought to examine whether national institutional qualities affect the CSR adoption practices of organizations by applying a lens that integrated institutional theory and institutional logics. The results of this study, suggest that organizations do face significant institutional pressures to fulfil their responsibility towards society and the environment. The extant theoretical research on this topic is currently inadequate, with a strong emphasis being placed on regulatory or formal constraints, which neglects the potential impacts of informal institutional qualities that also play a key role in ensuring that organizations are operating in a socially and environmentally acceptable manner (Campbell, 2007; Doh & Guay, 2006; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b).

This study found that the rule of law significantly influences CSR adoption practices across emerging economies but is not important in developed economies. Secondly, the financial development of an economy also has a positive relationship with CSR adoption at the aggregate level both emerging and developed countries. Therefore, government and regulators need to focus on the importance of law enforcement in emerging economies and the development of financial institutions in both emerging and developed economies to encourage institutional level CSR adoption practices. The third positive explanatory variable was human capital formation which is achieved through providing education, training and skills to the population. This signals that governments need to prioritize the training and education of individuals at all levels regardless of the economic standing of the nation.

This study also provided empirical evidence that strategic policies and business standards are imported from outside through international trade. This provides evidence of a positive link between international trade and CSR adoption practices suggesting that investor activism is high regardless of whether investments in emerging or developed countries. This is important as it suggests that developed country investor/stakeholder pressures are important in encouraging CSR adoption among emerging economies, even though emerging economies exhibit different uncertainties and institutional characteristics (e.g. family dominance) which may compromise resource utilization. The findings of this study are important signals to decision authorities of both developed and emerging economies of the importance of fostering greater levels of international trade.

When interpreting the results of this study it is important to do so in the light of several potential limitations. The first is the inability to apply random sampling to select the countries to be examined with convenience sampling adopted instead. A larger sample size and an investigation of a greater number of institutional qualities comparing developed and emerging economies would have made the findings more robust. Additional institutional qualities and institutional logics could have included other important institutional settings, such as government effectiveness, with some studies reporting that the more effective a government is the more likely organizations are to adopt CSR practices (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b).

Another limitation of this study is the inability to consider additional measures for CSR adoption practices. As such this study depended solely on CSRHub to measure CSR adoption practices and it was not possible to independently verify the accuracy of their findings. Global Reporting Initiatives is another organisation that also generates CSR adoption practices data and using data from multiple sources would provide a greater level of robust support for the developed hypotheses. As there is no universally accepted measurement scale for CSR adoption practices, future research should focus on replicating the results using other measures of CSR adoption practice (Petrenko et al., 2016; Rahim, 2016).

While this study examined the effect of macro institutional qualities on aggregate CSR adoption practices across 83 developed and emerging economies, the analysis did not attempt to identify the relevance of these institutional factors at the micro or mezzo level and how they interplay with firm-level factors. There is growing evidence that CSR is taken as a fundamental part of business operations in developed countries regardless of organizational size and industry (Blowfield & Frynas, 2005; Sprinkle & Maines, 2010) with research conducted from both the perspectives of macro-level variables (institutional context) (Lim & Tsutsui, 2012; Young & Makhija, 2014b) and mezzo level variables (firm context) (Chapple & Moon, 2005b; Khan et al., 2013). However, analysis of observations on institutional quality and firm CSR adoption highlight that the application of a multi-theory analysis has not yet been adequately explored. Therefore, future research on CSR may consider pursuing such a multi-theory analysis which combines both institutional and firm-level variables. This may explain to what extent firm decision-makers are nested on boards, boards nested in firms, firms nested in industries and industries nested in economies and which of these factors has the greatest influence on CSR adoption across countries.

In addition to the above limitations and future research recommendations, it is also suggested that the CSR data used (CSRHub) should be compared with other database sources such as KLD, Bloomberg ESG score or ASSET4 CSR. Having said this, there is constraint as KLD, Bloomberg or ASSET4 only generates CSR scores for developed country firms hence any comparison will be restricted to developed country firms only. Further studies could also conduct a comparison between developed and emerging economies using other distinguishing features created by the economic standing of the countries. This could be achieved by performing a T-test between developed and emerging economies to determine for significant differences between the two.

Therefore this study offers an important contribution to the literature by seeking to develop a future research agenda emphasising a multi-theory analysis and by highlighting the paucity of research on CSR adoption at the institutional level across countries (Claessens & Yurtoglu, 2013).

CHAPTER FOUR, STUDY TWO: HOW DO BOARDS OF DIRECTORS INFLUENCE CSR IN EMERGING ECONOMIES?

4.0 Introduction

What factors influence the adoption of corporate social responsibility (CSR) across emerging economies? To address this question, this study adopts a multi-theory analytical approach to investigate whether factors that affect CSR adoption in developed economies are relevant to emerging economies (See e.g., Ahern & Dittmar, 2012; Jain et al., 2016; Jamali et al., 2017). In particular, this study examines the relationship between the board of director attributes and CSR adoption in emerging economy firms in the context of the institutional qualities (outlined in Chapter Three) that may impact on board attributes to affect decisions to implement CSR at the firm level. As outlined in Chapter Three, Study One determined that the institutional qualities relating to a nation's rule of law, financial development, human capital formation and international trade exposure have a significant positive influence on CSR adoption from a global context. In the context of effects variations in these institutional qualities have at the firm level, this study examines to what extent a board of directors: (1) political influence, (2) community engagement/involvement, (3) international experience, (4) business expertise, (5) extent of interlocking directorships, and (6) independence from management assist firms to realize and react to external threats by implementing ethically viable strategies. To examine this relationship, this study adopts a multi-theory analytical methodology that incorporates the institutional pressures firms experience (Campbell, 2007; DiMaggio & Powell, 1983; Jain et al., 2016; Matten & Moon, 2008; Thornton & Ocasio, 2008), the resources they require (Hillman & Dalziel, 2003; Preffer & Salancik, 1978) and the agency costs they face in making socially responsible decisions (Daily, Dalton, & Cannella, 2003; Fama, 1980b; Fama & Jensen, 1983).

The institutional literature holds that firms face external institutional pressures in their operational environments to which they respond with similar actions and behaviours (Campbell, 2007; Jain et al., 2016; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b). Chapter three of this thesis detailed the findings of Study One regarding the relationship between CSR adoption and the institutional qualities of rule of law, financial development, human capital formation and international exposure from a global perspective. The study that is the focus of this Chapter seeks to further extend and link the findings of Study One by drawing on resource dependency theory and agency theory to explore for factors that impact CSR adoption at the firm level. The first focus uses the lens of resource dependence theory to examine how various board of director attributes help align the organization with its social environment reduce uncertainty around securing crucial resources (e.g. knowledge, legitimacy) (Hillman & Dalziel, 2003; Preffer & Salancik, 1978). The second focus uses the lens of agency theory to examine for a positive moderating effect of board independence on how different board attributes affect the adoption of CSR strategies (Abdullah et al., 2016; Hillman & Dalziel, 2003; Petrenko et al., 2016; Tihanyi et al., 2014). Agency theory suggests that managers act opportunistically at the expense of owners and can be expected to avoid CSR adoption, despite its long-term benefits to shareholders, due to its negative impact on short-term profitability on which managers are judged (Jensen & Meckling, 1976). As previously outlined there exists a paucity of evidence regarding the impact of firm-level attributes on CSR adoption strategies in emerging economies and an important focus of this study is to determine whether those firm-level factors that are shown to impact on CSR adoption in developed economy firms are relevant for emerging economy firms.

This study seeks to make several contributions to the literature. Firstly, the study offers a theoretical contribution by adding empirical evidence to the CSR literature regarding the impact of a comprehensive set of attributes of boards on CSR adoption in emerging economy firms while taking into consideration the pressures of institutional qualities. In doing so a link will be created between social science theories from three different contexts: international business, strategic management and the corporate governance literature. Study One of this thesis showed that institutional qualities are key factors affecting the organizational CSR adoption decision, as organizations use CSR strategy to respond to institutional pressures to secure their continued survival (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008). Based on this argument, Study Two hypothesizes that board attributes play an important role in firm CSR adoption decisions and that role varies depending on the institutional settings each firm faces. For example, Study One showed that the efficacy of a country's rule of law, as mandated by the regulatory authority of a state, has a positive impact on CSR adoption at the institutional level. Study Two, therefore, hypothesize that firms with greater levels of politically affiliated board members are more likely to be more cognizant of institutionalized expectations and regulations regarding CSR. Director political influence has been shown to be critical to a firms' growth and the business strategies it implements (Chen et al., 2013; Luo, 2006) as knowledge of regulatory power can forcibly influence the considerations of different investment decisions (i.e., social and environmentally viable investments) both positively and negatively (Attig et al., 2013; Jaw & Lin, 2009).

Another influential board member attribute that is expected to impact on firm-level CSR adoption is the level of director community engagement (Hillman et al., 2000). It is hypothesized that community engaged board members are more likely to promote CSR adoption in their firms as they possess greater knowledge and understanding of the institutional pressures applied by community stakeholders to promote ethical social and environmental business practices in that community.

When board members' hold multiple business positions, they become interconnected with other managers and have greater exposure to other business strategies (Zona et al., 2015). When board members possess experience from international environments, this further expands their exposure and enhances their understanding of alternative business practices, stakeholder awareness and international best business practice (Al-Mamun et al., 2016). Therefore, this study posits that the cumulative business expertise possessed by a firm's board of directors is important in promoting CSR adoption strategies. In turn, this influence is tempered by overall director experience and understanding of the institutional influences caused by the level of financial development and human capital formation facing the firm's local operations. Using their outside experience board members with business expertise are more likely to promote CSR adoption by taking into account the institutional constraints applied by the level of financial development and human capital formation in the environment in which they operate.

Finally, this study argues that as the quality and effectiveness of a firm's governance is improved with the presence of independent directors on the board, as they are more likely to act as superior monitors of management who are motivated to avoid adopting CSR due to its negative impact on short-term firm returns which are used to compensate management and evaluate their performance. Board independence is, therefore, hypothesized to positively influence firm CSR adoption as well as moderate the relationships between the other previously outlined board attributes and CSR adoption.

The second contribution of this study lies in its analysis of a unique longitudinal hand-collected dataset comprising six hundred emerging Asian economy firms for five consecutive years (2010-2014). In doing so, this study has also considered the industry or sector sample firms operate in as different industries have differential operating environments, constraints, standards and policies. Determining board of director attributes by hand collecting data from company annual reports, news reports and websites means this is among the first studies to empirically examine the effect of institutional factors and firm-level factors that influence CSR adoption across emerging economy firms. Although a few studies have separately examined the link between CSR and some of the outlined board attributes such as board political connections (e.g., Aras et al., 2010; Attig et al., 2013; Jaw & Lin, 2009) and international experience are these studies tend to be based in the United States with emerging economy restricted to Chinese firms (Daily et al., 2000; Tihanyi et al., 2003). While some studies have examined CSR from the institutional perspective (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b), there has been a little examination of emerging Asian economies such as India, Indonesia, Malaysia, Pakistan, Philippines, and Thailand.

Finally, this study is the first to integrate institutional qualities with firm-level board attributes in an attempt to understand and examine CSR adoption variations among emerging economies using a multi-theory analytical perspective. This study is the first to integrate a wide range of board level factors with institutional qualities to examine the drivers of CSR adoption among Asian emerging economy firms.

The remainder of the chapter is structured as follows. Section 4.1 outlines the relevant conceptual background of institutional pressures in emerging economies. Section 4.2 introduces the different board attributes of interest to the study and develops the hypotheses. Section 4.3 presents the methodology adopted to examine the hypotheses with Section 4.4 presenting the empirical results Section 4.5 which discusses the implications of the findings of the study with Section 4.6 concluding the discussion.

4.1 Conceptual Background

4.1.1 Institutional Pressures

Institutional theory development has opened important insights regarding the importance of institutional settings to organizational structure design and operation (Goodstein, 1994).

Institutional theorists identify various institutional qualities that organizations are compelled to respond to the institutional pressures they create (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008) and emphasize that the importance of the impact of conformity to institutional pressures is often downplayed in understanding the role of decision authority in organizational adaptation to changing institutional environments (Oliver, 1991). Alternatively critics of institutional theory counter that limiting attention to the effects of institutional environments on structural conformity and isomorphism overlook the role of active agency (managers) and resistance in organization-environment relationships (Oliver, 1991). Such a restricted view of the influence of institutional conformity fails to acknowledge circumstances where organizational decision makers contest in the institutionalization.

As previously outlined, institutional theory posits that it is the influences of the institutional settings surrounding organizations that shape their social and organizational behaviours and dictate organizational processes and decision makings. While theorists argue that there is both a social orientation and economic orientation with regard to organizational behaviours, institutional factors dominate the decision making processes at the organizational level (Campbell, 2007; Hoskisson, Eden, Lau, & Wright, 2000; Matten & Moon, 2008).

The study that is the focus of this chapter is motivated by the observation that the process of integrating institutionalization and inter-organizational decision authority in understanding organizational behaviour remains largely overlooked in the literature. Moreover, as institutional settings vary based on the economic standing of states and other factors such as cultural differences (Roland, 2004). It seems unlikely that organizational factors alone will have a homogeneous impact on organizational decision making. For example, organizations face differential institutional pressures in emerging economies compared to developed countries with emerging economies firms also showing greater variation *within* an economy and *between* economies in terms of the rule of law, economic standing, ownership concentration, power distribution, relationship-based appointments and higher levels of related party transactions (Al-Mamun et al., 2016).

4.1.2 Emerging Economies and CSR

Fast-growing emerging economies are increasingly segmenting themselves as an important growing component in the world economy (Attig et al., 2013). These markets are also characterized by higher uncertainty (Hoskisson et al., 2000) and heterogeneity *within* and *betwee*n economies (Al-Mamun et al., 2016). Emerging economies have been shown to be particularly heterogeneous in terms of their political, regulatory, business strategy, social and transparency structures compared to developed economies (O'Connor et al., 2011; Siegel, 2009; Wanderley et al., 2008). Emerging economy firms have also been shown to access a smaller pool of business strategies as the diversity of ideas is restricted through firms often being interconnected through family relationships and/or personal connections (Khan et al., 2013). Another characteristic of emerging economy firms is the low levels of media and stakeholder pressure they face that results in lower levels of stakeholder activism. This sees many managers of emerging economy firms viewing firm ethical actions as a luxury affordable only by developed economy (Luo, 2006).

In contrast, developed countries are characterized by dispersed ownership, active stakeholders (e.g. media and regulatory bodies) and strong institutions meaning that firms in developed countries are more conscious of the consequences of their actions towards society and the environment. Many studies also show that CSR is viewed as a developed country phenomenon because of their strong institutions, standards and active systems (e.g., Chapple & Moon, 2005b; Jaw & Lin, 2009; Teoh & Thong, 1984). The lack of these institutional qualities is considerable challenges to encouraging emerging economy firms to adopt greater levels of social and environmental practices (Mishra & Suar, 2010). Moreover, despite the considerable participation of emerging economies[15] in the world economy, many disciplines such as management (Zhao, 2012a), business ethics (Al-Mamun et al., 2016; Khan et al., 2013), international business (Luo, 2006; Siegel, 2009; Young & Makhija, 2014b) as well as accounting and finance (Teoh & Thong, 1984) have largely overlooked emerging economy firm CSR adoption strategies as not considered worthy of empirical examination (McWilliams & Siegel, 2001). Therefore, as organizational theories and the literature assert and recognize the board of directors as a crucial factor (Al-Mamun et al., 2015) for firm growth and sustainability (e.g., Shu & Lewin, 2016), this study theorizes and identifies board attributes as powerful organizational mechanisms to access resources.

4.1.3 Board of Directors and CSR

As the highest decision authority in an organization, board members are the key intersection between firm strategy and its environment (Al-Mamun et al., 2015), vested with 'implicit' and 'explicit' fiduciary duties to contribute to firm growth, sustainability and overall well-being (Boyd, 1990). Boards of directors serve as the most prominent internal governance mechanism and enact this role through appointment and supervision of managers, setting long-term objectives and allied incentives (e.g. remuneration for managers), providing input and counsel to internal stakeholders (e.g. soliciting ethically viable decisions), shaping overall firm strategies (e.g. CSR strategies), and building and maintaining relationships with key external stakeholders (e.g. lobby groups, social activists and environmentalists) (Al-Mamun et al., 2015). Their duties include determining various strategic choices including CSR adoption strategies (Khan et al., 2013). Khan et al. (2013) further claim that CSR adoption decisions are determined by the motives and choices of those board members who make firm strategic

[15] Emerging economies, as specified by Hoskisson et al., (2000), contributed $29 trillion (38.1 per cent) to the world GDP of $78 trillion and also counted for $8.6 trillion (36 per cent) of exports compared to $24 trillion of world exports.

choices and are held accountable for their outcomes. The empirical evidence also supports the notion that it is the board of directors that are primarily responsible for establishing, monitoring, and disclosing firm CSR adoption strategies (Al-Mamun et al., 2016; Cannella et al., 2008). However, boards vary in their composition with various attributes having been shown to have different associations with firm CSR adoption (e.g., Gupta et al., 2016).

Boards with the majority of independent directors are claimed to prioritize strategies that are socially and environmentally authenticated (Harjoto & Jo, 2011). Independent board members are good mechanisms to enhance board effectiveness (Hambrick et al., 2014; Hillman & Dalziel, 2003) through their independent monitoring role to protect shareholders and other non-investing stakeholders against management non-performance (Jain et al., 2016). The extant literature claims that independent directors solicit for CSR adoption strategies, given there have no contingent relationship with any key stakeholder (e.g. shareholders or managers) (Filatotchev & Nakajima, 2014; Khan et al., 2013). Similarly, board leadership structure is also important and a much studied governance mechanism (See e.g., Chen et al., 2013; Hubbard et al., 2017; Petrenko et al., 2016). The findings of research into CEO-chair duality and CSR adoption, however, are found in two directions. Some theorists argue that board leaders have an interest in over-investing in CSR to obtain private benefits of reputation building as good global citizens even when such strategies are at the cost of shareholders (Harjoto & Jo, 2011). Alternatively, others claim that power-entrenched insiders and CEOs may be reluctant to adopt firm beneficial CSR strategies, as these can negatively impact their performance-based incentives (Hubbard et al., 2017). Section 2.9.1 previously outlined other board characteristics such as board gender diversity (Abdullah et al., 2016) and board size (Haniffa & Cooke, 2005) which are also argued to have an association with firm CSR adoption strategies.

The literature acknowledges that focusing on board of director attributes is important for understanding the nature and pattern of organizational strategy processes regarding the allocation of firm resources as different types of board members bring different types of knowledge, expertise and perspectives. Board members, as vested with functional expertise, are also able to identify various opportunities and threats that exist beyond the inward focus of the firm's executive management. These include knowledge of regulatory inclinations (e.g. government pressures, the ability to build trust among communities (e.g. local NGOs, trade unions), to act as bridging conduits (e.g. local and international professional networks), willingness to introduce new standards and policies (e.g. international business practices), and the ability to enhance board effectiveness (e.g. through monitoring managers). However, despite the growing worldwide economic relevance of emerging economy firms (Chapple & Moon, 2005b; Doh & Guay, 2006; Wright et al., 2005), and the recognition of the importance of CSR to these emerging economies, empirical evidence regarding the impact of director attributes on CSR in emerging economies is scarce (Banalieva et al., 2014; Cannella et al., 2008; Devinney & Hohberger, 2016).

To address this identified research gap, this study will hypothesize that boards of directors in emerging economy firms which possess the following key attributes: (1) political influence, (2) community engagement/involvement, (3) international experience (4) business expertise (5) interlocking directorships and (6) independence from management are more likely to implement higher levels of CSR under diverse institutional pressures compared to the boards that do not possess these attributes.

4.2 Hypotheses Development

4.2.1 Political Influence

This study defines board political influence as the proportion of board members who are either current or former parliament members or have a political background through past or present appointment as government high officials[16]. Anecdotal evidence suggests that governments often attempt to exert a level of [in]direct control over firms by making alliances with firm boards to impose regulatory pressure on firms (Attig et al., 2013). Jaw and Lin (2009) assert that emerging economies, in particular, are characterized by higher levels of political intervention at the board level in an attempt to ensure firms are complying with state-enforced rules and regulations. Jaw and Lin (2009) also argue this often leads to those directors with political influence being self-motivated to act opportunistically. Therefore, political influence can be exerted from two directions. Firstly, when governments are unable to monitor/control firm actions (e.g. waste dumping) using regulatory powers, they may seek to appoint members to boards to ensure that regulatory mandates are complied with. Secondly, when firms sense they are failing in their efforts to lobby government, they may seek to invite politically influential persons to their boards.

Previous studies show that the direct and indirect political connections of a firm are of significant importance in minimizing the environmental uncertainties they face (Attig et al., 2013; Chen et al., 2013; Gupta et al., 2016). For example, Gupta et al. (2016) studied political connects and CSR adoption of Fortune 500 firms and found that politically connected firms are increasingly associated with CSR adoption compared to those without political connectedness.

Boards with political influential members are expected to be more aware of regulatory mandates (e.g. social and environmental policies on disclosure) and are therefore more likely to strategize and disclose their compliance towards those mandates. Board members with political influence also act as resource accessing mechanisms, particularly in relation to access to information and public policy decision-makers and influential social groups, and provide legitimacy to reduce uncertainties facing the firm (Hillman & Dalziel, 2003).

[16] Government employees who work as foreign ambassadors, departmental secretaries, judges and equivalent.

Emerging economies are known to face higher political instability and to be more crisis prone than developed economies, with resulting high financing costs to emerging economy firms (Cuadra & Sapriza, 2008). While Hillman, Zardkoohi, and Bierman (1999) posit that firms' political strategies are both transactional[17] and relational[18], Li et al., (2006) state that transactional political strategies are widely found in developed economy firms while relational political strategies are most common among emerging economy firms. This study assumes that the adoption of both transactional and relational political strategies is important in emerging economy firms in order to have access to public policy decisions makers.

In relation to CSR strategy, this study predicts that firms having politically influential members on their board are more likely to adopt CSR practices as they are more likely to receive early warning of impending regulatory pressures. However, the empirical research on board political influence and CSR adoption is scarce. Notable exceptions include Attig et al. (2013) who examined the link between the political connectedness of boards and the CSR activities of hotel management firms in China. They found that that the more politically connected the boards are, the more likely the firm is to adopt CSR policies, particularly in respect to environmental planning, philanthropic actions, employee rights, wider community engagement, and ethical practices. The authors suggest that in transitioning economies, such as China, regulatory pressures in terms of enforcement of national policies are irregular, but the regulatory framework is supported by the cultural mechanisms of the informal relationship political connectedness creates with the board (DiMaggio & Powell, 1983).

Chen et al. (2013)'s study gauged the political ideology of 249 CEOs of major US firms to examine its influence on their firm's philanthropic based CSR activities. The authors argued that a CEO's personal values, as borne in their political ideology (e.g. conservatism vs.

[17] Refers to how often government have transactions with the specific business
[18] Refers to the degree firm board members are related and connected with government personnel

liberalism) will influence their firm's CSR initiatives. Their empirical results support their prediction that a CEO's political ideologies are manifested in their companies' ethical actions and priorities. The authors suggest that CEOs embracing a particular political ideology are not solely self-optimizers (as agency theory proposes) (Fama & Jensen, 1983), but rather vary in their personal values which influence heterogeneous firm outcomes through the CSR initiatives they prefer. The authors also found that CEOs that embrace a particular political ideology tended to emphasize CSR adoption even when firms' performance was poor.

Luo (2006) posited that recursive and reflexive monitoring of politics and CSR is jointly determined by corporations' desire for organizational legitimacy and by the conditions of the environment. In their study of the relationship between political connection, corruption and CSR in multinational enterprises in China, they found that politics does impact CSR. Their study showed that those multinational enterprises that were assertive with governments tending to emphasize ethical codes, whereas multinational enterprises that were cooperative with governments tending to emphasize philanthropic actions and social resource contributions. The study also found that where the decision authority of multinational enterprises was both assertive and cooperative with the government (e.g. higher levels of political connectedness) this resulted in the combined use of ethical codes, philanthropic contributions and social resource accumulation.

Along with political connectedness, Aras et al. (2010) claim that political interference is an important determinant for firm CSR adoption in China where ownership concentration is high. This study, therefore, argues that emerging economy firms with greater levels of politically influential members on the board are more likely to attempt to minimize environmental uncertainties and threats and more likely to seek legitimacy through their CSR adoption strategies under the varied pressures of institutional qualities. This study proposes the following hypothesis:

Hypothesis 1 (H1): *Emerging economy firms with higher numbers of board members with political influence are more likely to adopt CSR practices compared to firms with lesser numbers of board members with political influence.*

4.2.2 Community Engagement/Involvement

Following Hillman et al. (2000) and Mallin and Michelon (2011), this study identifies community engaged/involved directors as critically important to a firm's decision making processes particularly in relation to a decision with social impact. Consistent with Hillman et al. (2000) this study defines community engaged/involved directors as those who have been associated with an NGO, are academics or have been involved with social organizations such as trade unions (Marquis et al., 2007). The literature holds that community engaged/involved directors have associations, linkages and experience relevant to the firm's environment beyond that of the firm's management. These directors are also able to secure resources by linking the firm to the outer environment (Boyd, 1990; Preffer & Salancik, 1978) through their knowledge about and influence over important non-business organizations (Hillman et al., 2000). They can also provide the firm with linkages beyond the firm's competitive environment including valuable connections to social communities and organizations, such as social movements (e.g. trade unions) and not for profit organizations (e.g. NGOs) (Mallin & Michelon, 2011). Community engaged/involved directors can also promote important non-business viewpoints on the firm's proposed strategies and actions and are more likely to persuade the firm to embrace CSR (Al Mamun et al., 2016).

According to Hillman et al. (2000) community engaged/involved board members provide firms with connections and linkages which are not directly stapled from experience with other large corporations, but rather from community connections and societal groups that may impact and be impacted by the firm operations. Therefore, community engaged/involved directors sitting on the board provide firms with committed and supportive stakeholders which in turn provides legitimacy to the firm. Also seeing themselves as a community representative on the board means community engaged/involved directors are more likely to vote against actions that adversely impact society and the environment as their interests become more closely aligned with the community interest at large (Mallin & Michelon, 2011).

As outlined above, the literature asserts that the inclusion of community engaged/involved directors on the board benefits emerging economy firms by providing access to valued resources and integral information in the form of community perceptions on the firm's operations (e.g. expectations and needs), establishing legitimate relationships with the community (e.g. labor unions, NGOs) and reducing environmental uncertainty (e.g. media pressure, social movements). However, despite the perceived benefits provided by community engaged/involved directors, empirical research regarding their impact on firm outcomes is limited.

Hillman et al. (2000) are among the few to examine the influence of community influential directors in their study of the financial performance of US firms after deregulation of those firms. The results of their study suggest that community influential directors serve as vehicles of cooperation for the organization, in such a way that when the firm's environment changes, these directors work as means of averting threats to the firms' stability and existence. The authors further suggest that community influential directors serve to legitimate the organizations and that the reputation associated with a community influential director can be applied to import legitimacy, even in times of adverse circumstances and changing environment.

Mallin and Michelon (2011) conducted a study on community influential directors and their influence on firm CSR adoption practices of the 176 companies listed in the Business Ethics 100 Best Corporate Citizens for the years 2005 to 2007. They report that board community influential directors have a significant positive relationship with firm CSR initiatives and suggest that these directors are more likely to empathize and consider stakeholders' needs and expectations regarding the environmental and social impacts of corporate activities. However, the study also found that when community influential directors occupy a large number of directorships, they negatively influence firm CSR adoption.

Marquis et al. (2007) in their review article claim that institutional infrastructure, including such institutional qualities as community foundations and active civic groups, fosters firms CSR adoption decisions in the local environment. They argue that community engaged/involved directors are more likely to provide firms with an insight into CSR strategies that can avoid costly misapprehensions from these groups and increase cohesion between firm decisions and social expectations under the influence of regulative institutional forces (Marquis et al., 2007). This study, therefore, proposes the following hypothesis:

> Hypothesis 2 (H2): *Emerging economy firms with higher numbers of community engaged/involved directors on the board are more likely to adopt CSR practices compared to firms with lesser numbers of community engaged/involved directors on the board.*

4.2.3 Board International Experience

Board members' international experience is another important factor which impacts a director's approach to managing, decision-making and strategy adoption (Al Mamun et al., 2017b). This is particularly so when compared to managers whose experiences are confined to local firms based in emerging economies (Al-Mamun et al., 2016; Al Mamun et al., 2017b). With the rapid expansion of businesses across borders, organizations increasingly transact internationally and, to be competitive, multinational corporations must embrace world-best practices and standards (Daily et al., 2000). Board members with international experiences facilitate firms' access to important resources in the form of advice regarding international best practice, international networks of resource acquisition and legitimacy (Heyden et al., forthcoming; Pfeffer & Salancik, 1977; Tihanyi et al., 2014).

For the purposes of this study, a board member with international experience is identified as a board member having prior employment (in either an executive or non-executive capacity) with the international for-profit organization (either operating in emerging or developed countries) originating from other than the home country of the director. This study argues that board members with an international experiences are more inclined to introduce and encourage international business policies (Hillman et al., 2000; Hillman et al., 2009; Pfeffer & Salancik, 1977), including international CSR adoption practices (Al-Mamun et al., 2016; Daily et al., 2000; Tihanyi et al., 2003). Exposure to international environments presents board members with access to information and knowledge on international organizational best practices (O'Rourke, 2003; Sanders & Tuschke, 2007). By encouraging international level codes of corporate conduct and standards (Hillman et al., 2009; Pfeffer & Salancik, 1977), they bring important information resources to manage organizational affairs effectively (Carpenter et al., 2001).

International firms predominantly emphasize their organizational legitimacy to secure organizational long-term survival and wellbeing (Daily et al., 2000; Tihanyi et al., 2003). An important strategy to achieve organizational legitimacy is through prioritizing social and environmental friendly strategies (Aguilera et al., 2007; Boehe & Barin Cruz, 2010). Directors with international experience are more likely to be conscious of their organization’s image while advising on firm strategies since irresponsible actions and behaviours that are not in line with international CSR norms can negatively impact their personal reputation (Aguilera et al., 2007; Banalieva et al., 2014). In addition, board members with international experience benefit firms by building global professional networks with firms operating cross borders that often rely on intra-firm trading (Buckley & Ghauri, 2004; Daily et al., 2000). Poor ethical and social responsibility of firms is a major concern when customer firms are engaging in cross-border business in emerging economies (Blowfield & Frynas, 2005). Accordingly, board members with international experience are more aware of various institutional pressures firms face from environmental uncertainties (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010).

Despite the literature recognizing the benefits of board international experience, empirical evidence is restricted to a few studies that focus solely on its impact on financial performance (See e.g., Carpenter et al., 2001; Daily et al., 2000; Heyden et al., forthcoming). For example, Daily et al. (2000) examined CEOs' international experience and firm financial performance of *Fortune* 500 firms and found that CEO international experience positively impacted firm financial performance. The authors suggest that a CEO, as board leader, with international experience, provides access to international networks which is critical for firms competing in global markets. They further argue that the positive relationship between CEO international experience and firm performance could also be the result of inter-firm coordination with key stakeholders (e.g. suppliers and customers) as well as intra-firm coordination across business units to achieve effective corporate performance.

Empirical studies of the relationship between board international experience and CSR adoption are equally sparse. A recent exception is Al-Mamun et al. (2016) who focus on 238 Asian emerging economy firms and find that emerging economy firms with board members originating from developed countries are more likely to embrace CSR adoption than emerging economy firms with domestic-based directors. The authors suggest that access to knowledge resources from developed country networks are important in encouraging CSR adoption in emerging economy firms. This is because board members originating in developed countries possess knowledge, skills, experiences and expertise from similar contexts and view socially viable projects as a legitimizing tool that provides firms with a competitive advantage. In the same study, Al-Mamun et al. (2016), also examined domestic directors of emerging economy firms with international experience from firms headquartered in developed countries and found no relationship between their appointment and CSR adoption. They suggest that experience and knowledge attained by working with a firm headquartered in developed countries on its own did not impart international practices to boards of emerging economy firms such as the appointment of directors appointed from developed economies did.

Therefore, this study argues that board members with international experience appointed to emerging economy firms, that face critical institutional pressures, are more likely to propose and endorse CSR adoption strategies. The following hypothesis is therefore proposed:

> Hypothesis 3 (H3): *Emerging economy firms with greater numbers of board members with international experience are more likely to adopt CSR practices than emerging economy firms with fewer numbers of board members with international experience.*

4.2.4 Business Expertise

Business experts import skills and knowledge to firms which they acquire as part of their experiences working with other firms (Bear et al., 2010; Hillman et al., 2000). As business expertise accumulates so does exposure to diverse experiences (e.g. managing adverse and differential circumstances) with board members who possess extensive experience better able to provide alternative views on internal and external problems, as backed by their experience from the environment in which firm operate and face the uncertainties (Hillman et al., 2000). In relation to ethical decisions, such as CSR adoption, this may include the extent to which other firms invest in social and environment viable projects to gain legitimacy and minimize uncertainties.

Business experts can also delineate the firms' external environment where there are threats and uncertainties (e.g. competitive environment that firm faces) and provide expert and valuable opinion on firm management strategies (Bear et al., 2010). The board of directors also do not act solely as guardians of shareholders' wealth (Morck, Shleifer, & Vishny, 1988), but are important mechanisms to enhance organizational reputation through building a relationship with the external environment (Mallin & Michelon, 2011). As firms face both intra- and inter-business dependencies (Cohen & Levinthal, 1989), directors with business expertise are important mechanisms in facilitating critical intra- and inter-firm linkages in the competitive environment building legitimacy for the firm (Hillman et al., 2000).

This study defines a business expert in accordance with the criteria applied by Hillman et al. (2000) to include directors who are founding business owners or have long-term experience serving on other boards. In relation to emerging economy firms, in particular, these directors are expected to have important knowledge and experiences regarding the particular differential institutional pressures posed by emerging economies (Al Mamun et al., 2016; Buckley & Ghauri, 2004). Therefore, they are more capable in providing the board with resources to manage business challenges (Boyd, 1990; Hillman et al., 2000) and enable firms to deal more effectively with unexpected uncertainties (Bear et al., 2010). Accordingly, the greater the business expertise a board possesses the greater its capacity to identify and solve problems such as implementing firm CSR adoption strategies (Pfeffer & Salancik, 1977).

However, to date, there are limited empirical studies of the impact of board business expertise and firm CSR adoption with the empirical evidence limited to studies such as Hillman et al. (2000) examination of board business expertise and firm performance of US firms before and after deregulation. Their results revealed a weak positive link between board business expertise and firm performance but found that business experts with board experience of decision making at other organizations did offer expertise and judgement regarding strategic actions and options.

Bear et al. (2010) examined the impact of board diversity[19] on CSR performance of Fortune 2009 World's Most Admired Companies List using KLD[20] as the CSR measurement scale. They found that board members with diverse skills and expertise were positively associated with firm CSR adoption strategies. The authors suggest that board human capital resources are something that board members gather as the collective experience and expertise gained from previous work situations including knowledge of company strategy and operations, specialist knowledge on legal and regulatory issues and relationships with external stakeholders (e.g. government and local communities).

Given the literature indicates that boards with business expertise may have a positive impact on the adoption of strategies by emerging economy firms to mitigate institutional pressures (Campbell, 2007; Claessens & Yurtoglu, 2013; Doh & Guay, 2006; Hoskisson et al., 2000; Matten & Moon, 2008), this study expects a positive relationship between board business expertise and CSR adoption strategies (Bear et al., 2010; McWilliams et al., 2006; Mishra & Suar, 2010). The following hypothesis is therefore proposed to examine:

> Hypothesis 4 (H4): *Emerging economy firms with higher numbers of business experts appointed to the board are more likely to adopt CSR strategies compared to firms with lower numbers of business experts appointed to the board.*

4.2.5 Interlocking Directorship

Oliver (1990) states that "inter-organizational relationships are the relatively enduring transactions, flows, and linkages that occur between organization(s) operating in similar environments " (p. 241). Zona et al. (2015) also state that resource constraints require firms to maximize the management of their external dependencies with the literature identify that

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[19] Bear et al., (2010) identify board diversity as those board which comprises of members from different backgrounds: independent directors, business expertise, and interlocking-directorship.

[20] Kinder, Lyndenberg, and Domini

managing external dependencies is enhanced when firms appoint board members who also serve on the boards of other firms. This is because board members holding interlocking directorship supply the firm with access to valuable resource networks (Menon & Pfeffer, 2003) and address power imbalance (Casciaro & Piskorski, 2005). Resource dependence theory suggests that as firms operate within an organizational system their performance is determined by the extent to which they can secure resources through collaboration with other firms (Carpenter et al., 2001; Hillman et al., 2000; Menon & Pfeffer, 2003). Board members with greater external links are not only important from a resource dependence perspective but they also limit the scope for managerial opportunism (Al-Mamun et al., 2016; Al Mamun et al., 2017a; Zona et al., 2015). Interlocking directorships also provider directors with experience of how other firms with similar operations formulate strategies (Al Mamun et al., 2017a; Carpenter et al., 2001; Shropshire, 2010). These include bringing crucial and tacit resources such as business support (e.g. advice and counsel), business strategies (e.g. customer retention programs), and insights into the importance of ethical behavior (e.g. social and community services) (Al-Mamun et al., 2016; Bear et al., 2010; Oliver, 1990).

Through interlocking directorships, board members earn valuable, diverse and unique business information, trade practices and knowledge (Al Mamun et al., 2017a; Shropshire, 2010; Zona et al., 2015) enabling them to reduce external environment threats and uncertainties by importing information, knowledge, and trade practices to the focal firm (Bear et al., 2010). Due to institutional volatility and uncertainty, market competition is high among emerging economy firms who seek new and diverse strategies and practices to differentiate themselves in the market (Campbell, 2007; Doh & Guay, 2006; Hoskisson et al., 2000; Matten & Moon, 2008). One important strategy relates to the adoption of social and environmental ethical behaviour to positively influence stakeholder interactions (Casciaro & Piskorski, 2005; Oliver, 1990). Interlocking directors are more likely to be exposed to such strategies and recommend their adoption to the focal firms (Bear et al., 2010; Zona et al., 2015). Interlocking directorships of board members also enhances firm reputation through increased social ties (Bear et al., 2010; Hillman et al., 2000) with those board members exerting their reputational credentials to support firm strategies aimed at advancing social and environmental well-being (Shropshire, 2010).

In emerging economy firms, members with interlocking directorships are also more likely to serve on the boards of multinational firms (Al Mamun et al., 2017a) and can, therefore, provide unique access to networks and connections from global contexts (Casciaro & Piskorski, 2005). These may include traditional linkages with international suppliers and customers as well as alternative global networks such as academic experts, industry-specific technical experts, legal networks, professional associations, government agencies, non-profit organizations and investment and commercial banking networks (Bear et al., 2010; Hillman et al., 2000).

The empirical evidence regarding the overall benefits of appointing directors who hold interlocking directorships is mixed. For example, Zona et al. (2015) examine the impact of board members' interlocking directorship on firm performance of firms listed on the Italian Stock Exchange and find these directors can either enhance or inhibit firm performance depending on the relative resources available to the firm, increasing the performance of those firms facing a lack of resources while inhibiting performance of resource-rich firms.

Bear et al. (2010) are among the few studies to investigate for a relationship between interlocking directorships and CSR performance. Their study of the Fortune 2009 World's Most Admired Companies List showed that board members holding interlocking directorships do have a significant positive influence on firm CSR adoption strategies. The authors suggest that as boards with greater levels of members holding interlocking directorships are rich with information resources and have more diverse sets of the network, they are more likely to advance CSR strategies. Bear et al. (2010) also suggest that such board members positively influence firm CSR as their network ties provide greater access to support, expertise and counsel from external organizations.

Based on the theoretical underpinnings suggesting the benefits board members with interlocking directorships offer, this study proposes a resource dependence perspective to understand the relationship between board members with interlocking directorships and CSR adoption strategies across emerging economy firms within the diverse institutional settings emerging economies face. Therefore, the following hypothesis is proposed:

> Hypothesis 5 (H5): *Emerging economy firms with higher numbers of directors holding interlocking directorships are more likely to adopt CSR practices compared to firms with lesser numbers of directors holding interlocking directorships.*

4.2.6 Board Independence

The agency theory and stakeholder theory literatures both posit that the presence of outsiders on the board who are independent of management strengthen board effectiveness through active monitoring of management self-interest and by safeguarding stakeholders' interests from a broader perspective (Arora & Dharwadkar, 2011; Finkelstein & Mooney, 2003; Tihanyi et al., 2003). A considerable body of evidence supports the contention that a board is more effective with the presence of directors who are independent of management. (Fama & Jensen, 1983; Jensen & Meckling, 1976). For example, Beasley (1996) reports that compared to less independent boards, more independent boards are less likely to be associated with management perpetrated fraud. Anderson and Reeb (2003) report a positive association between board independence and firm performance based on S&P 500 firms and claim that independent boards are in better position to safeguard shareholder interests by delivering their opinion which is independent from management.

Zattoni and Cuomo (2010) report that almost all codes of corporate governance recommend firms to appoint independent non-executive directors to their board. This is also argued to be important as independent board members have been shown to be more likely to safeguard the interests of non-shareholder stakeholder groups by proposing and adopting socially and environmentally viable strategies (Filatotchev & Nakajima, 2014; Tihanyi et al., 2003). As firms have limited resources, insiders/executives are not inclined to dedicate those resources to strategies such as CSR that while improving long-term profit maximization will adversely impact short-term profitability which is used to measure management's performance and remuneration (Carpenter et al., 2001). As independent directors are not constrained by this "management horizon problem" (Al Mamun et al., 2017a; Dechow & Sloan, 1991; Jensen & Meckling, 1976), they are more likely than executives to prioritize alignment of the interests of both shareholders and stakeholders as a key to long-term success of the firm (Hillman, Nicholson, & Shropshire, 2008). These directors, therefore, prioritize the long-term benefits of organizational strategies (Hambrick & Mason, 1984) and counter executives' focus on short-term profit maximization (Hoskisson, Hitt, Johnson, & Grossman, 2002).

However, in the context of emerging economies, the appointment of non-executive directors who are truly independent from management is often difficult despite many emerging economies having mandatory requirements for listed companies to appoint given levels of independent directors to their boards (Al Mamun et al., 2017a). This is because emerging economy firms often appoint non-executive directors who are either government bureaucrats, appointed with the aim of securing government favour (Khan et al., 2013), or who have personal connections with management or the controlling shareholder (Al-Mamun et al., 2016). For the purpose of this study, the definition of an independent director is adopted from Tihanyi et al. (2003) who exclude any directors that are former employees, relatives of management or shareholders, customers, suppliers, lawyers, bankers and other consultants to the firm.

An emerging body of empirical evidence is showing support for the contention that more independent boards are more likely to undertake CSR projects than less independent boards (Arora & Dharwadkar, 2011; Jain et al., 2016). This is because they are more likely to recognize CSR adoption as having long-term benefits that exceed the short-term opportunity costs (Al-Mamun et al., 2016; Devinney & Hohberger, 2016; Khan et al., 2013). In addition, resource dependence theory also suggests that independent board members attract valuable and unique resources important to the organizational capability that are not available to insiders (Arora & Dharwadkar, 2011; Pfeffer & Salancik, 1977). They are more likely to establish relationships with external stakeholders (e.g. other organizations and the wider society) and also create reputation and legitimacy for the firm (Bear et al., 2010; Mallin & Michelon, 2011). For example, independent board members are more likely to be aware of different constituents and possess knowledge regarding a broader range of contingencies a firm may face, and hence are more likely to implement strategies that comply with local and international standards and the need to avoid adverse media exposure and regulatory action that can impact firm reputation.

Johnson and Greening (1999), Khan et al. (2013), and Devinney and Hohberger (2016) are among those that have examined the relationship between board independence and CSR practices and all report that boards dominated by independent directors have an increased concern for socially and environmentally responsible behaviour. Johnson and Greening (1999) examine board independence and the corporate social performance relationship of a randomly selected sample of 300 US firms. The authors relied on the KLD ratings to measure CSR and report that independent boards are positively associated with firm CSR adoption. Khan et al. (2013) examine corporate governance and CSR of 135 manufacturing companies listed on the Dhaka Stock Exchange in Bangladesh developing a CSR index based on the firm's CSR disclosure in their annual reports. They report that independent directors who are less aligned to management may be more inclined to encourage firms to engage in CSR disclosure and were found to be positively associated with firm CSR adoption. Devinney and Hohberger (2016) using 1,559 listed firms in the US examine the relationship between corporate governance and CSR (again relying on the KLD ratings to measure firm CSR adoption) and report that independent boards are positively associated with CSR adoption.

However, there are other studies that have examined the relationship between board independence and CSR adoption that have reported mixed findings. For example, O'Neill, Saunders, and McCarthy (1989) using listed firms in the US, report that independent members sitting on board have no impact on firm CSR practices compared to insiders, while Arora and Dharwadkar (2011) find that board independent directors are actually negatively associated with firm CSR adoption based on their study of S&P 500 firms. However, as predicted by the literature this study expects a positive relationship between board independence and socially and environmentally viable investments and behaviours particularly in emerging economies where CSR is viewed as a luxury and institutional pressures are varied. This study, therefore, proposes to test the following hypothesis:

> Hypothesis 6 (H6): *Emerging economy firms with greater numbers of independent directors appointed to the board are more likely to adopt CSR practices than emerging economy firms with lesser numbers of independent directors appointed to the board.*

4.2.7 Moderation Effects

A moderating variable is defined as "any variable that affects the association between two or more other variables; moderation is the effect the moderator has on this association" (Dawson, 2014; p. 1). In social science experiments, it is important to examine for moderation effects to determine whether the relationship between an independent variable and a dependent variable changes with the introduction of a third variable, the moderating variable. In relation to this study, the operational diversity of firms and their controlling authority (e.g. controlling shareholders, CEO, board member characteristics) may impact the likelihood of not only the appointment of board members with the focal characteristics of this study (e.g. political influence, community engagement/involvement, international experience, business expertise) but also the ability of these factors to impact a firm's CSR adoption strategies. Therefore, the impact of those different director characteristics on CSR adoption is expected to be contingent on the varying characteristics of a firm's corporate governance and other board attributes (Abdullah et al., 2016). For example, it is possible that the relationship between board member attributes (e.g. political influence, community engagement/involvement, international experience, business expertise, and interlocking directorships) and CSR adoption strategies may be strengthened with the presence of independent directors on the board (Abdullah et al., 2014). Apart from board independence, board sub-committees have also been used as moderating factors in other studies (Kaczmarek, Kimino, & Pye, 2012). Given the nature of the role board sub-committees (such as remuneration and nomination committees) play, board independence is a better fit to examine the relationship between board attributes and CSR adoption. Hence this study has decided to employ board independence as the most relevant moderating factor.

Therefore, this study argues that the relationship between the presence of board members of emerging economy firms with (1) political influence, (2) community engagement, (3) international experience, (4) business expertise, (5) interlocking directorships and CSR adoption, can be more fully understood by examining the moderation effect of board independence. This is because an effective board, where outsiders counter management domination (Abdullah et al., 2016), is more likely to support those other director attributes that safeguard stakeholders interests through promoting CSR strategies (Filatotchev & Nakajima, 2014; Tihanyi et al., 2003). This study considers that insiders decision making autonomy about CSR adoption with their connection and satisfaction which leads to self-interest prioritizing activities, attainment of performance aspiration (Arora & Dharwadkar, 2011). When firm resources are fixed, there is competition for their employment with insiders reluctant to devote resources outside of short-term profit maximisation strategies (Carpenter et al., 2001). Independent board members who possess no direct or indirect connection with firm managers and shareholders are an effective mechanism to mitigate the agency costs through aligning the interests of both parties and are likely to encourage social and environmental sustainability through acknowledging the importance of broader stakeholder groups (Fama & Jensen, 1983).

As previously outlined the adoption of CSR strategies is more likely to occur when firms have a greater proportion of independent outsiders sitting on board. This is because these directors recognize CSR adoption strategies reduce agency costs in the long term, although the immediate costs result in lower short-term returns. Independent directors emphasize strategies that focus on greater long-term returns to shareholders while managers seek strategies that deliver short-term return at the expense of greater long-term returns. This is known as the "management horizon problem" (Dechow & Sloan, 1991; Jensen & Meckling, 1976) and is particularly prevalent among emerging economy firms (Abdullah et al., 2016; Khan et al., 2013). Extant literature argues that good governance, lack of resources and negative financial discrepancy formulate a situation of low managerial will and wish regarding positive CSR adoption (Arora & Dharwadkar, 2011; Finkelstein & Mooney, 2003; Tihanyi et al., 2003).

Despite recognising that board members with particular expertise and attributes are more likely to engage with CSR, those members may have vested interests that override the expected behaviour resulting in agency costs. For example, politically influential directors on the board may favour specific groups of stakeholders, particularly the controlling shareholders and managers that appoint them to gain favour (e.g. securing licences, obtaining government mandates) (Khan et al., 2013). Community engaged/involved directors may also favour the shareholder or managers by supplying important information regarding a particular group (e.g.

trade unions, NGOs movements). Board members with international experience may also not be able to secure a seat on board without fostering personal connections with management or controlling shareholders and therefore may be inclined to support projects that benefit the relevant controlling shareholders or decision authorities to protect their position. Similarly, business experts and board members with interlocking directorship may have been appointed to the focal firm board due to their personal relationships with controlling shareholders or management and may be more likely to favour their appointees who expect them to give an opinion in their favour.

This study, therefore, argues that the presence of independent directors on board, while an important driver of CSR adoption itself, will also increase the positive effect that the other director attribute variables focal to this study: (a) political influence, (2) community engaged/involved directors, (3) board international experience, (4) board member business expertise, (5) interlocking directorships have on CSR adoption among emerging economy firms. Thus, this study proposes the following moderating hypotheses for examination:

> Hypothesis 6a (H_{6a}): *The higher the proportion of independent directors appointed to the board of an emerging economy firm, the stronger the relationship between board members with political influence and CSR adoption.*

> Hypothesis 6b (H_{6b}): *The higher the proportion of independent directors appointed to the board of an emerging economy firm, the stronger the relationship between board members who are community engaged/involved and CSR adoption.*

> Hypothesis 6c (H_{6c}): *The higher the proportion of independent directors appointed to the board of an emerging economy firm, the stronger the relationship between board members with international experience and CSR adoption.*

Hypothesis 6d (H_{6d}): *The higher the proportion of independent directors appointed to the board of an emerging economy firm, the stronger the relationship between board members with business expertise and CSR adoption.*

Hypothesis 6e (H_{6e}): *The higher the proportion of independent directors appointed to the board of an emerging economy firm, the stronger the relationship between board members holding interlocking directorships and CSR adoption.*

The hypotheses developed to be examined in this study are summarized in Table 4.1 together with details of the measurement of variables and predictions of their effect on CSR adoption.

Table 4.1: Hypotheses Study Two

	Variable	Measure	Expected Sign
H1	Board political influence	Ratio of board members with political influence	+
H2	Board community engagement/involvement	Ratio of board members with community engagement	+
H3	Board international experience	Ratio of board members with international experience	+
H4	Board business expertise	Ratio of board members with business expertise	+
H5	Board interlocking directorships	Ratio of board members cumulative other board seats divided by board size	+
H6	Board independence	Proportion of board members independent of management	+
H6a	Political influence*Board independence	Standardised	-/+
H6b	Board community engagement/involvement*Board independence	Standardised	-/+
H6c	Board international experience*Board independence	Standardised	-/+
H6d	Board business expertise*Board independence	Standardised	-/+
H6e	Interlocking directorships*Board independence	Standardised	-/+

Source: Author computations

4.3 Methodology

4.3.1 Data and Sample

"Emerging economies" was a term was first identified in the early 1980s applying to the fast-growing and liberalizing economies of Asia, Latin America, Africa and the Middle East (Doh & Guay, 2006; Hoskisson et al., 2000). Compared to others emerging economies, Asian emerging economies are unique with differential characteristics (Mishra & Suar, 2010; Roland, 2004) due to their differing cultural (Abdullah et al., 2016), political (Chang & Chu, 2006) and business environment (Khan et al., 2013). Culturally Asian economies are blended with origins from the Indian Sub-continent, China and other South-East Asian countries. The business environment of the Asian region has is varied due to different colonialist heritages (e.g. Japan, UK), different exposures to economic downturns (e.g. 1997-1998 economic recession) and varying attitudes towards protecting stakeholders' interests (e.g. implementing codes of corporate governance such as the revised Codes of Corporate Governance in 2014 by Malaysia, Pakistan, India) (Al-Mamun et al., 2016). Firms from this region are also characterized by greater levels of concentrated ownership, pyramidal ownership structures, family dominance, and high levels of related-party transactions compared to other emerging economy firms (Perkins et al., 2014).

To test the developed hypotheses, this study collated data on the CSR adoption strategies and firm characteristics of a sample of firms from six Asian emerging economies: India, Indonesia, Malaysia, Pakistan, The Philippines and Thailand. These Asian emerging economies are important to understand given the marked increase in their contribution to world economic growth over last few decades (Hoskisson et al., 2000; Khan et al., 2013). There is also a dearth of empirical research on CSR adoption among the specified Asian emerging economy firms (Khan et al., 2013; Mishra & Suar, 2010; Zhao, 2012a). These economies were chosen due to their recent regulatory pledge to stakeholders to improve corporate governance and to initiate policies and procedures that are based on those of developed countries such as the Sarbanes-Oxley Act. Recent global corporate scandals and economic crises have seen regulators respond to firm insider misconduct and mismanagement by attacking perceived conflicts of interest and, in relation to stock exchange listed companies, demanding an increase in firm board independence (Zattoni & Cuomo, 2010). The mix of emerging economies also provides for comparison of variations in institutional factors, regulatory frameworks, cultural and religious values[21] along with comparison of various corporate governance mechanisms such as board independence, CEO-chair duality, gender diversity and board sub-committees (Al-Mamun et al., 2016).

Each of the selected Asian emerging economies has been shown to possess unique characteristics (Mishra & Suar, 2010; Roland, 2004) in terms of culture (Abdullah et al., 2016), political structure (Chang & Chu, 2006) and business practices (Khan et al., 2013). For example, political practice in these Asian emerging economies varies from democratic (e.g. India) to constitutional monarchies (e.g. Malaysia) with some sample countries (e.g. India, Pakistan and Malaysia) operating under common law systems while others operate under civil law (e.g. Philippines and Indonesia). Such diverse legal systems also make them attractive contexts for empirical examination in relation to the ethical practices of their constituent firms (Ahern & Dittmar, 2012).

However common to all these environments is the reliance on boards of directors to act as the highest corporate authority and the reliance by the firm on its directors to access external resources through the appointment of their different attributes. The selected economies are interesting environments to explore the drivers of CSR adoption using a multi-theory analysis

[21] Religion diversity for example with India – majority Hindu; The Philippines – majority Christian; Thailand – majority Buddhist; Others (Indonesia, Malaysia and Pakistan) – majority Muslim

approach focusing both at the institutional level and the firm level, as despite institutional level differences, firms across these emerging economies have common characteristics such as high ownership concentration, pyramidal ownership, founding family dominance, lack of corporate transparency, risky financial structures and high levels of related-party transactions (Claessens & Yurtoglu, 2013; Perkins et al., 2014; Ramdani & Witteloostuijn, 2010).

For the purposes of the analyses, the sample is comprised of six hundred companies being the largest 100 firms from each stock exchange of the six aforementioned emerging economies (Buchanan & Marques, 2018). For each of the top 100 firms listed on those six stock exchanges, longitudinal data relating to the variables of interest were collected for the five consecutive years from 2010 to 2014. This resulted in an unbalanced dataset, taken into consideration that a firm's size may vary over the period meaning firms may enter, exit and re-enter the sample of Top 100 firms over the period (Ballinger, 2004; Coombs & Gilley, 2005). Collection of data on the appropriate institutional level factors (e.g. rule of law, human capital formation, financial development and international business) is detailed in the previous chapter (refer to the section 3.3.3). As the firm level governance data is not available via databases, this study required the collection by hand of director attribute data from company annual reports as the preliminary source. Due to a lack of appropriate disclosure regarding board attributes by some firms, the final sample size consisted of revealed 2699 firm-year observations. By country, there were 499, 387, 494, 474, 346 and 499 firm-year observations from India, Indonesia, Malaysia, Pakistan, Philippines and Thailand collated respectively. Relevant firm financial data was obtained through Thomson DataStream.

4.3.2 Analytical Methodology and Model Specification

There is a number of different analytic techniques of variance decomposition that are applied in social science studies in such disciplines as management, international business, accounting and corporate governance. Identifying the correction analytical technic is crucial in empirical analysis. The efficiency and consistency of the estimated intercepts and slope coefficients are reliant on the selection of the suitable estimator. Given the fact that the main focus of this thesis is confined to large Asian listed firms, hierarchical regression analysis appears to be the most intuitive option since Engelen, Gupta, Strenger, and Brettel (2015) states that "in a hierarchical regression analysis, predictor variables are added to the regression equation sequentially, either one by one or in batches. The sequence by which the predictors are entered is determined by their hierarchy, which is motivated by theoretical considerations and the structure of the data" (p.532). Social science researchers argue that hierarchical regression analytics is an appropriate methodology for analysing sequentially arranged predictor variables effects on outcome variable(s) (Preacher, Curran, & Bauer, 2006; Whitener, 2001). Hierarchical regression analytics is intuitive for this study for the following reasons: (a) it allows multifaceted error structures and therefore can estimate the dependence of sequentially adopted factors, (b) it is statistically more powerful compared to other analytics and (c) it better addresses multicollinearity problems that can arise between variances (Engelen et al., 2015; Orlitzky et al., 2015). Hierarchical regression analytics is superior in signifying the between-variance effects accurately for longitudinal datasets. It is important for this study as the conceptual framework developed (see Fig 1.1) aims to test board level effects of CSR adoption among emerging economy firms within the presence of institutional factors.

Hierarchical regression analysis of the variable components in the unbalanced dataset (Coombs & Gilley, 2005) was processed using the SPSS software package with firms framed within the institutional level factors (macro-level) with factors sequenced into the analysis in the following order: year, institutional qualities, and then firm-level variables. In this study, heterogeneity is expressed in relation to institutional pressures, industry factors and firm behaviours that vary in their influence on CSR adoption among emerging economy firms. Therefore, hierarchical regression analysis is considered to counterbalance the unobserved heterogeneous effect of the mentioned factors that will represent the quantitative relationships with CSR adoption. This study will, therefore, apply a hierarchical regression analysis, representing a sequentially arranged variables of the unbalanced dataset (Coombs & Gilley, 2005).

This thesis uses hierarchical regression analysis to test the relationship between the corporate governance variables and the CSR adoption practices. The assumptions underlying the regression model were tested for multicollinearity based on a correlation matrix as well as variance inflation factors (VIF). The regression equation is as follows:

$$\begin{aligned}\text{CSRAdoption} = \beta_0 &+ (\beta_1\text{Politicalinfluence} + \beta_2\text{Communityinfluence} + \beta_3\text{BusinessExptertise} + \\ &\beta_4\text{Internationalexperience} + \beta_5\text{Interlockingdirectorship} + \beta_6\text{Boardindependence}) \\ &{*}\text{Boardindependence} + \beta_{12}\text{Macro\&microlevelcontrolvariables} + \epsilon\end{aligned}$$

4.3.3 Variable Measurement

4.3.3.1 Dependent Variable

As previously outlined, this study employs a measure of firm CSR adoption as the dependent variable for investigation. Despite a large number of recent empirical studies regarding CSR adoption (Chen et al., 2013; Zhao, 2012a), researchers and practitioners have failed to agree on universally accepted CSR measurement criteria (McWilliams et al., 2006). Most of the extant studies examining CSR adoption in developed countries have predominantly relied on the KLD index for CSR measurement (See e.g., Banalieva et al., 2014; Chen et al., 2013; Petrenko et al., 2015), however, the KLD database does not cover firms from emerging economies.

As outlined in Chapter 3 (Section 3.3.2), CSRHub is the only database that rates emerging economy firms regarding their CSR adoption practices. As outlined in Section 3.3.2 CSRHub evaluates each firm’s CSR practices under four main categories comprising twelve sub-categories. The four main categories are community engagement, employee welfare, environmental sustainability, and corporate governance while the twelve sub-categories comprise community development and philanthropy; human rights and supply chain; product safety; employee compensation and benefits; diversity and labor rights; training; safety and health; energy consumption and climate change; environmental policies and reporting; resource management; board leadership and ethics; and transparency and reporting. To avoid data bias and double counting, this study has not included the corporate governance category in CSR adoption measurement, as this may create endogeneity problem. The CSRHub database covers similar categories which are considered to measure CSR adoption by other prominent studies and the categories measured are considered to cover the fundamental aspects of CSR adoption (See for example Abdullah et al., 2016; Banalieva et al., 2014; Devinney & Hohberger, 2016).

As outlined in Section 3.3.2 data for each sub-category is collected separately by CSRHub and rated based on that sub-categories contribution. Information gathered on each sub-category is also crossed-checked with other sources such as company press releases, annual reports and CSR reports to avoid bias in the data. CSRHub drops ratings if there is insufficient information or other sources fail to provide collaborating evidence. Sub-categories are then given a numerical value ranging from 0-1, averaged, then rolled up into their relevant main category. The final score is converted to a scale of 0 to 100 scale (with 100 the highest positive score). CSRHub prepares quarterly and yearly ratings with the yearly ratings of firms' CSR adoption used for the purposes of this study.

4.3.3.2 Independent Variables

As previously outlined the following board attributes are identified from firm-specific disclosures: board political influence, director community engagement/involvement, board business expertise, director international experience, interlocking directorships and board independence. Data on these board attributes was hand collected from company annual reports and proxy statements. Annual reports were downloaded from each company's website while firm proxy statements were obtained from the appropriate national stock exchange's website. From these sources, the name and position of each director (e.g. executive, independent non-executive director) were obtained together with details of each director's role on the board (e.g. sub-committee membership) and a brief biography. A director's political influence was identified where their biography stated the individual director was, or had been, a parliament member or government high official. Board political influence is calculated as the ratio of board members with political influence divided by board size.

A director's community engagement/involvement was also identified from the individual director's biography disclosed in the firm's annual report and proxy reports. Community engagement/involvement was identified when the director's biography disclosed experience working with NGOs, trade unions and/or charitable foundations. Board community engagement/involvement was calculated as the ratio of directors with community engagement/involvement divided by board size. A director's international experience was acknowledged when the individual board member's biography disclosed experience as a director/manager of an international firm (either located in their home country or overseas) that was headquartered in a country other than the director's home country. Board international experience was measured as the ratio of the number of directors with international experience divided by board size. A director's business expertise was identified when their biography disclosed experience as a company founder, CEO or executive director of a company other than the focal company. Board business expertise was measured as the ratio of directors with business expertise divided by board size.

Directors were identified as holding interlocking directorships when their biography disclosed they also held other directorships in firms not related to the focal firm. The variable interlocking directorship was measured as the number of outside directorships held by directors divided by total board size. The variable board independence was measured as the number of independent directors divided by board size. Directors were identified as independent if they were not an executive director, related to management, a non-executive that consulted to the company, or were associated with a supplier major customer, financial/legal advisor or represented a shareholder (Tihanyi et al., 2003).

4.3.3.3 Moderating Variable

In quantitative research, the inclusion of moderating variables is a widely adopted technique used to gain a better understanding of the relationship between independent and dependent variables. A moderating variable is defined as "any variable that affects the association between two or more other variables; moderation is the effect the moderator has on this association" (Dawson, 2014; p. 1). For the purposes of this study, the existence of independent directors is considered an important moderating variable given the large body of empirical evidence that shows the importance of board independence to the overall corporate governance of the firm and its outcomes (refer section 2.7.1). As previously outlined this study employs the criteria applied by Tihanyi et al. (2003) to identify independent directors excludes any director that is a: relative of management or major shareholders, significant customer of the firm, supplier to the firm, former employee, appointed to represent shareholders, or acts as a consultant to the firm.

4.3.3.4 Control Variables

Extant studies have identified other factors that may influence firm CSR adoption strategies (e.g., Al-Mamun et al., 2016; Mallin & Michelon, 2011; McWilliams et al., 2006). This study controls for two categories of factors, the first relating to firm-level factors and the second relating to macro-level factors. Firm-level factors include board size, board gender diversity, board meeting frequency, board tenure, board education qualifications, board leadership, firm size, firm age, and firm performance. Macro-level factors include measures of culture, GDP growth and religious diversity within the focal firm's country of operation in addition to the four institutional qualities applied identified in Study One.

Board size is measured as the total number of directors appointed to the board. Previous studies have claimed that board size is an important factor that impacts management efficiency (Abdullah et al., 2016; Haniffa & Cooke, 2005), and many regulators have stipulations on board size through their mandated codes of corporate governance (e.g. Malaysian Code of Corporate Governance, 2014). Board gender diversity is determined as the proportion of female directors appointed to the board with gender status identified from hand collected director profiles disclosed in the relevant firm annual reports (Abdullah et al., 2016; Al-Mamun et al., 2016). A gender diverse board has been shown to be more likely to adopt CSR by several research studies (Al Mamun et al., 2017a; Petrenko et al., 2016). Board meeting frequency is also an important factor, given important CSR decisions and implementation strategies are set in board meetings. Board meeting frequency is measured the number of times the board sat in the given year. Board tenure is measured as the number of years held by each director on the board divided by board size to generate an average tenure for each board (Devinney & Hohberger, 2016). As argued earlier longer tenure board can impact agency conflict (Jensen & Meckling, 1976) from both directions while directors with long tenure may form close with managers that impede their independence, they may also have gained the confidence to challenge management decisions without fear of jeopardizing their appointments (Al Mamun et al., 2017a; Fama & Jensen, 1983). Board members' education qualifications were determined by identifying the highest educational qualification directors achieved with a Bachelor or Professional Degree scored as 1, a Master Degree scored as 2 and a Doctor of Philosophy scored as 3. Directors having an educational qualification below a bachelor's degree (such as a diploma) were scored 0. Similar methodology has been applied in previous studies to measure educational qualifications (e.g., Al-Mamun et al., 2015; Khan et al., 2013). Earlier studies have also claimed to have found a positive association between board members' education levels and CSR adoption (See e.g., Petrenko et al., 2016). Board leadership is coded as a binary variable, with a score of 1 given when the CEO and board chair positions are held by different individuals and a score of 0 otherwise (Petrenko et al., 2016). Board leaders play a significant role in decision-making and implementing and hence it is claimed that combining the two leading positions of CEO and chair will result in entrenched management leadership which will negatively impact the adoption firm CSR (Hubbard et al., 2017; Petrenko et al., 2016). To measure firm performance, this study relied on the financial measurement return on equity. Return on equity has been predominantly used in previous CSR research to proxy for firm performance (McWilliams et al., 2006) and is seen as a valid proxy as it is less likely to be manipulated by management than other internally generated accounting ratios.

The culture classification of the firm's country of operations is determined by adapting the power distance dimension of Hofstede's cultural dimensions (Abdullah et al., 2016). Hofstede's argues that power distance is higher among emerging economies and that the higher the power distance, the less likely are middle or lower management to be involved in the firm's decision-making process. The GDP growth data for each country and each year was obtained from the World Bank databank (Lim & Tsutsui, 2012) with religious diversity measured using country data published by Pew Research Centre (PRC) (Young & Makhija, 2014b). PRC measures religious diversity as the proportion of people living in a country from different religious backgrounds.

This study also controls for country and year as is consistent with extant studies (Abdullah et al., 2016; Chen et al., 2013). As emerging economies vary within and between levels themselves in terms of regulatory systems, corporate profile and social and religious structure, it is important to control for country-specific characteristics. The study also controls for each year in the 2010 to 2014 period using year dummies.

As previously outlined this study focusses on both macro (institutional qualities) and mezzo (board attributes) level variables. The macro institutional qualities of interest are measures of the rule of law, human capital formation, financial development and international business exposure of the relevant economy in which a firm operates. Definitions, measurement and data extraction method in respect of these four institutional qualities is explained in detail in the previous chapter (see Section 3.3.3).

4.4 Results

This study uses a hierarchical regression analytics to estimate the magnitude of influence of board attributes on CSR adoption practices among emerging economy firms in the context of the varied institutional settings in the region. This model is appropriate as the hypothesis assumes that firm CSR practices are not homogenous among the various economies due to variations in institutional pressures. This section firstly presents descriptive statistic (see Table 4.2) before applying a correlation matrix to test for the presence of multicollinearity among variables (see Table 4.3). The results of this matrix show correlation coefficient and variance inflation factor (VIF) results that suggest that multicollinearity is not an issue for this study (Neter, Kutner, Nachtsheim, & Wasserman, 1996) using a two-tailed test (Mallin & Michelon, 2011).

Table 4.2 shows the mean culture rating is 0.18 which implies that average power distance among the specified economies is 0.18. Religious diversity is found to have an average of 0.25 with rule of law on average 0.94 among these Asian emerging economies. Mean financial development scored 0.87 with human capital formation scoring 1.18 on average among emerging economies. Mean international trade is found to be 0.17 with the mean firm age of 0.17.

Table 4.2: Descriptive Statistics Study Two

		Minimum	Maximum	Mean	Std. Dev	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
1	Culture	0.170	0.197	0.183	0.008	0.329	0.047	-1.178	0.094
2	Religious diversity	0.080	0.526	0.258	0.158	0.631	0.047	-1.066	0.094
3	Rule of law	0.900	1.010	0.949	0.026	0.149	0.047	0.026	0.094
4	Financial development	0.342	1.688	0.870	0.447	0.480	0.047	-1.382	0.094
5	Human capital formation	0.890	1.480	1.189	0.200	-0.216	0.047	-1.311	0.094
6	International trade	0.070	0.260	0.172	0.059	0.101	0.047	-1.203	0.094
7	Firm age	0.000	1.860	0.357	0.270	1.977	0.047	5.674	0.094
8	Gender diversity	0.000	0.571	0.108	0.102	0.984	0.047	1.366	0.094
9	Board meeting frequency	2.000	13.000	7.647	4.628	2.728	0.047	12.074	0.094
10	Board size	0.010	0.190	0.099	0.028	0.574	0.047	0.154	0.094
11	Board education	0.000	0.400	0.153	0.059	1.126	0.047	3.344	0.094
12	Board tenure	0.100	4.100	0.825	0.429	1.764	0.047	7.533	0.094
13	GDP growth	0.020	0.060	0.042	0.015	-0.013	0.047	-1.449	0.094
14	CEO-Chair duality	0.000	1.000	0.797	0.403	-1.475	0.047	0.176	0.094
15	Firm size	2.030	11.670	5.133	1.388	1.265	0.047	2.547	0.094
16	Return on equity	-6.507	18.050	0.202	0.929	14.618	0.047	249.522	0.094
17	Political influence	0.000	0.917	0.252	0.160	1.047	0.047	1.555	0.094
18	Community engagement/involvement	0.000	0.780	0.255	0.146	0.765	0.047	0.451	0.094
19	International experience	0.000	.360	0.210	0.215	0.751	0.047	5.109	0.094
20	Business expertise	0.000	.420	0.220	0.221	0.494	0.047	-0.381	0.094
21	Interlocking directorship	0.000	47.000	4.440	9.158	2.201	0.047	3.747	0.094
22	Board independence	0.000	1.000	0.474	0.225	0.341	0.047	-0.761	0.094
23	CSR	0.021	0.243	0.100	0.034	0.675	0.047	0.612	0.094
24	2010	0.000	1.000	0.200	0.400	1.501	0.047	0.254	0.094
25	2011	0.000	1.000	0.200	0.400	1.501	0.047	0.254	0.094
26	2012	0.000	1.000	0.200	0.400	1.501	0.047	0.254	0.094
27	2013	0.000	1.000	0.200	0.400	1.501	0.047	0.254	0.094
28	2014	0.000	1.000	0.200	0.400	1.501	0.047	0.254	0.094
29	India	0.000	1.000	0.185	0.388	1.622	0.047	0.633	0.094
30	Indonesia	0.000	1.000	0.143	0.350	2.046	0.047	2.188	0.094
31	Malaysia	0.000	1.000	0.183	0.387	1.638	0.047	0.684	0.094
32	Pakistan	0.000	1.000	0.176	0.381	1.704	0.047	0.904	0.094
33	Philippines	0.000	1.000	0.128	0.334	2.232	0.047	2.983	0.094
34	Thailand	0.000	1.000	0.185	0.388	1.622	0.047	0.633	0.094

Source: Author Computations

The mean gender diversity was 0.10 which implies that there are 10 percent female members appointed to boards on average. Meeting frequency was resulted 7.64 showing that on average boards meet 7.64 times in a year. The mean board size (0.09) show that on average a board consists of nine members. The mean board education was 0.15, which implies that board members on average held at least an undergraduate degree. The mean board tenure was 0.82, which shows that board members had served on the board an average of 0.82 years. The mean GDP was shown to be 4% on average among the selected Asian emerging economies. The mean CEO-chair duality score of 0.79 implies that on average 79 percent of boards appoint separate individuals to two leading positions of CEO and board chair. The mean firm size scored 5.13 as was measured as using the logarithm of total assets with mean return on equity is 0.20 which implies that average return on equity is 20 percent among firms in these Asian emerging economies. Political influence is found to be 0.252 which shows that approximately 25 percent of board members have political influence with the mean board community engagement/involvement score being 0.255, implying that on average firms have 26 percent of board members who are community engaged/involved. The mean board international experience was found to be 0.21 showing that on average boards have 21 percent of their members having international experience. The mean business expertise was 0.22 showing boards on average have 22 percent of members with extensive business expertise. The mean interlocking directorship was 4.4 implying that directors on average hold 4.4 seats outside of their seat on the focal firm. The mean board independence was 0.47 showing that on average sampled firms have boards containing 47 percent of members who are independent. The mean CSR was found to be 0.10 among Asian emerging economy firms. This implies that the average rating of CSR is 10 for Asian emerging economy firms. This study also controlled for country and years creating dummy variables as shown in Table 4.2.

Prior to running the hierarchical regression analysis, this study examined data for violation of normality and also examined whether multicollinearity was a potential problem among the explanatory variables. The results showed that outcome variables are normally distributed. In relation to testing multicollinearity, the examination of correlations among the explanatory variables, control variables as well as the outcome variable (refer Table 4.3) showed that the associations between independent variables were all below 0.40 after controlling for the relevant institutional factors (Aguinis & Glavas, 2012). The VIF results did not exceed 36, suggesting that multicollinearity is not an issue among explanatory variables (Deegan, 2007), using a two-tailed test (Tihanyi et al., 2003).

Table 4.3: Correlation Matrix of Dependent, Independent and Control Variables Study Two

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
1 Culture	1																																	
2 Religious diversity	-.18	1																																
3 Role of law	-.18	-.083**	1																															
4 Financial development	-.39	.377**	-.124**	1																														
5 Human capital formation	-.02	.473**	-.275**	.626**	1																													
6 International business	-.26	.588**	-.180**	.696**	.852**	1																												
7 Firm age	-.05	.092**	.059**	-.084**	-.165**	-.105**	1																											
8 Gender diversity	.08**	-.117**	-.141**	.177**	.302**	.240**	-.157**	1																										
9 Board meeting frequency	.24**	.022	-.135**	.034	.244**	.193**	-.027	.14**	1																									
10 Board size	.09**	-.062**	-.075**	.091**	.077**	.114**	.100**	.02	.21**	1																								
11 Board education	.10**	-.110**	.056**	-.059**	-.187**	-.200**	.024	-.07**	-.06**	.039*	1																							
12 Board tenure	.02	-.098**	-.058**	-.129**	-.093**	-.092**	.041*	.01	-.12**	-.127**	-.05**	1																						
13 GDP growth	.17**	.929**	-.125**	.209**	.376**	.438**	.097**	-.11**	.09**	-.025	-.05**	-.080**	1																					
14 CEO-chair duality	-.13	-.088**	-.006	.005	.035	.080**	-.023	.03	.02	.075**	-.06**	.015	-.14**	1																				
15 Firm size	-.06	.239**	-.110**	.189**	.523**	.399**	-.038*	.07**	.05**	.073**	-.17**	-.079**	.16**	-.004	1																			
16 Return on equity	.07**	-.027	-.005	-.034	.032	-.001	-.016	.04	-.01	.112**	.021	.013	-.011	-.039*	.011	1																		
17 Political influence	-.44	.155**	.080**	.223**	.161**	.173**	.048*	-.01	-.12**	-.151**	-.046*	.035	-.034	.043*	.13**	-.054**	1																	
18 Community engagement	-.08	.03	-.09**	.31**	.40**	.34**	-.09**	.19**	.13**	-.05**	-.06**	.03	-.04*	.03	.15**	.01	.35**	1																
19 International experience	-.30	-.152**	.101**	-.170**	-.150**	-.099**	-.019	.00	-.08**	-.102**	-.073**	.048*	-.27**	.071**	.03	.057**	.073**	.05**	1															
20 Business expertise	-.35	.374**	.128**	-.017	-.151**	-.021	.136**	-.24**	-.19**	-.245**	-.053**	-.003	.27**	-.050**	.01	-.039*	.186**	-.04*	.270**	1														
21 Interlocking directorship	-.45	-.482**	.287**	-.381**	-.633**	-.589**	.074**	-.25**	-.31**	-.110**	.074**	.053**	-.62**	.053**	-.20**	-.014	.175**	-.19**	.323**	.179**	1													
22 Board independence	-.18	.034	.191**	-.205**	-.502**	-.378**	.150**	-.39**	-.20**	-.113**	.055**	.003	.018	-.012	-.28**	-.049*	.015	-.18**	.096**	.309**	.420**	1												
23 2010	.01	.00	.770**	-.075**	-.029	.000	-.02	-.04	.00	-.001	.009	-.161**	.00	.002	.00	.008	.026	.001	.009	-.002	.001	-.01	1											
24 2011	.029	.00	-.688**	-.037	-.019	-.058**	-.036	.00	.00	.006	-.011	-.076**	.00	.00	-.02	-.012	-.005	.001	.00	.003	.001	.00	-.25**	1										
25 2012	.029	.00	-.027	.004	-.005	.001	.039*	.00	-.01	.011	.011	-.003	.00	.002	.00	.007	.025	.005	-.004	.005	-.001	.00	-.25**	-.25**	1									
26 2013	.029	.00	-.027	.043*	.021	.046*	.026	.01	.00	-.002	.004	.083**	.00	-.003	.01	.003	-.01	-.002	-.01	.004	-.001	.01	-.25**	-.25**	-.20**	1								
27 2014	-.102**	.00	-.027	.064**	.031	.01	-.008	.02	.01	-.014	-.013	.157**	.00	.00	.02	-.006	-.04*	-.005	.005	-.01	-.001	.00	-.25**	-.25**	-.20**	-.25**	1							
28 India	.348**	.35**	.061**	-.116**	-.441**	-.288**	.184**	-.27**	-.07**	-.005	.169**	-.023	.563**	-.200**	-.36**	-.035	-.27**	-.32**	-.273**	.206**	-.218**	.36**	.00	.00	.00	.00	.00	1						
29 Indonesia	.195**	-.12**	-.134**	-.432**	.01	.114**	-.027	.18**	.23**	.185**	-.139**	.116**	-.054**	.193**	.03	.01	-.24**	-.027	.141**	-.185**	-.187**	-.23**	.00	.00	.00	.00	.00	-.19**	1					
30 Malaysia	-.528**	.81**	-.048*	.469**	.641**	.679**	.013	-.04	-.03	-.124**	-.19**	-.095**	.560**	.009	.42**	-.016	.41**	.196**	.049*	.356**	-.191**	-.06**	.00	.00	.00	.00	.00	-.23**	-.19**	1				
31 Pakistan	-.470**	-.520**	.306**	-.420**	-.69**	-.64**	.085**	-.24**	-.33**	-.189**	.07**	.080**	-.667**	.057**	-.24**	-.022	.21**	-.19**	.375**	.216**	.936**	.40**	.00	.00	.00	.00	.00	-.22**	-.19**	-.22**	1			
32 Philippines	.67**	-.24**	-.13**	-.30**	.23**	-.20**	-.12**	.09**	.15**	-.07**	.05*	.014	-.05**	-.13**	.22**	.09**	-.12**	.08**	-.16**	-.29**	-.16**	-.24**	.00	.00	.00	.00	.00	-.18**	-.16*	-.18**	-.18**	1		
33 Thailand	-.11**	-.33**	-.08**	.71**	.27**	.31**	-.15**	.29**	.08**	.21**	.03	-.08**	-.37**	.07**	-.04*	-.02	-.01	.27**	-.13**	-.36**	-.20**	-.27**	.00	.00	.00	.00	.00	-.23**	-.19*	-.23**	-.22**	-.182**	1	
34 CSR	.09**	-.05**	.06**	-.11**	-.39**	-.30**	.07**	-.09**	-.06**	-.08**	.16**	.039*	.04*	-.037	-.60**	.01	-.11**	-.1**	-.06**	.08**	.08**	.21**	-.10**	-.07*	.01	.05**	.12**	.43**	-.11*	-.28**	.10**	-.132**	-.039*	1

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 2699 (two-tailed)
Source: Author computations

The process of analysis first involved running a model containing only the control variables related to both the institutional and firm-level factors before introducing the predictor variables gradually to enable the hierarchical regression analysis to assess for [in]consistency of the results. During this process, none of the results of the developing models (models 1 to 7) significantly altered again reinforcing that it is unlikely the results may be subject to multicollinearity issues.

Table 4.4 and Table 4.5 show the results of testing the hypotheses on CSR adoption strategies across the firms in the sampled Asian emerging economies. To apply the hierarchical regression analysis, the relevant institutional qualities (rule of law, financial development, human capital formation and international trade exposure) along with all other controlling factors ware entered at the initial stage with all the independent variables introduced later via separate models. This resulted in the developed of 8 separate models being derived to examine the hypotheses with model 8 as representing the final model.

Model 2 introduces the influence of board political influence on CSR adoption practices with the results indicating that the relative political influence of the board is significantly positively associated with CSR adoption practices (beta = 0.015, $p < 0.01$). These results show preliminary support for H1.

Table 4.4: Hierarchical Regression Analysis of Institutional Qualities and Board Level Factors Effects on CSR

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
(Constant)	0.455	0.445	0.448	0.444	0.425	0.374	0.367	0.359
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Rules of law	-0.081***	-0.025	-0.026	-0.026	-0.027	-0.027	-0.025	-0.026
	0.001	0.232	0.222	0.222	0.204	0.210	0.218	0.219
Financial development	0.017***	0.004*	0.004*	0.004*	0.003	0.003	0.004	0.004
	0.000	0.069	0.084	0.084	0.172	0.184	0.182	0.127
Human capital formation	-.091***	-0.004	-0.004	-0.003	-0.001	0	-0.001	-0.005
	0.000	0.646	0.636	0.636	0.934	0.982	0.984	0.603
International business	-0.008	-.057*	-.056**	-.056**	-.051**	-.051**	-0.008**	-.053**
	0.687	0.015	0.017	0.017	0.030	0.033	0.032	0.025
Culture	-0.210***	-0.209***	-0.209***	-0.209***	-0.203***	-0.196***	-0.194***	-0.188***
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
GDP growth	0.956***	0.998***	0.999***	1.021***	1.031***	1.276***	1.278***	1.211***
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Religious diversity	-0.007***	-0.008***	-0.008***	-0.007***	-0.008***	-0.003***	-0.003***	-0.004***
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Firm age	0.004	0.003	0.003	0.003	0.002	0.001	0.001	0.001
	0.103	0.183	0.188	0.213	0.294	0.504	0.506	0.679
Gender diversity	-0.001	-0.001	-0.001	-0.001	-0.001	0.001*	0.002*	0.002**
	0.171	0.178	0.190	0.186	0.406	0.071	0.059	0.011
Board meeting frequency	0.001*	0.001	0.001	0.001	0.001	0.001	0.001	0.001
	0.097	0.108	0.127	0.116	0.186	0.936	0.968	0.979
Board size	-0.167***	-0.16***	-0.157***	-0.157***	-0.143***	-0.174***	-0.172***	-0.165***
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Education	0.052***	0.05***	0.05***	0.05***	0.051***	0.041***	0.042***	0.042***
	0.000	0.000		0.000	0.000	0.000	0.000	0.000
Tenure	0.001	0.001*	0.001*	0.001*	0.001	0.001	0.001	0.001
	0.115	0.061	0.064	0.085	0.101	0.349	0.349	0.349
CEO-Chair duality	0.001	0.001	0.001	0.001	0.001	0.003**	0.003*	0.003*
	0.593	0.579	0.571	0.608	0.446	0.049	0.069	0.075
Return on equity	0.002***	0.002***	0.002***	0.002***	0.002***	0.001**	0.002**	0.002**
	0.009	0.006	0.006	0.009	0.010	0.015	0.028	0.014
Firm size	0.001***	0.001***	0.001***	0.001***	0.001***	0.001***	0.001***	0.001***
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Political influence		0.015***						0.014***
		0.000						0.002
Community engagement/involvement			0.001					0
			0.685					0.416
International experience				0.002**				0.002**
				0.036				0.037
Business expertise					0.012***			0.007**
					0.000			0.038
Interlocking directors						0.001***		0.001***
						0.000		0.000
Board independence							0.022***	0.012***
							0.001	0.000
Year dummies	Included	Included	Included	Included	Included	Included	Included	Included
Country dummies	Included	Included	Included	Included	Included	Included	Included	Included
Number	2699	2699	2699	2699	2699	2699	2699	2699
Adjusted R Square	0.249	0.252	0.252	0.253	0.256	0.275	0.278	0.281

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 2699 (two-tailed)
Source: Author computations

Model 3 tests hypothesis 2, which predicted that board community engagement/involvement would have a positive influence on CSR adoption practices across Asian emerging economy firms. However, the results show that board community influence is not associated with firm

CSR adoption practices (beta = 0.001, $p > 0.685$), providing no evidence to support hypothesis 2. In model 4, the introduction of the board international experience variable showed a positive significant impact of the overall board's exposure to international business experience on CSR adoption practices of the sample firms (beta = 0.02, $p < 0.03$) providing support for hypothesis 3. Model 5 tests hypothesis 4, which predicts a positive relationship between board business expertise and CSR adoption practices in Asian emerging economy firms. The results show that board business expertise (beta = 0.012, $p < 0.01$) does have a significantly positive link with firm CSR adoption practices among the sample firms, providing preliminary support for hypothesis 4.

Model 6 tests hypothesis 5, which predicts that when members hold interlocking directorship they are more likely to promote CSR adoption strategies and practices. The results show a significant positive association between board members interlocking directorships (beta = 0.001, $p < 0.01$) and CSR adoption practices among the sample, which supports hypothesis 5. Model 7 tests hypothesis 6 which predicts that the presence of board independence would have a positive influence on CSR adoption practices. The results (beta = 0.012, $p < 0.01$), provide support for the hypothesis. Finally, the full model is developed as model 8 and its findings are consistent with the results of the previous model. Therefore, preliminary evidence is provided to support all hypotheses except for hypothesis 2. Further examination of the results in the presence of the proposed moderating variable, board independence, is presented in Table 4.5.

Table 4.5: Hierarchical Regression Analysis of Moderating Factors on CSR Adoption within Set Institutional Qualities

	Model 1	Model 2	Model 3	Model 4	Model 5
(Constant)	.211	.218	.218	.221	.218
	0.000	0.000	0.000	0.000	0.000
Rules of law	-.007***	-.023*	-.027*	-.028*	-.028*
	0.002	0.071	0.063	0.061	0.051
Financial development	.016***	.005*	.005*	.005*	.004*
	0.000	0.078	0.073	0.071	0.072
Human capital formation	-.091***	-.004	-.004	-.003	-.001
	0.000	0.534	0.513	0.502	0.645
International business	-0.027	-.034**	-.046**	-.048**	-.049**
	0.538	0.023	0.024	0.024	0.040
Culture	-.060***	-.062***	-.062***	-.062***	-.061***
	0.000	0.000	0.000	0.000	0.000
GDP growth	.585***	.596***	.600***	.595***	.595***
	0.000	0.000	0.000	0.000	0.000
Religious diversity	.001	.001	.001	.001	.001
	0.248	0.325	0.292	0.233	0.155
Firm age	.002	.002	.002	.002	.002
	0.310	0.293	0.305	0.296	0.368
Gender diversity	.000	.000	.000	.001	0.001
	0.407	0.448	0.423	0.395	0.367
Board meeting frequency	.000	.000	.000	.000	.000
	0.309	0.271	0.284	0.301	0.343
Board size	-.068***	-.065***	-.065***	-.069***	-.066***
	0.002	0.003	0.003	0.002	0.003
Education	.018**	.018**	.018**	.017**	.017**
	0.032	0.035	0.037	0.043	0.043
Tenure	.000***	.000***	.000***	.000***	.000***
	0.004	0.006	0.006	0.009	0.008
CEO-Chair duality	.001	.002	.002	.002	.002
	0.260	0.197	0.204	0.219	0.171
Return on equity	.001**	.001**	.001**	.001**	.001**
	0.032	0.030	0.029	0.028	0.028
Firm size	-.013***	-.013***	-.013***	-.013***	-.013***
	0.000	0.000	0.000	0.000	0.000
Political influence X Board independence	-.037***				
	0.002				
Community engagement/involvement X Board independence		.003**			
		0.019			
International experience X Board independence			.002		
			0.482		
Business expertise X Board independence				.014	
				0.141	
Interlocking directorship X Board independence					-.001**
					0.020
Year dummies	Included	Included	Included	Included	Included
Country dummies	Included	Included	Included	Included	Included
N	2699	2699	2699	2699	2699
Adjusted R Square	0.460	0.461	0.461	0.461	0.462

Notes: Correlations, significant at *p<.10; **significant p<.05; significant at ***p<.01; N = 2699 (two-tailed)
Source: Author computations

Table 4.5 presents the moderating effect of board independence on the association between the other board attribute independent variables and CSR adoption across the sample firms. Model 1, tests the moderating effect of board independence on the relationship between board political influence and CSR adoption and suggests that independent board members have a negative moderating effect on the relationship between board political influence and CSR adoption strategies (beta = -0.037, $p < 0.01$).

Model 2 tests for a moderating effect of board independence on the relationship between board member community engagement/involvement and firm CSR adoption (beta = 0.003, $p < 0.019$) and provides evidence that the presence of independent directors has a positive moderating effect on the relationship, supporting hypothesis H6b. Model 3 tests for a moderation effect of board independence on the board international experience and CSR adoption strategy relationship and finds evidence that independent board members do not have a significant moderating effect on this association (beta = 0.002, $p > 0.482$), providing no evidence to support hypothesis H6c. Model 4 tests whether the relationship between board business expertise and CSR adoption strategy relationship is moderated by the presence of independent board members and provides no evidence that board independence moderates the association (beta = 0.014, $p < 0.141$) thus providing no support for hypothesis H6d.

Model 5 tests whether board independence moderates the relationship between board members having interlocking directorship and CSR adoption and shows that independent board members have a negative moderating effect on the relationship (beta = -0.001, $p < 0.020$). This was contrary to what was expected. The interaction plots for all five moderating hypotheses developed in this study are presented below in Figure 4.1 to Figure 4.5.

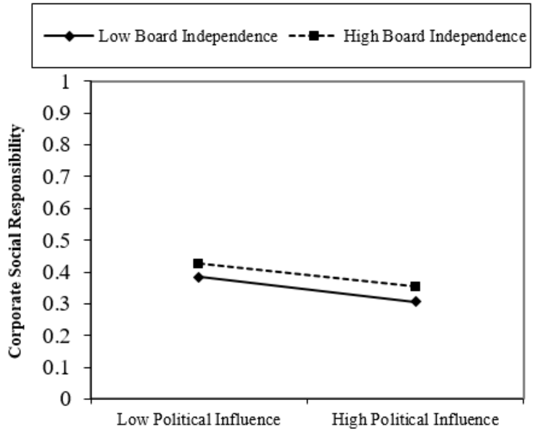

Figure 4.1: Interaction Plot — Board Political Influence, Board Independence and CSR

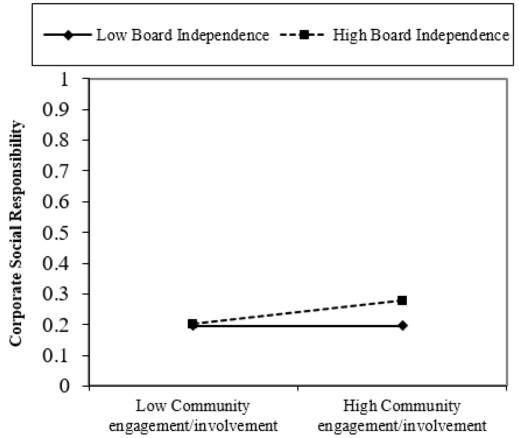

Figure 4.2: Interaction Plot — Board Community Engagement/Involvement, Board Independence and CSR

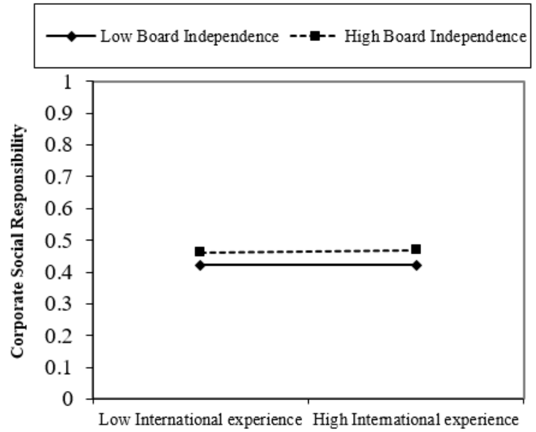

Figure 4.3: Interaction Plot — Board International Experience, Board Independence and CSR

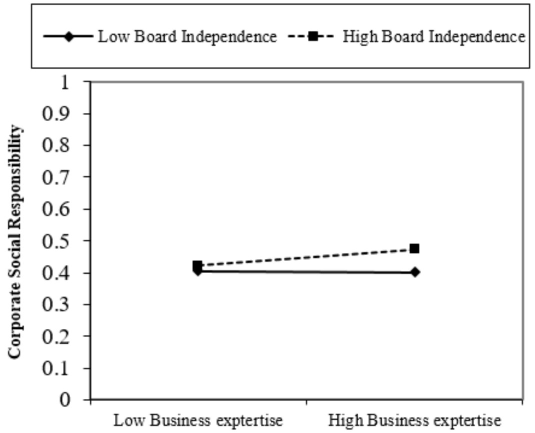

Figure 4.4: Interaction Plot — Board Business Expertise, Board Independence and CSR

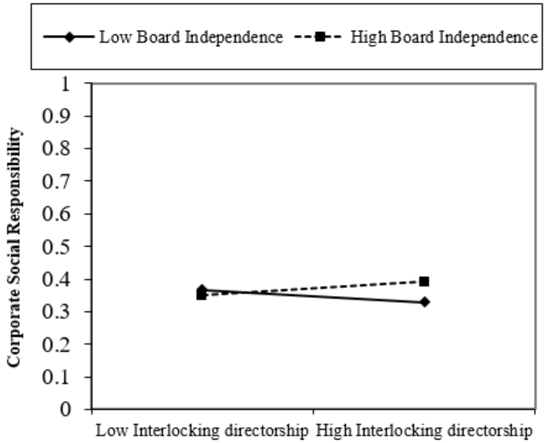

Figure 4.5: Interaction Plot — Interlocking Directorships, Board Independence and CSR

4.5 Discussion

The focus of this study is a sample of 2699 firm-year observations relating to 600 firms operating in six Asian emerging economies. This chapter has outlined the results of the examination of the influence of board various attributes on firm CSR adoption strategies given variations in the institutional qualities these firms face across those emerging markets. The results of the study support the suggestion that board members are not just optimizers with a sole objective of advancing investor wealth (See e.g., Chen et al., 2013) but rather draw on differences in their professional experiences, skills, values and choices to positively impact on firm-level CSR adoption strategies.

Table 4.6: Summarised Results on Hypotheses Developed and Examined

	Variable	Findings
H1	Board political influence	Significant positive association observed
H2	Board community engagement/involvement	No association found
H3	Board international experience	Significant positive association observed
H4	Board business expertise	Significant positive association observed
H5	Board interlocking directorships	Significant positive association observed
H6	Board independence	Significant positive association observed
H6a	Political influence*Board independence	Significant negative moderation effect found
H6b	Board community engagement/involvement*Board independence	Significant positive moderation effect found
H6c	Board international experience*Board independence	No moderation effect found
H6d	Board business expertise*Board independence	No moderation effect found
H6e	Interlocking directorships*Board independence	Significant negative moderation effect found

Source: Author compilations

Table 4.6 depicts the examined results on hypotheses developed earlier.

4.5.1 Theoretical Implications

Given the significance of institutional qualities to the behavior of a firm's decision authority (board of directors), a large body of research building on both institutional theory and resource dependence theory have examined the effect of institutional settings' on CSR from a global perspective (Lim & Tsutsui, 2012; Young & Makhija, 2014b). Board member influence on firm financial outcomes and social performance has also had a predominant focus on developed country settings China as an emerging economy exemplar (See e.g., Chen et al., 2013; Jaw & Lin, 2009; Mallin & Michelon, 2011; Zona et al., 2015). However, the impact of board attributes in promoting CSR adoption in Asian emerging economies has received scant attention. This study attempts to address that paucity of evidence by considering the relationship from a multi-theory perspective recognizing that both institutional pressures as macro-level factors and board attributes as mezzo level factors (Al-Mamun et al., 2016; Zhao, 2012a) interact to influence CSR adoption in emerging economies. This study also aims to contribute to the corporate governance and CSR literature by introducing director attributes not commonly considered as a group in extant CSR studies. These include board members': political influence, community engagement/involvement, international experience, business expertise, interlocking directorship and independence from management.

In relation to board attributes, this study finds a positive association between many of these board attributes and CSR adoption in emerging economy firms. The relationship also holds when differing institutional qualities of the six emerging economies are taken into account. In relation to specific board attributes this study shows that a board's political influence has a positive effect on CSR adoption as board members with a political background inject their insights into firm CSR adoption strategic decisions. This is consistent with a resource dependency theory perspective which states board members are the key resource access mechanisms for organizations. In relation to CSR adoption, board members with political influence are more likely to be aware of the institutional and regulatory pressures which need to be taken into consideration while making decisions. The study, however, found varied results on board members' community engagement/involvement and CSR adoption relationship. This results may suggest that the varied institutional pressures faced by firms across emerging economies, may inhibit directors who are community leaders from pursuing stakeholders' interest when those interests counter the immediate interests of owners or managers.

The findings of a positive link between a board's international experience and the likelihood of the firm adopting CSR adoption strategies is consistent with previous empirical studies (See e.g., Carpenter et al., 2001; Petrenko et al., 2016). Earlier studies, however, fail to examine the varied institutional pressures board members with international experience face and the unique knowledge and experience they gain from dealing with the institutional factors found in emerging economies such as high uncertainty, a high level of related party transactions and a high level of family dominance. These may normally force domestic board members to compromise resource allocations in favour of power resources, however having international experiences may make these directors less susceptible to insider control. In addition, directors with international experience are more likely to recognize the importance of adopting CSR strategies through their gained international experience and knowledge of international policies, best practice and standards. In addition, board members with international experience are more aware of the institutional settings of the constituents in which the firm deals and will prioritize ethical concerns both to protect the firm's international reputation and their personal reputation.

This study predicted firms would be more likely to adopt CSR where board members had greater levels of business expertise derived from holding management experience with other firms. The findings confirm this and reinforce the contention that when a board appoints members with the business expertise they are more likely to be conscious of the importance of recognizing how the social and environmental impacts of business activities will impact firm legitimacy. This is because business experts view the firm's issues from a broader perspective and can provide alternative views on the internal and external problems that may confront the board (Hillman et al., 2000). Moreover, business experts are more likely to have experienced a greater variety of institutional issues through their varied dealings with legal and regulatory issues, workers (e.g. related to trade union and human development, human capital formation), the media and international markets. Business experts, therefore, can be expected to rely on their operational experience to better realize impending institutional pressures and act accordingly.

The study also shows that when members hold interlocking directorship the firm is more likely to adopt CSR. This is because board members with interlocking directorship are more experienced at managing environmental uncertainty and can provide access to diverse skills and resources which provide legitimacy for the focal firm (Bear et al., 2010; Shropshire, 2010; Zona et al., 2015). Based on the results, this study also suggests that board members with interlocking directorship are more knowledgeable on business policies and practices, international standards, regulatory regimes and overall institutional settings, hence are more likely to promote firm CSR adoption strategies.

A considerable body of empirical evidence supports the contention that in developed economies the appointment of directors that are independent from management has a positive impact on CSR adoption (See e.g., Arora & Dharwadkar, 2011; Devinney & Hohberger, 2016; Johnson & Greening, 1999). Agency theorists argue this is because independent board members are more motivated than insiders to prioritize long-term outcomes for a broader group of stakeholders rather than focus solely on short-term returns to owners or be susceptible to management self-interest. Board independent members are also able to import knowledge resources regarding dealing with external uncertainties and institutional pressures and therefore recommend that external environmental threats and uncertainties are minimized by adopting CSR related strategies.

This study also hypothesized that the presence of independent directors on the board will act as a moderating factor that interacts with the relationship between other board attributes (e.g. political influence, community engagement/involvement, business expertise, international business and interlocking directorship) and CSR adoption in Asian emerging economy firms. In this regard, the study found that the presence of independent directors on the board strengthens the relationship between board community engagement/involvement and CSR adoption strategies, however negatively moderate the relationship between political influence, interlocking directorship and CSR adoption strategy. However, it found no evidence to support the contention that board independence moderates the relationship between international experience, business expertise and CSR adoption strategy to minimize emerging economy firms' external uncertainties. Hierarchical regression analytics (refer Table 4.5), therefore, report no evidence to support that board independence can strengthen the relationship between board international experience, business expertise and CSR adoption policies of Asian emerging economy firms.

The findings of this study, therefore, suggest that the theoretical assumptions on board resource utilization are consistent with extant studies of CSR adoption in developed countries after controlling for variances in institutional qualities across these emerging economies (See e.g., Campbell, 2007; Chen et al., 2013; Lim & Tsutsui, 2012; Mallin & Michelon, 2011; Matten & Moon, 2008; Petrenko et al., 2015; Young & Makhija, 2014b). This is visible particularly in the resource dependency and institutional theory perspective where board members' individual attributes have been shown to have a significant causal association with firm ethical behaviour taking into consideration the institutional settings of the constituents in which their firms are operating.

4.5.2 Practical Implications

In addition to its theoretical implications, this study also provides significant practical implications for key stakeholders (e.g. managers, regulatory bodies, and decision makers). The finding that members with diverse attributes sitting on Asian emerging economy firms' boards can positively influence on CSR adoption strategies with the presence of varying institutional pressures provide evidence for regulators and stakeholder groups to call for recommendations that appreciate that board level drivers cause heterogeneity of ethical practices across emerging economies. By encouraging firms to increase the proportion of board members appointed that hold these important attributes, firm CSR adoption strategies will increase with positive flow-on effects to the market in terms of versatility and competition (Al-Mamun et al., 2015), firm market share (Banalieva et al., 2014), and eventually firm performance (McWilliams & Siegel, 2001).

In constituents where institutional qualities are not well established it remains a challenge for board decision authority to deliver a quality social and environmental regime to relevant stakeholders. This study suggests that regulatory bodies should consider mandating for the inclusion of the highlighted board attributes to deliver ethical behaviour to stakeholders and ensure best practices that benefit society as a whole. For example, firm boards that include directors with the identified attributes will be more concerned over workers in terms of minimum wage payment and working hours, promoting women or minority groups in order to portray diversity and inclusiveness (Abdullah et al., 2016). In addition, these firms may also make extra effort to ensure their financial and non-financial information is available publicly through voluntary disclosures. Firms may also become transparent in regard to the effect of their production processes. Therefore, firms will encourage not only to show their compliance with legal and economic requirements but to demonstrate the significance and effectiveness of these board attributes to internal and external firm outcomes.

4.6 Conclusion, Limitations and Future Research

Based on institutional, resource dependency and agency theory, this study examines the effects of board attributes on the CSR adoption strategies of Asian emerging economy firms within the constraints of given institutional qualities. The findings of this study contribute to the literature describing the driving factors of CSR by providing evidence of that board attributes are important determinants of CSR adoption strategy under the varied institutional settings experienced among Asian emerging economies. This study is among the first to examine the effect on CSR adoption based on Asian emerging economy firms by taking into consideration both institutional pressure and board level factors.

After controlling for certain institutional and firm-level factors that have been shown to impact CSR in prior research, the study finds that the board attributes investigated, with the except of community engagement/involvement, are all positively associated with CSR adoption under the pressure of institutional qualities. This implies that both the board attributes (e.g. political influence, international experience, business expertise, interlocking directorship and independence) interact with institutional forces (rule of law, financial development, human capital formation and international business) to determine emerging market firms CSR adoption decisions.

However, the results of this study need to be considered in the light of following limitations. To run the hierarchical regression analysis, this study applied SPSS. However to pursue multi-level analysis the *Mplus* software package is suitable for extant studies. *Mplus* requires the identification of nested variables and the cluster for both the nested independent variables and the dependent variable(s) (Muthén & Asparouhov, 2009; Zyphur & Oswald, 2013). In the case of this study, variables are nested in multiple levels as individual director level factors are nested on boards, board level factors are nested in firms, firm-level factors are nested in industries and industry level factors are nested in differing institutional frameworks. Therefore, the multilevel analysis would enable the examination of both the macro, mezzo and micro level influence on CSR adoption strategies of emerging economy firms. For the purposes of this study, macro-level factors are identified as the previously outlined institutional qualities and the mezzo level factors include the industry, firm, board level factors while individual-level factors are categorized as micro-level factors.

Taking institutional qualities as the relevant macro-level factors and other variables as the mezzo and micro level factors, this study identifies a country as the cluster for multilevel analytics. It considers these institutional qualities as *between* level factors while variables relating to industry, firm, board and individual level factors as *within* level factors. Institutional level factors are typically confined to a residual variance that is common to all subjects, whereas the mezzo level (within) factors are expressed in a two-level source, which shows greater unobserved heterogeneity among the within level variances (Muthén & Asparouhov, 2009). Results from the multilevel analysis appear ambiguous in terms of p-values and residuals both at the standardized and unstandardized occasion. A potential limitation of this study that it focused on six Asian emerging economies as clusters where multilevel analysis has numerous clusters. Future research may adopt a similar methodological approach with an increased number of clusters to better examine the nested factors influence on firm CSR adoption strategy.

A second limitation is that the study has attempted to gauge the importance of a range of board attributes and does not attempt to determine which of these attributes are more important than others or what characteristics of each attribute are the most relevant. Therefore, it is suggested that future studies have a closer focus on particular attributes to better understand its impact. For example, does the impact of the board's political influence vary with their political ideology (Chen et al., 2013) or whether they are current or past politicians officials and does the duration of engagement with politics/government matter?

Third, the study has tested the developed hypotheses based on the largest 100 firms from each of the six Asian emerging economies while ignoring specific industry membership. As such the sampling process may have a resulting industry bias. For example, financial institutions follow different reporting regimes due to their large volume of transactions while the mining and manufacturing industries are major contributors to environmental damage and therefore are more likely to focus on CSR than less destructive industries. Therefore, future studies may replicate this study with a focus on a specific industry to produce more profound findings.

Finally, the sample consists of firms from six Asian emerging economies: India, Indonesia, Malaysia, Pakistan, Philippines and Thailand. While these six emerging economies do vary according to differential social and institutional structures, it is possible that the inferences drawn from this study may not be transferable to other economies. Therefore, future studies may benefit from testing other emerging economy particularly those of Africa and Latin America.

CHAPTER FIVE: CONCLUDING REMARKS

5.0 Introduction

As previously outlined throughout this thesis, an extensive amount of scholarly attention has been applied to the study of CSR, within both conceptual and empirical paradigms. The issue has also gained increased attention from a variety of institutional participants (e.g. regulatory bodies, stakeholder groups and firm decision-makers) due to its importance to stakeholders and economic benefits CSR bring (Young & Makhija, 2014). Recognising the importance of CSR adoption, this thesis outlines a variety of stakeholder groups that have their own expectations on organizations to be socially and environmentally responsible. For example, while investors in financial markets are concerned with CSR's impact on the risk premia incorporated in the pricing of financial assets, other stakeholders such as employees, consumers, NGO and local communities are more concerned with the societal benefits and costs associated with CSR. Therefore, from the firm's perspective, embracing CSR activities should aim to increase firm value either by addressing investors' concerns or managing external shareholder relations. Regulatory bodies also expect firms to engage with CSR and apply their corporate regulatory frameworks to provide suitable enticements for positive corporate actions and suitable disincentives for negative corporate actions. Despite the obvious benefits of firm CSR adoption, a large body of scholarly research from a multidisciplinary perspective has shown that the practical implications of CSR as a business practice and the economic and societal benefits it provides varies across firms and institutions and is motivated by different factors at these levels.

Chapter Two of this thesis outlined the extensive literature regarding CSR adoption including the factors motivating adoption by organizations such as the need to seek legitimacy (Chapple & Moon, 2005a). It also outlined the theoretical arguments and empirical evidence that various research disciplines have applied by focusing on either macro level pressures from institutional factors (Campbell, 2007; Ioannou & Serafeim, 2012a; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b) or firm level motives (McWilliams & Siegel, 2001; McWilliams et al., 2006) to engage with CSR.

The influence of macro-level CSR adoption is dependent on a combination of institutional level factors (Campbell, 2007; Lim & Tsutsui, 2012; Matten & Moon, 2008; Young & Makhija, 2014b) with institutional theorists positing that societal standards are the main determinants of CSR adoption. They suggest that organizations, operating in a given institutional setting, are obliged to comply with the prevailing rules and regulations in that particular constituents to ensure their organizational survival (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008; Young & Makhija, 2014a). The institutional literature proposes two different approaches to institutional theory: (a) a sociological approach and (b) an economic approach. This thesis attempts to integrate both the sociological approach and the economic approach in Study One to make a theoretical contribution to the extant institutional level literature as it relates to CSR.

Focussing on characteristics at the firm level that motivate CSR adoption, however, presents a different view of the drivers of CSR and requires a multi-theoretical perspective. For example, agency theorists argue that firm managers are self-motivated to apply strategies that maintain short-term profit, as it is usually short-term performance on which managers' performance is judged and remunerated (Al Mamun et al., 2017a). With respect to CSR strategy adoption, managers, therefore, are reluctant to allocate scarce resources to long-term and intangible future outcomes for the firm (Khan et al., 2013; McWilliams & Siegel, 2001). Alternatively, resource dependence theorists posit that firm decision makers import their valuable knowledge, experience and network resources to propose and implement strategies designed to minimize the external risks and uncertainties the firm faces and secure access to external resources (Al Mamun et al., 2017a; Bear et al., 2010; Moir, 2001). Therefore while agency theorists argue managers are reluctant to adopt CSR (McWilliams & Siegel, 2001), resource dependence theorists argue firm decision-makers will be motivated to adopt CSR to minimise the external uncertainties firms may face for non-compliance with regulations and external stakeholder expectations (Al Mamun et al., 2017a; Bear et al., 2010).

The purpose of this thesis is to make a two-fold contribution to the CSR literature. Firstly, the research described within attempts to address significant limitations identified with the extant literature. These limitations have been previously outlined to include the lack of integration of institutional level factors, firm-level factors, theoretical integrations and the selection of appropriate models of econometric methodology to the study of CSR adoption. Secondly, this thesis has a particular emphasis on firms operating in emerging economies and attempts to address the paucity of evidence regarding whether factors relevant to CSR adoption in developed economies are relevant with respect to developing economies.

The rest of this chapter is structured as follows. Section 5.1 presents a summary of each of the five chapters that comprise the thesis. Section 5.2 presents the key findings from Studies One and Two that represent the core of the thesis. Section 5.3 discusses the implications of these findings for practitioners and policymakers and the potential limitations that must be considered when interpreting those results. Finally, section 5.4 concludes the chapter with a suggested future research agenda for the analysis of CSR determinants both at the macro and mezzo level.

5.1 Summary of Thesis Chapters

The objective of this thesis is to investigate the drivers of CSR adoption both at the institutional level and the firm level with an emphasis on variances observed across and within emerging economies. As previously outlined, the focus of much CSR research over the last few decades have been the attempt to identify to what extent CSR adoption decisions are driven by firm decision authority or institutional forces. Chapter Two details a large number of studies of CSR that have been published since the 1980s across a variety of disciplines. This chapter also systematically reviews the related literature and theories of CSR adoption while highlighting the limitations as well as the contributions of a number of seminal studies in this research area. The purpose of Chapter Two is to inform the reader regarding the motivation, theories, methodologies and conclusions of empirical investigations related to CSR and to accurately position the intended contributions of the research contained in this thesis based on the research gaps identified. Based on these identified opportunities, this thesis explores CSR drivers at both the institutional level (Study One, Chapter Three) and the firm level (Study Two, Chapter Four). A summary of the studies is presented below.

5.1.1 Study One

Study one draws on institutional theory (Campbell, 2007; DiMaggio & Powell, 1983; Matten & Moon, 2008) and institutional logics (Ocasio & Thornton, 1999; Thornton & Ocasio, 2008) to explore the institutional level drivers of CSR adoption practices across developed and emerging economies (Al Mamun et al., 2016; Butkiewicz & Yanikkaya, 2006). Based on the review of the related literature and empirical evidence, Study One identifies important institutional qualities that are posited to be the drivers of institutional level CSR adoption practices. Institutional qualities are defined as those factors that translate into an in(de)creased degree of institutional frameworks that affect the process of how institutions operated within a given setting (Chong & Calderon, 2000).

Study One aimed to integrate institutional settings and institutional logics through examining the influence of institutional level drivers on institutional level CSR adoption practices. Thornton and Ocasio (2008) refer to institutional logic as “the way a particular social world works” (p. 101) and entails a set of complicated and experientially structured rules created by organizations and individuals that help to regularize and predict the behaviour and actions of corporations operating in given institutionalized contexts. In this vein, Study One attempts to answer the question: "to what extent do institutional settings contribute to the aggregate level of variation in CSR adoption across both emerging and developed economies." Despite the fact institutional logics are created by individuals who have similar demands for social well-being, Study One anticipates that institutional factors determine the level of CSR adoption at the economy level. It is therefore expected that variations in institutional settings across economies create different environments that promote/inhibit CSR adoption rates, particularly when comparing developed and developing economies (Thornton & Ocasio, 2008).

Butkiewicz and Yanikkaya (2006) claim that CSR adoption variation is determined by institutional qualities that result from different intra- and inter-institutional flaws. As stated earlier (see Section 3.3), of particular interest to this study are the following economy level institutional qualities: (1) the rule of law, (2) financial development, (3) human capital formation, and (4) level of international trade (Lopatta et al., 2015). Analysis from global contexts, focusing on both developed and emerging economies (see Section 3.6), allows a greater cross-country comparison of CSR adoption variations *between* levels of different economies. To gauge the influence of the outlined institutional qualities on CSR adoption, Study one employed an OLS regression analysis (see section 3.5) that applied comparative analytics at three different levels: (a) global (see Table 3.5), (b) developed countries (see Table 3.6) and, (c) emerging economy (see Table 3.7) to examine variations in CSR adoption across 83 economies comprising 52 emerging and 31 developed economies.

To examine national level CSR adoption practices under the influence of institutional qualities, Study One applied OLS regression analytics to determine that national economy level institutional qualities have a significant influence on macro-level CSR adoption practices within those economies. These findings support institutional theory by providing empirical evidence of important institutional level pressures on organizations to adopt CSR to fulfil their responsibility towards society and the environment across both developed and emerging economies. In relation to variances in CSR adoption by emerging economy firms, the results also suggest that the strength of a country's rule of law has a significant positive influence on CSR adoption. This implies that strong enforcement of rules and regulations among emerging economies reflects high expectations of societal actors (e.g. organizations) with respect to their impactful behaviours. In such an environment, these actors will delineate more legitimacy to firms whose activities conform to expected CSR adoption. The level of financial development, as measured by the existence of an active stock exchange, was also shown to have a significant positive influence on CSR adoption at the aggregate level across developed and emerging economies. As the issuance of operating principles and recommendations are more likely to be promoted when active stock exchanges operate in a state, this study hypothesized that the presence of financial development should result in increased CSR adoption at the institutional level. The level of economic human capital formation attained through the provision of education, training and skills development to the population also showed a positive influence on CSR adoption practices across both developed and emerging economies. This finding is important for institutional level decision making authorities, such as governments, reinforcing the societal benefits of emphasizing education, training and enhancing necessary skills and expertise.

The level of international trade in which an economy engages (measured as the level of foreign direct investment) was also found to have a significant positive effect on CSR adoption practices across both developed and emerging economies. This suggests that the importation of strategic policies and business standards from outside through international trade is important in determining and advancing local standards. This relationship was found for both developed and emerging economies, indicating the influence is two-sided. For example, when developed countries receive investments from emerging economies there is a reverse transfer of knowledge and business standards from the developed economies. Trade between developed countries also reinforces the importance of CSR activities in both places. When emerging economies receive investments from developed countries there is a direct top-down pressure to comply with the rules and standards that the investor relies on to protect their legitimacy.

In addition to above explanatory factors, there is a number of controlling factors that were also shown to have a significantly positive influence on CSR adoption practices at the institutional level both among developed and emerging economies as suggested in the literature.

Overall the findings of Study One confirm the theoretical arguments applied by institutional theorists and the extant empirical findings of a positive association between institutional qualities and CSR adoption practices among developed and emerging economies building on institutional theory and institutional logics. This suggests that institutional pressures to engage with CSR are high regardless of the economic standing of the nation as it is important that organizations use CSR to comply with their institutional settings and to exhibit behaviour to enhance their survival and their competitiveness over rivals.

5.1.2 Study Two

Based on the research gap identified in Chapter Two (see Section 2.10) and recommendations for future research outlined in Chapter Three (see section 3.9), this thesis also examines the impact of firm-level drivers of CSR adoption with a focus on emerging economy firms. Of particular interest to this thesis is whether the broad adoption of a developed economy based governance mechanisms by emerging economies is effective in encouraging firm level adoption of CSR. Western-based codes of corporate governance adopt a similar set of governance principles that include recommendations that companies: appoint independent board members (see Section 2.7), separate the leadership positions of CEO and board chair (see Section 2.4.2.1 and 2.4.2.2), and establish board sub-committees (see section 2.8). A growing body of empirical evidence is supportive of the positive influence of effective corporate governance in promoting CSR adoption in developed economies but the few existing studies investigating the link in emerging economies show mixed results (Claessens & Yurtoglu, 2013; Oh, Chang, & Kim, 2016).

In addition to investigating the relevance of globally recommended corporate governance principles on CSR adoption by emerging economy firms, Study Two also identifies several additional governance attributes that are important for firm decision-making processes particularly in emerging economy settings. It is expected that these previously unstudied attributes may have an important influence on CSR adoption practices in emerging economy firms and potentially explain the mixed findings of the relevance of western corporate governance to CSR adoption in these settings. Section 2.10.2 outlines the literature that suggests that board members, as the firm's decision authority, face immense pressure from institutional settings to act to minimize external uncertainties and risks. As board members are equipped with different attributes through which they provide valuable resources to the firm, their propensity to propose socially and environmentally viable strategies (a) to minimize external uncertainties, (b) reduce risk, (c) gain legitimacy, and (d) provide the firm with long-term benefits will vary as those attributes vary. Therefore, Study Two has an important focus on the following attributes of board members: (1) political influence, (2) community engagement/ involvement, (3) international experience, (4) business expertise, (5) interlocking directorships held, and (6) director independence.

To examine the relationship between these board member attributes and CSR adoption, Study Two adopts a multi-theory analytical methodology that incorporates the institutional pressures firms experience (DiMaggio & Powell, 1983; Jain et al., 2016; Thornton & Ocasio, 2008), the resources they require (Hillman & Dalziel, 2003; Preffer & Salancik, 1978) and the agency costs they face when making socially responsible decisions (Daily et al., 2003; Fama, 1980b; Fama & Jensen, 1983).

Building on the findings of Study One, that institutional qualities impact institutional level CSR adoption, Study Two investigates the influence of firm-level attributes building on resource dependence and agency theories. It first focuses on resource dependence theory by positing that various board of director attributes help align the organization with its social environment by reducing uncertainty around securing crucial resources (e.g. knowledge, legitimacy) (Hillman & Dalziel, 2003; Preffer & Salancik, 1978). The second focus uses the lens of agency theory to examine for a positive moderating effect of board independence on influencing management's attitudes towards adopting CSR strategies (Abdullah et al., 2016; Hillman & Dalziel, 2003; Petrenko et al., 2016; Tihanyi et al., 2014).

The focal sample of Study Two is a longitudinal dataset comprised of 2699 firm-year observations derived from 600 firms across six Asian emerging economies over a five-year period. The study applies hierarchical regression analytics to gauge the relationship between board attributes and CSR adoption practices. Building on institutional theory, resource dependency theory and agency theory, study two examines the effects of board attributes on CSR adoption among emerging economy firms under the presence of set institutional qualities.

To examine CSR adoption practices at the mezzo (firm) level within the context of the macro level (institutional level factors), Study Two (Chapter Four) adopted a multi-theoretical approach to determine that firm and board level factors have a significant influence on CSR adoption practices within the presence of set institutional qualities. In this vein, the study integrates resource dependency theory and agency theory together with institutional theory to make an important contribution to the related literature.

As previously outlined this study introduced several unique board attributes that have had little empirical emphasis within CSR research, particularly in relation to developing economies. Among these attributes were a board's political influence which identified boards with members having a parliamentary membership or having experience serving in high-level government posts. Board political influence was found to have a significant positive influence on firm CSR adoption implying that political influence is an important board attribute through which firms can access important resources from national level regulatory authorities. Another attribute of interest, board community involvement/engagement, however, has not shown to have any association with firm CSR adoption among Asian emerging economy firms.

Board international experience was identified when board members had management/director experience in other firms based in other countries outside of the firm's country of origin. Board international experience was found to have a significant positive influence on firm CSR adoption practices among emerging economy firms indicating such directors are important mechanisms to use their experience to minimize external uncertainties through importing knowledge of international level business practices, policies and standards.

A board's business expertise, measured in terms of board member experience as a founder CEO or a long-term membership as an executive or non-executive on other boards, was also found to have a significantly positive association with firm CSR adoption practices among Asian emerging economy firms. This finding again reinforces that experience and knowledge gathered from operating in other corporate environments are good mechanisms to minimize the external uncertainties that firms face within the institutions they operate. Similarly, the number of interlocking outside directorship held by board members was also found to have a significantly positive association with firm CSR adoption practices among Asian emerging economies. This also suggests that interlocking directors are another important mechanism to access important resources such as knowledge of socially viable business strategies adopted by other firms and the recognition of their importance.

As suggested by agency theory, board independence was also found to have a significantly positive association with firm CSR adoption practices among Asian emerging economies. This implies that independent board members are effective governance mechanisms to minimize the agency cost associated with management who are self-motivated to prioritize short-term performance at the expense of long-term benefits accruing to owners. As CSR is a current cost that impacts short-term performance to gain long-term benefits, independent board members, therefore, are important in advancing CSR strategies when decisions at made at the board level

In addition, Study Two also used board independence as a moderating factor and showed it to have a significant positive moderating effect on the relationship between board community engagement/involvement and CSR adoption relationship and a significant negative moderating effect on the relationship between board political influence and interlocking directorship and CSR adoption. However, board independence was found to have no moderating effect on the relationships between board international experience, business expertise and CSR adoption.

5.2 Implications for Practitioners and Policy Makers

The findings of the two related studies central to this thesis are important to a broad group of stakeholders including decision makers, policymakers, practitioners and regulatory bodies. The reported findings support the proposition that both institutional qualities and board attributes have an important influence on CSR adoption strategies. This is important evidence for regulators and stakeholders to consider when attempting to promote better CSR adoption both at the institutional level and the firm level. The empirical evidence provided by Study Two also suggests that when addressing corporate governance recommendations regulators should also consider promoting the desirability of other important board attributes other than board independence and board leadership structure. The thesis showed that there are other important board level drivers of ethical practices, particularly across emerging economies. By encouraging firms to increase the proportion of board members appointed that possess these important attributes (i.e. political influence, international experience, business expertise, interlocking directorship as well as independence), firm CSR adoption strategies will increase with positive flow on effects to market versatility and competition (Al-Mamun et al., 2015), firm market share (Banalieva et al., 2014), and eventually firm performance (McWilliams & Siegel, 2001).

However, in constituents where desirable institutional qualities are not well established, it remains a challenge for the board decision authority to prepare the organization to deliver quality socio-environmental outcomes to relevant stakeholders. This study suggests that governments and regulatory bodies should prioritize the advancement of the identified institutional qualities such as the rule of law, financial development, human capital formation and international trade exposure to enable firms to deliver ethical behavior that benefits not only direct stakeholders such as shareholders and employees but also encourages wide-ranging benefits to the society as a whole. Recognizing and encouraging improvements in both institutional and board level qualities should also have flow on effects above and beyond improving CSR adoption. For example, firm boards that include the board attributes focal to this research may be more likely to be more concerned with the well-being of their workforce (e.g. in terms of minimum wage payments and overtime working hours), promote women or minority groups in order to portray diversity and inclusiveness (Abdullah et al., 2016), and be more cognizant of making their financial and non-financial information available internationally through voluntary disclosures. Firms may also be expected to become more transparent in regard to the societal and environmental impacts of their production processes.

Through recognizing the benefits that would flow to the firms themselves firms will be motivated to do more than just show their compliance with legal and economic requirements, but to demonstrate the significance and effectiveness of their board attributes.

5.3 Research Limitations and Future Research Agenda

Though the use of OLS and hierarchical regression analysis methodologies is well suited to the multi-theory research approach adopted, there are limitations that must be considered when interpreting the results of both Study One and Study Two. These limitations are outlined in Section 3.9 and Section 4.6 respectively. Based on these limitations an agenda for future research is proposed.

An important limitation is that there are no universally accepted measurement criteria for CSR at either the institutional level or firm level. Studies contextualized on the US experience predominantly use the KLD database for measuring CSR (See e.g., Kim & Kim, 2014; Petrenko et al., 2016) with the Asset4 database also producing CSR ratings for firms. However, KLD, Asset4 and other CSR rating bodies rarely cover emerging economy firms. Therefore, the validity of the findings of this thesis depends heavily on the assumption of the accuracy of the CSR ratings provided by CSRHub. This thesis suggests future research to consider other measurement criteria of CSR to cross-check and verify the measurement criteria. This could include reapplying the methodology using other sources such as the Global Reporting Initiatives (GRI) data. This organisation also generates CSR adoption practice data and uses multiple sources that may add some important depth to the measure. Also, there are a few recent studies which internally generate their own CSR index based on soliciting responses from internal players in the firm's CSR strategy and deployment (See e.g., Khan et al., 2013). Future studies may also consider applying such a research approach to measure CSR adoption practices among emerging economies.

Additionally, Study Two focused on firms from six Asian emerging economies (India, Indonesia, Malaysia, Pakistan, Philippines and Thailand). While these six Asian emerging economies do vary according to differential social and institutional structures, emerging economies from another part of the world such as Africa and South America may have different institutional settings that make the findings of this study not relevant to these economies. Future research could determine whether the findings of this study hold across other emerging economies with different societal structures.

The aim of this thesis was to analyze CSR adoption practices from a multi-theory analysis perspective. However, the study did not attempt to apply a multi-level analytics approach which requires the model to consider nested factors. For example, board members are nested on boards, boards are nested in firms, firms are nested in industries and industries are nested among national level institutional factors. This thesis suggests future research to identify the mentioned nested factors to offer a better understanding of the multi-faceted CSR adoption process. Multi-level analytics that would include nested factors from the macro, mezzo and micro levels may open up the avenue for further *within* and *between* level analyses.

Finally, it is worth re-stating that this thesis makes an important contribution to the extant multi-disciplinary CSR literature with a multi-theoretical analysis of CSR adoption practices building on developed and emerging economy firm contexts. It is hoped that these findings may form a platform for future research in this important area.

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APPENDIXES

Appendix I. Preliminary selection of countries for CSR adoption from developed and emerging economies

Country	Country	Country	Country	Country
Albania	Bulgaria	Gibraltar	Macao	Russian Federation
Algeria	Canada	Greece	Malaysia	Saudi Arabia
Andorra	Channel Islands	Hong Kong	Mauritius	Senegal
Angola	Chile	Hungary	Mexico	Singapore
Anguilla	China	Iceland	Mongolia	South Africa
Argentina	Colombia	India	Morocco	Spain
Armenia	Croatia	Indonesia	Netherlands	Sri Lanka
Australia	Cyprus	Iran	Netherlands Antilles	Sweden
Austria	Czech Republic	Ireland	New Zealand	Switzerland
Azerbaijan	Denmark	Israel	Nigeria	Syria
Bahamas	Dominican Republic	Italy	Norway	Taiwan
Bahrain	Ecuador	Japan	Oman	Thailand
Bangladesh	Egypt	Jersey	Pakistan	Turkey
Belarus	EI Salvador	Jordan	Panama	Ukraine
Belgium	Estonia	Kazakhstan	Peru	United Arab Emirates
Bermuda	Finland	Kenya	Philippines	United Kingdom
Bolivia	France	Korea, Rep.	Portugal	United States
Botswana	Georgia	Kuwait	Poland	Uruguay
Brazil	Germany	Lebanon	Qatar	Venezuela, RB
British Virgin Islands	Ghana	Luxembourg		

Appendix II. Number of firms with CSR ratings from developed and emerging economies

Country	Firms	Country	Firms	Country	Firms	Country	Firms	Country	Firms
Angola	14	Cyprus	18	Iran	18	Morocco	15	South Africa	196
Argentina	84	Czech Republic	15	Ireland	32	Netherlands	65	Spain	62
Armenia	14	Denmark	125	Israel	93	Netherlands Antilles	14	Sri Lanka	14
Australia	572	Dominican Republic	21	Italy	75	New Zealand	59	Sweden	101
Austria	25	Ecuador	14	Japan	754	Nigeria	31	Switzerland	101
Azerbaijan	15	Egypt	36	Jersey	13	Norway	38	Syria	19
Bahamas	13	Finland	68	Jordan	21	Oman	21	Taiwan	238
Bahrain	14	France	323	Kazakhstan	16	Pakistan	28	Thailand	62
Bangladesh	13	Georgia	17	Kenya	17	Panama	20	Turkey	77
Belgium	31	Germany	288	Korea, Rep.	447	Peru	43	Ukraine	15
Brazil	251	Ghana	18	Kuwait	22	Philippines	51	United Arab Emirates	45
Bulgaria	19	Greece	70	Luxembourg	20	Portugal	15	United Kingdom	560
Canada	559	Hong Kong	198	Macao	15	Poland	35	United States	3,547
Chile	60	Hungary	15	Malaysia	112	Qatar	17	Uruguay	21
China	490	Iceland	16	Mauritius	14	Russian Federation	45	Venezuela, RB	19
Colombia	54	India	310	Mexico	93	Saudi Arabia	20		
Croatia	17	Indonesia	93	Mongolia	13	Singapore	159		

Appendix III. Number of firms with CSR ratings from developed and emerging economies

Country	Economic Standing	Country	Economic Standing	Country	Economic Standing	Country	Economic Standing	Country	Economic Standing
Angola	Emerging	Cyprus	Emerging	Iran	Developed	Morocco	Emerging	South Africa	Emerging
Argentina	Emerging	Czech Republic	Developed	Ireland	Developed	Netherlands	Developed	Spain	Developed
Armenia	Emerging	Denmark	Emerging	Israel	Developed	Netherlands Antilles	Emerging	Sri Lanka	Emerging
Australia	Developed	Dominican Republic	Emerging	Italy	Developed	New Zealand	Developed	Sweden	Developed
Austria	Developed	Ecuador	Emerging	Japan	Emerging	Nigeria	Emerging	Switzerland	Developed
Azerbaijan	Emerging	Egypt	Developed	Jersey	Emerging	Norway	Developed	Syria	Emerging
Bahamas	Emerging	Finland	Developed	Jordan	Emerging	Oman	Emerging	Taiwan	Developed
Bahrain	Emerging	France	Emerging	Kazakhstan	Emerging	Pakistan	Emerging	Thailand	Emerging
Bangladesh	Emerging	Georgia	Developed	Kenya	Developed	Panama	Emerging	Turkey	Emerging
Belgium	Developed	Germany	Emerging	Korea, Rep.	Developed	Peru	Emerging	Ukraine	Emerging
Brazil	Emerging	Ghana	Developed	Kuwait	Developed	Philippines	Emerging	United Arab Emirates	Developed
Bulgaria	Emerging	Greece	Developed	Luxembourg	Emerging	Portugal	Emerging	United Kingdom	Developed
Canada	Developed	Hong Kong	Emerging	Macao	Emerging	Poland	Emerging	United States	Developed
Chile	Emerging	Hungary	Developed	Malaysia	Emerging	Qatar	Developed	Uruguay	Emerging
China	Emerging	Iceland	Emerging	Mauritius	Emerging	Russian Federation	Emerging	Venezuela, RB	Emerging
Colombia	Emerging	India	Emerging	Mexico	Emerging	Saudi Arabia	Emerging		
Croatia	Emerging	Indonesia	Emerging	Mongolia	Developed	Singapore	Developed		

Appendix IV. Hausman test results on global perspective, developed countries and emerging economies

Model	Chi-Sq. Statistic	Probability
Global Perspective		
Model 1	7.9152	0.2444
Model 2	7.9039	0.3411
Model 3	6.4532	0.4879
Model 4	6.4358	0.4899
Model 5	9.7570	0.2028
Model 6	7.3848	0.6887
Developed Countries		
Model 1	8.8486	0.1153
Model 2	11.735	0.0681
Model 3	8.5405	0.2011
Model 4	9.7392	0.1361
Model 5	8.4795	0.2050
Model 6	11.8698	0.2207
Emerging Economies		
Model 1	2.2263	0.8977
Model 2	2.8744	0.8964
Model 3	2.5233	0.9253
Model 4	4.7279	0.6931
Model 5	3.6661	0.8173
Model 6	6.1700	0.8008