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How Important Are CEOs to CSR Practices? An Analysis of the Mediating Effect of the Perceived Role of Ethics and Social Responsibility

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ABSTRACT. Drawing on the Agency–Stewardship approach, which suggests that manager profile may range from the agent model to the steward model, this article aims to examine how important CEOs are to corporate social responsibility (CSR). Specifically, this exploratory study proposes the existence of a relationship between manager profile and CSR practices and that this relation is mediated by the perceived role of ethics and social responsibility. After applying a mediated regression analysis using survey information collected from 149 CEOs in Spain, results show that those closer to the steward model are more inclined to attach great importance to ethics and social responsibility, and to implement CSR practices in their companies. Results also provide support for the suggested mediating effect. Thus, this article extends research in understanding top managers as drivers for CSR and suggests new ways to deal with this issue empirically.

KEY WORDS: Agency–Stewardship approach, corporate social responsibility, manager profile, perceived role of ethics and social responsibility (PRESOR) scale, Spain

Introduction

The attention paid to corporate social responsibility (CSR) in the context of business management, government policy and society in general has increased in academic and research circles. To date, the debate surrounding CSR has focused predominantly on the level of organisational analysis in such a way that there has been little fundamental questioning of the role of the individual in promoting ethical and social actions (Post et al., 2002; Wood et al., 1986). However, with regard to CSR, the role played by top managers is extremely important (Quazi, 2003; Swanson, 2008). There cannot be socially responsible corporations without socially responsible managers who are occasionally willing to sacrifice corporate objectives, interests and the needs of the firm in favour of socially responsible actions (Hunt et al., 1990; Wood et al., 1986). Indeed, it is the top managers who spread interest in ethics and social responsibility throughout the firm (Waldman et al., 2006) and decide on how to integrate these through a process of strategic management (Singhapakdi et al., 2008). Despite the important role that top managers play in implementing CSR, this question has been scarcely dealt with in previous empirical studies and requires further research (Waldman and Siegel, 2008).

This article sheds some light on this question by analysing how a manager's profile is related to the development of CSR practices, as well as the mediating effect of their perception of the role of ethics and social responsibility. In order to study manager profile, the Agency–Stewardship approach is explored here (Chrisman et al., 2007; Davis et al., 1997), which distinguishes between agents and stewards according to several personal and situational characteristics. Agents are inclined to behave opportunistically and are mainly concerned with improving their own welfare and, only if efficient control mechanisms exist are they interested in maximising value for shareholders. Stewards, on the other hand, have moral values that go beyond their own benefit and are inclined to behave collectively and cooperatively in the interests both of their organisations and those of all stakeholders (Davis et al., 1997; Hernández, 2008). Consequently, in terms of CSR, it can be assumed that CEOs closer to the steward model will give more importance to ethics and social responsibility, and hence, they will promote a higher level of CSR practices in their firms than those closer to the agent model.

This article contributes to existing literature in several ways. The study extends the boundaries in which the Agency–Stewardship approach has been previously applied as a subsequent explanation for several organisational phenomena – manager compensation (Wasserman, 2006), property rights (Chrisman et al., 2007), level of R&D investments (Lee and O'Neill, 2003) or corporate diversification (Fox and Hamilton, 1994).This research increases the scope of the theory's application to explain the prior conditions that affect a manager's perception and actions. Hoskisson et al. (1999) and Guidice and Mero (2007) point out that this is one of the most promising lines of inquiry, but there is no empirical evidence to justify its potential. This study seeks to fill the previous void by identifying a manager profile according to personal and situational factors (Davis et al., 1997) and by analysing how it affects the way ethics and social responsibility are perceived and put into practice by CEOs. As a result, this article further examines the connection between two research streams: CSR and the Agency–Stewardship approach, not having found evidence of any previous study which combined the two perspectives. Finally, this study elaborates on the debate on CSR within organisations by insisting on the important influence of top managers on CSR practices (Waldman and Siegel, 2008). In particular, the study analyses the mediating effect of the perceived role of ethics and social responsibility on the relationship between manager profile and CSR practices.

The remainder of this article is set out as follows: in the next section, the hypotheses are developed, based on a review of the related literature. The data and empirical methodology are described in the third section, followed by the results. The final section offers the conclusions, discusses their implications and proposes future lines of research.

Background and hypotheses

Manager profile within the Agency–Stewardship approach: an overview

Agency theory and Stewardship theory are two perspectives concerned with the role of top managers in firms given the separation between ownership and control (Chrisman et al., 2007; Davis et al., 1997; Wasserman, 2006). However, they diverge in their predictions about how these managers will act in this regard because they make very different assumptions about managerial motivation and behaviour. Empirical studies based on Stewardship theory are relatively few compared to those related to Agency theory but the empirical support for both theories suggests that they are *ex-ante* conditions that influence managerial thought and practice (Guidice and Mero, 2007).

Agency theory constitutes an approximation to corporate governance which suggests that managers as agents are individuals who seek to maximise their own utility, even at the expense of the value of the firm (Jensen and Meckling, 1976). Thus, agents are inherently opportunistic and only if efficient control mechanisms are in place will they seek to maximise value for shareholders, which gear them towards short-term profits (Caldwell and Karri, 2005). This perspective, presumably neutral in ethical terms and free from moral values, does not allow us to adequately tackle complex social matters that have arisen in recent times. Indeed, business takes place in a cooperative social context, in which it is possible to find honest managers characterised by pro-organisational behaviour (Frank, 2004; Ghoshal, 2005). Thus, Agency theory must be complemented with other theories that suit social demands.

Stewardship theory is a new way of understanding manager profile (Davis et al., 1997). It is a psycho-sociological view to corporate governance that depicts managers as stewards of firms. Their behaviour is such that pro-organisational and collectivist conducts have a higher utility than individualistic and selfish ones (Chrisman et al., 2007), meaning that acting cooperatively rather than opportunistically does not imply a lack of rationality. Stewards will defend the welfare of all stakeholders – not only of the shareholders – and make decisions that they perceive to be in the best interest of the group. More specifically, this theory assumes that the main way to satisfy all stakeholders with competing interests is to maximise the long-term value of the firm (Hernández, 2008).

The Agency–Stewardship approach states that a manager's profile as an agent or as a steward may be described in terms of psychological and situational factors (Chrisman et al., 2007; Davis et al., 1997; Wasserman, 2006). Psychological factors refer to a manager's personal characteristics that may have an effect on his/her behaviour, such as work motivation, organisational identification and use of power. Situational factors denote a manager's perception of certain characteristics of the firm, such as management philosophy and organisational culture – individualism/collectivism and power distance dimensions. A detailed study on how each psychological and situational factors affects the management style of managers can be found in Davis et al. (1997). Within this framework, managers are more likely to behave as agents when they work motivated by extrinsic factors and lower order needs, such as income, working conditions and status, they have a low identification with the firm and they use institutional power to influence subordinates. Moreover, in this case managers usually belong to firms with a control-oriented management philosophy, and an individualistic, high power distance culture. In contrast, managers are more likely to become stewards when they respond to intrinsic factors and higher order needs, such as achievement, personal satisfaction and recognition, they identify closely with the firm and, they use personal power to influence other people. Now, managers tend to work in companies with an involvement-oriented management philosophy and a collectivist and low power distance culture (Davis et al., 1997). Thus, depending on their psychological and situational characteristics, managers will demonstrate a tendency to act as agents or as stewards. However, each managerial profile will have different implications on perceptions and behaviours of managers and hence on strategic decisions made in organisations.

Manager profile, the perceived role of ethics and social responsibility and CSR practices

Acts of CSR are distinguishable from other corporate investments due to their social welfare and stakeholder relationship orientation (Barnett, 2007). If a manager with a specific profile had also this orientation, it could be argued that his/her perception of CSR is likely to be more positive. This is where the Agency–Stewardship theoretical framework becomes especially useful.

The duties of the corporation are extended beyond the shareholders by Stakeholder theory and Stewardship theory (Caldwell et al., 2006). Stewards, as opposed to agents, integrate an exclusive fiduciary relationship with stockholders with a moral relationship with other stakeholders (Gibson, 2000; Hernández, 2008). Stewards are committed to the welfare, growth and wholeness of all stakeholders (Kouzes and Posner, 1993) and honour the citizenship duties of the corporation to society (Manville and Ober, 2003). Following Martynov (2009), managers who behave like stewards instead of behaving in a self-serving way, like agents, are to some extent the result of a managerial moral development or evolution in the way people reason about ethical dilemmas (Kohlberg 1969; Treviño, 1986). The final orientation of this development is clearly coincident with the one stated to characterise acts of CSR, so it can be foreseen a positive relationship between a manager profile closer to the steward model than the agent model and the salience given to ethics and CSR.

Although CSR investments have been identified by being focused on improving social welfare whereas other investments pursue to improve the wealth of the owners of the corporation (Barnett, 2007), this does not mean there is not a business case for CSR. According to the modern theory of CSR, ethical and socially responsible initiatives constitute a legitimate and sustainable way to create long-term firm value, since these actions help to strengthen the relations with all stakeholders and contribute to improve conditions within the firm or in the business environment (Barnett, 2007; Bhattacharya et al., 2008). If the relationship with stakeholders is properly managed, costs and risks may decrease (Jensen, 2002) and competitive advantages may therefore arise (Porter and Kramer, 2006). In addition, doing what is right and a responsible use of the companies' power increase their legitimacy (Sethi, 1979), prevents social sanctions, develops positive attitudes towards the firm and its products (Sen et al., 2006), and strengthens their reputation (Aguilera et al., 2007). In all these arguments in favour of a business case for CSR it is possible to find a common feature that can condition the salience given to CSR depending on the manager profile: the long-term consequences of CSR actions to business success (Peters and Mullen, 2009).

Managers acting as agents will pay special attention to the short-term costs of ethical and social commitment because they are critical for the achievement of short-term profits. Friedman (1970) stated that engaging in ethical and socially responsible actions is costly and an administrative burden for a firm, which implies it has lower market competitiveness and worse short-term profitability. On this subject, Barnett (2007) points out that critics of CSR contend that allocating limited corporate resources to ethical and socially responsible actions implies an inefficient choice because these resources could be put to better use in improving value for shareholders. Even if there is an eventual positive return from these actions, such investments are unlikely to pay off in the time frame that the managers of companies deem suitable (Doane, 2005). Consequently, managers with an agent profile will perceive that the achievement of organisational effectiveness could require less priority in terms of ethical and social responsibility compared to other operational matters more concerned with maximising in the short run their own utility or value for shareholders. In contrast, stewards, primarily concerned with maximising the long-term value of the firm and the interests of all stakeholders (Caldwell et al., 2008; Hernández, 2008; Kouzes and Posner, 1993), will argue that the potential benefits for business arising from CSR practices eventually outweigh costs. For this reason, these managers will perceive that ethics and social responsibility are essential with regard to the overall effectiveness of the firm.

The following hypothesis can thus be put forward based on the previous ideas:

H1: The closer the manager profile is to the steward model versus agent model, the more salient the perceived role of ethics and social responsibility will be.

As strategic decisions are usually made by top managers, they are likely to become decisive in the choice of social policies and programs embraced and executed by the firm (Thomas and Simerly, 1994). However, managers' ability to realise their intentions will depend on the discretion they enjoy (Hambrick, 2007; Hambrick and Finkelstein, 1987). According to the Agency–Stewardship approach, firms with managers closer to the agent model will establish control mechanisms to align agent's interests with those of the shareholders, as well as an individualistic and high power distance culture, since these situational characteristics produce better results when short-term cost control is an important issue (Davis et al., 1997). On the other hand, like-steward conducts will be facilitated through empowering mechanisms that give managers authority and discretion to facilitate their effective action, to generate trust and intrinsic motivation (Hernández, 2008), and to promote pro-organisational behaviours and firm performance (Davis et al., 1997). Specifically, managers closer to the steward model will be found in companies with an involvement-oriented management philosophy – versus a control-oriented one – and a collectivist and low power distance culture, because this structural situation produces better results when long-term effectiveness is an important issue (Davis et al., 1997). In fact, managers more inclined to act as stewards are motivated by a need to exercise responsibility and authority (Donaldson, 1990), and controls, close supervision, or interferences could squelch their motives and aspirations by limiting social ties and emphasising extrinsic rewards, what would reduce their organisational commitment (Sundaramurthy and Lewis, 2003). Thus, since CSR has been traditionally defined as voluntary or discretionary by nature (Barnett, 2007) and CSR actions will be highly dependent upon the freedom to make managerial decisions (Hemingway and Maclagan, 2004), it is possible to suggest that managers with a steward profile will enjoy greater discretion than agents to definitely develop and implement CSR activities.

Additionally, firms managed by stewards will incur less monitoring costs than those managed by agents (Davis et al., 1997) and hence they will may obtain this way a resource surplus. Thus, following the 'available funds hypothesis', which states that available resources may increase a firm's ability to fund discretionary projects, including social performance projects (Preston and O'Bannon, 1997), stewards will be more likely to develop CSR initiatives than agents.

The following hypothesis can be presented based on these assertions:

H2: The closer the manager profile is to the steward model versus agent model, the higher the level of CSR practices in firms will be.

It has been proposed that manager profile is a background factor that will condition behaviour, but this relation may not be straightforward but mediated by the perceptions of the expected consequences of that behaviour. Considerations of the likely consequences of a behaviour have been called behavioural beliefs (Ajzen and Fishbein, 2005; Fishbein and Ajzen, 1975), outcome expectancies (Bandura, 1977), or costs and benefits (Becker, 1974). If the perceived advantages of performing certain behaviour outweigh its perceived disadvantages, managers are likely to form a favourable attitude towards the behaviour in question and, consequently, put it into practice.

Several articles referring to the perception of ethics and social responsibility have highlighted its influence on managers' ethical intention (Marta et al., 2004; Singhapakdi, 1999; Singhapakdi et al., 2008) and on the CSR practices implemented in firms due to their prominent position within the organisation (Henriques and Sadorsky, 1999; Kassinis and Panayiotou, 2006). Specifically, managers' behaviour will be more ethical and reflect greater social responsibility if ethics and social responsibility are considered by these decision makers as something vital to organisational effectiveness (Singhapakdi et al., 2001). Therefore, the effect of manager profile on CSR practices may be indirectly exerted through the managers' perceptions about the importance of ethics and social responsibility in achieving organisational success.

The following hypothesis can thus be presented based on this idea:

H3: The perceived role of ethics and social responsibility will mediate the relationship between manager profile and CSR practices.

Methodology

Sample

Questionnaire data were collected due to the nature of the research and the consequent lack of secondary data. We used the SABI (Sistema de Análisis de Balances Ibéricos) database to identify those companies based in Spain which employed more than 250 people and that had officially registered their 2006 annual reports. We decided to select large-sized companies because CSR is more common in such companies, although greater efforts are being made by small- and medium-sized businesses to implement principles of CSR.

A copy of the questionnaire – accompanied by a cover letter and prepaid envelope – was sent between July and September 2008 to the CEOs of the 2,978 companies that met the previous criteria. This particular hierarchical level was chosen due to its prominent impact on organisations. As Vitell et al. (2010) state, translations can change the essence of the inquiry so it is necessary to take every precaution to ensure that the spirit of the questions is effectively carried over. We followed Vitell and Ramos Hidalgo (2006) and four bilingual English teachers from different English speaking countries took part in three rounds of back and forth translations between the languages. The final version used in the questionnaire was adopted once the four teachers were satisfied with the Spanish translation.

A total of 149 completed questionnaires were returned, which meant an overall response rate of ~5% and a margin of error of 7.83% at a 95% level of confidence. Table I contains an examination of some of the demographic characteristics of the

TABLE I

Sample characteristics

Variable	
Age	
35 or under	8.05%
36–50	51.01%
Over 50	40.94%
Firm tenure	
10 or under	40.69%
11–20	39.31%
Over 20	20.00%
Mean (years)	14.68
Current position	
5 or under	49.65%
6–10	28.67%
Over 10	21.68%
Mean (years)	7.70
University degree	
Yes	91.95%
No	8.05%

respondents. Furthermore, we used the χ^2 test to compare the firms from the sample to those from the population. In order to apply this test, the data were divided in quartiles and no significant differences were found in firm size (χ^2 = 0.90; p = 0.64) and firm age (χ^2 = 0.32; p = 0.96).

Measuring variables

Independent variable

Manager profile – agent versus steward – was measured using a six self-reported Likert items: 1 = 'strongly disagree', 7 = 'strongly agree' (Appendix A). These items reflected the CEOs psychological factors and how they perceived certain variables relating to situational factors in the companies they managed (Davis et al., 1997). Psychological factors include work motivation, organisational identification and use of power. Situational factors cover management philosophy and organisational culture, in particular, the individualism/collectivism and power distance dimensions. A low score indicates that CEOs are inclined to behave as agents, whereas a high score signifies that CEOs are inclined to behave as stewards.

An exploratory factor analysis revealed that the factorial structure of the manager profile scale can be viewed as one single dimension – the proportion of variance explained was 52.04%. The unidimensionality of this scale was also established by confirmatory factor analysis, whose results suggest that our indicator is reliable as well as convergent (Table II). The first criterion that was demonstrated was the individual reliability of items since all factor loadings were higher than 0.6 (Bagozzi and Yi, 1988). Then, we calculated the composite reliability index. Results indicated that the found factor exceeded the 0.7 threshold (Nunnally and Bernstein, 1994). Finally, to estimate convergent validity, we used the average variance extracted (AVE). As the indicator's AVE exceeded 0.5 (Fornell and Larcker, 1981), our scale satisfies heuristics required to confirm convergent validity.

After that a composite variable was created by adding up the scores for the six items, providing a range of values between 6 and 42. This variable was standardised by using the formula: $[(X_i - X_{\min}/X_{\max} - X_{\min}) \times 100]$, where X_i is the value to be standardised and $X_{\min}$ and $X_{\max}$ are the minimum and maximum values of the variable. This measurement was used in subsequent analyses as an index of manager profile.

Mediating variable

The scale developed by Singhapakdi et al. (1995, 1996) was used to measure the CEOs' perceived role of ethics and social responsibility (PRESOR). This scale is based on the Organizational Effectiveness Menu (Kraft and Jauch, 1992), which contains a comprehensive set of quantitative and qualitative assessments, different levels of conceptualisation about organisational effectiveness, and different time frames surrounding the assessment of organisational effectiveness. The PRESOR scale and different versions of it have been widely used in the past, e.g. Etheredge (1999), Valentine and Fleischman (2008), Vitell and Ramos Hidalgo (2006). The scale consists of 16 items that connect ethical and socially responsible behaviour to different aspects of the organisational effectiveness (Appendix B). Individual responses were provided on a Likert-type scale using a seven-point – 'strongly disagree' to 'strongly agree' – response selection. Numerous comments made by the respondents insisted that one of the items, *Presor3*, was difficult to understand so it was not considered in later analyses.

Previous research has found different dimensions within the PRESOR scale (Axinn et al., 2004; Etheredge, 1999; Singhapakdi et al., 1995, 1996). For this reason, an exploratory factor analysis was performed. The results showed a two factor solution with the eigenvalues greater than 1 and the total variance explained was 48.30%. Next, a confirmatory factor analysis was used as a more powerful test of factorial validity. In light of its results, it was possible to conclude that the two factors found were reliable as well as convergent and discriminant (Table II). Regarding the individual reliability of items (Henseler et al., 2009), results showed that three items should be removed from the analysis: *Presor10*, *Presor11* and *Presor 16*. As a consequence, the final measurement model of the CEOs' PRESOR included 12 items. After refining the initial scale of measurement, results indicated that the composite reliability of the two factors exceeded the 0.7 threshold. Then, we evaluated each factor's AVE. Results also revealed support for the convergent

TABLE II

Results of confirmatory factor analysis

Scale	Factors	Items	Factor loadings	Cronbach alpha	Composite reliability	AVE
CEO profile	CEO profile	Profile1	0.60	0.81	0.86	0.51
		Profile2	0.77			
		Profile3	0.69			
		Profile4	0.74			
		Profile5	0.79			
		Profile6	0.69			
PRESOR	Importance of ethics and social responsibility	Presor1	0.66	0.85	0.89	0.53
		Presor4	0.73			
		Presor6	0.80			
		Presor7	0.79			
		Presor9	0.76			
		Presor12	0.64			
		Presor15	0.73			
	Subordination of ethics and social responsibility	Presor2	0.70	0.78	0.85	0.54
		Presor5	0.72			
		Presor8	0.77			
		Presor13	0.73			
		Presor14	0.77			
	The square root of the AVE of each factor (Importance = 0.73 and Subordination = 0.74) is higher than the correlation between the two factors (correlation coefficient = −0.64)					
CSR Practices	CSR practices	Iso14001	0.66	0.61	0.77	0.51
		Ohsas18001	0.64			
		Code of Eth.	0.76			
		CSR report	0.67			

Confirmatory factor analysis performed by using the partial least square (PLS) methodology, which is a structural equation modelling (SEM) technique.

validity of both indicators. Finally, it was necessary to evaluate discriminant validity since the bidimensionality of the PRESOR scale. As the square root of each AVE exceeded the correlation between the two factors (Fornell and Larcker, 1981), we were comfortable with the discriminant validity of the measure.

The bidimensionality found in the PRESOR scale was in line with the results of previous research (Etheredge, 1999; Singhapakdi et al., 2008; Yaman and Gurel, 2006). In our study, the first factor was formed by seven items and it was labelled *Importance of ethics and social responsibility*. CEOs scoring high in this factor gave ethics and social responsibility high consideration and perceived that being ethical and socially responsible was critical to the overall effectiveness of firms; that is, decisions made whilst taking this matter into consideration could be good business and they could positively affect the long-term value of a firm. For this reason, ethics and social responsibility should be taken into account when it comes to planning corporate strategy. The second factor was composed of five items and it was labelled *Subordination of ethics and social responsibility*. This factor showed a CEO's stance that subordinated ethics and social responsibility to short-term profitability, output quality, efficiency, competitiveness and firm survival.

After evaluating the psychometric properties of the measurement model, two composite variables were created by adding up the values of the items included in each factor and they were standardised using the same procedure as in the independent variable. These variables were also labelled *Importance of ethics and social responsibility* and *Subordination of ethics and social responsibility*, respectively.

Dependent variable
Five items related to firm initiatives that deal with the different actions of a firm regarding its stakeholders were used to measure CSR practices (Appendix C). These items were already used by Prado-Lorenzo et al. (2008) for the same purpose and are inspired by the content of the Global Reporting Initiative (GRI) guidelines. To some extent, *the ISO 9001* and *ISO 14001 certifications* guarantee the quality of the goods offered to customers and respect for the environment. Moreover, the certification of *Occupational Health and Safety Management Systems*, *OHSAS 18001*, requires a certain commitment by the firm to reduce and eliminate the risks faced by employees in their jobs. Besides, having a *Code of Ethics* means a clear attempt to incorporate a group of sound moral and ethical principles, and values in the firm's daily routine, which is to be respected by everyone in the organisation. Finally, preparing a *CSR Report* shows interest on behalf of the firm to publicly inform of any relationships maintained with groups such as customers, shareholders, employees or suppliers and the actions taken with regard to the environment and the community. As in the study by Prado-Lorenzo et al. (2008), we considered each item through dummy variables, in which a value of 1 was given if the corresponding initiative was present in the firm and a value 0 if not.

The exploratory factor analysis revealed the existence of only one dimension, the proportion of variance explained was 39.78%, and after applying confirmatory factor analysis one item, *Iso9001*, had to be eliminated from the model. Results showed that the final scale was reliable as well as convergent (Table II). Following the work of Prado-Lorenzo et al. (2008), a composite measure of CSR practices was obtained by adding the items with high factor loadings.

Control variables
Due to the fact that CSR practices may be conditioned by the characteristics of a firm and its managers (Hillman and Keim, 2001; McWilliams and Siegel, 2000; Waddock and Graves, 1997), we included some control variables. First, we considered firm size, measured by the logarithm of employees, because it is an important variable which has often been positively related to social performance (McWilliams and Siegel, 2000; Waddock and Graves, 1997). This is the case because, as firms grow, they attract more attention from stakeholders and need to respond more openly to their demands (Hillman and Keim, 2001). Second, firm age, as the logarithm of the number of years since founding, was considered because the maturity of a firm may affect its social responsibility activities (Moore, 2001; Roberts, 1992). As a firm matures, its 'reputation and history of involvement in social responsibility activities can become entrenched' (Roberts, 1992, p. 605) thus raising stakeholder expectations about sponsorship or corporate community involvement and making it difficult to withdraw. Finally, we included CEO age, measured as 1 if it was 35 years or less, 2 if it was between 35 and 50, and 3 if the CEO was 50 years old or more. In principle, 'advancing age could be commensurate with a broader perspective on the issues and entities surrounding decision-making, including multiple stakeholders and thus stronger CSR values' (Waldman et al., 2006, p. 831). Moreover, some authors have stated that managers tend to give more priority to personal growth than wealth or advancement (Hall, 1976) and that they become more ethical (Singhapakdi et al., 1999; Terpstra et al., 1993) as they grow older.

Results

Table III presents the mean values, standard deviations, and correlation coefficients for all variables used in this study. Although some variables in regression equations show a statistically significant correlation, the examination of variance inflation factors (VIFs) indicates no evidence of multicolinearity.

Table IV reports the results of the hierarchical regression analysis applied to test the hypotheses, since it allows us to test for mediation and control for the characteristics of companies and CEOs – placed in step 1 of the regressions. The procedure that examines the presence of mediation among a set of

TABLE III

Means, standard deviations and correlations

	Mean	s.d.	1	2	3	4	5	6	7
1. Manager profile	77.33	12.13							
2. Importance of ethics and social responsibility	75.77	14.99	0.58★★						
3. Subordination of ethics and social responsibility	25.57	17.29	−0.42★★	−0.63★★					
4. CSR practices	1.45	1.26	0.15†	0.22★★	−24★★				
5. Firm size	6.31	0.84	−0.04	−0.10	−0.02	0.10			
6. Firm age	2.92	0.81	−0.12	0.04	−0.01	0.18★	−0.01		
7. CEO age	2.33	0.62	0.01	0.05	0.14	0.01	−0.02	0.13	

n = 149.

†$p < 0.10$, ★$p < 0.05$, ★★$p < 0.01$.

TABLE IV

Results of regression analysis

Variables	Perceived role of ethics and social responsibility		CSR practices		
	Model 1a (Importance)	Model 1b (Subordination)	Model 2	Model 3a	Model 3b
Firm size	−0.07 (−1.12)	0.00 (0.04)	0.08 (1.00)	0.09 (1.18)	0.08 (1.02)
Firm age	0.10 (1.55)	−0.07 (−0.98)	0.20★ (2.44)	0.18★ (2.21)	0.19★ (2.28)
CEO age	0.03 (0.47)	0.16★ (2.12)	−0.02 (−0.29)	−0.03 (−0.36)	0.01 (0.12)
Manager profile	0.59★★ (8.78)	−0.44★★ (−5.82)	0.18★ (2.15)	0.07 (0.67)	0.08 (0.94)
Importance of ethics and social responsibility				0.18† (1.83)	
Subordination of ethics and social responsibility					−0.21★ (−2.34)
R^2	0.36	0.21	0.07	0.09	0.10
Adjusted R^2	0.34	0.19	0.04	0.06	0.07
ΔR^2				0.02†	0.03★
F	20.05★★	9.44★★	2.55★	2.74★	3.19★★

Standardised coefficients are reported, with t values in parentheses; n = 149.

†$p < 0.10$, ★$p < 0.05$, ★★$p < 0.01$.

variables requires the specification of three different regression equations (Baron and Kenny, 1986). In the first equation, Model 1, the mediating variable is regressed on independent and control variables. In the second equation, Model 2, the dependent variable is regressed on independent and control variables. And in the third equation, Model 3, the dependent variable is regressed on independent, mediating, and control variables.

Given that two dimensions were found within the perceived role of ethics and social responsibility, two regression equations were specified in the first step. The results of both regressions are presented in Table IV – Models 1a and 1b. In Model 1a, we found that manager profile (β = 0.59, $p < 0.01$) was positively and significantly related to the importance of ethics and social responsibility. Model 1b showed that manager profile (β = −0.44, $p < 0.01$) was negatively and significantly related to that dependent variable. Therefore, we found support for Hypothesis 1 and the first necessary condition for a mediating effect to exist is fulfilled. Likewise, in Model 1b we found that the control variable CEO age ($\beta = 0.16$, $p < 0.05$) was positively and significantly related to subordination of ethics and social responsibility.

In Model 2, the CSR practices variable was regressed on the control variables and the manager profile. As shown in Table IV, the coefficient for manager profile ($\beta = 0.18$, $p < 0.05$) was positive and significant. Thus, support for Hypothesis 2 was provided and the second condition for the mediating effect is fulfilled. Moreover, the coefficient for the control variable firm age ($\beta = 0.20$, $p < 0.05$) was also positive and significant.

Two regression analyses were applied in the third step. In Model 3a, the CSR practices variable was regressed on the control variables, manager profile and the importance of ethics and social responsibility. In Model 3b, importance was replaced by subordination of ethics and social responsibility. Table IV reports the results of the regression equations. In both cases, the independent and dependent variables were not related in the presence of the mediator variable, which demonstrated a full mediation. Additionally, the results also indicated that the control variable firm age was positively and significantly related to CSR practices (Model 3a: $\beta = 0.18$, $p < 0.05$; Model 3b: $\beta = 0.19$, $p < 0.05$). Following the ideas of MacKinnon et al. (2002), we conducted the Sobel test (Sobel, 1982) to determine the significance of the mediating effect. Z values verified a significant full mediation both in the case of the importance of ethics and social responsibility ($Z = 1.83$, $p < 0.10$) and in the case of the subordination of ethics and social responsibility ($Z = 2.30$, $p < 0.05$). Thus, these results confirmed the mediating role of the perceived role of ethics and social responsibility in the relationship between manager profile and CSR practices and they therefore provided strong support for Hypothesis 3.

We finally used the MedGraph-I program (Jose, 2003) to investigate the amount of direct and indirect influence manager profile has on CSR practices to interpret the results better. As we can see in Figures 1 and 2, the size of the indirect effect in relation to the direct effect indicates that that indirect effect is very strong. Specifically, indirect influence represented 61.11% of the total when the importance of ethics and social responsibility was the mediator and 55.56% in the case of subordination.

Discussion

Findings

This study proposes that a manager's profile, defined according to the Agency–Stewardship approach on the basis of his/her psychological and situational characteristics, has an influence on CSR practices and this relationship is mediated by the perceived role of ethics and social responsibility.

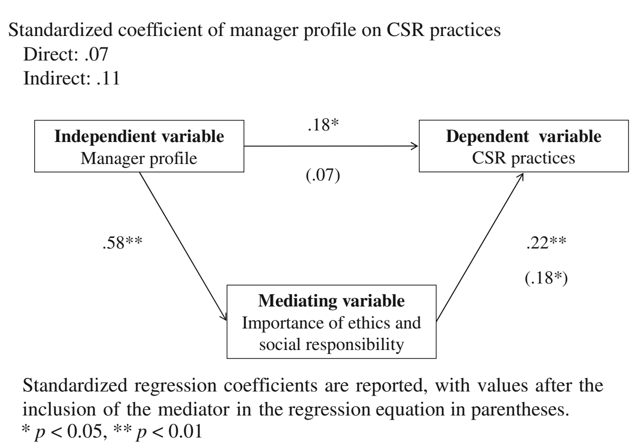

Figure 1. Mediation of importance of ethics and social responsibility.

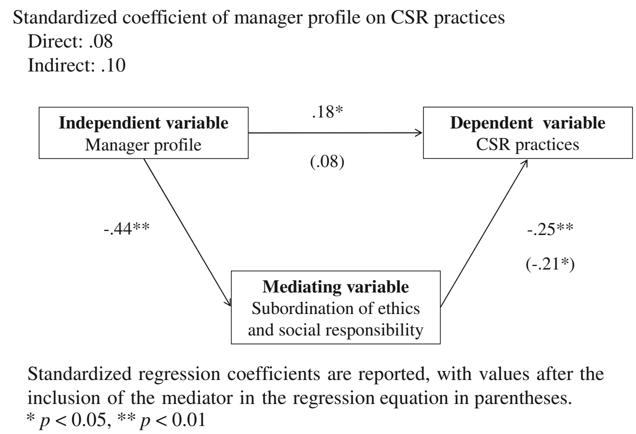

Figure 2. Mediation of subordination of ethics and social responsibility.

First, results indicate that those CEOs closer to the steward model tend to attach greater importance to ethics and social responsibility. This finding can be justified by the social welfare and stakeholder orientation found in both acts of CSR (Barnett, 2007) and steward profile (Caldwell et al., 2006; Gibson, 2000; Hernández, 2008; Kouzes and Posner, 1993; Manville and Ober, 2003). An additional justification for this result could be that stewards are more concerned about maximising the long-term value of the firm (Hernández, 2008) whereas agents are more short-term focused (Caldwell and Karri, 2005) and the consequences of CSR actions are usually considered positive in the long run (Peters and Mullen, 2009).

Our results also suggest that, according to the study by Aguilera et al. (2007), those companies whose top managers can be considered as stewards develop and implement more ethical and social practices than those managed by agents. The reason for this result can be found in the greater discretion enjoyed by stewards (Davis et al., 1997), which makes easier to carry out CSR actions (Hemingway and Maclagan, 2004). Additionally, firms managed by stewards will incur less monitoring costs than those managed by agents (Davis et al., 1997) and having available resources increases firm's ability to fund social performance projects (Preston and O'Bannon, 1997).

Finally, the findings also support the idea that CEOs' behaviour will be more ethical and socially responsible if they consider it vital to organisational effectiveness (Singhapakdi et al., 2001). Specifically, our results indicate that the impact of manager profile, as an agent or as a steward, on CSR practices is mostly exerted indirectly through their perception of the consequences of ethical and social commitment. This finding points out the importance of CEOs' perceptions when they design the CSR agenda (Kassinis and Panayiotou, 2006; Maon et al., 2008) and the necessity of a positive assessment of ethics and social responsibility prior to putting CSR into practice (Aguilera et al., 2007).

We also found other interesting relations referring to the control variables. First, firm age positively affects CSR practices. A possible explanation could be that once these practices are implemented, stakeholder expectations increase, and the firm is forced to meet them and even reinforce them (Moore, 2001; Roberts, 1992). Second, CEO age positively influences the subordination of ethics and social responsibility. As noted in previous studies, younger subjects may have more interest in the wider social responsibility arena (Arlow, 1991). Besides, younger managers are more receptive to new ideas (Mellahi and Guermat, 2004) and to the relatively new stakeholder approach (Ramasamy et al., 2007). Nevertheless, the arguments on the effect of age are contradictory. Some authors have stated that managers tend to give more priority to personal growth than wealth or advancement (Hall, 1976) and that they become more ethical (Singhapakdi et al., 1999; Terpstra et al., 1993) as they grow older. Finally, no significant relation was found between firm size and CSR practices. Although the size of a firm, measured by total assets, annual income or number of employees, has often been positively related to social responsibility in previous studies (McWilliams and Siegel, 2000; Waddock and Graves, 1997), there is also evidence to suggest that firm size and CSR are not related (Graves and Waddock, 1994; Orlitzky, 2001).

Limitations

Although our results are important, there are some limitations in terms of generalisation. First, the sample used in the study is from Spain and the perception of CSR could be different in other countries. For example, Singh et al. (2008) stated that the UK is ahead of Spain in the perception by consumers and the development of CSR because this concept arrived later in Spain and it did not have credibility until 2002. Vitell and Ramos Hidalgo (2006) used the differences between Spain and the U.S. found by Hofstede (1983) to propose that managers in Spain would have lower perceptions concerning the importance of ethics and social responsibility than their counterparts in the U.S. They based this proposal on the fact that relative to the U.S., Spain is lower in individualism and masculinity and higher than the U.S. in both power distance and uncertainty avoidance.

Moreover, the data for the study were collected using a questionnaire sent by mail and a social desirability bias could exist. The nature of the topic under investigation could have provoked some respondents to reply in a way that they consider as socially acceptable to others. This would have resulted in overvaluing ethical concerns and CSR valuation. In relation to this, Bernardi (2006) demonstrated that culture affects individuals' social desirability response bias scores. Specifically, he showed how individuals responded in a more socially desirable manner in high uncertainty avoidance and highly collective cultures. In this regard, uncertainty avoidance is especially high in Spain, so the answers to the questionnaire used in this study could be biased to some extent. Additionally, the survey measurements of manager profile, perceived role of ethics and social responsibility and CSR practices were collected concurrently, but longitudinal data might be more appropriate for testing predictive relationships.

Finally, although this study goes further than other studies in examining potential mediators of the link between manager profile and CSR practices, important variables that may affect such a relationship were not contemplated. In particular, whatever the CEO's profile, his/her decision-making power to implement CSR practices can vary depending on factors such as ownership structure (Johnson and Greening, 1999), availability of the required financial resources at the time (Waddock and Graves, 1997) or commitment of the employees involved (Aguilera et al., 2007), just to mention a few.

Implications and further research

This study has three major implications for practitioners. First, our results are potentially important in the context of leadership. Placing the long-term interests of the organisation ahead of one's own interests is increasingly viewed as an important quality in leadership (Davis et al., 1997, Hernández, 2008). This means that firms, in addition to considering the psychological characteristics of individuals occupying the CEO position, also have to foster the situational conditions under which steward behaviour can flourish. Moreover, a steward's autonomy should be deliberately extended to maximise the benefits of a steward, because he or she can be trusted. In this case, the amount of resources that are necessary to guarantee pro-organisational behaviour from an individualistic agent, i.e. monitoring and incentive or bonding costs, are diminished, because a steward is motivated to behave in ways that are consistent with organisational objectives. Stewardship theorists focus on situational characteristics that facilitate and empower rather than those that monitor and control. Indeed, control can be potentially counterproductive because it undermines the pro-organisational behaviour of the steward, by lowering his/her motivation. For instance, Donaldson and Davis (1991) argued that, in the case of CEOs with the psychological profile of a steward, their pro-organisational actions are best facilitated when the corporate governance structures give them high authority and discretion. Structurally, this situation is better attained if the CEO chairs the board of directors because the CEO-chair is unambiguously responsible for the fate of the corporation and has the power to determine strategy without fear of countermand by an outside chair of the board. Such a structure would be viewed as dysfunctional under the agency theory model of man. However, under the stewardship model of man, stewards maximise their utility as they achieve organisational rather than self-serving objectives.

Second, it reveals that manager profile seems to be essential in implementing CSR practices effectively within organisations. In particular, our study is important because it suggests that CSR might be better managed in firms by hiring CEOs closer to the steward than to the agent profile. According to the Agency–Stewardship approach, 'agency-inclined' organisations will hire CEOs with the psychological characteristics of an agent, as well as establish the situational characteristics corresponding to the agency prescriptions, in order to achieve 'agency-inclined' organisational behaviours in general and to subordinate ethics and social responsibility to other operational matters (such as short-term profitability) and hence to reduce CSR practices in particular.

Finally, given that the impact of manager profile on CSR practices is mostly exerted through their perception of the consequences of ethical and social commitment, a way to improve ethical standards in business practices could be to nurture top managers' perceptions of the role of ethics and social responsibility as a determinant of business success. The academic literature reveals that such managerial perception may be related to the organisational ethical climate and the legal and political framework within a country (Singhapakdi et al., 2001, 2008). Ramos Hidalgo (2001) and Vitell and Ramos Hidalgo (2006) showed how corporate ethical values and enforcement of a code of ethics are positively related to the degree of importance that individuals attribute to the role of ethics and social responsibility in achieving organisational effectiveness. In this regard, one course of action to be encouraged in ensuring that CEOs attach greater importance to ethics and social responsibility could be to strengthen corporate ethical values. Therefore, firms should not only have a well-communicated code of ethics, but also the willingness and commitment to enforce it by implementing specific sanctions to punish unethical behaviour. Furthermore, different governments are making strong efforts to create an environment in which business ethics and CSR are promoted and they should keep working on it.

Although this study is focused on the top managers' perception of the role of ethics and social responsibility in relation to organisational effectiveness, it is suggested in previous works that the best way to get firms to behave in socially responsible ways is to convince their managers that it is either the right thing to do ethically or is in their self-interest (Handy, 2002; Prahalad and Hammond, 2002). In this sense, executive compensation structure can be used to reward executives for working towards particular goals and outcomes (Jensen and Meckling, 1976). Thus, CEOs' compensation can become an important mechanism to promote the implementation of the firm's social objectives (McGuire et al., 2003). Specifically, due to the fact that CSR actions have positive effects on business success in the long-term (Peters and Mullen, 2009), it can be expected that firms which compensate executives with long-term incentives would also take actions that are more socially responsible than firms which opt for short-term incentive compensation systems (Deckop et al., 2006; Mahoney and Thorn, 2005). In any case, Berrone and Gómez-Mejía (2009) point out that it is necessary to be cautious not to supplant intrinsic motivation with financial rewards because the intrinsic value of social initiatives should not be underestimated.

Our study may be also relevant to researchers. Overall, it contributes to the CSR literature and sheds some light on the influence of top managers on the development of CSR within organisations, which has not been analysed enough in previous empirical studies (Waldman and Siegel, 2008). In particular, this study demonstrates that the perceived role of ethics and social responsibility acts as an intermediate variable affecting the relationship between manager profile and CSR practices. Thus, its incorporation in explanatory models contributes to a better understanding of such a relationship. Moreover, the findings indicate that there are gains to be obtained by considering the range of manager profile. Hence, the use of the Agency–Stewardship approach to reach this objective is presented as an appealing path to be followed by future research. One way to develop the model presented in this study could be to incorporate the Stakeholder theory (Freeman, 1984). Stewardship involves managers whose motives are in line with the objectives of different stakeholders (Davis et al., 1997). In this sense, the attributes of the firm's stakeholders (Mitchell et al., 1997) and the kind of requests they make will influence manager profile and therefore the CSR practices adopted.

Finally, this study encourages research into those variables that could have an effect on how the profile of future managers take shape and how they perceive the role of ethics and social responsibility because, as shown in the results, this will have an impact on the way companies relate to their stakeholders and the community. Among these variables are cultural values and dimensions (Hofstede, 1983), professional ethical standards (Valentine and Fleischman, 2008), religion (Worden, 2005) or business management education (Ghoshal, 2005). Specifically, in academic circles today, serious consideration is being given with regard to the latter aspect because the values and attitudes of individuals are highly affected by the education and training they receive. No doubt this question needs more attention from scholars.

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Appendix A: Manager profile (agent–steward)

Profile1: I need to feel proud of my own work.
Profile2: I find that my values and the organisation's values are very similar.
Profile3: Employees acknowledge my experience when they have to comply with my orders.
Profile4: There is fluent communication between employees and management team within this firm.
Profile5: There is a generally cooperative atmosphere in this firm to benefit group success.
Profile6: The company's members are encouraged to express their own ideas and opinions.

Appendix B: Perceived role of ethics and social responsibility

Presor1: Being ethical and socially responsible is the most important thing a firm can do.
Presor2: Whilst output quality is essential to corporate success, ethics and social responsibility is not.
Presor3: Communication is more important to the overall effectiveness of an organisation than whether or not it is concerned with ethics and social responsibility.
Presor4: Corporate planning and goal setting sessions should include discussions of ethics and social responsibility.
Presor5: The most important concern for a firm is making a profit, even if it means bending or breaking the rules.
Presor6: The ethics and social responsibility of a firm is essential to its long-term profitability.
Presor7: The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.
Presor8: To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.
Presor9: Social responsibility and profitability can be compatible.
Presor10: Business ethics and social responsibility are critical to the survival of a business enterprise.
Presor11: A firm's first priority should be employee morale.
Presor12: Business has a social responsibility beyond making a profit.
Presor13: If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.
Presor14: Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.
Presor15: Good ethics is often good business.
Presor16: If the stockholders are unhappy, nothing else matters.

Appendix C: CSR practices

Iso9001: The company has got the ISO 9001 certification.

Iso14001: The company has got the ISO 14001 certification.

Ohsas18001: The company has got the Ohsas 18001 certification.

Code of Ethics: The company has a Code of Ethics.

CSR Report: The company has got a CSR Report.

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