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Muller, A.; Kolk, A.

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Extrinsic and Intrinsic Drivers of Corporate Social Performance:

Evidence from Foreign and Domestic Firms in Mexico

Alan Muller*
Michael G. Foster School of Business
Marketing & International Business Department
University of Washington
Box 35320, 268 Mackenzie Hall
Seattle, WA 98195-3200
206-543-9953
armuller@u.washington.edu

Prof.dr. Ans Kolk
University of Amsterdam
Business School
Plantage Muidergracht 12
1018 TV Amsterdam
The Netherlands
tel. 31 20 525 4289
akolk@uva.nl

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*Corresponding author

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ABSTRACT

The literature on corporate social performance (CSP) is largely split between approaches that consider CSP to be extrinsically driven and those that consider it to be intrinsically driven. While some studies in the management literature have paid attention to drivers of both types, the relationship between the two remains largely unstudied, particularly in the international setting. Meanwhile, the international business (IB) literature has addressed the international dimension of CSP more directly, but has focused largely on extrinsic pressures. This paper aims to link the management and IB literatures by addressing intrinsic drivers, specifically management commitment to ethics, in conjunction with extrinsic (trade-related) drivers for both foreign- and domestically-owned firms in a single-market setting. Using survey data from 121 foreign and local auto parts suppliers in Mexico, we find that management commitment to ethics is a dominant driver of CSP among both foreign and domestic firms. More importantly, management commitment to ethics interacts positively with trade-related pressures to raise CSP levels. Contrary to extant research, we find that foreign ownership is not related to higher CSP nor does it moderate the role of trade pressures or management commitment to ethics. Implications for research and practice are discussed.

Key words: CSP, emerging markets, extrinsic drivers, intrinsic drivers, Mexico, multinationals

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INTRODUCTION

In recent years, there has been growing interest in understanding how firms interact with society in an international setting. It has also come to the fore in the debate on corporate social responsibility (CSR), but research in this field is still considered embryonic (Rodriguez et al., 2006). Among the unresolved issues that deserve attention, Rodriguez et al. (2006) mention insight into the motivations of firms. Similarly, Aguilera et al. (2007: 837) postulate that an important question in CSR requiring further attention is "what catalyzes organizations to engage in increasingly robust CSR initiatives". The literature is largely split between approaches that consider CSR to be extrinsically driven and those that consider it to be intrinsically driven (for a discussion, see e.g. Swanson, 1999). Approaches based on extrinsic drivers of firms' social behavior try to establish a link to external pressures (e.g. shareholder demands, regulation, or media pressure). More intrinsic perspectives, on the other hand, argue that CSR is driven by morality and is thus a goal in its own right (Carroll, 2000; Lindenberg, 2001; Quinn and Jones, 1995) and focus primarily on managerial motivations (Heugens et al., 2008).

Although most studies in management emphasize the extrinsically driven model of CSR (Aguilera et al., 2007; Swanson, 1999), some endeavor to integrate the two approaches conceptually (Jones, 1995; Jones and Wick, 1999; Logsdon and Yuthas, 1997) or argue for their parallel existence (Child and Tsai, 2005). Mezniar and Nigh (1995), for example, considered both internal and external factors in exploring US firms' public affairs bridging versus buffering activities and found that management values were important in the case of bridging. However, in their study the internal dimensions mainly consisted of management's emphasis on collaboration (as seen in the annual president's letter) and a survey item on the philosophy towards taking the initiative on social issues, which may not overall be seen as representing ethics. Also in the US context, Weaver et al. (1999a) adopted Child's (1997) "strategic choice" perspective to argue that both environmental pressures and managerial values influence the breadth and depth of firms' ethics programs. Although the strategic

choice perspective has generated evidence that both extrinsic and intrinsic factors are related to CSR in general, thus far such combined approaches typically explore their effect comparatively (Aguilera et al., 2007; Weaver et al., 1999a), without considering their interrelationship more deeply.

Within International Business (IB) research, studies on CSR also emphasize extrinsic factors, linked primarily to institutional or stakeholder-related pressures. For instance some studies take a comparative international approach to explore the context specificity of pressures for CSR as induced by a country's institutional environment or culture (Katz et al., 1999; Kolk, 2005). The central argument is that the context in which the firm operates (or from which it originates) determines its CSR, both in level and content. This comparative perspective suggests that an international landscape of CSR exists based on national variations, with some countries considered high-CSR environments and others considered low-CSR environments. In light of that variation, one of the central CSR-related research questions in IB is whether extrinsic pressures that arise through trade and investment are potential (or even necessary) mechanisms for the upward harmonization of CSR across countries (Christmann and Taylor, 2001; Wisner and Epstein, 2005). Those IB studies that have focused on lower-CSR settings like emerging markets show that firms demonstrate greater CSR when exposed to extrinsic forces such as international regulatory pressure (Wisner and Epstein, 2005), pressure from foreign trading partners (Christmann and Taylor, 2001), or exposure to "Western" influences more generally (Chapple and Moon, 2005). The implication of these arguments is that the types of extrinsic pressures typically associated with the international trade and investment activities of MNEs are assumed to raise the bar of CSR in lower-CSR contexts.

Yet empirical research that explicitly considers the relationship between extrinsic and intrinsic drivers of CSR among foreign and domestic firms in such lower-CSR contexts is lacking. In this paper we seek to link the management and IB literatures by exploring the intrinsic and extrinsic drivers of foreign and local firms' social behavior. With respect to extrinsic drivers, we focus on the role of trade-related pressures and foreign direct investment (FDI), in keeping with the IB literature that aims to understand the impact of FDI and trade on CSR in low-CSR contexts (Christmann and Taylor, 2001; Wisner and Epstein, 2005). With respect to intrinsic drivers, we follow earlier management studies (Weaver et al., 1999a, 1999b) and adopt their use of "management commitment

to ethics" as a measure of the degree to which the organization values "integrity, fair treatment of others, and 'doing the right thing' for its own sake" (Weaver et al., 1999b: 543).

Using evidence from 121 foreign-owned and locally-owned firms in the Mexican auto parts industry, our study examines the role of both extrinsic and intrinsic factors as determinants of a firm's *corporate social performance*, or CSP. CSP is defined as "a snapshot of a firm's overall social performance at a particular point in time" (Barnett, 2007: 797), which represents an aggregation of a firm's individual acts of CSR up to that point. Since our survey measures performance at a singular moment in time, CSP is more appropriate here than a general concept like CSR. By targeting one industry in one country, we eliminate the role of variations in context since it has been established that values and context interact to shape behavior (Treviño, 1986).

The Mexican automobile industry is a good setting for such a study as it is not only a key sector in the Mexican economy, it has both a well-developed local firm base as well as a large body of foreign owned firms. This makes it a case that can apply elsewhere, as these characteristics can be found in other sectors and countries as well. Mexico is also an emerging market (Hoskisson et al., 2000), where differentials in CSP levels between foreign and local firms might be more marked than in developed settings. Thus Mexico is well suited to a simultaneous investigation of pressures related to trade and foreign ownership as well as organization-internal drivers of CSP, and the relationship between them. And while generalizability may be limited by Mexico's specificity in terms of its culture, values and proximity to the US (Lenartowicz and Johnson, 2002; Volkema and Chang, 1998), the overall approach of considering the relationship between intrinsic and extrinsic factors, foreign versus local ownership, and of measuring CSP on several dimensions, seems to have much broader relevance. These aspects will be further explored in the discussion of the paper.

EXTRINSIC AND INTRINSIC DRIVERS OF CSP

As introduced above, a range of arguments exist that can potentially explain variation in CSP levels across firms. The predominant paradigms focus on the extrinsic pressures companies are subjected to that constrain their ability to engage in irresponsible behavior (Aguilera et al., 2007; Brickson, 2007; Swanson, 1999). For example, Weaver et al.'s (1999a) investigation of a sample of

US firms showed that greater external pressures on firms were consistent with the development of broader and more deeply rooted ethics programs. Extrinsic pressures for social behavior reflect the notion that social behavior is a responsibility to society (see e.g. Carroll, 1999). Such pressures may arise through e.g. agitation by specific stakeholder groups (such as a consumer boycott), competitive pressures arising from the market (such as increasing demand for "green" products), or regulatory pressures stemming from government policymaking (such as environmental legislation). This has been the predominant approach in management and international business research (Howard-Grenville, 2005).

Yet as Swanson (1999) points out, the discourse on "responsibility" emphasizes what firms *should* (or should not) do in terms of external expectations, as opposed to considering what firms *can* do in terms of their capabilities and innate willingness to engage in social behavior. In this vein, Aguilera et al. (2007) also call for greater attention to managerial intent and firm-level motivations for social behavior on the part of companies. These arguments point at the need to pay more attention to forces *within* the firm that may lead to higher CSP. Such intrinsic forces are conceptualized here as the drive of managers to "do the right thing", a morality-based claim linked to the "norm" arguments associated with integrative social contract theory (Donaldson and Dunfee, 1999) and stewardship theory (Aguilera et al., 2007; Davis et al., 1997). From this perspective, companies' social behavior is best understood in terms of the value systems and ethical orientation of managers (Logsdon and Wood, 2002; cf. Heugens et al., 2008). We begin by elaborating on extrinsic and intrinsic drivers individually, before moving to our "strategic choice" perspective on the mutually reinforcing relationship between the two.

Trade and FDI as extrinsic drivers of CSP

The IB literature on CSP addresses a host of potential extrinsic drivers like legislation, competitive pressures or public concern (Banerjee, 2001; Banerjee et al., 2003; Bansal and Roth, 2000). In an example of emerging market research on firms' social behaviors, Logsdon et al. (2006), for instance, emphasize that expectations lead to "responsibilities that are more compulsory than voluntary in nature" (p. 54). While roots of that responsibility have been identified in the context of

international regulatory pressure (Wisner and Epstein, 2005) or "Western" influences more generally (Chapple and Moon, 2005), the predominant focus in the IB literature has been on the role of cross-border pressures arising from trade relations and FDI. Christmann and Taylor (2001), for example, analyzed environmental self-regulation among MNE subsidiaries and local firms in China, and found this to be largely a result of trade (both imports and exports). Similarly, in a study of 221 manufacturing facilities in Mexico, Wisner and Epstein (2005) found that exporting to customers in the US and Canada was positively associated with better environmental practices.

The underlying argument of this "global supply chain" perspective is twofold. First, as Western MNEs come under increased pressure to be socially responsive, they transmit these pressures up the supply chain to their emerging market suppliers (Luken and Stares, 2005). Second, emerging market firms may also source inputs in which higher CSP levels are embedded, e.g. in the form of technologies requiring cleaner production (Jeppesen and Hansen, 2004; Dobilas and McPherson, 1997). Supplier-customer interactions in both directions between developed-country MNEs and emerging market firms enhance the potential for transmission of better CSP by locking emerging market firms into cross-border networks of relationships. In this context of "relational embeddedness" (Andersson et al., 2007), coevolutionary adaptive processes can induce emerging market firms to accommodate the social responsiveness pressures that their developed country network partners are exposed to (McKelvey, 2002), which is then rewarded because this accommodation translates into potential contracts and therefore economic gain (Vives, 2006).

Extrinsically focused IB research proposes that the effects of FDI would be similar to the effects of trade: that is, stakeholder pressures on developed country MNEs to exhibit high CSP levels would motivate them to "embed" higher CSP both within their own subsidiaries through FDI as well as in their trade with arm's length trading partners in lower CSP contexts as a form of reputation and risk management. These expectations may be even more intense if the MNE has operations in "countries of concern" (Brammer et al., forthcoming), leading to even higher expectations of overall CSP by MNEs. The evidence does show that multinational ownership is positively related to CSP levels in emerging markets (Christmann and Taylor, 2001; Spar, 1998; Wisner and Epstein, 2005). The argument is that MNE subsidiaries will exhibit higher CSP because the expectations for CSP are

embedded in the firm's organizational processes and control structures. In other words, the MNE has hierarchical governance mechanisms through which it can transmit (home-country) corporate policy within the internal MNE network (Buysse and Verbeke, 2003; Christmann, 2004; Ruud, 2002), as opposed to the market-based governance mechanisms associated with trade.

Management commitment to ethics as an intrinsic driver of CSP

In social psychology, reward-induced behavior is treated as distinct from moral, or intrinsically motivated, behavior (Deci and Ryan, 1985). Once rewards or sanctions are coupled with a specific activity, engaging in that activity becomes an (externally defined) economic cost-benefit decision. Intrinsically-driven behavior, on the other hand, is behavior for which there is no apparent reward but the behavior itself (Lindberg, 2001). Intrinsic motivations are typically linked to moral arguments of "what is right", or broader universal principles (Donaldson and Dunfee, 1994). Traditionally viewed as subsidiary to extrinsic drivers of social behavior (Aguilera et al., 2007; Swanson, 1999), the value-based or intrinsic perspective of "organizational goodness" has received heightened attention in light of recent corporate scandals (Heugens et al., 2008). While there are different ways in which to conceptualize the relationship between the values of individual managers and virtuous behavior at the organizational level, Heugens and colleagues (2008) argue convincingly that the shared value systems within organizations represent a salient source of organizational goodness, especially if the external environment presents conflicting expectations in that regard.

The role of intrinsic drivers has received some attention in the literature on corporate environmental practices (Bansal, 2003) following recognition that external pressures provide "only partial explanations" (Howard-Grenville, 2005, p. 46) for variations in organizational responses to similar environmental problems. Addressing this concern, research centering on individual and organizational values, issue identification, organizational identity, top management commitment and organizational culture (Banerjee et al., 2003; Bansal, 2003) has generated significant contributions to our understanding of which organizations go beyond regulatory requirements (and when and why). For instance, Weaver et al. (1999a) found that organizational behavior is contingent upon both managerial values and environmental expectations. Specifically, firms whose managers were highly

committed to ethics had broader and more deeply rooted ethics programs than firms that engaged in ethics programs solely in response to environmental pressures.

While empirical studies that address intrinsic motivations for social behaviors are scarce in general (Hemingway and Maclagan, 2004), this applies especially to studies conducted outside developed countries. Understanding intrinsically-driven behavior is particularly salient in lower-CSP settings (such as emerging markets), where extrinsic pressures for e.g. environmental conservation or labor management are typically lower than in the developed-market setting (Child and Tsai, 2005). However, value-based arguments are commonly (albeit implicitly) used in reference to social behavior in emerging markets (Barkin, 2003; Dunfee and Werhane, 1997; Enderle, 1997; Peinado-Vara, 2004). At the same time, research also shows that there are cross-cultural variations in perceptions of what constitutes ethical behavior (Matten and Moon, 2008; Robertson et al., 2002). Katz et al. (2001) point to differences and similarities among Mexico, the US, Japan and China, based on Hofstede's dimensions and a range of key social issues. Specificity of culture has also come to the fore in more generic studies, for example Lenartowicz and Johnson (2002) and Volkema and Chang (1998) in the case of Latin America, who underline region-specific similarities but also some differences, as well as the need to be cautious before drawing general conclusions based on relatively simple frameworks (see also Beekun et al., 2005).

Although this implies that there may not be a universal understanding of what constitutes CSP, it suggests that, in the absence of extrinsic pressures emanating from trade and FDI, there exist local, contextual value systems that also can function as drivers of CSP even though comparatively, the country may be a low-CSP context. Moreover, potentially divergent values may manifest themselves in convergent patterns of behavior (see e.g. Matten and Moon, 2008). In other words, intrinsic motivations may be rooted in dissimilar values but still express themselves in similar forms, such that the types of activities "typically" considered to be measures of CSP in a developed country setting (e.g. recycling, philanthropy) also exist in emerging markets. Thus far, however, and possibly as a result of these cross-cultural challenges, IB research has paid little attention to intrinsic drivers of CSP in the international context, or their possible relationship to extrinsic drivers.

The fit between extrinsic and intrinsic drivers of CSP: a "strategic choice" perspective

We explore the relationship between intrinsic and extrinsic drivers of CSP by extending the research of Weaver and colleagues (1999a, 199b), who adopted Child's (1997) "strategic choice" approach to argue that both extrinsic and intrinsic factors matter (environmental expectations and "management commitment to ethics", respectively). Specifically, we build on their approach to argue that it is in fact not the cumulative of management commitment and environmental pressures that matters, but rather their virtuous interaction. While the term "strategic choice" would seem to suggest a selection between two competing sets of stimuli, it actually captures the notion of interaction (Drazin and Van de Ven, 1985; Schoonhoven, 1981).[1] In this interactive view, the environment is seen as a source of information, and how well that information is integrated into the firm's strategy depends in part on whether or not the firm's internal systems are attentive towards that information (Lukas et al., 2001). Thus there must be a "fit" between environmental pressures and firm-internal characteristics, including managers' mental models and strategic intentions.

Therefore, while intrinsic and extrinsic drivers can substitute for one another conceptually, we argue that if both are evident and present clear signals aligned towards the same outcome, intrinsic and extrinsic forces can be mutually reinforcing. Environmental expectations shape managerial values, and the values propagated through an organization's actual, realized behavior foment expectations among external actors that such behavior will continue into the future (cf. Hutzschenreuter et al., 2007). We argue that there is likely to be a virtuous interaction between managerial intent and environmental expectations when managers with a strong commitment to ethics are exposed to external expectations of ethical behavior, defying the notion that managerial or organizational values must be understood in isolation from external pressures. This leads to the following hypothesis:

H1: In emerging markets, a firm's level of management commitment to ethics will positively moderate the relationship between the firm's trade intensity and its CSP.

We observed above that FDI is related to higher levels of CSP (Christmann and Taylor, 2001;

Wisner and Epstein, 2005). However, the potential moderating role of intrinsic drivers has not yet been considered. The potential role of intrinsic drivers is important because emerging markets are characterized by a relative lack of certainty regarding external expectations. If there is a lack of local external demand for CSP, then there is also no local "market" for CSP. The MNE, however, may function as an internalized market for CSP at levels commensurate with home-country expectations. That is, MNE subsidiaries should, *ceteris paribus*, exhibit higher CSP because this will to some extent be embedded in the firm's organizational processes and control structures as a result of the extrinsic pressures that the MNE is exposed to in its home market and other developed country markets. In other words, the MNE has hierarchical governance mechanisms through which it can transmit (home-country) corporate policy within the internal MNE network (Buysse and Verbeke, 2003; Christmann, 2004; Ruud, 2002), with less regard for context than for instance local firms that only operate in their home market.

Therefore, the hierarchical governance mechanisms associated with ownership suggest that when the MNE subsidiary's local management does not display significant commitment to ethics in its own right, or when extrinsic drivers such as trade intensity are relatively absent, the MNE subsidiary will still exhibit higher CSP levels than its local emerging market counterpart, because higher CSP will still be transferred within the MNE's internal cross-border control structures and organizational processes. At higher levels of trade intensity and/or management commitment, however, ownership may no longer be a deciding factor as trade relations and/or management commitment can pick up the slack left by an absence of hierarchical governance structures. In other words, it can be hypothesized that the lowest levels of CSP are to be found among local firms exposed to low levels of trade pressures and with relatively little management commitment to ethics, while the highest level of CSP will be found among both foreign *and* local firms with both high levels of management commitment to ethics and high levels of trade intensity. Thus:

H2: Subsidiaries of foreign MNEs will demonstrate higher CSP than local firms at low levels of trade intensity, but similar CSP at high levels of trade intensity.

H3: Subsidiaries of foreign MNEs will demonstrate higher CSP than local firms at low levels of management commitment to ethics, but similar CSP at high levels of management commitment to ethics.

DATA AND METHODOLOGY

To explore our hypotheses, we collected data through an on-line survey conducted among auto parts suppliers in Mexico. This choice for Mexico was motivated by a number of considerations, as indicated in the introduction. A key motivation is that Mexico is an emerging market where societal attention for firms' social behavior has only recently developed (Dunfee and Werhane, 1997; Weyzig, 2006), but also one that is increasingly integrated into the North American economy and has been subjected to increased pressures to adhere to "Western" standards. It has also received considerable academic attention in the wake of the 1994 North American Free Trade Agreement (NAFTA), particularly on environmental and labor issues (Bair and Gereffi, 2003; Dasgupta et al., 2000; Rugman et al., 1999; Sargent and Matthews, 1997; Wisner and Epstein, 2005) and social behavior more generally (Husted and Allen, 2006; Logsdon et al., 2006). As social and environmental issues figured prominently in the negotiations on NAFTA, managers may be expected to be cognizant of such issues.

This may be strengthened even further by the fact that the automobile industry is vertically integrated and highly internationalized, and thus relates to international pressures put upon the sector as a whole for environmental issues, including climate change and emissions, and labor conditions, including outsourcing and relocation. The automotive industry in Mexico more generally has been the target of considerable academic interest, although primarily from a global supply chain perspective as MNEs have been important investors in the sector (Carillo, 2004). Recent research aimed at documenting CSP in the Mexican auto sector (Muller, 2006) also suggests that the Mexican auto industry may be a fruitful setting for research on CSP in emerging markets.

By targeting Mexico and one industry only, we have restricted our study to a single setting. While this has its limitations (as will be discussed more in the concluding section), our aim was to remove variations in the context in view of the fact that values and context interact to shape behavior

(Treviño, 1986). We collected data by fielding an on-line survey from March through June 2006 and tested our hypotheses using multiple regression analysis.

Target sample and data collection

We targeted companies which self-selected for industry membership by using both the Autopartes.com.mx on-line database and the private membership database of the branch organization for Mexican auto parts suppliers, the Industria Nacional de Autopartes (INA). We used a mixed-mode approach to contact a senior manager entrusted with strategy and operations at each of the companies in the combined database. In cases where no individual contact name was available, we addressed our communications to "general management". Some 500 companies were approached by written letter, another 500 were approached by e-mail, and the remaining 200 were contacted by letter and e-mail. However, approximately 150 of the letters and about one-third of the e-mails were returned as undeliverable. Problems with respect to response rates, reliability of the postal system and database inaccuracy when conducting research in Mexico are well known (Husted and Allen, 2006). Given these limitations, it is impossible to verify exactly how many companies actually received correspondence from us in either written or e-mail form. Based on the returned mail and e-mails, we assume that we reached at most 800 companies. This number is actually more in line with most accounts of the number of firms in the sector (INA, 2004; Secretaria de Desarrollo Sustenable, 2004).

The survey was developed in English and then translated into Spanish by three different native speakers. Final translation was developed in discussion with the three translators. After two test runs, the survey was fielded from March 1 until June 30, 2006. By the survey's closing date, 149 companies had returned the survey. Of these 28 had to be dropped due to missing data, leaving a dataset of 121 companies (28 MNE subsidiaries and 93 locally-owned firms). Although the overall response rate (121 divided by 800, or 15 percent) is low, it is in line with existing research in Mexico (Harzing, 2000; Husted and Allen, 2006) and among executives more generally (Bouquet et al., 2008). On average the companies surveyed had been in existence for over 26 years as of 2006. The managers who reported on behalf of their company had on average more than 15 years of work experience in the automotive industry, of which nearly 12 with their current employer and more than

eight years in their current position. These figures indicate that the respondents were in a position to be highly knowledgeable on company activities.

Measures for the dependent variable CSP

To measure CSP, we searched for those dimensions most common in research, independent assessments and multi-stakeholder initiatives at the time when we set up our study, and also relevant for its setting (sector and country). Some sources in existing research included Brammer and Millington, 2004; Brammer et al., 2006; Chapple and Moon, 2005; Luken and Stares, 2005; and Vives, 2006. Examples of independent bodies aimed at measuring CSP are Kinder, Domini and Lydenberg, SAMM Sustainability Reporting (see the Dow Jones Sustainability Index), Vigeo, Innovest and EIRIS, whereas broader multi-stakeholder initiatives such as the Global Reporting Initiative (GRI) focus more on developing standards. It should be noted, however, that extant research based on concrete performance indicators of CSP broadly is scarce. The majority of research explores straightforward dichotomies such as whether environmental training systems are in place or not (Dasgupta et al., 2000), uses Likert scales of the perceived importance of various issues via websites or reports (Chapple and Moon, 2005), or looks at the existence of policies for certain items or their importance to the firm (cf. Igalens and Gond, 2005). For example, Husted and Allen (2006) posed four questions on the extent to which job creation, community projects, the environment and social causes were considered "important to the firm's business mission" (p. 844). In addition, there is not one commonly accepted definition of what CSR, and thus also CSP, entails exactly (Gond and Crane, 2008; Matten and Moon, 2008), but there is a growing tendency towards disaggregated indicators rather than one composite measure with scores on various dimensions (e.g. Brammer et al., 2006; GRI, 2006).

The three domains that emerge from the literature as the most commonly measured dimensions of CSP are *environmental performance*, *community relations* and *labor relations*. For each of the three dimensions, we adopted three measures of CSP from the few studies available at the time that reported specific performance levels (Chapple and Moon, 2005; Deaken and Whittaker, 2007; Igalens and Gond, 2005; Matten and Moon, 2008), or developed indicators from measures used

in assessments by KLD (2005), DJSI (2007) and GRI (2006). For environmental performance, our survey targeted renewable energy as a share of total energy consumption; recycling as a share of total waste; and days of environmental training per year provided to non-management workers. For labor relations, we assessed gender diversity (women as a share of total management); days of vocational training per year provided to non-management workers; and the number of days of absenteeism per employee per year. For community relations, we measured philanthropy as a share of profits; the number of internships offered free to the community; and how the firm was organized for engaging the community.

All measures reflected performance for a given year (2005), and thus represent "a snapshot of a firm's overall social performance at a particular point in time" (Barnett, 2007: 797) in keeping with our conceptualization of CSP. These nine items were selected in consultation with colleagues with expertise either in global CSP standards or in Mexican business, and scales (all five-point Likert) were taken where possible from available sources and adjusted where necessary in consultation with experts at the INA (the branch organization for the Mexican auto parts industry) and managers spoken to in pilot interviews. Although these nine items are clearly not intended to represent a definitive or exhaustive list of measurable CSP, they represent a range of measures that have been applied in other settings and which might therefore be considered generally accepted measures. In this way the survey neither ignores the local context, nor assumes that social behavior is a-contextual; rather, it considers that existing, generally accepted measures may also be applicable in the Mexican context.

Measures for the independent variables

The independent variables associated with our hypotheses are *trade intensity*, *foreign ownership* and *management commitment to ethics*. To capture trade intensity, we asked firms to report their export intensity and import intensity in 2005. Export intensity was measured as "the percentage of the company's total sales (by value) that went to all foreign markets combined in 2005". Import intensity was measured as "the percentage of the company's total inputs (by value) that were sourced from all foreign markets combined in 2005". While we initially allowed for the possibility that import and export intensity could have different effects on CSP, the two variables exhibited high bivariate

correlation (Spearman's rho = 0.62), meaning firms that export a considerable share of their output also import a considerable share of their input. As a result we collapsed the two measures into a single variable, *trade intensity*, by taking their average per firm. Foreign ownership was measured by asking firms if they were wholly-owned or majority-controlled by a foreign company ("foreign") or Mexican-owned, either wholly or majority ("local"). In our sample, 83 firms described themselves as wholly Mexican owned, 10 described themselves as Mexican-controlled with foreign participation (joint ventures), and 28 described themselves as wholly-owned or majority-controlled subsidiaries of foreign firms.

For our intrinsic measure, *management commitment to ethics*, we adopted the methodology employed by Weaver et al. (1999a, 1999b) which involved asking managers to rate "the extent to which various subjects are a topic of conversation for your firm's top management team" (1999b, p. 546) by indicating the frequency with which certain subjects are a "topic of conversation for your firm's top management team during formal or informal management meetings" on a five-point Likert scale ranging from "very frequently" to "never" (1999a, p. 49). Asking executives to act as "informants" is effective because when asked directly, executives are likely to give socially desirable answers with regard to ethics and social responsibility. As informants, they are able to "assess the amount of attention paid to ethics in high level discussions" as a general "indication of what top management considers important" (ibid, p. 49). The survey included a list of topics related to ethics and the position of the firm in society in addition to topics of financial performance, strategy and government policy, in random order, which helps to camouflage the focal independent variable (management commitment to ethics), thereby reducing the risk of socially desirable responses. Additionally, the non-ethics items function as "foils", i.e. they were "expected to dissuade informants from uncritically giving high rankings to ethics-related items; for example, the taken-for-granted importance of finances might force ethics out of the highest category" (ibid, p. 49).

Control variables

We included a dummy variable to control for *maquiladora status* by asking respondents if their company "participated in the maquiladora tax program as described in the Decreto para el

Fomento y Operación de la Industria Maquiladora de Exportación". Maquiladora status is an important feature of the Mexican manufacturing landscape that involves tax benefits for high-export firms. Maquiladoras are therefore by definition oriented towards international markets (mainly in the US) and thus may experience greater international trade pressures than non-maquiladora firms. On the other hand, maquiladoras are sometimes associated with the "pollution haven" hypothesis (cf. OECD, 1999; Brunnermeier and Levinson, 2004), and thus the opposite may also hold. In addition, we controlled for the average duration of buyer- and supplier contracts in effect in 2005 based on the assumption that shorter-running contracts with respective business partners would be associated with greater competitive pressures and thus, *ceteris paribus*, would limit management discretion to focus on CSP. Customer contract duration was measured as the "average duration of your contracts with affiliated or non-affiliated customers in 2005" and buyer contract duration as the "average duration of your contracts with affiliated or non-affiliated suppliers in 2005". The two contract duration items were measured using three-point Likert scales ranging from "less than three years" to "more than five years" since contracts in the Mexican automotive industry tend to average three to five years (Carillo, 2004).

We also controlled for firm *age*, measured as the number of years the firm had been in operation in 2005, to account for the possibility that older firms may be more deeply embedded in cross-border relationships (through market or hierarchy) resulting in stronger coevolutionary dynamics. We controlled for *size* and *profit growth* as indicators of the resources available to the firm to engage in social behavior (Christmann and Taylor, 2001). There was a dichotomy in the size data, with most firms being either large or small (i.e., a U-shaped distribution). As a result we created a dummy variable *size* that took a value of 1 for the firms above the mean and a value of 0 for the firms below the mean. *Profit growth* is a categorical variable reflecting average annual growth of the firm's profit margin over the past three years.

Additionally, we use the two additional "topics of management discussion" constructs (Weaver et al., 1999a) that emerged from our factor analysis (see below), which we termed *focus on regulation* and *focus on economic performance*, as control variables. We choose the terminology of "focus" in contrast to "commitment" as there exists an (extrinsically defined) expectation that firms

will focus on regulation and economic performance, while management commitment to ethics is considered more "discretionary" (Carroll, 1999). As "foils", these two extrinsically-driven areas of focus are designed to generate contrast with intrinsically-driven management commitment to ethics. *Focus on regulation* controls for the possibility that higher CSP levels may simply be a response to government policy and legislation, particularly related to NAFTA. It has been established in earlier studies that for instance environmental performance is related to regulatory pressure (Bansal and Roth, 2000), and the role of policy in influencing firm behavior in Mexico on e.g. labor and environmental issues has been established in previous studies (Dasgupta et al., 2000; Wisner and Epstein, 2005). *Focus on economic performance*, itself an indicator of the level of competitive pressure firms are exposed to (Banerjee et al., 2003; Bansal and Roth, 2001), controls for the possibility that higher CSP levels among Mexican auto parts suppliers is related to the "business case" for CSP; that is, that CSP might simply be a by-product of good business sense and not the direct result of either extrinsic (trade- or FDI-related) pressures or intrinsic drivers (management commitment to ethics).

ANALYSIS AND RESULTS

Exploratory factor analysis

Since our survey is new, we initially searched for a factor structure in our data using exploratory factor analysis (EFA). As part of our post-hoc testing (see below), we will return to the factor analysis using a confirmatory approach to analyze the validity of our constructs and the risk of common method bias. Since our items are expected to underlie both dependent *and* independent variables, we used oblique rotation to identify a factor structure. The factor correlation matrix showed that none of the factors produced through oblique rotation had correlations higher than 0.237, with an average (absolute) correlation for all constructs of only 0.14. This very low level of intercorrelation under oblique rotation is an initial indication of solid discriminant validity between the constructs. In the EFA, three of the nine items intended to capture CSP ("the share of women in management", "renewable energy", and "absenteeism") did not load well at all or loaded as independent, individual

factors. The remaining six items load well on a single factor, with an Eigenvalue of 1.938 and a Cronbach's alpha of 0.77.

INSERT TABLE 1 ABOUT HERE

With respect to our measures associated with "topics of formal or informal conversations among management", two of the items did not load on any factor. These two items ("relations with government" and "strategy and planning") were subsequently omitted from the analysis, leaving a three-item factor for management commitment to ethics (Cronbach's alpha = 0.86), a two-item factor for focus on economic performance (Spearman's rho = 0.63) and a two-item factor for focus on regulation (Spearman's rho = 0.78). These results are generally consistent with those of Weaver et al. (1999a, 1999b). Lastly, our two contract duration measures, with a bivariate correlation of 0.59 (Spearman's rho), loaded on a single factor, *contract duration* (Table 1). The factor loadings for all items are satisfactory, ranging from 0.547 to 0.916.

Post-hoc controls for common method bias

Our data are self-reported, raising the prospect of common method bias (Podsakoff et al., 2003). In order to diminish, if not avoid, the effects of consistency artifacts, the dependent variables were placed after the independent variables in the survey (Christmann and Taylor, 2001). In addition, we were careful in all our correspondence to frame our survey as a study on the strategic responses to globalization of firms in emerging markets, and not as a study of CSP. Also, only six of our nine initial CSP measures load on a common factor, indicating that respondents did not score all CSP measures systematically. Finally, since our measure of *management commitment to ethics* is subject to social desirability, we incorporated additional discussion topics to check for common method bias when measuring management discussion topics, following Weaver et al. (1999b). Since these "topic of discussion" items load on three distinct factors in EFA, this forms an initial indication that common method bias is not a problem. These observations suggest that respondents were guided more by the scales and the questions themselves than by an inherent bias towards homogenous scoring patterns.

In addition to these observations based on the raw data, we performed a number of statistical tests that lead to similar conclusions. First we conducted the Harman one-factor test, by which exploratory factor analysis (EFA) was performed on all 20 items (the nine linked to CSP, the nine linked to topics of managerial attention and the two linked to contract duration) to see whether a single general factor emerged in an unrotated solution. An unrotated solution for these 20 items produced six distinct factors with Eigenvalues above 1. Together these six factors account for 70% of the total variance, with the largest factor accounting for just 26% of the variance, or less than half. Lastly, we used confirmatory factor analysis (CFA) to test for goodness of fit of our default model as well as superior fit relative to various nested models where the covariance between constructs was constrained to 1. We do this separately for the independent and the dependent variables, since including both simultaneously would require testing both dependent and independent constructs together against some other hypothetical, single, unobserved latent construct.[2]

The statistics for our proposed independent-construct model based on four variables (*contract duration*, *management commitment to ethics*, *focus on economic performance*, and *focus on regulation*) show strong goodness of fit, with a X^2 statistic (30.422 with 21 degrees of freedom) that is non-significant at the $p < 0.05$ level, allowing us to safely reject the nul-hypothesis that the data does not fit the model, and GFI = 0.948, TLI = 0.958, CFI = 0.976, and RMSEA = 0.061. This model compares favorably to various nested models in which covariance between two of the constructs is constrained to 1. In the first three-factor model we constrained covariance between management commitment to ethics and focus on regulation to 1, with the following goodness of fit statistics: X^2 of 63.463 with 22 degrees of freedom ($p = 0.000$), GFI = 0.907, TLI = 0.825, CFI = 0.893, and RMSEA = 0.125. In the second three-factor model we constrained covariance between focus on economic performance and focus on regulation to 1, with the following goodness of fit statistics: X^2 of 97.394 with 22 degrees of freedom ($p = 0.000$), GFI = 0.881, TLI = 0.682, CFI = 0.805, and RMSEA = 0.169. In the third three-factor model we constrained covariance between focus on economic performance and management commitment to ethics to 1, with the following goodness of fit statistics: X^2 of 93.171 with 22 degrees of freedom ($p = 0.000$), GFI = 0.887, TLI = 0.699, CFI = 0.816, and

RMSEA = 0.164. As this shows, the four factor model is the only one with significant goodness-of-fit statistics.

For our dependent variable, CSP, we tested goodness of fit for a single factor model based on the six items with significant factor loadings (recycling, environmental training, philanthropy, vocational training, organization of community relations and internship opportunities). Our data produced a good fit to a single factor model: X^2 of 11.620 with 8 degrees of freedom (p = 0.169), GFI = 0.969, TLI = 0.956, CFI = 0.977, and RMSEA = 0.061.[3] In conclusion, based on the observations in the raw data, the Harman one-factor test, the results from the oblique rotation and factor correlation matrix, and the favorable comparison of the goodness of fit statistics for our proposed factor models (also in relation to the three nested models in the case of the independent variables), we believe that common method bias is not a concern in our survey and that our factor analysis shows sufficient discriminant validity.

RESULTS

Correlations and descriptive statistics for all final variables are shown in Table 2. The data show that 21 percent of the firms in the sample reported maquiladora status, and 23 percent were foreign owned. On average the 121 firms in the sample exported over 37 percent of total sales and imported over 42 percent of total inputs, for an average trade intensity of just over 39 percent.

INSERT TABLE 2 ABOUT HERE

We test our hypotheses through Ordinary Least Squares (OLS) regressions (Table 3). The main effects model, Model 1, shows that our extrinsic predictor, trade intensity, and our intrinsic predictor, management commitment to ethics, are both significant predictors of higher CSP, although trade intensity is only significant at $p < 0.10$. Additionally, larger firms and firms with a greater focus on regulatory pressures are likely to exhibit higher CSP levels, while maquiladora status is associated with lower CSP levels, *ceteris paribus*. We then introduce our interaction terms, based on mean-centered variables (Hair et al., 1995), in succession (Models 2 through 4) before the fully specified

model (5). Our main effects results hold stable through each successive specification, except that the significance of trade intensity improves to $p < 0.05$ in models 2 and 5.

INSERT TABLE 3 ABOUT HERE

The specifications with interactions show that only our first hypothesis is supported by the data: there is a significant, positive interaction effect between trade intensity and management commitment to ethics. In other words, while both trade intensity and management commitment to ethics are associated with higher CSP levels overall, their effects are accentuated when both are present. We illustrate this effect in Figure 1. However, we do not find support for the two hypotheses related to FDI: foreign ownership in and of itself does not appear to be a factor in higher CSP levels (non-significant main effects), nor does it have an effect that is contingent upon levels of trade intensity or management commitment to ethics. Thus our results provide evidence that market-based governance structures (i.e., trade) have a role to play in raising the bar of CSP in emerging markets, while a role for hierarchy-based governance structures (FDI) could not be identified in our data.

INSERT FIGURE 1 ABOUT HERE

Our models exhibit adjusted R^2 values ranging from 0.36 to 0.39. Post-regression diagnostics indicate that multicollinearity is not a problem. The mean variance inflation factor (VIF) was 1.63 for the full specification of the model, including all interactions, and the Condition number was 12.2. Additionally, the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity was non-significant ($p = 0.294$), and the White's test for heteroskedasticity returned a X^2 statistic of 50.93 at 62 degrees of freedom ($p = 0.841$) so that we can safely assume homoskedastic errors.[4]

DISCUSSION AND CONCLUSIONS

This paper aimed at addressing gaps recently identified in the literature regarding firms' motivations to engage in social behavior and how these motivations translate to a firm's CSP

(Aguilera et al., 2007; Rodriguez et al., 2006). We paid specific attention to the role of management commitment as called for in both the realm of social performance more generally (Aguilera et al., 2007) and the environment (Buysse and Verbeke, 2003), given that most evidence thus far is on pressures external to the firm. Our study explored both intrinsic and extrinsic drivers, and did so in an emerging market setting, given that the small number of studies considering both drivers has thus far been limited to developed countries (e.g. the US) and has not taken into account situations in lower-CSP contexts where domestic firms operate alongside foreign firms from higher-CSP contexts. We captured environmental, labor and community dimensions in our CSP measure, expanding on existing studies founded on a narrower range of items. The empirical evidence was collected through a survey among foreign and local auto parts suppliers in Mexico, thus eliminating variations in context. We aimed to contribute to both the management and international business literature, by building on insights from both to address a topic that has been "in between" and not been fully addressed by either. In so doing, we shed light on an important question; namely, whether extrinsic pressures like trade and foreign ownership are effective and sufficient mechanisms for raising the bar of CSP across borders, or whether more attention should to be paid to drivers intrinsic to organizations themselves.

Discussion of findings

Our findings show that trade intensity is significantly related to higher CSP levels, in support of existing IB research on emerging markets. The results also show that management commitment to ethics is also significantly related to higher CSP among both foreign-owned and locally-owned firms, which points at the importance of managerial and organizational values (Heugens et al., 2008). Moreover, considering the interaction between trade intensity and management commitment to ethics, the results suggest a virtuous relationship between the two. The non-significant main effect of foreign ownership implies that CSP in emerging markets is not raised through FDI and the non-significant interaction effects between FDI and trade, and FDI and management commitment to ethics, respectively, suggest that foreign ownership does not compensate for the absence of market-based signals (i.e., trade relationships) or a lack of local management commitment to ethics.

This result is surprising in light of existing research (Christmann and Taylor, 2001; Wisner

and Epstein, 2005). While other studies found differences between foreign and local firms, particularly Christmann and Taylor (2001), and Buysse and Verbeke (2003), they not only looked at different countries (respectively China and Belgium) but also had narrower measure of CSP (environmental), and both excluded management commitment to ethics. It may also be that certain additional dimensions beyond the scope of the current study are a factor. For instance, as Brammer et al. (forthcoming) propose, the relationship between multinationality and CSP may be driven in part by the total palette of issues and concerns faced by the MNE in its global operations, and may be less salient in upstream industries like auto parts than in downstream industries oriented towards the consumer. Alternately, it may also be that in our case, foreign ownership does not matter because a certain level of (upward) convergence has already occurred between Mexico and the US. With respect to the non-significant interactions, it could be interpreted simply as an extension of the conclusions drawn by Weaver et al. (1999a) to the international setting. That is, that the variation in levels of ethical behavior shown by US firms (as a function of management's commitment to ethics) applies similarly to their foreign operations. If so, this also casts the "pollution" haven debate in a new light, since it implies that MNEs may be no better or worse than their emerging market counterparts.

In line with the finding of Buysse and Verbeke (2003) that size is a key factor, our results show that size is an important predictor of CSP among auto parts suppliers in Mexico. For their Belgian sample, Buysse and Verbeke (2003) suggested that family ownership and stronger employee power (via a social council) might account for this size effect. These aspects might be less crucial in our study, although further research to explore how CSP is different in smaller firms is recommended. Also, size is associated with visibility, and could be interpreted as an element of extrinsic pressure, since greater visibility is likely associated with more monitoring by e.g. international NGOs. An alternate explanation is that the size effect may also be a consequence of our operationalization of CSP as many of the items probably require a certain scale of operations to be properly implemented (e.g. recycling, internships, institutionalized training programs). This means that our findings might not be directly generalized to sectors with many small firms as implementation and measurement of CSP in such cases may have very different dimensions.

Our study points to the necessity to further disentangle social behaviors (and their outcomes)

from the drivers that underlie such behaviors. As to the former, our results imply that there may be a universal understanding of what constitutes CSP; that is, the types of activities "typically" considered to be indicators of CSP in a developed country setting (e.g. recycling, philanthropy, gender diversity) also exist in emerging markets as their performance outcomes show. As to the latter, our strong results for management commitment to ethics indicate that the organizational and institutional contexts have a bearing on the mix of drivers. Thus firms in different contexts may exhibit identical behavior, but do so for different reasons. More importantly, if intrinsic, moral motivation is considered ethical while acquiescence to extrinsic pressures is economically prudent, one might argue that the two are in conflict (Windsor, 2006). In our "strategic choice" perspective, however, managerial moral imperatives and trade-related pressures are mutually reinforcing, which leaves open the possibility that intrinsically motivated social behavior can also generate economic benefits to the firm (Husted and Salazar, 2006).

Limitations and future research

Although the interaction effects between foreign ownership and intrinsic and extrinsic drivers in our models were insignificant, future research might explore more directly how and when MNE subsidiaries exhibit high CSP levels, particularly the mechanisms used within the MNE to facilitate intra-firm transfer of CSP-enhancing managerial values. Furthermore, while our data did not allow for further study of country-of-origin factors, cultural differences between countries and cultural distance between the locations where firms have their headquarters respectively subsidiaries (cf. Shenkar, 2001) could shed more light on cultural variation in CSP. More generally, additional research on CSP in emerging markets is needed to take on the difficulties of doing research in such settings (cf. Hoskisson et al., 2000). Language problems and unfamiliarity with the context, which we could overcome via our contacts in the country, are just a few. Others include the lack of databases or other independent assessments of performance, and low responses rates, which have been limitations of this study, although this is not uncommon for research on CSP in non-US settings in general, and Mexico in particular. Although these issues of conducting research in emerging markets continue to be hard to solve, our findings point at the need for cross-national research that covers both extrinsic and intrinsic

drivers within a much larger set of firms. This may also help address the limitations of the sample we used for our study. It can, for example, shed more light on the exact role of government policy in other settings than the one we investigated. We found that government policy had some effect, which is likely related to NAFTA, as has come to the fore in the literature on environmental issues well (Dasgupta et al., 2000; Rugman et al., 1999; Wisner and Epstein, 2005).

Research on the role of size in environmental responsiveness (Bowen, 2002) has indicated that this factor may need to be decomposed in size, visibility and organizational slack as separate explanatory factors, and that these may work out differently for various environmental initiatives. This suggests that future investigations should refine the size measure and also consider possibilities for disaggregation, which have not been pursued yet much outside the environmental domain. While we controlled for profitability in our study, future research could focus more specifically on the performance-related antecedents or consequences of higher CSP levels among emerging market suppliers. It would also be helpful for follow-up studies to explore these conditions in other emerging markets, not only because Mexico may be specific for cultural reasons, but also since overall economic conditions have been shown to affect ethical behaviors (cf. Husted, 1999).

In this vein, we recognize that each cultural setting has its own context-specific variability. For instance, we do not consider societal pressures in our study, in light of the low level of consumer advocacy in Mexico (Katz et al., 2001). Also, the fact that not all of our CSP measures were well scaled attests to the fact that cross-cultural variation exists in the measurement of CSP. For instance, in the Mexican case the relatively low levels of absenteeism may be due to the predominantly hierarchical culture in business. Similarly, the emphasis on formal rules with respect to the role of government in society may overstate the role of regulation if extended directly to other emerging markets with lower levels of power distance. However, even given these idiosyncrasies, our results could well extend to other industries with similar peculiarities; that is, with strong foreign ownership, vertical integration in global supply chains and with companies of sufficient size to implement CSP activities of the type we measure here. Examples might be found in electronics, toys, footwear, sporting goods and/or apparel, sectors that have received attention with issues related to product quality and labor conditions before (e.g. Kolk and Van Tulder, 2004). It could also be extended to

other countries: Hofstede (1983) shows for instance that Mexico exhibits cultural characteristics in keeping with many other emerging markets, such as low individualism and high power distance, which may for example lead to high sensitivity to policy pressure, greater prominence of private sector "paternalism", and a relatively low level of social activism (Katz et al., 2001). As a result we expect that our results will have implications that reach beyond the case of Mexico, and we propose that our overall approach of considering the interaction between intrinsic and extrinsic perspectives, and of measuring CSP on several dimensions, is broadly relevant in a host of settings.

The best way to investigate this would be to replicate the study in the same sector elsewhere, and also in other sectors in Mexico. This would enable a (context) controlled comparison that takes both sector and country variations into account. An extension to other countries in Latin America, in view of a number of similarities (in addition to the differences, see Lenartowicz and Johnson, 2002), would be helpful, and the US might be included as well, given that, for example, some parts of Mexico proximate to the US might resemble the US more than the rest of Mexico (Volkema and Chang, 1998). Ethical convergence has also shown to take place between cultures as divergent as the US and Russia (Beekun et al., 2005).

These findings suggest that the context-specificity noted by Treviño (1986) more than two decades ago might need reconsideration, given the subsequent move towards globalization of standards and norms for at least some CSP dimensions. The fact that the items included in our CSP measure occur both in Mexico as well as in developed countries seems to reflect this phenomenon, which deserves further investigation. However, our CSP items may need to be adapted to the local setting to some extent in future research, as for example the availability of geographically proximate renewable energy sources or a cadre of skilled female managers can be location specific (Muller, 2006). Similarly, some may apply to one industry more than to others (for example, recycling possibilities). Lastly, given that our results on the role of FDI in emerging market CSP contrast with earlier findings (e.g. Christmann and Taylor, 2001) – which focused on different markets and narrower interpretations of CSP – and our subsample of MNE subsidiaries (28 firms) is relatively small, additional research is needed to validate or counter our results in this regard.

Implications of the study

Not withstanding the limitations of our data, our study has important ramifications for the debate on the CSP in IB. Given the relatively modest scope of supranational governance structures to regulate social behavior in an international setting, the potential role of trade and FDI as mechanisms for raising the bar of CSP in emerging markets should be subject to close scrutiny. While existing research has highlighted the role of trade and FDI in emerging market CSP levels, our study indicates that management commitment to ethics is equally important, if not more so. Our results may help to reframe the debate away from the perspective that organizations' social behavior is determined by impersonal, economic forces to one in which the role of the "moral manager" (Carroll, 2000) is featured more prominently. This also has managerial implications for the recruitment, socialization and training programs of firms that want to promote social behavior in lower-CSP contexts.

In conclusion, our study suggests that effective attempts to improve CSP in emerging markets will involve the cultivation of value systems that are shared between foreign firms and their emerging-market suppliers as a necessary precondition for the implementation of compliance-based strategies. While exposure to developed-country markets has a positive effect on emerging market CSP, our results (see Figure 1) demonstrate that explicit consideration of organizational values, and the commitments that result from that internal organizational template, are very important and deserve more attention in both research and practice (Heugens et al., 2008). Stimulating the development of management commitment to ethics amongst staff and (future) leaders, for example via inclusion in training and socialization, seems to be a crucial element for enhancing CSP.

NOTES

[1] We thank one of the anonymous reviewers for pointing out the nuances of "choice" and fit. Child (1997: 58) himself observes that the concept of strategic choice has "for some time… been misleadingly misinterpreted as justifying a sharp distinction between organizational agency and organizational environment", while he in fact was arguing for an interactive relationship between the two.

[2] The alternative would be to run a structural equation model, but the number of observations combined with the interactions in our model renders this option unfeasible.

[3] For completeness we also observe that a CFA of all nine CSP measures, i.e. including the three that did not load well in the EFA, generates a model with good fit but the standardized factor loadings of those three omitted variables are all below 0.10.

[4] We also conducted a number of robustness checks, including regressions on a reduced form dependent variable comprised of the three measures with the highest face validity (recycling, philanthropy and environmental training), as well as a split-sample test (high versus low trade intensity) to further investigate the interaction effect identified in Figure 1, and found our results robust to these additional tests. More information is available from the authors upon request.

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TABLE 1: Oblique factor analysis of Likert-scale survey items

Item	Focus on economic perfor-mance	Mgmt commit-ment to ethics	Focus on regu-lation	Contract duration	CSP
TC: "Topics of conversation among management" (Weaver et al., 1999b)					
TC1: Productivity and efficiency	-0.789				
TC2: Financial performance	-0.802				
TC3: The company's role in society		0.846			
TC4: The importance of integrity		0.857			
TC5: Ethical questions		0.900			
TC6: Trade policy			0.934		
TC7: Industrial policy			0.882		
CD: "Duration of existing contracts" (Carillo, 2004)					
CD1: Avg. duration of customer contracts				0.824	
CD2: Avg. duration of buyer contracts				0.885	
CSP: Corporate Social Performance					
CSP1: Recycling as a % of total waste					0.620
CSP2: Days of environmental training					0.757
CSP3: Days of vocational training					0.764
CSP4: Philanthropy as a share of profit					0.549
CSP5: Formalization of community relations					0.569
CSP6: Number of internships offered					0.736
Eigenvalue	1.047	4.303	1.419	1.540	1.938
Variance explained	7.0%	28.7%	9.47%	10.3%	12.9%
Scale reliability	$\rho = 0.63$	$\alpha = 0.86$	$\rho = 0.78$	$\rho = 0.59$	$\alpha = 0.77$
KMO measure of sampling adequacy					0.707

Extraction Method: Principal Component Analysis

Rotation Method: Oblimin with Kaiser Normalization

Converged in 12 iterations

TABLE 2: Descriptives and correlations (n=121)

	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. age	26.2	17.7	1.00									
2. maquiladora status	0.21	0.41	0.10	1.00								
3. size	0.60	0.49	0.11	0.20**	1.00							
4. profit growth	3.78	1.23	-0.07	-0.18*	0.01	1.00						
5. contract duration	0.00	1.00	0.03	0.07	0.16*	-0.17*	1.00					
6. foreign ownership	0.23	0.42	-0.02	0.35***	0.33***	-0.17*	0.29***	1.00				
8. trade intensity	39.5%	28.6%	-0.05	0.41***	0.54***	-0.10	0.27***	0.50***	1.00			
9. focus on regulation	0.00	1.00	0.13	-0.13	-0.16*	0.11	0.04	-0.10	-0.13	1.00		
10. focus on economic performance	0.00	1.00	0.03	0.13	0.10	-0.05	0.11	0.18**	0.38***	0.07	1.00	
11. management commitment to ethics	0.00	1.00	-0.14	-0.01	-0.19**	-0.02	0.11	-0.01	0.04	0.20 **	0.18*	1.00
12. CSP	0.00	1.00	0.10	0.06	0.48***	-0.11	0.18**	0.28***	0.40***	0.13	0.13	0.24**

* if $p < 0.10$; ** if $p < 0.05$; *** if $p < 0.01$ (two-tailed tests)

TABLE 3: OLS regressions for CSP (n=121)

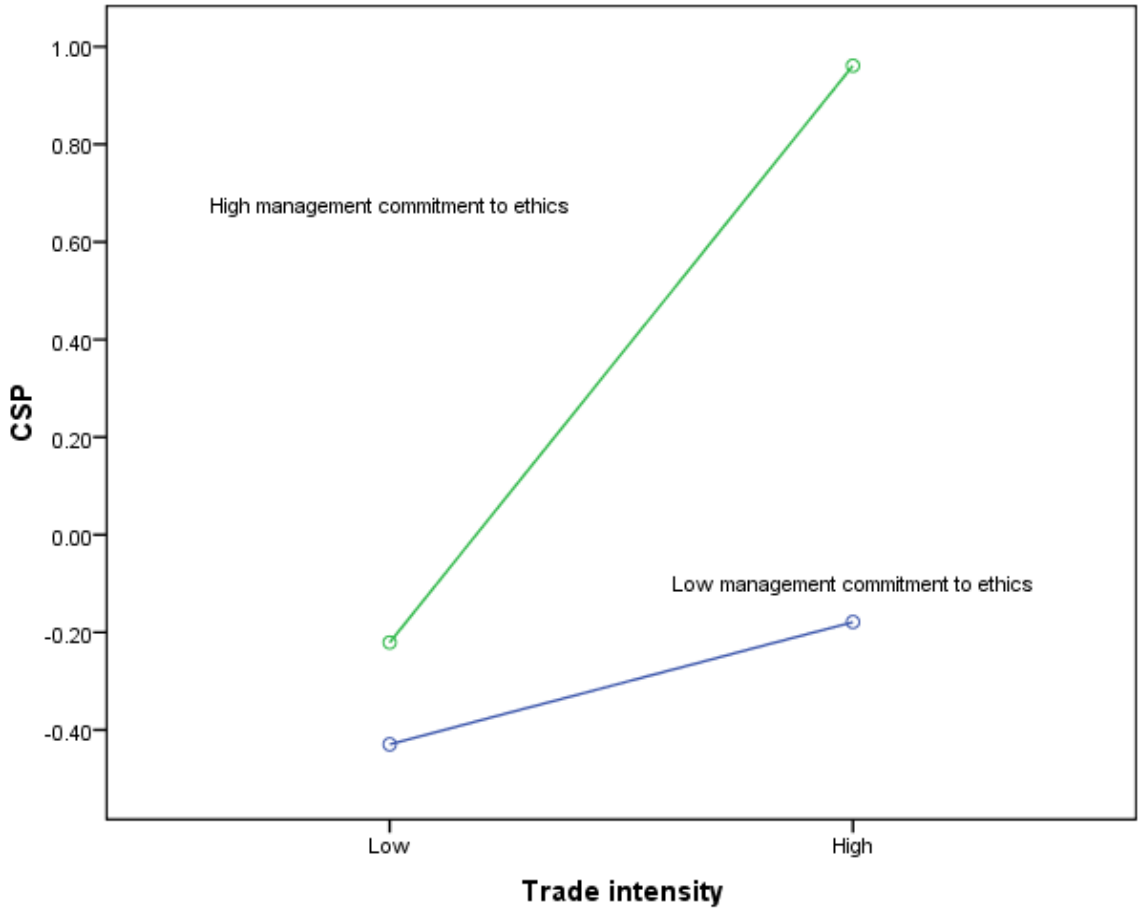
	1	2	3	4	5
constant	0.00 **	0.00 **	0.00 **	0.00 *	0.00 **
	(-2.02)	(-2.09)	(-2.04)	(-1.83)	(-1.99)
age	0.09	0.10	0.10	0.08	0.10
	(1.22)	(1.34)	(1.24)	(1.04)	(1.31)
maquiladora	-0.15 *	-0.17 **	-0.14 *	-0.15 *	-0.17 **
	(-1.76)	(-2.05)	(-1.72)	(-1.82)	(-2.01)
size	0.46 ***	0.44 ***	0.47 ***	0.45 ***	0.44 ***
	(5.03)	(4.89)	(5.00)	(4.97)	(4.78)
profit growth	-0.11	-0.12	-0.11	-0.12	-0.12
	(-1.46)	(-1.56)	(-1.45)	(-1.59)	(-1.54)
contract duration	-0.02	-0.05	-0.02	-0.03	-0.05
	(-0.21)	(-0.64)	(-0.23)	(-0.36)	(-0.63)
foreign ownership (FDI)	0.10	0.12	0.06	0.11	0.10
	(1.18)	(1.35)	(0.48)	(1.24)	(0.77)
trade intensity	0.19 *	0.21 **	0.20 *	0.19 *	0.22 **
	(1.80)	(2.07)	(1.83)	(1.85)	(2.01)
focus on regulation	0.17 **	0.18 **	0.17 **	0.18 **	0.18 **
	(2.22)	(2.39)	(2.22)	(2.32)	(2.37)
focus on economic performance	-0.06	-0.07	-0.05	-0.06	-0.07
	(-0.73)	(-0.91)	(-0.66)	(-0.72)	(-0.87)
commitment to ethics	0.30 ***	0.30 ***	0.30 ***	0.30 ***	0.30 ***
	(3.83)	(3.92)	(3.80)	(3.79)	(3.87)
commitment to ethics x trade intensity		0.19 **			0.18 **
		(2.55)			(2.15)
foreign ownership x trade intensity			0.04		0.01
			(0.38)		(0.12)
foreign ownership x commitment to ethics				0.10	0.00
				(1.31)	(0.02)
F-statistic	7.88 ***	8.11 ***	7.12 ***	7.36 ***	6.74 ***
R^2 (adjusted)	0.36	0.39	0.36	0.37	0.38

Coefficients are standardized; t-statistics are in parentheses

* if $p < 0.10$; ** if $p < 0.05$; *** if $p < 0.01$

FIGURE 1:

TRADE INTENSITY, MANAGERIAL COMMITMENT TO ETHICS AND CSP*



*The CSP score is standardized to a mean of 0 through the factor analysis.