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# Impact of executive citizenship and organizational commitment on corporate social responsibility

Sakthi Mahenthiran, Jane Lai Yee Terpstra-Tong, Robert Terpstra and Shanthy Rachagan

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## Abstract

**Purpose** – This Malaysian study aims to use upper echelons theory and social identity theory variables to determine the chief executive officer (CEO) characteristics and attitudes associated with economic corporate social responsibility (CSR), legal-ethical CSR and discretionary CSR in Malaysian firms. The authors hypothesize that CSR engagements in the form of altruistic behaviour, with executives being part of the upper echelon, would tend to be expressing their values at individual level through the firm if they are affectively committed to their company.

**Design/methodology/approach** – Using a sample of 151 Malaysian firms that took part in an annual CEO survey in 2010, the study measures executive citizenship as CEOs' having critical attitude towards public issues such as public transportation, public education and crime. Hierarchical regression analyses are used to associate the CEO attitudes with the firms CSR.

**Findings** – The authors find that executive citizenship attitude is significant and positively related to firm's legal-ethical CSR. The authors also find that executive organizational commitment has a significant positive impact on dimensions of CSR. Additionally, the executive tenure impacts the level of philanthropic CSR of the firm.

**Originality/value** – In Malaysia, firms have a strong incentive to engage in CSR to enhance their reputation and legitimacy because of the government's influence on commercial activities. Our study is the first to examine how this notion of legitimization efforts at the individual level affects firms CSR activities.

**Keywords** Malaysia, Organizational commitment, Organizational citizenship behaviour, Corporate social responsibility

**Paper type** Research paper

## Introduction

In Malaysia, the government-linked and government-controlled companies, which together contribute more than half of the country's gross domestic product, are expected to share the government's responsibility in discharging its public accountability. More specifically, these companies are expected to lead others by implementing good corporate practices on social and environmental issues (Abd Rahman *et al.*, 2011). The current Prime Minister, Dato' Sri Najib Tun Abdul Razak, in a corporate social responsibility (CSR) conference, noted that it is important for all Malaysian enterprises to integrate social and environmental concerns in their business operations on a voluntary basis (Tay, 2005). Moreover, the Malaysian government is heavily involved in the country's economy directly by awarding contracts and indirectly by providing tax incentives and grants, and thus it has a heavy hand in picking industry winners in its economy (Mahenthiran and Kasipillai, 2012). Due to the government's influence and power, Malaysian firms have an instrumental incentive to engage in CSR to enhance their corporate image and improve their legitimacy in the eyes of the government. That said, the CSR literature has not paid sufficient attention to identifying and defining the corporate roles that exhibit corporate citizenship to promote sustainable community development (Arora and Kazmi, 2012).

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Kitzmueller and Shimshack (2012, p. 52) concisely summarize the evolving public view of CSR as the following: “[w]hile CSR to satisfy manager preference may constitute moral hazard, CSR to satisfy non-classical preferences of investors, employees, and consumers does not. Similarly, CSR to influence outcomes driven by public and private politics may be consistent with shareholder wealth maximization”. According to Kitzmueller and Shimshack, stakeholders are endowed with social, environmental or ethical preferences that firms cannot ignore because the stakeholders can directly affect demand in the product, financial and labour markets, and thus shareholder value maximization. Consequently, Schwartz and Saiia (2012) state that executives’ position on CSR can have significant impact on the society; hence, executives need to be cognizant of how their CSR attitude affects the business decisions they make on behalf of their firm.

The primary purpose of our study is to examine the extent to which executive citizenship influences the CSR policies of Malaysian firms. The underpinning theory is the upper echelons perspective, which suggests an association between executive characteristics and firm behaviour. Based on this perspective, executives make decisions about their firm’s activities and thereby shape the firm’s strategy and orientation (Hambrick, 2007; Hambrick and Mason, 1984). The firm, viewed as the embodiment of a group of decision-makers, acts according to the decisions, value priorities and biases of its executives. Therefore, it is logical to hypothesize that the more proactive an executive as a citizen, the more likely the firm engages in CSR activities. In addition to testing this relationship, this study aims to identify whether senior managers’ organizational commitment and demographic variables (or “upper echelon variables”) influence the firm’s CSR activities. We believe that our study, by examining executive citizenship from the upper echelons perspective, will help uncover the managerial influence on the firm’s CSR initiatives, leading to a better understanding of the impact of executive citizenship on CSR.

In the following sections, we first discuss the theories of CSR and its idiosyncratic nature. Then, we present the upper echelons perspective and discuss the proxy we use to measure the construct of executive citizenship, followed by our research design and results. Lastly, we discuss the implication of the findings in this study and the limitations in our inquiry.

## Literature review

There are many different ways to assess the debate over CSR. Schwartz and Saiia (2012) frame the debate as “Friedman” versus “Broader CSR”, which we discuss to understand the role played by executives to help widen the instrumentalist argument for CSR. Friedman’s (1962) view is considered an instrumental view of CSR because it gives profit maximization top priority. The broader CSR position requires firms to take into account additional ethical constraints, and in the business ethics literature, there is debate as to what activities fulfil these ethical obligations (Schwartz and Saiia, 2012; Crane *et al.*, 2008). Crane *et al.* (2008) argue that the instrumental view of CSR ignores the political configuration of relationships among firms, states, and community that the notion of citizenship should entail. According to Schwartz and Saiia (2012), the rules of society have changed, and because corporations have made claims to corporate citizenship within society, they must therefore consider their impacts on non-owner stakeholders. Schrempf (2012) argues that a liability approach to CSR follows a strict legal mindset and assumes that an actor has responsibility only if it can be legally proven that there is a causal link between an actor’s action and harm. However, she believes that civil society actors increasingly attribute responsibility to corporations on the basis of their connection to issues; hence, she would like to see the liability approach to CSR be replaced by a *social connection* approach to CSR. Maxfield (2008) argues for a learning view of strategy formulation that helps to align the imperativeness of corporate citizenship with competitive advantage. We believe it is only a matter of time before a “broader CSR” framework will gain more legitimacy. For firms to embrace such a framework, it is important to address the

under-researched questions of how firms perform their corporate citizenship role and if chief executive officer's (CEO) citizenship has a role to play in learning and formulating more inclusive business models.

### *Idiosyncratic nature of CSR*

To operationalize CSR for our study, we examine three basic questions: "What are businesses responsible for?"; "How do businesses respond?" and "To whom is a business responsible?" To answer the first question, we stay close to the instrumental view of CSR and follow [Carroll's \(1979\)](#) four-component conceptualization of CSR. Similar to the stakeholder theory put forth by [Freeman \(1984\)](#), [Carroll \(1979\)](#) had concluded that businesses are responsible for four domains of social performance. "The first and foremost social responsibility of business is *economic* in nature" (p. 500). It is the responsibility of businesses to society, in addition to themselves, to produce goods and services for profits. The next CSR are legal responsibilities, whereby businesses must fulfil and operate within the boundary of the prescribed legal framework within which they operate. The third set of responsibilities is related to ethics, which are voluntary acts that firms take to achieve their social roles. While there is no clear boundary that defines what acts are ethical, there are some social expectations, above and beyond legal requirements, which guide and shape businesses' social involvement. The last category of social responsibilities is labelled as discretionary, which has since been relabelled as voluntary or philanthropic CSR ([Carroll, 1991](#)). Similar to ethical responsibilities, discretionary responsibilities are voluntary responses to society's needs, and there are no moral guides to define the related activities. The pursuit of this type of responsibilities is subject to the judgment of the leaders in a business. These four dimensions of CSR are largely followed by many empirical studies, for example, [Maignan et al., \(1999\)](#) and [Maignan and Ferrell \(2001\)](#). In terms of importance, [Carroll \(1979, 1999\)](#) repeatedly states that economic and legal responsibilities coexist as the foundation of the other two types of social responsibilities, which form the bottom level of the CSR pyramid. Furthermore, he also observes that the last component, discretionary responsibility, is not as important as the other three types, and there is likely to be a larger variability in the way it is implemented because of it being at the management's discretion.

With regards to the second question, [Carroll \(1979\)](#) suggests a responsiveness continuum ranging from reactive on one end to proactive on the other. The proactive firms are those that foresee the social needs and include those needs in their strategic planning. The CSR reactive firms are those that take actions when they face complaints or legal demands. The continuum represents the philosophy of social responsiveness of businesses toward their CSR, or the businesses' approach to dealing with social demand. The third question is perhaps best answered by stakeholder theory ([Freeman, 1984; Maignan et al., 2005](#)). The followers of this theme of CSR research believe that businesses have responsibilities towards several distinctive groups of stakeholders, who have a legal or moral claim in the operations and decisions of a firm: primary stakeholders, public stakeholders and secondary stakeholders ([Marcoux, 2003](#)). Primary stakeholders are investors, employees, customers and suppliers. Public stakeholders include government and the communities that provide the infrastructure and the market. Secondary stakeholders comprise media and other special-interest groups such as non-governmental organization and other social activist groups. This categorization of stakeholders seems to indicate the priorities of stakeholders – primary first, then public and the last secondary. However, [Ferrell et al. \(2010\)](#) disagree that there is a general pecking order for a firm to prioritize the stakeholders, and suggest that the priority of stakeholders is more contingency-based and depends on the contextual aspects surrounding the firm and the views of executives.

The choice of CSR practices, perception of benefits and CSR needs are context-specific ([Khun, 2009; Melo, 2012](#)). [Melo \(2012\)](#) found that a humanistic culture has a positive impact on corporate social performance. From the limited amount of cross-cultural empirical CSR research, there is evidence that demonstrates the idiosyncratic nature of the CSR

construct. Not only does the underlying meaning of CSR differ, but CSR motives of firms also vary across cultures (Chapple and Moon, 2005; Maignan and Ralston, 2002). The idiosyncratic nature of this construct is the consequence of the different principles of business ethics adopted by different societies (Ramasamy and Ting, 2004; Ramasamy *et al.*, 2009) as well as different national business systems (Chapple and Moon, 2005). In countries whose cultural and institutional environments as well as moral foundations differ significantly from the West, the expectation of the specific social roles of firms could be very different from what Maignan *et al.* (1999) and Maignan and Ferrell (2001) identified in the USA. Therefore, in applying the four component models of Carroll (1979) in a non-US context, we expect some level of idiosyncrasy to exist.

Therefore, based on the above literature, we define CSR as the proactive response of a firm to the needs of its primary and secondary stakeholders in the realm of economics, legal requirements, ethical obligations and philanthropy. Nevertheless, we also bear in mind the boundaries of the four CSR domains may not be as clear-cut as they were identified in the Western literature.

### *Upper echelons perspective and executive citizenship*

The early focus of CSR in the USA was placed on business executives (Carroll, 1999). In the early 1950s, when the modern era of social responsibility began, the discussion focused on the duties of executives to the society or the executive's social conscience, instead of the corporation's social responsibility. The executive focus is reflected by the seminal book written by the "Father of CSR", Howard Bowen (Bowen, 1953 as cited in Carroll, 1999), *Social Responsibilities of the Businessman*. In the book, Bowen discussed what responsibilities to society the businessmen may reasonably be expected to assume, and held that the decisions and actions of the largest businesses had great impact on different facets of many people's lives in society. In the 1970s, Friedman (2007, p. 1) also asked, "[. . .] What does it mean to say that 'business' has responsibilities? Only people can have responsibilities [. . .]" That line of thinking is consistent with the upper echelons perspective proposed in the 1980s (Hambrick and Mason, 1984), which focused on managerial characteristics and their influence on organizational outcomes. Hence, the early quest for understanding CSR was driven by a moral motive that focused on executives as the actors of CSR.

Hambrick and Mason (1984), through the lens of a bounded rationality decision model, proposed that strategic decisions and other organizational performance outcomes are partially a reflection of managerial background characteristics. While a large part of their discussion is devoted to the observable background characteristics of executives such as age, tenure, educational attainment, prior functional background and socioeconomic background, their paper also highlights that the individual characteristics of value and cognitive base are as important as the demographic characteristics in the decision-making process. Therefore, it makes sense to return to the original focus of CSR studies, the executive and examine the extent to which executive citizenship affects the firm's CSR initiatives. The authors theorize that CSR is a form of altruistic behaviour at the firm level, and CEOs, being a key part of the upper echelons, tend to express their altruistic values on the individual level through the firm, particularly if they are affectively committed to the organization where they work and oversee.

The political science literature suggests that there is another dimension of citizenship on the individual level apart from the individual citizenship rights (Heater, 2004). It is related to the proper acts of an individual as a citizen. This notion of citizenship has a long history that dates back to the ancient Greek period. Aristotle (2009) believed that "man is by nature a political animal" (Part 2, Book One, *Politics*) and proposed that true citizens were those who actively participated in the affairs of a city-state by casting votes, voicing opinion and criticizing rulers. The Greeks also held the conviction that "participation in public life was crucial to the full and proper development of the human personality" (Heater, 2004, p. 3).



Therefore, it was a civic virtue for man<sup>[1]</sup> to engage in public affairs, and learn the art of citizenship that includes keeping abreast of public affairs and learning the skills of rhetoric. Even though citizenship activities were considered an important aspect of man's life, Aristotle also admitted that there was not a universal definition of citizenship, and the participation in public affairs varied, depending on the institutional realities in a country.

Management researchers in crafting organizational citizenship behaviour (OCB) have adopted the civic virtue concept of good citizens. [Organ \(1988\)](#) endorsed civic virtue as an important form of OCB. [Graham \(1999, p. 61\)](#) described civic virtue as a form of "responsible participation in the political life of the organization". [Van Dyne and Pierce \(2004\)](#) further proposed two forms of civic virtue OCB. The first was actively exercising influence by speaking up and being forth right of ideas (or to simply put, being an advocate), and the second type was pro-social behaviours associated with gathering information with the intent to making positive contributions to the organization. Both types of activities were proactive and beneficial to individuals, organizations and perhaps society.

The advocacy dimension of citizenship is of particular relevance in Malaysia, where there is limited freedom of speech. The media oftentimes practice "self-censorship" and sides with the ruling government, thus reinforcing the influential role of the government. Within this type of institutional environment, being vocal and critical about mismanaged public affairs is a courageous act and a virtue that should be endorsed by Aristotle's standards of individual citizenship. Recent studies have shown that those at higher job levels are often asked to serve in leadership roles for community and political organizations exchanging information, exhibiting initiative and engaging in change-oriented behaviours ([Van Dyne and LePine, 1998](#); [Graham and Van Dyne, 2006](#)). Therefore, in our study, following the notion of citizens being active participants in public affairs, we define executive citizenship as the critical attitude toward public issues. In Malaysia, public transportation, public education, crime, affordable housing and health care are regarded as being poorly managed aspects of public affairs. For an executive who demonstrates active citizenship, he or she should take a critical attitude towards mishandling of these affairs, and this attitude should provide the social connection that translates into the executive's view towards the social engagement of the firm. Therefore, we propose that:

- H1a.* There is a positive relationship between executive citizenship and firm economic responsibility.
- H1b.* There is a positive relationship between executive citizenship and firm legal and ethical responsibility.
- H1c.* There is a positive relationship between executive citizenship and firm discretionary responsibility.

### ***Organizational commitment***

On the individual level, social identity theory suggests that a person's self-concept is influenced by his or her membership within an organization ([Mozes et al., 2011](#)), and there are intrinsic benefits that accrue to an employee from a firm's socially responsible behaviours. [Mozes et al. \(2011\)](#) found that active participants in a firm's CSR activities had greater motivation and organizational identification, CSR helps attract better employees ([Backhaus et al., 2002](#); [Turban and Cable, 2003](#)), and increases organizational learning ([Logsdon and Wood, 2002](#); [Orlitzky et al., 2003](#)). [Branco and Rodrigues \(2006\)](#) and [Orlitzky \(2008\)](#) found additional intrinsic benefits of increased employee motivation. Additionally, [Backhaus et al. \(2002\)](#) and [Turban and Cable \(2003\)](#) found empirical support that good CSR practices lead to higher employee organizational commitment. [Nurn and Tan \(2010, p. 365\)](#) argued that "employees display more goodwill toward an employer with greater CSR and, because of the increased task motivation and organizational commitment, demonstrate greater OCB and produce better results". While these studies focus on the impact of a firm's CSR on employees' attitudes and other behavioural outcomes, we argue

that by combining the upper echelons perspective with social identity theory, the causal relationship of executive commitment and CSR could be reversed. We posit that executives who are more affectively committed to the firm will direct the firm to do more good towards different stakeholders.

Organizational commitment is a well-researched construct in the area of organizational behaviour. The most commonly studied type is the attitudinal commitment, which [Mowday et al. \(1979, p. 27\)](#) defined as “the relative strength of an individual’s identification with and involvement in a particular organization”. Conceptually, it can be characterized by at least three factors: a strong belief in and acceptance of the organization’s goals and values; a willingness to exert considerable effort on behalf of the organization; and a strong desire to maintain membership in the organization. Therefore, we hypothesize that:

- H2a.* Executive organizational commitment is positively related to firm economic responsibility.
- H2b.* Executive organizational commitment is positively related to firm legal and ethical responsibility.
- H2c.* Executive organizational commitment is positively related to firm discretionary responsibility.

## Research design

### *Sample selection*

This study is a part of a larger CEO survey conducted in Malaysia. In a report, [Sustain-Ability \(2004\)](#), an organization involved in codifying CSR standards stated that “the challenge is not to get companies to take on the responsibilities of governments but to help ensure governments fulfill their own responsibilities”. Hence, given this call for companies to be watchdogs for governments’ effectiveness, a CEO survey was conducted in November and December 2010 to examine the Malaysian business climate and CSR engagement. A total of 1,500 CEOs and Malaysian executives of businesses based in the greater Kuala Lumpur area were identified and formed the sampling frame for the study. Potential respondents were identified from two sources that included a database maintained by the Minority Shareholder Watchdog Group (MSWG) and the publicly available membership list of the Federation of Malaysian Manufacturers. MSWG’s database consisted of all listed companies in the benchmark Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange). MSWG mailed the questionnaires to the executives in its database and requested their participation in the project. The authors mailed directly to the members of the Federation of Malaysian Manufacturers. One month after the mailing, research assistants followed up by calling those who had not yet responded. A total of 164 questionnaires were returned, representing a response rate of 10 per cent. Of all responses, 151 were usable. The respondents represented four major industry sectors, including: manufacturing (46 per cent), construction and skilled trades (7.6 per cent), banking and finance (6.3 per cent) and information technology and communication (5.7 per cent). Most respondents worked for large companies, as measured by company revenue and number of employees. About 54 per cent of respondents were from organizations that earned more than RM100 million (US\$33 million) in 2009. About one-third of the respondents’ companies employed more than 500 people, with the top quarter employing more than 1,000 workers. The respondents were mainly CEOs (45 per cent) and managing directors (23 per cent) who had served a significant length of time in their current position. About 28 per cent had held their position for more than 15 years, while 37 per cent had held their position for between 5 and 15 years. All respondents were Malaysians of Malay, Chinese or Indian ethnicity, and 92 per cent were men. They were highly educated, with 84 per cent having an education level of university and above. Thus, the survey reached the target sample of senior executives who had a leadership role within a firm or a division in a large Malaysian company.

## Measures

*Corporate Social Responsibility.* The corporate citizenship or CSR scale developed by Maignan *et al.* (1999) and Maignan and Ferrell (2000, 2003) is used. The scale identifies four distinct factors resembling the four types of CSR discussed. Maignan *et al.* (1999) and Maignan and Ferrell (2000, 2003) reported acceptable construct reliability for the four dimensions of CSR, with Cronbach's alphas above 0.8 in samples drawn from the USA, Germany and France. As we were not aware of use of this scale in Malaysia, we conducted an exploratory factor analysis to determine the sub-dimensions. Two items (see Appendix, items 10 and 13) cross-loaded across multiple factors of CSR; hence, we dropped them from our analysis. Subsequent to dropping these two items, the exploratory factor analyses found three distinct CSR factors: economic responsibility, legal and ethical responsibility, and discretionary responsibility. Our respondents did not seem to be able to differentiate between legal and ethical responsibilities[2]. The Cronbach's alpha coefficients were 0.73 for economic responsibility, 0.89 for the combined ethical and legal responsibilities and 0.77 for the discretionary dimension of CSR.

*Executive citizenship.* Graham (1991) and Van Dyne *et al.* (1994) consider an advocacy dimension where employees challenge existing power structures and decisions for the better as good citizenship behaviour. Hence, we define executive citizenship as the critical attitude towards the public affairs of the country, and use the extent to which executives feel critical towards major public policies as a proxy to measure executive citizenship. Through reading local news and critiques, we identify six major public policies in public transportation, public health care, public education, cost of living, government bureaucracy and crime. These six policy areas in Malaysia are considered as poorly managed or underdeveloped. In the CEO opinion survey, we mixed those six items with another six policy items unique to Malaysia[3], and asked respondents to "rate the importance of the policy issues for Malaysia's economic development" using a five-point scale ranging from 1, "not critical", to 5, "very critical". The exploratory factor analysis showed that these six non-unique public policy items loaded on one common factor, suggesting that it is acceptable to use the items as a single-dimensional scale to measure executive citizenship. The Cronbach's alpha for the six items was 0.81, which is above the threshold of acceptable reliability of 0.70 (Nunnally, 1978).

*Organizational commitment.* This study used the six items from Meyer *et al.* (1993) to measure affective organizational commitment (see Appendix). Prior studies have reported strong reliability and construct validity for this instrument to measure organizational commitment (Allen and Meyer, 1996; Hackett *et al.*, 1994). The respondents were asked to express the extent to which they agreed with the six statements, using a five-point scale ranging from 1 to 5. In our study, this construct had a Cronbach's alpha coefficient of 0.88.

*Control variables.* The survey asked the respondents their age, education, ethnicity, tenure and the firm's revenue (see Appendix). We also controlled for the firm's financial performance and industry performance using two separate single-item measures. The survey asked the respondents to rate their firm's financial performance relative to the FBM-Kuala Lumpur (benchmark) Index for 30 companies, which had an average return on equity (ROE) of 11.5 per cent between 2006 and 2009. If a firm's ROE was below the average, it was coded as "1"; if it was the same as the average, it was coded as "2"; and if it was above the average, it was coded as "3". We measured industry performance with a single question that asked, "How would you describe the growth or decline in your company's industry in recent years?" A scale from 1 to 5 was used to measure responses, with "1" referring to a strong decline and "5" labelled as a strong growth in the industry.

## Results and discussion

We used hierarchical ordinary least squares regressions to test our hypotheses, which allowed us to assess incrementally the importance of organizational commitment to CSR. Table I provides the means, standard deviation and zero-order correlations among the



**Table I** Descriptive statistics and correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Executive_Citizenship	4.615	0.444	1									
2. Economic responsibility	3.852	0.599	0.08	1								
3. Legal_ethical responsibility	4.028	0.638	0.197**	0.587**	1							
4. Discretionary responsibility	3.508	0.686	0.086	0.466**	0.644**	1						
5. Organizational commitment	4.313	0.704	0.337**	0.419**	0.576**	0.372**	1					
6. Firm size	4.207	1.453	-0.164*	0.201*	0.256**	0.145*	0.115	1				
7. Organizational performance	2.014	0.854	-0.007	0.289**	0.162*	0.128	0.131	0.259**	1			
8. Industry performance	3.543	0.978	0.145*	0.315**	0.281**	0.148*	0.297**	0.306**	0.453**	1		
9. Age	3.404	0.925	0.076	0.092	0.170*	0.124	0.149*	0.237**	0.103	0.169*	1	
10. Education	3.53	1.274	0.082	0.135	0.068	0.012	0.109	0.145*	0.113	0.190*	-0.053	1
11. Tenure	2.404	1.218	0.049	0.078	0.091	0.242**	0.237**	-0.117	0.084	0.100	0.322**	-0.272**

Notes:  $N = 151$  for all except organizational performance for which  $N = 146$ ; significance level: \* $p < 0.05$ ; \*\* $p < 0.01$

variables in the study. Respondents were mostly from listed companies with an average ROE of around 11.5 per cent and revenue (labelled firm size) of 100 million Ringgit, which is about US\$33 million. The median age of those surveyed was 41 years, and their ethnicity was typically Chinese. The majority of the respondents were company CEOs, managing directors or divisional general managers, and they had been in their current position five years or longer (labelled "Tenure"). The executives seemed to be very aware of the need to streamline the government bureaucracy and to improve public transportation, education and health care (mean 4.6 of 5). The mean executive organizational commitment score of 4.3 on a 5.0-point scale was higher than the scores for the CSR dimensions of economic, legal-ethical and discretionary responsibilities (3.85, 4.03 and 3.51, respectively).

Table I shows that executive citizenship is significantly and positively correlated with the legal-ethical dimension of CSR and organizational commitment, but negatively correlated with the size of companies. Economic responsibility has significant and positive correlations with the other two dimensions of CSR, organizational commitment, firm size and firm performance, as well as with industry performance. However, it is not associated with any executive demographic variables. Further, the age of the executive, an upper echelons variable, has significant and positive correlations with the legal-ethical dimension of CSR and executives' organizational commitment. It seems that in Malaysia, industry performance is positively associated with executives' age and education as well as with the firm's CSR dimensions and the executive citizenship and organizational commitment. A plausible explanation is the influence of the Malaysian government in picking industries to promote and invest public funds such as the employees' pension funds (referred to as the Employee Provident Fund). Further, executives' tenure is significant and positively correlated with their organizational commitment and the firms' discretionary responsibility, but it is significant and negatively correlated with their level of education. These correlation results suggest the interconnectedness between the attitudinal variables, upper echelons variables and performance variables.

Table II presents the results of two hierarchical regression models used to test our two sets of hypotheses related to the influence of executive citizenship and organizational commitment on the economic dimension of CSR. Model 1 shows the combined effects of the control variables and executive citizenship explain approximately 17 per cent of the variance in the firm's economic CSR. The control variables that are significant determinants of a firm's economic CSR are company performance and industry performance. As expected, the results suggest that the higher the performance, the greater the economic dimension of CSR. Unfortunately, beyond the performance variables, executive citizenship is not a significant determinant of a firm's economic CSR. Hence, there is no support for *H1a*, for which we expected a positive relationship between executive citizenship and the firm's economic CSR. Model 2 shows that executive organizational commitment has a significant positive effect on the economic dimension of firms' CSR. Thus, there is support

**Table II** Regression results for economic CSR without (Model 1) and with (Model 2) organizational commitment as an explanatory variable

Variables	Model 1	Model 2
Intercept	2.520***	2.232***
Size	0.021	0.007
Company performance	0.104 <sup>†</sup>	0.111 <sup>†</sup>
Industry performance	0.146*	0.095 <sup>†</sup>
Age	-0.007	0.005
Education	0.032	0.012
Ethnicity	-0.059	-0.037
Tenure	0.046	-0.009
Executive citizenship	0.098	-0.065
Organizational commitment		0.325***
F-statistic	3.198	5.321
Model significance	0.002	0.000
Model $R^2$	0.168	0.277
Change in $R^2$	0.109**	

Notes:  $N = 135$ ;  $F$ -test for  $R^2$  changes; significant at: <sup>†</sup> $p < 0.10$ ; \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$ .

for  $H2a$ , which predicted that executive organizational commitment would be positively related to the firm's economic CSR.

In Table III, Model 1 tests for the effect of executive citizenship and upper echelons theory variables on the legal-ethical dimension of CSR, and it shows that the model is well-specified, with 15.5 per cent of the variance in the legal-ethical dimension of firms' CSR explained. Additionally, it shows that there is a significant positive relationship between executive citizenship and firm legal-ethical dimension of CSR, which supports our  $H1b$ . In Table III, Model 2 shows that the coefficient for organizational commitment is positive and significant; hence, there is support also for  $H2b$ . Additionally, the control variable that remains significant across both models is firm size, suggesting that larger firms with more committed executives are more likely to promote greater legal-ethical CSR activities.

In Table IV, Model 1 tests for the main effect of executive citizenship and upper echelons variables on the discretionary dimension of CSR, and it shows that the model explains 9.5 per cent of the variance in the firm's discretionary dimension of CSR. Further, Model 1 shows that the effect of an upper echelon variable, the tenure of the executives, is a positive and significant determinant of a firm's discretionary dimension of CSR. However, as

**Table III** Regression results for legal and ethical CSR without (Model 1) and with (Model 2) organizational commitment as an explanatory variable

Variables	Model 1	Model 2
Intercept	1.729**	1.282*
Size	0.108**	0.083*
Company performance	0.018	0.033
Industry performance	0.096	0.010
Age	0.014	0.031
Education	0.002	-0.031
Ethnicity	-0.032	0.010
Tenure	0.050	-0.042
Executive citizenship	0.292*	0.222*
Organizational commitment		0.528***
F-statistic	2.904	8.800
Model significance	0.005	0.000
Model $R^2$	0.155	0.388
Change in $R^2$	0.233**	

Notes:  $N = 134$ ;  $F$ -test for  $R^2$  changes; significance at: \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$

**Table IV** Regression results for discretionary CSR without (Model 1) and with (Model 2) organizational commitment as an explanatory variable

Variables	Model 1	Model 2
Intercept	2.041**	1.756**
Size	0.075	0.059
Company performance	0.046	0.053
Industry performance	-0.002	-0.057
Age	-0.019	-0.007
Education	0.032	0.012
Ethnicity	0.052	0.077
Tenure	0.144**	0.084*
Executive citizenship	0.122	-0.793
Organizational commitment		0.343***
F-statistic	1.651	3.026
Model significance	0.107	0.003
Model $R^2$	0.095	0.180
Change in $R^2$	0.085*	

Notes:  $N = 134$ ;  $F$ -test for  $R^2$  changes; significance at: \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$

executive citizenship is not significant, we conclude that there is no support for  $H1c$ , which predicted a positive relationship between executive citizenship and the firm's discretionary CSR. Nonetheless, these results show the importance of including upper echelons theory variables in our study of the impact of corporate citizenship on CSR[4]. Table IV, Model 2 shows that executive organizational commitment is a significant determinant of a firm's discretionary CSR. Hence, we conclude that there is support for  $H2c$ .

In summary, our results suggest that an executive's citizenship orientation that pays greater attention to reducing corruption and improving public transportation, education and health services in the country would lead to greater legal-ethical CSR, but not to the economic and discretionary responsibilities, of Malaysian firms. Nevertheless, tenure, which is an upper echelon variable, has a significant effect on the firm's discretionary CSR. More importantly, improving executive organizational commitment not only improves the economic responsibility of the firms but also significantly enhances the legal-ethical and discretionary CSR of Malaysian firms[5].

## Conclusion

The basic premise of the broader CSR framework is that businesses should be "expected" to acknowledge and take responsibility for the non-economic consequences of their activities and be respectful of the wider society and the natural environment (Robins, 2005; Muthuri *et al.*, 2012). According to Robins (2005), most surprising of all is the scant attention given to the potential political implications of the widespread adoption of CSR activity. Further, Muthuri *et al.* (2012) suggest that research ought to examine both the extrinsic and intrinsic factors that give rise to the emergence of broader CSR. Phillips *et al.* (2003) argue that the stakeholder model does not advocate that managers serve the interest of multiple masters, but rather that managers should be cognizant of the interests of the organization they serve. Hence, we argue that in emerging economies, the primary challenge is the senior executive's citizenship behaviour and organizational commitment. As Carroll (1991, p. 39) noted, "Social responsibility can only become reality if more managers become moral instead of amoral or immoral". Now, it is time that researchers revisit the original research agenda of CSR – studying executives who form the upper echelons, and their influence on firms' CSR activities.

Of the four dimensions of corporate responsibilities proposed by Carroll (1979), the legal-ethical responsibility is the one that probably contributes to the idiosyncrasy in CSR because of the different legal and ethical systems between the West and Malaysia. For example, there are no specific laws related to preventing discrimination in employees'

compensation and promotion in Malaysia, while the USA does have such laws. These facts probably explain why it was not possible to differentiate the legal and ethical CSR dimensions in Malaysia. Thus, our factor analysis of Maignan and associates' CSR instrument found that there were only three different dimensions (i.e. economic, legal-ethical and discretionary CSR) that were relevant to Malaysian firms.

As a part of the 2010-2011 annual CEO survey of the business climate in Malaysia, we undertook to study whether executive citizenship and organizational commitment influence the firm's CSR. From the responses of 151 senior executives, we were able to develop a reliable proxy to measure executive citizenship based on their concerns for public policy issues regarding public education, public transportation and crime rates. The study finds support for the hypothesis that executive citizenship measured by their critical attitude toward several public affairs issues is positively connected with the legal-ethical responsibility of the firm. Moreover, executive organizational commitment has a significant and positive impact on all three dimensions of CSR. Hence, the major contribution of our study to the CSR debate is to provide evidence to support the importance of executive organizational commitment to their firm's broader notions of CSR for sustainable community development. Additionally, executive tenure influences the level of philanthropy of their firms after controlling for company size and industry performance, which points to the importance of upper echelons variables on firms' decisions on CSR in developing countries.

A limitation of the study is that we did not develop formal questions to measure executive citizenship, instead we used a proxy – executive attitude towards several public affairs issues – to measure their citizenship behaviour. However, we believe that our proxy measure of executive citizenship is important to developing a *social connection* construct to conceptualize the broader concept of CSR. Another limitation is that we could not assess non-response bias to assess the profile of CEOs who did not respond to the survey because we obtained the sample from a third party that was not able to share with us the complete mailing list. Despite these limitations, this study offers significant incremental contributions to the CSR literature by studying its antecedents in a progressive Muslim country where it is important for firms to seek legitimacy from their government. For example, *Permodalan Nasional Berhad* was an institution (incorporated on 17 March 1978) that was conceived as a pivotal instrument for the government's New Economic Policies to promote *bumiputera* (Malay and indigenous people) ownership in the corporate sector, and to develop opportunities for *bumiputera* business professionals to participate in the creation and management of the country's wealth. We suspect that this ethnic discrimination in favour of Malays affects the level of organizational commitment of Chinese business professionals who find it difficult to get business from the government-linked companies, which in turn can affect their companies' legal-ethical CSR activities. Consequently, the insights the study provides on the role of executive citizenship and organizational commitment in influencing the different dimensions of firm CSR are an important contribution to the different streams of literature, including the upper echelons theory and social identity theory.

## Notes

1. Women were not qualified as citizens at that time.
2. This evidence suggests that idiosyncratic and context-specific nature of CSR. It is also the reason we combined the hypotheses and jointly tested for the effects on legal and ethical corporate responsibilities in *H2a* and *H2b*.
3. Examples of public policy issues unique to Malaysia include making Kuala Lumpur a hub for Islamic banking, growing palm oil production and developing green energy. The exact wordings of all items are in the Appendix.
4. We observed that tenure is significantly correlated with ethnicity, and when tenure is not included in Model 1 ethnicity is marginally significant.

5. We also examined whether executives' organizational commitment moderates the effect of their citizenship to affect firm-level CSR. However, we found no support for this proposition; hence, it has not been reported.

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### Further reading

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## Appendix

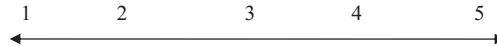
Scales (Factors that load together are shown in italics)

### Corporate Social Responsibility (CSR)

Please tell us how much you agree with these statements:

Strongly Disagree

Strongly Agree



#### **Economic Responsibility**

1. *We have been successful in maximizing our profits*
2. *We strive to lower our operating costs*
3. *We closely monitor employee's productivity*
4. *Top management of our company establishes long-term strategies for our business*

#### **Legal Responsibility**

5. *The managers of our organization try to comply with the law (L)*
6. *Our company seeks to comply with all the laws regulating hiring and employee benefits (L)*
7. *We have programs that encourage the diversity of our workforce (in terms of age, gender, or race)*
8. *Internal policies prevent discrimination in employees' compensation and promotion (L)*

#### **Ethical Responsibility**

9. *Our business has a comprehensive code of conduct (E)*
10. *We are recognized as a trustworthy company (E)*
11. *Fairness towards coworkers and business partners is an integral part of our employee evaluation process (E)*
12. *A confidential procedure is in place for employees to report any misconduct at work (such as stealing and sexual harassment) (E)*
13. *Our salespersons and employees are required to provide full and accurate information to all customers (E)*

#### **Discretionary Responsibility**

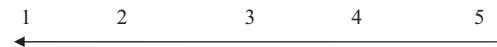
14. *Our business supports employees who acquire additional education*
15. *Flexible company policies enable employees to better coordinate work and personal life*
16. *Our business gives adequate contribution to charities*
17. *A program is in place to reduce the amount of energy and materials wasted in our business*
18. *We encourage partnership with local schools*

### Executive Citizenship

Please rate the importance of several policy issues for Malaysia's economic development:

Not Critical

Very Critical



(continued)

1. Making Kuala Lumpur a hub for Islamic Banking
2. Growing palm oil production in Malaysia
3. Developing alternative (green) energy sources including nuclear energy
4. Increasing foreign trade
5. *Streamlining government bureaucracy*
6. *Improving public transportation*
7. *Having affordable cost of living*
8. *Improving public education*
9. *Improving healthcare systems and facilities*
10. Creating cultural attractions
11. Promoting tourism
12. Accessing foreign labor
13. *Reducing the crime rate*

#### Organizational Commitment

Please choose the number that most accurately describes your attitudes towards your company. The same as the scale used to measure the corporate citizenship construct:

1. I feel a sense of belonging to my organization
2. I feel "emotionally attached" to this organization
3. This organization has a great deal of personal meaning for me
4. I do not feel like "part of the family" at this organization (Reverse scored)
5. I would be very happy to spend the rest of my career with this organization
6. I really feel as if this organization's problems are my own

#### Control variables

1. The company is publicly listed or not (1=Yes and 2=No).
2. What is the company's revenue in Malaysian Ringgit? (1= Less than RM5 million to 5=RM500 million or more).
3. Please compare your company's performance with the following ratio for the FBM-KLCI composite Index for 30 companies, which was an average of 11.5% over the last 5-years.
  - a. Less than the FBM-KLCI Index for the 30 firms – scored as 1
  - b. About the same as FBM-KLCI Index for the 30 firms – scored as 2
  - c. Greater than the FBM-KLCI Index for the 30 firms – scored as 3
4. How would you describe the growth or decline in your company's industry in recent years? (1=Strong Decline to 5=Strong Growth).
5. What is your age? (1=30 or younger to 5=71 or older).
6. What is your ethnicity? (1 = Malay, 2=Chinese, 3=Indian).
7. In what industry does your company primarily do business? (Control for environmentally sensitive industries – Agriculture including palm oil, Utility & Energy, and Government and Public Services).
8. How long have you been in your current position? (1=Less than 5 years, 2=5 to 9 years, 3=10 to 15 years, and 4=More than 15 years).

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