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Commitment to corporate, social, and environmental responsibilities: an insight into contrasting perspectives in China and the US

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Abstract

This cross-national study investigates antecedents and outcomes of corporate responsibility (CR) practices to stakeholders and the natural environment in the contrasting contexts of China and the US. In general, we found partial support for the proposition that the divergence of CR stakeholder practices across nations is dependent on the institutional environments of business. Whereas customer and community stakeholder practices were found to be more prevalent in US companies, there were no significant country differences in the prevalence of employee, investor, and environmental CR practices. In addition, we found that the relationship between the prevalence of CR practices and business outcomes (financial performance, corporate reputation, and employee commitment) varied depending on the type of CR practice and country.
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Introduction

Following increasing evidence of the global diffusion of the idea and the practice of corporate responsibility (CR) to stakeholders and the natural environment (Waddock *et al*., 2002; Reed, 2006), there has been a growing body of literature on cross-national CR (Clarkson, 1988; Maignan *et al*., 1999; Moore, 2001; OECD, 2001; Maignan and Ralston, 2002; Chambers *et al*., 2003; Hopkins, 2003; Doh and Guay, 2006). Modernization theorists propose that globalization forces will result in a convergence of management practices across nations (Guillén, 2001). However, cross-national differences in organizational motivations, implementation, and benefits of CR practices continue to be found even among advanced industrialized countries (Maignan and Ralston, 2002; Aguilera and Cuervo-Cazurra, 2004; Arthaud-Day, 2005; Doh and Guay, 2006). In contrast, little is known about the convergence–divergence on CR between developed and less developed countries with institutional conditions that are basically different in kind as well as in degree. Thus, existing frameworks for comparative institutional analysis of CR, mostly designed and used for developed-country comparisons, as well as the divergence thesis, remain largely untested in other comparative settings.

To test the cross-national generalizability of the antecedents and outcomes of CR practices, we conducted an exploratory study of the prevalence and benefits of CR practices in China and the US. The US and China are, respectively, the two largest economies in the world (CIA World Factbook, 2007), but with fundamentally different institutional contexts. Whereas China is a transitional economy and a relative latecomer to the implementation of CR practices, the US is the most developed market economy where CR has a long history (Hopkins, 2003). In the remainder of this paper, we first review the literature regarding CR practices. We then develop hypotheses regarding institutional influences on the adoption and business outcomes of CR practices concerned with different stakeholder groups in China and the US. Next we report the methodology and results of this study, and conclude with a discussion of our major findings.

CR in China and the US

Institutional theorists attribute cross-national variation in the adoption and diffusion of organizational practices to differences in national institutional environments (Kostova, 1999; Scott, 2001; Habisch *et al.*, 2005; Doh and Guay, 2006). One major observation is that certain institutional environments and specific organization cultures are more prone to promote CR practices in general (Campbell, 2006), and toward some stakeholder groups than toward others in particular (Habisch *et al.*, 2005). However, there has been a lack of conclusive evidence regarding the business outcomes of CR stakeholder practices from a comparative perspective.

From Friedman (1970) to Freeman (1984), agency theory has gradually given way to stakeholder theory that proposes that firms should go beyond financial considerations to take care of other stakeholders. Since then, there has been a growing consensus among stakeholder theorists that businesses must go beyond profit-making to be responsible to a variety of stakeholder groups, rather than focusing exclusively on investors (Freeman, 1984; Donaldson and Preston, 1995). In regard to which stakeholders a socially responsible corporation should be accountable to, five stakeholder groups have been identified as particularly relevant for the CR of modern organizations: customers, employees, investors, local communities, and the natural environment (Hopkins, 2003). Customer responsibility practices demonstrate an organization's commitment to its customers by providing high quality service that includes complete information, responding to customer complaints, and adapting products and services to enhance customer satisfaction. Employee responsibility practices emphasize organizational fairness and support in employee relations- including equitable treatment of employees irrespective of gender and ethnicity- and in employee educational development and work–family life balance. Investor responsibility practices incorporate investor interests in business decisions by seeking investor input on strategic decisions, responding to investor needs and requests, and providing all investors with a competitive return on their investment. Community responsibility practices demonstrate a company's voluntary commitment to improving the quality of life in its local community through charitable activities such as philanthropic donations and sponsorship of cultural, sports, and education programs. Environmental corporate responsibilities integrate environmental sustainability goals and objectives in organizational operations such as voluntarily exceeding government environmental regulations and implementing environmental management systems. Accordingly, this paper investigates the extent to which business corporations in China and the US embrace CR practices towards these five stakeholder groups.

Institutional environments and CR toward stakeholder groups

An institutional perspective identifies the regulatory, normative, and culture-cognitive "pillars" of national institutional environments (Kostova, 1999; Scott, 2001). The regulatory pillar establishes the minimum legal responsibility of business enterprises to a given stakeholder group and sets a baseline for corporations to consider CR practices that go beyond legal requirements. The normative pillar prescribes the social obligations of organizations to various stakeholder groups on the basis of moral appeals. The culture-cognitive pillar constructs a culturally appropriate frame of reference for business organizations to adopt in dealing with different stakeholder groups. Cross-national differences in these three pillars result in unique country institutional profiles that influence the development and diffusion of organizational practices (Kostova, 1999).

Thus, the question becomes: how do institutional environments exert pressure on organizations to adopt various CR stakeholder practices? An institutional analysis of CR considers the intensity of institutional pressures on firms for CR practices in the course of firm-stakeholder interactions (Campbell, 2006, 2007). Certain types of institutional dimensions appear to be more conducive for certain CR practices than for others, thus affecting the pattern of CR practices to individual stakeholder groups (Gardberg and Fombrun, 2006). In the remainder of this section, we develop our hypothesis regarding the effects of institutional environments on the prevalence of voluntary CR practices in China and the US.

In respect to the regulatory institutional pillar, greater regulatory pressures may come from stronger government determination in enacting and enforcing business regulations concerned with ethical conduct (Boxenbaum, 2006; Campbell, 2007). Empirical research has shown that a progressive CR approach is closely linked to the presence of an established legal system that generates considerable regulatory pressure on businesses and sets a high standard of corporate governance, or provides economic incentives for CR behaviors (Kaufmann *et al*., 2003; Aguilera and Cuervo-Cazurra, 2004; Aguilera *et al*., 2007). In these contexts, CR practices will be undertaken to be responsive to stakeholder groups, with greater attention being accorded to employees, investors, local communities, and the natural environment (Ryan, 2005; Wieland, 2005). In regard to the regulatory institutions of the two countries in this study, the legal system for business regulation in the US is far more established and effective than it is in China (Kimber and Lipton, 2005; Wieland, 2005). For example, international indices of regulatory and corporate governance consistently rank the US significantly higher than China (World Economic Forum, 2002; Kaufmann *et al*., 2003).

In regard to the normative institutional pillar, businesses' sense of social responsibility is stronger in capitalistic market economies, particularly those with a stronger Protestant heritage (Vogel, 1992), which stresses the need of businesses to pay back society (Weber, 1958). Further, stronger normative pressures for appropriate CR behavior may also result from closer monitoring by social movement organizations and the general public (Doh and Guay, 2006; Campbell, 2007). Such a normative setting would especially promote engagement in employee and community CR practices. In contrast, the ethical image of business is lower in non-market or less developed market economies, particularly those under strong state domination with forms of crony capitalism that normally characterize businesses as greedy and rarely perceive business enterprises as socially responsible (e.g. Whitly, 1992; Enderwick, 2005; Singh and Zammit, 2006). In these contexts, normative pressures for taking care of different stakeholder groups are marginal.

In regard to normative pressures for CR in China and the US, businesses have a more positive image as a progressive force in society under the market economy ideology of the US than they do under the communist ideology and Confucian ethics of China. For example, corporate philanthropy to support local communities has a lengthy history and is more prevalent in the US than it is in socialist China (Lu and Chiu, 2003). Further, business associations and leading firms in the US have been more active than their Chinese counterparts in the promotion of voluntary codes of CR behavior and the entrenchment of a CR organizational culture (e.g. Hopkins, 2003).

In regard to the culture-cognitive institutional pillar, businesses in individualistic societies are expected to assume a more active social responsibility role than businesses in communitarian societies where governments assume a larger social welfare role (Lodge, 1990; Midttun, 2005; Gardberg and Fombrun, 2006). This suggests that in individualistic societies, employee and community stakeholder groups would have higher expectations of businesses to meet these obligations. Other research has shown that firms in individualistic countries are more likely to have implemented ethical conduct policies (Scholtens and Dam, 2007). As such, the individualistic US has embedded higher expectations for businesses to be socially responsible and hence, there are strong social pressures for CR in the US (Vogel, 1992). In contrast, the socialist-communitarian society of China has been characterized as having a weak societal basis for CR (Lu, 1997).

In sum, institutional dimensions such as a formal and comprehensive regulatory regime lead to higher societal expectations of corporate citizenship, whereas a societal culture with a strong sense of ethical obligation creates normative and cultural pressures on businesses to take a positive stand on social obligations (Oliver, 1991; Campbell, 2007). Our review of institutional environments for the various CR practices suggests that the regulatory, cognitive, and normative institutional pressures for customer, employee, investor, community, and environmental CR practices would be stronger in the US than in China. For the US, the primary driving forces for beyond-legal-compliance CR undertakings include a greater acceptance of moral obligations to different stakeholder groups, the increasing use of CR as a corporate strategy for achieving business success and competitive advantage, the emerging practice of ethical investment (Lewis and MacKenzie, 2000), and the presence of active social groups. For China, while recent studies have indicated that social and environmental responsibility has begun to receive greater attention from corporate management (Lu, 1997; Wu, 1999; Lu and Chiu, 2003; Institute of Environment and Development, 2004; Li and Li, 2005), China's communitarian producer economy (Lodge, 1990) has not developed a strong institutional foundation for the promotion of CR stakeholder practices. Hence, we propose the following hypothesis:

> **Hypothesis 1**: Customer, employee, investor, community, and environment CR practices are more prevalent in US companies than in Chinese companies.

Business outcomes and CR practices

Having addressed the issue of "why" there may be CR differences, an equally relevant question is, do firms do well by doing good? In other words, what are the possible positive outcomes obtained by being a socially responsible corporation? According to the instrumental view (McWilliams and Siegel, 2001), businesses engage in CR practices strategically in order to obtain concrete business outcomes such as higher profits. As characterized by Baron (2001), the strategic CR perspective identifies corporate self-interest as the primary motivating factor for CR action. In contrast, the philosophical underpinning of normative business ethics proposes that CR is essentially altruistic in nature (Chambers *et al.*, 2003) and that CR should be approached as the moral management of organizational stakeholders (Carroll, 1999). These two perspectives on motivations for CR are reflected in two research streams. One research stream has focused on determining the financial performance benefits of adopting a CR business strategy (Drumwright, 1994; Maignan and Ferrell, 2001; Margolis and Walsh, 2001). The other research stream has focused more on identifying the potential of CR practices to enhance corporate reputation (Cone *et al.*, 2003; Hopkins, 2003) and to promote employee commitment (Collier and Esteban, 2007). Although financial performance, corporate reputation, and employee commitment are interrelated indicators of organizational success, they are conceptually distinct constructs. In this study, our interest is in examining whether there is cross-national consistency in these three types of business outcomes from CR practices, being mindful that institutional environments determine how far business benefits can be derived from a firm's CR practices.

Financial performance. From an instrumental perspective, CR has been proposed as a business strategy that should improve a firm's financial performance (Anderson, 1989; Hopkins, 2003; Husted and De Jesus Salazar, 2006). Indeed, the majority of US studies have found a positive relationship between CR and financial performance (Margolis and Walsh, 2001; Orlitzky *et al.*, 2003). Even so, there remains controversy regarding the proper theoretical formulation of this linkage, as well as a number of methodological issues (Waddock and Graves, 1997; McWilliams and Siegel, 2000). In contrast, there has been a lack of in-depth inquiry into the financial returns of CR in China. Current research suggests that in general, Chinese companies do not see potential for enhancing financial performance through the adoption of CR practices (Lu and Chiu, 2003).

Corporate reputation. Following Fombrun and Shanley (1990), corporate reputation is defined as stakeholders' cumulative judgments of a firm. Increasingly, CR is found to help build, maintain, and even insure reputation (McWilliams *et al.*, 2006). Public image is a major concern of US corporations, as evidenced by the popularity of corporate reputation indices (e.g. *Fortune* magazine ratings). In the US, research has found a number of positive corporate reputation effects associated with CR initiatives (Blumenthal and Bergstrom, 2003; Cone *et al.*, 2003). Marketing studies have consistently found that positive CR associations can enhance brand and product evaluations, promote brand choice, and affect brand recommendations (Drumwright, 1994). US companies with good CR track records are also more likely to be selected for the increasingly popular ethical investment funds in the US (Hopkins, 2003). Further, companies with a strong positive corporate reputation can enjoy considerable competitive advantages in employee recruitment and retention (Egan, 2006).

Good corporate reputation has traditionally been considered an important asset by Chinese enterprises, which are to be built on scrupulous practices, even during the planned economy era (Bai, 2001). For example, Tong Ren Tang Technologies Co., Ltd. Pharmaceutical Factory, the state-owned Chinese pharmaceutical giant, is a classic example of a company whose reputation for CR, in terms of product quality, can be traced back to pre-Communist China (Bai, 2001). Although building brand name through CR is relatively new for Chinese enterprises, there have been some noteworthy examples such as the Bingbing Group's (one of the top eight enterprises in China's fashion industry) active sponsorship of environmental activities and Three-One Group's (a private enterprise producing mechanical equipment) philanthropy (Liu, 2002). There has also been emerging consensus among Chinese scholars that enterprises should establish a favorable corporate image through the adoption of caring practices to stakeholders such as customers, employees, and the wider society (Lu, 2002; Zhou, 2003). However, using CR practices to deliberately promote corporate reputation is still rare in China and its positive impact is uncertain for stakeholders relatively unfamiliar with the CR concept (Welford and Frost, 2006).

Employee commitment. Jaworski and Kohli (1993: 30) defined employee commitment as, "…the extent to which a business unit's employees are fond of the organization, and are willing to make personal sacrifices for the business unit." From the stakeholder perspective, employees themselves may be the beneficiaries of their organization's CR practices, particularly those directly related to employee responsibilities (Hopkins, 2003). Further, CR programs can be a rallying point for organizational identification and pride among employees (Maignan *et al.*, 1999; Maignan and Ferrell, 2001; Cone *et al.*, 2003). The positive relationship between CR practices and employee commitment has been consistently found in both US studies (Foote *et al.*, 2005; Peterson, 2005) and cross-national studies (Brammer *et al.*, 2007).

In China, employee loyalty has been historically very high because of "iron rice-bowl" human resource management practices of lifelong employment and the function of the enterprise as a social unit providing its employees with welfare from cradle to grave (Ding *et al.*, 2000). Although the concept of CR is relatively new to most Chinese employees (Li and Li, 2005), recent research suggests that employees have positive attitudes towards enterprises that are philanthropic, concerned with employees' well-being, honest with customers, and earnest about reducing industrial pollution (Bai, 2001; Institute of Environment and Development, 2004; Li and Li, 2005). However, employee loyalty may have diminished as a result of the cessation of the "iron rice-bowl" practices and increased employee layoffs resulting from recent social and economic reforms (Ding *et al.*, 2000).

Thus, cultivating and securing employee commitment to enhance firm performance has emerged as an important human resource management issue for modern Chinese companies (Law *et al.*, 2003). Even so, development of a competitive market environment that has diminished the role of state-owned enterprises as a social institution (OECD, 2000; Cook and Murray, 2001) may have weakened the institutional foundations that would engender high employee commitment. For most employees, particularly those working in non-state enterprises, there is less concern with employers' responsible practices, aside from with those relating to the payment of their wages. Hence, employee commitment may be largely determined by whether employees are paid properly and punctually (Han and Liu, 2006).

In sum, previous research indicates a positive relation between CR practices and the business outcomes of financial performance, corporate reputation, and employee commitment in both the US and China. Our research question here is whether the business benefits of CR are realized to the same extent in contexts that are at different stages of CR institutionalization. In respect to CR-business benefits linkages, institutional theory suggests that companies that conform to societal/institutional expectations (regulatory, normative, and cognitive) are rewarded more than those that do not conform. Since there are stronger institutional pressures for CR in the US and these are consistent across the three types of institutional pillars, these linkages should be stronger than those in China where modern CR concepts and practices are in a nascent development stage. Specifically, we propose that the CR practices–business benefits linkage would be stronger in institutional environments that have a more developed regulatory system for dealing with various stakeholders groups, higher normative expectations for CR within the business sector, and higher cultural expectations for CR conduct. Thus, we hypothesize the following:

Hypothesis 2: The positive relationship between the prevalence of CR practices and financial performance is stronger for US companies than for Chinese companies.

Hypothesis 3: The positive relationship between CR practices and corporate reputation is stronger for US companies than for Chinese companies.

Hypothesis 4: The positive relationship between CR practices and employee commitment is stronger for US companies than for Chinese companies.

Method

Data collection

A cross-sectional survey of business organizations was conducted with country samples identified from the Dun & Bradstreet Global Million Dollar database. Companies with fewer than 50 employees were excluded from the sampling frame. Of the remaining companies, a random sample of 1000 companies was selected for each country. Questionnaire surveys were addressed to the most senior corporate executive (Chairman, CEO, CFO) named in the Dun & Bradstreet database. Each survey questionnaire was sent with a cover letter, self-addressed return envelope, and an offer for respondents to receive a summary of study findings (interested respondents were asked to send their business card in a separate envelope). Approximately 3 weeks after the first mailing, a reminder mailing was sent to all companies in the sample.

In total, 132 Chinese and 106 US companies responded to the survey (response rate of 14% for China and 11% for the US after accounting for undeliverable surveys). We excluded responses from 21 organizations whose headquarters were not located in the country of interest, with the resulting samples being 113 Chinese organizations and 104 US organizations. Our comparison showed that the organizational characteristics (organization size, publicly traded, and industry) of our respondent sample were closely representative of companies in the D&B listings.

Survey questionnaire development

The survey was initially designed in English and standard translation-back translation procedures were used for the Chinese survey. Survey questionnaires were also pre-tested with business academic colleagues and managers in both China (n=16) and the US (n=27) to obtain feedback concerning survey content and format.

CR practices. CR practices items relating to social stakeholders (customer, employee, investor, and community) were identified from established instruments (Aupperle *et al.*, 1985; Clarkson, 1995; Maignan *et al.*, 1999; Maignan and Ferrell, 2003). Items to measure CR practices related to the natural environment were developed from measures of proactive corporate environmental management (Sharma, 2000; Branzei and Vertinsky, 2002; Egri and Hornal, 2002). Pre-tests in each country identified six questionnaire items for each type of stakeholder responsibility.

The extent to which a CR stakeholder practice had been adopted in a respondent's organization was measured using a nine-point Likert scale (1= strongly disagree to 9= strongly agree). Exploratory factor analysis and confirmatory factor analysis were used to determine the cross-cultural configural and measurement invariance of the CR stakeholder practices scales (Steenkamp and Baumgartner, 1998). Based on these analyses, items were removed to result in revised CR stakeholder practices scales with the following scale reliabilities (Cronbach alphas): customers (five items, China α=0.85, US α=0.66); employees (five items, China α=0.77, US α=0.59); investors (four items, China α=0.75, US α=0.79); community (four items, China α=0.83, US α=0.79); and environment (four items, China α=0.70, US α=0.84). The configural and measurement error invariances (full or partial) for the five CR scales were at acceptable levels, that is, either full or partial invariance with GFI and CFI statistics of 0.90 or higher (Steenkamp and Baumgartner, 1998). The items in the five CR scales and CFA model fit statistics are presented in the Appendix.

Business outcomes. Financial performance was measured using a four-item scale developed by Samiee and Roth (1992). Respondents were asked the extent to which their organization's return on investment, return on assets, sales growth, and profit growth had been substantially better than those of their most relevant competitors over the past 3 years (using a nine-point Likert scale with 1=strongly disagree to 9=strongly agree). Corporate reputation was measured using four items adapted from a scale developed by Fombrun *et al.* (2000). Employee commitment was measured using a four-item scale derived from Jaworski and Kohli (1993), which provides an organization-level (rather than individual-level) assessment of employee commitment to an organization. For both corporate reputation and employee commitment, respondents were asked to indicate the extent to which each item reflected their organization (using a nine-point Likert scale with 1= strongly disagree to 9= strongly agree).

Exploratory and confirmatory factor analyses showed that the corporate reputation scale should consist of three items (China α=0.84, US α=0.74). In addition, all four items in each of the financial performance (China α=0.91, US α=0.84) and employee commitment (China α=0.76, US α=0.88) scales should be retained. Acceptable levels of configural and measurement error invariance for the three business outcomes scales were found. The items in the three business outcomes scales and CFA model fit statistics are presented in the Appendix.

Organizational characteristics. The survey questionnaire also asked respondents to provide information regarding organizational characteristics which may have an influence on CR practices (e.g. Waddock and Graves, 1997; Kolk, 2003). These included: (1) organization size (coded: 1=fewer than 100 employees, 2=100 to 499 employees, 3=500–999 employees, 4=1000–4999 employees, and 5=5000 employees or more); (2) primary industry type (dummy coded for manufacturing and resource-based with services as the reference group); (3) ownership form (coded: 1=publicly traded, 0=private); and (4) internationalization (coded: 1=multinational company operating in two or more countries; 0=company operating in one country only).

Analyses

Linear regression analyses were conducted to test Hypothesis 1 regarding influences on the implementation of CR practices. The dependent variables in these regressions were the five CR practices concerning customer, employee, investor, community, and environmental stakeholder groups. The independent variable was country and the covariates were organizational characteristics (organization size, publicly traded, internationalization, and industry).

Multiple hierarchical regression analyses were conducted to test Hypotheses 2, 3, and 4 regarding country differences in the relationship between CR practices implementation and business outcomes. Regressions were conducted for the total sample and to ascertain country-specific relationships. Separate regressions were also conducted for the Chinese and the US company samples. In these analyses, the dependent variables were financial performance, corporate reputation, and employee commitment. In step 1 of the regression, country (for the total sample regression) and the covariates of organizational characteristics (organization size, publicly traded, internationalization, and the manufacturing and resource-based industry dummy-coded variables) were entered. In step 2, the five CR practices (customer, employee, investor, community, and environment) were entered.

Before analyses, we examined the variables to ascertain whether the assumptions of multivariate analysis were met. The five CR scale practices and the three business outcomes variables required transformations (squared) to remedy negative skewness in the data. To check for potential common method variance, we conducted a confirmatory factor analysis and found an unacceptable fit for a one-factor model with all eight variables (χ^2=115.37, df=20, $p<0.001$, RMSEA=0.15). We conducted collinearity diagnostic tests to ascertain whether there was intercorrelation among the independent variables (CR practices) that would inflate coefficients in the hierarchical regression analyses to test Hypotheses 2 to 4. The variance inflation factor statistics for the total sample (VIF=2.07), China sample (VIF=3.23), and US sample (VIF=1.69) were below the maximum (VIF=10) that would indicate high collinearity (Hair *et al.*, 1998). In sum, these results suggest that there were not significant common method variance or multicollinearity issues in the data.

Results

Table 1 provides the descriptive statistics (means, standard deviations, and correlations) for the variables in the study. In respect to country differences in organizational characteristics, the correlation analysis showed that the Chinese sample had larger organizations (r=0.17, $p<0.05$) and a higher proportion of multinational corporations (r=0.15, $p<0.05$) than did the US sample. In respect to industry differences (χ^2=16.01, $p<0.001$), there was a higher proportion of manufacturing companies in the Chinese sample (58%) than in the US sample (31%), whereas there was a higher proportion of services companies in the US sample (60%) than in the Chinese sample (35%). There was no significant country difference in the proportion of companies that were publicly traded (r=0.04).

Influences on CR practices implementation

Hypothesis 1 proposed that the prevalence of customer, employee, investor, community, and

Table 1 Descriptive statistics: Means, standard deviations, and correlations[a]

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12
1. Country	3.39	2.50												
2. Organization size	2.51	1.10	0.17											
3. Publicly traded	0.16	0.37	0.04	0.31										
4. Internationalization	0.35	0.48	0.15	0.36	0.25									
5. Customer CR	7.75	0.87	−0.15	0.04	0.00	0.10								
6. Employee CR	7.00	1.03	0.09	0.05	0.00	0.07	0.56							
7. Investor CR	6.91	1.45	0.15	0.00	−0.08	0.10	0.39	0.45						
8. Supplier CR	6.17	1.40	0.35	0.16	−0.0	0.15	0.38	0.61	0.50					
9. Community CR	6.26	1.69	−0.17	−0.03	−0.11	−0.09	0.40	0.55	0.40	0.38				
10. Environment CR	6.08	1.51	0.07	0.22	0.03	0.20	0.40	0.41	0.46	0.53	0.46			
11. Financial perform	6.37	1.71	−0.08	0.07	0.02	0.11	0.26	0.26	0.41	0.26	0.36	0.31		
12. Corporate reputation	7.67	1.08	−0.27	0.06	0.08	0.09	0.58	0.47	0.42	0.25	0.42	0.36	0.40	
13. Employee commit	7.04	1.18	−0.30	−0.00	0.08	0.02	0.46	0.50	0.24	0.23	0.41	0.27	0.35	0.67

[a]Sample size: China (n=113); US (n=104). Categorical coding as follows: country: 1= China, 0= US; publicly traded: 0= private, 1= publicly traded; internationalization: 0= operating in one country only, 1= multinational operations. Correlations $r \geqslant 0.13$ significant at $p<0.05$ level; $r \geqslant 0.18$, $p<0.01$; $r \geqslant 0.22$, $p<0.001$.

Table 2 Results of the regression analyses: Influences on corporate responsibility practices[a]

	Customer CR			Employee CR			Investor CR		
	Total	China	US	Total	China	US	Total	China	US
	β	β	β	β	β	β	β	β	β
Country	−0.18**			0.06			0.13		
Organization size	0.04	0.13	−0.16	0.01	0.10	−0.18	−0.04	−0.00	−0.11
Publicly traded	−0.02	−0.16	0.23*	−0.01	−0.13	0.24*	−0.10	−0.09	−0.09
Internationalization	0.13	0.16	0.03	0.06	0.15	−0.07	0.12	0.16	0.13
Industry: manufacturing	0.00	0.08	−0.08	0.04	0.09	0.02	0.07	0.11	0.03
Industry: resource-based	−0.10	−0.06	−0.09	−0.01	0.03	−0.00	−0.03	−0.04	−0.01
Model R^2	0.05	0.09	0.07	0.01	0.06	0.06	0.05	0.05	0.03
Model F	1.64	2.01*	1.35	0.43	1.18	1.18	1.81	1.04	0.57

	Community CR			Environmental CR		
	Total	China	US	Total	China	US
	β	β	β	β	β	β
Country	−0.19**			0.02		
Organization size	0.02	0.03	−0.02	0.18*	0.31**	0.04
Publicly traded	−0.10	−0.16	0.01	−0.07	−0.14	0.00
Internationalization	−0.02	0.14	−0.18	0.15*	0.14	0.15
Industry: manufacturing	0.09	0.21*	0.05	0.11	0.03	0.14
Industry: resource-based	−0.02	0.13	−0.09	0.06	−0.01	0.10
Model R^2	0.05	0.08	0.05	0.09	0.15	0.07
Model F	1.74	1.68	1.05	3.21**	3.42**	1.46

[a]The coefficients are standardized. Categorical coding as follows: country: 1= China, 0 = US; publicly traded: 1= publicly traded, 0 = private; industry dummy coded with services as baseline comparison group.
*$p<0.05$ **$p<0.01$ ***$p<0.001$.

environment CR practices is higher in the US than in China. The results of the regression analyses are presented in Table 2. Consistent with Hypothesis 1, customer (β=−0.18, $p<0.01$) and community (β=−0.19, $p<0.01$) CR practices were more prevalent in US companies than in Chinese companies.

Inconsistent with Hypothesis 1, there were no significant country differences in the prevalence of employee (β=0.06), investor (β=0.13), and environmental (β=0.02) CR practices. Hence, Hypothesis 1 was only partially supported.

Results for the covariates. For the total sample regressions, the only significant relationships were the higher level of environmental CR practices for larger organizations (β=0.18, $p<0.05$) and for multinational firms compared to domestic-only firms (β=0.15, $p<0.05$). For the China sample, manufacturing firms had a higher prevalence of community CR practices than services sector firms (β=0.21, $p<0.05$), and larger organizations had a higher prevalence of environmental CR practices (β=0.31, $p<0.01$). For the US sample, publicly traded firms had a higher prevalence of customer and employee CR practices (respectively, β=0.23, $p<0.05$, β=0.24, $p<0.05$).

CR practices and business outcomes

We proposed that the positive relationship between CR practices implementation and financial performance (Hypothesis 2), corporate reputation (Hypothesis 3), and employee commitment (Hypothesis 4) is stronger for US companies than for Chinese companies. Table 3 presents the regression analysis results for the total sample and individual country samples.

Contrary to Hypothesis 2, there was a significant positive relationship between community practices and financial performance for Chinese companies (β=0.32, $p<0.01$) but not for US companies (β=0.12, n.s.). For both country samples, investor practices were significantly and positively related to financial performance (China β=0.30, US β=0.34, both at $p<0.01$ level), and customer and environmental CR practices were not significantly related to financial performance. In sum, Hypothesis 2 was not supported.

Consistent with Hypothesis 3, the positive relationship between investor CR practices and corporate reputation was significant for US companies (β=0.33, $p<0.001$) but not for Chinese companies (β=0.15, n.s.). Contrary to Hypothesis 3, customer and employee CR practices were significantly and positively related to corporate reputation for Chinese companies (respectively, β=0.30, β=0.34, both at $p<0.01$) but not for US companies (respectively, β=0.17, β=0.03). For both country samples, community and environmental CR practices were

Table 3 Results of the regression analyses: CR practices and business outcomes[a]

	Financial performance			*Corporate reputation*			*Employee commitment*		
	Total β	*China* β	*US* β	*Total* β	*China* β	*US* β	*Total* β	*China* β	*US* β
Step 1. Control variables									
Country	−0.14			−0.32***			−0.34***		
Organization size	0.02	−0.02	0.04	0.03	0.06	−0.07	−0.00	−0.07	0.02
Publicly traded	−0.00	−0.06	0.06	0.06	0.00	0.26*	0.09	−0.04	0.33**
Internationalization	0.12	0.20	0.11	0.12	0.25*	−0.10	0.07	0.23*	−0.15
Industry: manufacturing	0.07	0.30**	−0.13	0.01	0.10	−0.06	0.00	0.13	−0.07
Industry: resource-based	0.04	0.17	−0.05	−0.11	−0.11	−0.06	−0.11	−0.05	−0.15
ΔR^2	0.04	0.10	0.04	0.13***	0.12*	0.06	0.13***	0.07	0.11*
Step 2. CR practices									
Customer CR	0.01	0.17	−0.19	0.26***	0.30**	0.17	0.12	0.14	0.07
Employee CR	−0.00	−0.24	0.08	0.19**	0.34**	0.03	0.38***	0.34**	0.39***
Investor CR	0.32***	0.30**	0.34**	0.23***	0.15	0.33***	0.02	0.13	−0.01
Community CR	0.22*	0.32**	0.12	0.04	0.01	0.04	0.05	0.16	−0.03
Environmental CR	0.03	0.07	0.06	0.06	0.00	0.13	0.08	−0.02	0.21*
ΔR^2	0.21***	0.28***	0.20***	0.37***	0.46***	0.28***	0.31***	0.41***	0.23***
Model R^2	0.25	0.38	0.24	0.50	0.58	0.34	0.44	0.48	0.35
Overall model F	5.56***	5.41***	2.74**	17.02***	12.82***	4.58***	13.61***	8.49***	4.69***

[a]The coefficients are standardized. Categorical coding as follows: country: 1=China, 0=US; publicly traded: 1=publicly traded, 0=private; industry dummy codes with services as baseline comparison group.
*$p<0.05$ **$p<0.01$ ***$p<0.001$.

not significantly related to corporate reputation. In sum, Hypothesis 3 was not supported.

Consistent with Hypothesis 4, there was a significant positive relationship between environmental CR practices and employee commitment for US companies (β=0.21, $p<0.05$) but not for Chinese companies (β=−0.02). Contrary to Hypothesis 4, employee CR practices were positively related to employee commitment for both Chinese and US companies (respectively, β=0.34, $p<0.01$, β=0.39, $p<0.001$), and customer, investor, and community CR practices were unrelated to employee commitment. In sum, Hypothesis 4 was not supported.

Discussion

A growing body of literature has examined cross-national variation in CR practices and their impact on corporate performance primarily in advanced industrialized societies. Our study makes an initial effort to explore this research issue in the contrasting institutional environments of China and the US.

Our initial research question was, given that CR practices have been more embedded in advanced industrial economies than in transitional economies, are CR practices necessarily more prevalent in US companies than in Chinese companies? To some extent, our study findings draw into question this conventional view. That customer CR practices were found to be more prevalent in the US than in China is consistent with the higher regulatory and normative emphasis on customers and consumer protection in capitalistic market-based economies (Petty and Hamilton, 2004) compared to socialist market economies (Ip, 2001; Lu, 2002). That community CR practices were also more prevalent in the US is consistent with previous research that has identified businesses' more active community role, in terms of corporate philanthropy, in individualistic capitalistic societies where there is less government intervention in community welfare activities, as well as strong community activism (Vogel, 1992; Campbell *et al.*, 2002; Lu and Chiu, 2003).

One surprising finding was the lack of significant country differences in the prevalence of employee, investor, and environmental CR practices for our two country samples. In respect to employee CR practices, we may be seeing cross-national convergence as a result of increasing normative pressures on US companies to attend to their employee stakeholders (Waddock *et al.*, 2002), while for Chinese companies, market privatization has weakened traditional cradle-to-grave employee welfare programs (Ding *et al.*, 2000; Frenkel, 2001). In respect to the lack of China – US difference in environmental CR practices, one explanation may be the nature of our samples. Specifically, the Chinese companies in our sample were larger and more multinational than the companies of the US sample. Both company size and multinational orientation have been found to be positively related to the implementation of environmental CR practices (Adams and Hardwick, 1998). These findings suggest that larger Chinese enterprises that are operating outside of China may be similar to US companies in respect to implementing environmental management systems and complying with environmental regulations (Ho, 2001; Institute of Environment and Development, 2004). Our findings also indicate a greater responsiveness of multinational corporations (compared to domestic-only firms) to initiatives by transnational organizations (e.g. the United Nations Global Compact, non-governmental organizations, and industry and trade associations) to inculcate CR business values and practices relating to employee, investor, and environmental stakeholder groups (Midttun, 2005; Aguilera *et al.*, 2007; Campbell, 2007).

The relative newness of the concept of CR in China, as well as in other Asian countries, may be a relevant issue (Chambers *et al.*, 2003; Li and Li, 2005; Welford and Frost, 2006). The learning curve to adapt and implement Western-developed CR practices is more substantial in transitioning economies than in developed Western market economies such as the US where CR practices have a longer history of experience (Carroll, 1999; Aguilera and Cuervo-Cazurra, 2004). As with other Western-developed organization and management theories, there may also be issues regarding the context-specific nature of the CR construct and identified stakeholder practices as currently envisaged (Tsui, 2006). Hence, while we took care to ensure the cross-national relevance of our measures of CR, one direction for future research is to investigate the extent to which the stakeholder theory framework is generalizable to non-Western cultures and transitional economies.

A crucial question for any practitioner is, what is the bottom-line impact of adopting CR practices? In addressing this question, we investigated the degree to which CR practices are proactively associated with business outcomes in China and the US. Our findings indicate that, in both countries, higher levels of investor CR practices are associated with higher financial performance. While we could not directly test the causality of these relationships with our data, one interpretation is that corporate reporting and investor involvement helps secure investment capital and institutional financing (Waddock *et al.*, 2002). Further, this relationship clearly appears to be worthy of more in-depth exploration. Whereas this was the only significant relationship for the US sample, we found financial performance to be positively related to community CR practices implementation for the Chinese sample. For the Chinese companies, financial performance may be enhanced by the goodwill generated from corporate philanthropy, or, alternatively, more financially successful companies are more able to make donations to their local communities.

Consistent with previous research (Bai, 2001; Sen and Bhattacharya, 2001), we found positive corporate reputation effects associated with customer CR practices for both Chinese and US companies. However, we also found cross-national variation in regard to corporate reputation. For Chinese companies, corporate reputation was associated with more developed employee CR programs, which promote a caring corporate image (Lu, 2002; Zhou, 2003). In contrast, for US companies, corporate reputation was associated with more investor CR practices. The growth in ethical investment funds in the US that rely on reputation indices (Waddock, 2003) may be one driver for investor CR practices. A further contribution of this study is that its findings indicate that the implementation of environmental CR practices also enhances corporate reputation in the US. Finally, as expected, the implementation of employee CR practices was associated with enhanced employee commitment for both Chinese and US companies (Cone *et al.*, 2003; Law *et al.*, 2003; Foote *et al.*, 2005). And for US companies, our findings suggest that being a good environmental citizen is also a way to enhance employee commitment (Maignan *et al.*, 1999; Brammer *et al.*, 2007), although this is not a significant factor for Chinese companies.

Limitations

There are limitations to this study that need to be identified. Although several preventive and statistical measures were undertaken to address common method variance concerns (Podsakoff *et al.*, 2003), the study design relied exclusively on survey self-report and cross-sectional data and therefore the potential of such bias must be considered. For instance, one potential bias may be social desirability in reporting organizational activities and outcomes, even though our assurance of anonymity to respondents serves to address this issue. Whereas the issue of cross-national differences in response styles (Harzing, 2006) is a potential concern, our examination of the configural and measurement invariance between Chinese and US responses indicates that response style differences was not a serious concern for these data.

Our research was designed to obtain data from senior executives who were most able to provide the requested information. While our response rates were comparable to those of other CEO surveys (Agle *et al.*, 1999; Baruch, 1999), a larger sample would have been preferred. Given the relatively small sample size, this study's findings should be considered as exploratory and meriting confirmation in future research that has larger sample sizes. Finally, while we included a wide range of stakeholder practices in our survey questionnaire, some practices could not be included due to survey length considerations.

Conclusions

The different profiles of CR practices for Chinese and US companies found in this study offer insights into the explanatory potential of institutional environments in cross-national research. In general, all three institutional pillars are more established and institutionalized in the US than they are in China. Companies in the US face more legalistic, comprehensive, and stringently enforced regulatory control than those in China, in respect to the protection of various stakeholder interests. Although US companies face stronger and more legally driven regulatory environments to adopt CR stakeholder practices than do Chinese companies, we found only limited support for the influence of regulatory institutional pressures across the six stakeholder groups. With respect to the cognitive institutional pillar, the new social ethics for business organizations is still in the formative stage, as China's economy transitions from socialist ideals towards more capitalistic ethics. The adoption of an individualistic market-driven orientation may also result in a gradual adoption of the normative moral view of CR that has emerged in the US (Carroll, 1999). Hence, with the growing internationalization of Chinese business, we expect that there could be a greater degree of convergence between Chinese and Western CR practices in the relatively near future.

This study supports the proposition that the divergence of CR practices across nations is dependent on the institutional environments of business. Given the lack of consensus regarding the nature and forms that CR can take (Carroll, 1999; Maignan *et al.*, 1999), businesses' level of commitment to various stakeholder groups remains substantially context-specific. As such, institutional theory's focus on the global convergence of organizational practices offers an incomplete explanation of the evolution and diffusion of CR standards and practices. Our findings of both convergence and divergence in CR practices in China and US lend support for Tempel and Walgenbach's (2007) recent call for a more nuanced theoretical view that integrates institutional theory's convergence approach with national business systems theory's divergence approach, which emphasizes the roles of government and economic systems in reinforcing cross-national differences in organizational practices.

Our finding that the incidence of CR practices is also associated to some degree with business outcomes such as financial performance, corporate reputation, and employee commitment suggests the instrumental potential of CR as a business strategy for pursuing concrete business gains. However, we also found that there is no simple formula for achieving specific business outcomes through the adoption of particular CR practices. In sum, this study has taken a step to assist in developing a more complete understanding of the diversity and similarity of the antecedents and outcomes of CR behavior. In this study, we assessed the macro-level differences across developed and transitioning societies, in the context of the three organizational pillars. We acknowledge that this study is a starting point, but we also believe that it is one that has expanded our current knowledge on CR and has pointed to some interesting directions for further and more comprehensive research.

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Notes

[1]All items measured using a nine-point scale: 1= strongly agree to 9= strongly disagree.

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Appendix

Meaures and CFA Model Fit Statistics[1]

CR PRACTICES

My organization systematically attempts to

Customer CR Practices

(CFA Model fit: χ^2=41.02, d.f.=18, p=0.001, GFI=0.94, CFI=0.91)

- Adapt products or services to enhance the level of customer satisfaction.
- Deliver to all customers the promised quality of products or services.
- Provide all customers with very high quality service.
- Provide all customers with the information needed to make sound purchasing decisions.
- Satisfy the complaints of all customers about the company's products or services.

Employee CR Practices

(CFA Model fit: χ^2=42.91, d.f.=17, p=0.0005, GFI=0.91, CFI=0.91)

- Help all employees coordinate their private and professional lives.

- Incorporate the interests of all employees in business decisions.
- Provide all employees with salaries that properly and fairly reward them for their work.
- Support all employees who want to pursue further education.
- Treat all employees fairly and respectfully, regardless of gender or ethnic background.

Investor CR Practices
(CFA Model fit: χ^2=22.19, d.f.=11, p=0.02, GFI=0.94, CFI=0.95)

- Incorporate the interests of all our investors in business decisions.
- Meet the needs and requests of all our investors.
- Provide all investors with a competitive return on investment.
- Seek the input of all our investors regarding strategic decisions.

Community CR Practices
(CFA Model fit: χ^2=31.60, d.f.=12, p=0.001, GFI=0.95, CFI=0.91)

- Financially support community activities (arts, culture, and sports).
- Financially support education in the communities where we operate.
- Give money to charities in the communities where we operate.
- Help improve the quality of life in the communities where we operate.

Environmental CR Practices
(CFA Model fit: χ^2=28.22, d.f.=11, p=0.003, GFI=0.94, CFI=0.94)

- Financially support environmental initiatives.
- Incorporate environmental performance objectives in organizational plans.
- Measure the organization's environmental performance.
- Voluntarily exceed government environmental regulations.

BUSINESS OUTCOMES

Corporate Reputation
(CFA Model fit: χ^2=7.24, d.f.=5, p=0.20, GFI=0.99, CFI=0.96)

- In general, our organization has a good reputation.
- We are widely acknowledged as a trustworthy organization.
- We are recognized as a well-managed organization.

Employee Commitment
(CFA Model fit: χ^2=29.53, d.f.=10, p=0.0002, GFI=0.90, CFI=0.93)

- In general, employees are proud to work for this organization.
- Our employees often go above and beyond their regular responsibilities to ensure the organization's well-being.
- Our people are very committed to this organization.
- The bonds between this organization and its employees are very strong.

Financial Performance
(CFA Model fit: χ^2=29.42, d.f.=8, p=0.0003, GFI=0.96, CFI=0.90)
Relative to our most relevant competitors, over the past 3 years:

- Our profit growth has been substantially better.
- Our return on assets has been substantially better.
- Our return on investment has been substantially better.
- Our sales growth has been substantially better.

About the Authors

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