Do stakeholder management strategy and salience influence corporate social responsibility in Indian companies?

Supriti Mishra and Damodar Suar

Supriti Mishra is based at the HDF School of Management, Orissa, India and the Leonard N. Stern School of Business, USA. Damodar Suar is based at the Indian Institute of Technology, Kharagpur, India.

Abstract

Purpose – *This study aims to examine whether strategy towards primary stakeholders and their salience influence corporate social responsibility towards the corresponding stakeholders.*

Design/methodology/approach – *Data were collected through a questionnaire from 150 senior level managers including CEOs. The stakeholder management strategy, salience, and corporate social responsibility were assessed in the context of employees, customers, investors, community, natural environment, and suppliers.*

Findings – *The favorable strategy towards stakeholders increases the corresponding corporate social responsibility towards them. The salience of all stakeholder groups also enhances the corresponding corporate social responsibility. When salience and strategy are considered, the salience of a particular stakeholder group suppresses the effect of strategy fully or partially on corporate social responsibility.*

Research limitations/implications – *The salience of a stakeholder is a potent antecedent of corporate social responsibility compared with strategy towards that stakeholder.*

Originality/value – *A questionnaire is developed to assess corporate social responsibility in the Indian context, and the link between strategy, salience, and corporate social responsibility is established.*

Keywords *Corporate image, Social responsibility, Stakeholders, India*

Paper type *Research paper*

Introduction

Corporate social responsibility (CSR) and stakeholder theory have emerged as important areas of research in the field of ''business and society''. Developments in both the fields have occurred almost simultaneously since the early 1950s. A certain degree of convergence is found between them as recent literature suggests that CSR can be analyzed and evaluated more effectively from the perspective of stakeholders than from the perspective of CSR (Clarkson, 1995). Research on CSR has mostly focused on its consequences, more precisely on its influence on firm performance (Griffin and Mahon, 1997; McGuire *et al.*, 1988; Ullman, 1985). Majority of studies on stakeholder management have also dealt with its relation with firm performance (Griffin and Mahon, 1997; Hillman and Keim, 2001; McGuire *et al.*, 1988; Waddock and Graves, 1997). Sparse research has probed the influence of stakeholder management strategy and of stakeholder salience on CSR (Agle *et al.*, 1999; Savage *et al.*, 1991). This paper intends to fill this gap. It develops a framework to assess CSR towards six primary stakeholder groups in the Indian context. It examines the influence of strategy and salience on CSR and tests their relative strength in influencing CSR.

Theoretical framework

The basic idea of CSR is that business and society are interwoven rather than distinct entities (Wood, 1991). Therefore, society has certain expectations for appropriate business behavior (Wood, 1991) and business has an obligation to work for social betterment (Frederick, 1994).

CSR has been defined in various ways from the time of its conceptualization. Most of the early definitions of CSR focus on what constitute a firm's social responsibility and why firms should/should not be socially responsible (Fitch, 1976; Preston and Post, 1975). Early definitions also consider CSR synonymous with voluntary and philanthropic acts by business organizations designed to alleviate social ills or benefit disadvantaged groups. While Davis (1973) defines it as the social benefits, which the firm seeks along with traditional economic gains, Carroll (1979) defines it as a combination of economic, legal, ethical and discretionary expectations of the society towards organizations. Wood (1991) proposes a holistic approach towards corporate social performance and defines it as a business organization's configuration of principles of social responsibility, processes of social responsiveness and policies, programs and observable outcomes as they relate to the firm's societal relationships.

Lee (2008) points out a decadal shift in theoretical developments related to CSR. In the 1950s and 1960s, the focus is on ethics and social obligation of business, in the 1970s the focus shifts to enlightened self-interest, in the 1980s researchers talk about corporate social performance, and in the 1990s stakeholder management and strategic management receive attention. Stakeholder theory is closely related to CSR as stakeholder theorists often define appropriate and inappropriate corporate behavior with respect to their stakeholders (Driver and Thompson, 2002). The term ''social'' in CSR is defined as stakeholders that business should consider in its CSR orientation (Carroll, 1999). Subsequently, recent conceptualizations and definitions of CSR acknowledge the importance of stakeholders. The World Business Council for Social Development (WBCSD, 2000) defines CSR as the commitment of business to contribute to sustainable development, working with employees, their families, the local community, and society to improve their quality of life. A socially responsible firm is one whose managers balance a multiplicity of interests of stakeholders like employees, suppliers, dealers, local communities, and the nation instead of striving only for the stockholders. It is considered as a multi-dimensional construct with wide range of inputs (e.g. investments in environmental strategies or pollution control equipments), internal behaviors (e.g. treatment of women and minorities or nature of products), and outputs (e.g. community relations and philanthropic programs) (Chand, 2006). Researchers also find that the stakeholder perspective of CSR facilitates a better evaluation of CSR compared to the previous narrow perspectives (Brenner and Cochran, 1991; Clarkson, 1995).

Stakeholders can be primary or secondary (Clarkson, 1995). Primary stakeholder groups comprise of employees, customers, investors, suppliers, government, and community with whom the corporation may have a formal, official, or contractual relationship (Clarkson, 1995). They consist of both internal and external stakeholder groups. While internal stakeholders comprise of employees and investors, external stakeholders include customers, communities, suppliers, government, and natural environment (Galbreath, 2006). Secondary stakeholders are media and special interest groups towards whom a firm does not have any contractual obligation (Clarkson, 1995).

Most of the scholarly research on stakeholder approach stems from the seminal works by Freeman (1984), and Donaldson and Preston (1995). According to Freeman (1984), the stakeholder approach is about groups and individuals who can affect the organization, and is about managerial behavior taken in response to those groups and individuals. Donaldson and Preston (1995) put forth the three-part taxonomy of the stakeholder theory – descriptive, instrumental and normative. Descriptive stakeholder theory posits which stakeholders will be important, why they will be important, and how the firm deals with them (Jawahar and McLaughlin, 2001). Instrumental theory describes the consequences of managerial action where stakeholder management is an instrument to promote economic objectives (Garriga and Mele, 2004). Normative stakeholder theory advances the moral propriety of managerial behavior (Evan and Freeman, 1983; Freeman, 1994).

Access to resources is central to stakeholder theories. It borrows ideas from the resource dependence theory (Pfeffer and Salancik, 1978) that emphasizes the relative importance of primary stakeholders, and conceptualizes a firm as dependent on external organizations and stakeholders for resources. Firms pay attention to those stakeholders who control critical resources necessary for the survival of a firm (Agle *et al*., 1999; Kreiner and Bhambri, 1991). Primary stakeholders have access to key resources. They influence firms by withholding or providing effort (e.g. employees), raw materials (e.g. suppliers), or cash flow (e.g. customers and investors). Access to such resources bestows power on the primary stakeholders. Hence, managers need to pay attention to such stakeholders. Firms establishing relationship with primary stakeholders beyond market transactions gain competitive advantage over their competitors (Barney and Hansen, 1994; Fombrun and Shanley, 1990). Effective interaction with primary stakeholders creates resources that are not easily imitated by competitors (Galbreath, 2006). Management response to such stakeholders and their accompanied issues directly affects the social impact of the firm (Clarkson, 1995; Freeman, 1984; Wood, 1991) which shapes the CSR towards these stakeholders. This requires the firm not only to find out salient stakeholders but also to carve out response strategies towards them. With this backdrop, we define CSR from the perspective of primary stakeholders and examine how stakeholder response strategies and salience can influence CSR.

CSR from stakeholders' perspective

A firm's survival and success depends on the ability of its managers to create sufficient wealth and satisfaction for its primary stakeholders. If any of the primary stakeholder groups withdraws its support to the firm, the firm's operation is adversely affected (Clarkson, 1995). This requires firms to identify and integrate crucial social issues, specific to each primary stakeholder, with organizational policies and practices. For each stakeholder category, there should be dyadic ties between the firm and the stakeholder group (Rowley, 1997). Accordingly, we define CSR towards each stakeholder group as the organization's policies, processes, and practices towards that stakeholder group. Previous research has failed to examine CSR from the stakeholders' perspective (Andriof *et al*., 2002; Post *et al*., 2002). There is a need to evaluate CSR from multi-stakeholder perspectives by incorporating various stakeholder issues in local and global planes. Various global standards on CSR generally evaluate it on the basis of a number of relevant stakeholder issues. We have referred to some of the global standards, and national regulations and guidelines in India to examine CSR issues with respect to six primary stakeholder groups: employees, customers, investors, community, natural environment, and suppliers.

CSR towards employees

Favorable organizational policies and practices towards employees are considered as better CSR indicators towards employees. An employee-oriented company will commit resources to promote employee welfare (Hooley *et al*., 2000). At a minimum, employers are expected to respect employees' rights (Donaldson, 1989). In a survey of 3,500 Americans, 85 percent of the respondents opined that better treatment of employees is a high indicator of corporate citizenship (O'Brien, 2005). However, workplace issues such as poor labor conditions, lack of equal opportunity, and child/contractual labor, have frequently caught the attention of media, regulators, and the public. Catering to such issues enhances CSR towards employees.

CSR towards customers

A higher CSR towards customers is seen in terms of a company's ability to provide better products and services while maintaining right quality and price of the product. Addressing issues like curbing unhealthy consumption patterns among consumers, safety of customers during the use of products, and ethical advertising enhance the CSR towards customers.

CSR towards investors

Investors want to be associated with socially responsible firms (Gillis and Spring, 2001). Various committees such as Cadbury committee, OECD guidelines, Security and Exchange Board of India (SEBI) guidelines, etc. have been established to strengthen corporate governance codes and standards. Strengthened governance practices improve the CSR towards investors.

CSR towards community

With the recent focus on triple bottom line – people, planet, and profit, ideas like deepening partnership between business and community (Johnson *et al.*, 1995; Waddock, 2001) are gaining currency. Firms should develop social contract with the community and their corporate citizenship behavior should be assessed (Burke, 1999; Logsdon and Wood, 2002). Addressing of issues such as philanthropic giving, public-private partnerships, and social and economic development of the surrounding community depicts CSR towards the community.

CSR towards environment

The earth summit in 1992 and the subsequent focus on climate change have increased awareness about environmental issues globally. International standards like ISO 14000, EMAS, and OHSAS 18000 along with environmental legislations in different countries have been formulated. Research has highlighted the importance of environmentally sensitive operations and productions by firms (Gupta, 1994; Inman, 1999). Emphasis on issues such as responsible waste disposal and emission standards, conservation of green resources, environmental training, and the like gives positive signal about their CSR towards environment.

CSR towards suppliers

Recent years have seen growing importance of issues related to social responsibility audit of suppliers (Arminas, 2005). By ensuring ethical procurement of raw materials by suppliers, ethical transaction with suppliers, and elimination of child labor/human rights' violation at suppliers' locations, a company can enhance its CSR towards suppliers.

Stakeholder management strategy

The responsiveness of managers towards stakeholders is reflected in their stakeholder management strategies. Response strategies to manage primary stakeholders include reactive, defensive, accommodative, and pro-active (RDAP) strategies (Carroll, 1979; Clarkson, 1991, 1995; Wartick and Cochran, 1985). Clarkson (1991, 1995) has converted these four approaches into the RDAP scale to measure the four strategies. A proactive strategy involves doing more than required to address stakeholder issues. In an accommodative strategy, a firm will be less active compared to the proactive state in addressing stakeholder issues. In a defensive strategy, a firm does only the legally minimum things to address stakeholder issues. In a reactive strategy, the firm either fights against addressing stakeholder issues or ignores them (Carroll, 1979; Clarkson, 1991, 1995; Wartick and Cochran, 1985). When a firm adopts a proactive strategy towards a particular stakeholder group, managerial attention and resource allocation become high for that group compared to a reactive strategy. For example, if a company has proactive strategy towards employees, it will take care to design employee friendly policies and practices thereby enhancing the CSR towards employees. The same argument can be extended to other stakeholders.

Understanding the link between the application of different strategies to engage stakeholders and consequent outcomes is critical (Heugens *et al.*, 2002). Past research on stakeholder theory has examined outcomes of addressing different stakeholder groups rather than exploring specific strategies to deal with their interests (Agle *et al.*, 1999; Berman *et al.*, 1999). Theoretical frameworks have been developed suggesting application of generic strategies to stakeholder relations and subsequent impact on firm performance (Freeman, 1984; Heugens *et al.*, 2002; Savage *et al.*, 1991). Though literature distinguishes between response strategies of reaction, defense, accommodation, and pro-action (Clarkson, 1995; Jawahar and McLaughlin, 2001), empirical work has not been undertaken on their influence on CSR. We formulate four different types of stakeholder management strategies in a continuum and propose that, proactive strategies towards the six primary stakeholder groups will lead firms to formulate and implement favorable CSR policies towards those stakeholder groups. Hence:

> *H1*. The more favorable the management strategy towards a particular primary stakeholder group, the more will be the CSR towards that stakeholder group.

Stakeholder salience

Stakeholders influence a firm's decision when managers are sure of their salience for the firm's survival (Kolk and Pinkse, 2006). Salience is the degree to which managers respond or give priority to the claims of specific stakeholder groups (Mitchell *et al.*, 1997). It is the managers' perceived importance of various stakeholders of the firm. Salience of a stakeholder is established by its possession of three attributes – power, legitimacy, and urgency (Agle *et al.*, 1999; Mitchell *et al.*, 1997). Power of stakeholders is their ability to bring about the outcomes they desire (Salancik and Pfeffer, 1974). Power arises from the dependence of the firms on the environmental actors for resources (Pfeffer and Salancik, 1978). Groups or individuals can be stakeholders by the virtue of their legitimacy (Carroll, 1993). Legitimacy is the generalized perception that the actions of an entity are desirable, proper, or appropriate within some socially constructed norms, values, beliefs, and definitions (Suchman, 1995). Urgency helps in identifying stakeholder groups who demand attention within constraints of time (Wartick and Mahon, 1994). More favorable perception on these three combined attributes makes a stakeholder more salient.

Past research on salience and CSR relationship has mostly concentrated on how managers assign different degree of salience to different stakeholder groups (Papsolomou-Doukakis *et al.*, 2005; Uhlaner *et al.*, 2004). Research shows that companies concentrate their attention on key stakeholders like shareholders, employees, and customers (Agle *et al.*, 1999; Knox *et al.*, 2005). In a survey of 197 firms in Belgium, Buysee and Verbeke (2003) find that environmentally proactive firms attach high importance to primary stakeholder groups like employees, shareholders, customers, and suppliers. However, interests of all legitimate stakeholder groups have intrinsic value and no group's interests should be favored at the expense of others (Clarkson, 1995; Donaldson and Preston, 1995). CSR crisis occurs when firms prioritize particular stakeholder groups and avoid some others (Kolk and Pinkse, 2006). Hence, we assume that firms will consider the primary stakeholders as salient. Evidence suggests that managers generally concede to proposals by salient stakeholders (David *et al.*, 2007). Moreover, because these stakeholders have control over resources crucial to a firm's survival such as labor, finance, raw materials, etc., the firm has to be sensitive to their needs and comply with their demand in order to sustain in business (DiMaggio and Powell, 1983). Besides control over resources, increased media and public attention on the negligence of particular stakeholder groups, increases the salience of those stakeholder groups. Companies become extra sensitive to such stakeholder groups and design policies sensitive to their needs. Thus, the increased salience of stakeholders drives the CSR towards them. Hence:

> *H2*. Salience attributed to any group of primary stakeholders by the top management will positively influence the CSR with regard to that particular stakeholder group.

Stakeholder management strategy and salience

Stakeholder management strategies of firms get translated into favorable policies and practices for stakeholders. However, in times of urgency or crisis when a particular stakeholder group demands attention, the perceived importance of the group drives managerial action. A firm is affected by stakeholders' control over resources and the extent of discretion they have over its allocation (Frooman, 1999; Mitchell *et al.*, 1997; Pfeffer and Salancik, 1978). Presence of resource rich stakeholders may lead to conflicting situations as they may withhold resources or attach conditionality in the usage of resources to the firm (Frooman, 1999). In such situations, even firms with proactive stakeholder orientation, shift their attention to the demand of salient stakeholder groups. Access to critical resources endows primary stakeholders with greater bargaining power and makes them salient to the firm. This high salience reduces the influence of stakeholder management strategy and takes a leading role in deciding CSR. For example, Pepsi Co has been a highly customer proactive company. However, allegations by environmental groups in India regarding pesticide contents in its beverages have made the company more sensitive towards customers' needs. The company is taking extra measures to ensure product quality and communicate about it to its customers and the public at large. Thus, the increased salience of customers becomes the key factor rather than the strategy in shaping CSR. This indicates an intervening (mediating) role of salience in the strategy-CSR relationship. Hence:

H3. Salience towards a stakeholder group will mediate the strategy-CSR relationship towards that stakeholder group.

The above hypotheses are depicted in Figure 1. The influence of stakeholder management strategy and salience of six stakeholder groups on the corresponding CSR is described.

Control variable

A larger work force, stronger labor laws, employee-friendly work environment and benefit plans, higher investment on peripheral development, etc. in the state-owned-enterprises (SOEs) compared to the private sector enterprises in India suggests the prevalence of more CSR in the former compared with the latter. Evidence also suggests that size of the firm influences CSR (Arlow and Gannon, 1982; Stanwick and Stanwick, 1998; Ullman, 1985). Hence, testing the above hypotheses will be misleading without controlling the confounding effects of ownership with respect to private versus SOEs and firm size on CSR.

Methodology

Sample

The sample was selected from the CMIE-Prowess (2005) database, which provides data on SOEs and private sector companies in India. Besides this, directories of Confederation of Indian Industries (CII) in different states were also referred. Data were collected from eight places in six states out of 35 states and union territories representing India. A total of 1500 companies were selected from 18 categories of manufacturing industries (see Table I). Two criteria were considered for inclusion of companies in the sample: minimum capital investment of 250 million (Indian rupees), and a minimum number of 100 employees in a firm. A web-enabled version of the questionnaire was developed and sent through e-mail to 900 companies. After three reminders over a period of two months, only 23 (2.5 percent) CEOs responded through e-mail. Questionnaires were sent to another 600 firms by post, which did not have any e-mail ID. Though return envelopes along with postage were attached with the questionnaire, only ten companies returned the filled-in questionnaires within a period of four

Figure 1 Conceptual model of research

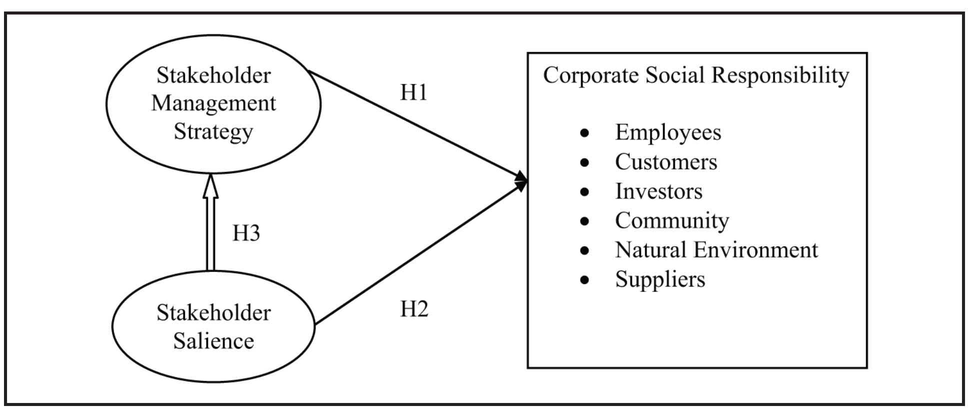

Table I Sample profile of surveyed industries

Type of industry	*No. of companies*	*Ownership*		*Average employee (Min-Max)*	*Average monthly gross salary (in Indian rupees) (Min-Max)*
		SOEs	*Private*		
Automobile	11	1	10	2,600 (350-12,089)	291,515 (31,300-1,228,831)
Cement	5	–	5	1,471 (478-5,027)	162,100 (25,500-600,000)
Chemicals and fertilizers	14	1	13	696 (105-1800)	139,036 (35,000-500,000)
Coal and lignite	1	1	–	446,721 -	42,000 -
Construction	3	3	–	1,633 (849-2,550)	40,454 (38,000-44,361)
Consumer goods and food products	13	1	12	7,889 (300-36,000)	865,267 (29,000-9,323,000)
Crude oil and natural gas	8	5	3	7,953 (200-34,722)	65,609 (32,000-125,000)
Drugs and pharmaceuticals	12	–	12	1,571 (410-5,700)	1,257,261 (42,000-8,275,000)
Electricity	10	5	5	2,965 (131-24,044)	59,935 (22,000-120,000)
Electronics and telecom	4	–	4	270 (157-500)	92,859 (41,435-195,000)
Machinery	24	9	15	4,900 (142-43,000)	90,596 (35,000-570,000)
Other agricultural products	3	–	3	981 (473-1800)	86,000 (54,000-130,000)
Paper and paper products	2	–	2	589 (548-630)	43,000 (41,000-45,000)
Plastics and polymers	5	–	5	554 (200-1,200)	53,500 (34,000-76,000)
Shipping	1	1	–	3,508 -	35,000 -
Steel and aluminum	18	3	15	4,682 (150-40,000)	133,189 (32,000-841,954)
Textiles	13	–	13	1,795 (290-4,3600)	196,548 (30,000-1,483,000)
Tires and tubes	3	1	2	901 (280-1462)	1,448,056 (28,500-4,235,667)
Total	150	31	119	6,319 (105-446,721)	307,172 (22,000-9,323,000)

months. Finally, out of the non-responding companies, 400 companies were contacted directly by the researcher at their corporate head-offices in the north, south and east zones of India. Prior communication was made to 60 percent of the companies through e-mail or telephone and appointments were fixed with the top executives. The remaining 40 percent of the companies were approached directly without prior communication. From these 400 companies, filled-in questionnaires were procured from 117 companies. All in all, 150 (23 + 10 + 117) filled-in questionnaires were obtained.

Out of the 150 respondent companies, 31 were SOEs and 119 were private sector companies. The sample companies had a minimum number of 105 employees and a maximum number of 446,721 employees. The SOEs had an average employee strength of 22,026 within a range of 265 to 446,721. The average employee strength in private sector companies was 2,227 within a range of 105 to 40,000. The average employee strength in the 18 categories of industries was within a range of 270 to 7,953. As CSR decisions are mainly taken by the top management in firms, the CEOs of the companies and in their absence other top level executives such as vice presidents, directors, senior general managers or general managers participated in the survey (M age = 49.53, SD = 7.13; M years of service = 13.79, SD = 10.19; M years of formal study = 8.74, SD = 2.22). Among them, 92 percent had at least one professional qualification like engineering or management degree. Average monthly gross salary of respondents in various industries varied from as low as 35,000 (Indian rupees) to as high as 1,257,261 (Indian rupees). Respondents were male members in 146 of the 150 firms indicating the low representation of women in the top management.

Measures

Besides the socio-demographic variables of respondents, CSR towards different stakeholders along with the stakeholder management strategy and salience were assessed.

CSR

A CSR framework was developed for the six stakeholder groups after examining the issues covered under various global standards like Kinder, Lydenberg, Domini & Co. (KLD) database (KLD, 2004), Global reporting initiative (GRI) guidelines (GRI, 2002), Social accountability (SA) 8000 (SAI, 2001), ARESE database (Igalens and Gond, 2005) besides examining the compliance with various ISO standards. We also referred to various national regulations and guidelines in India such as, SEBI guidelines, labor laws, and environmental laws. In addition, for the environmental section of the questionnaire, the 27 item-scale developed by Benito and Benito (2005) was adopted.

An initial pool of 70 items was reduced to 61 after pilot testing of the questionnaire in ten companies. Response descriptions against each item were given on a five-point scale – ''it is not in the company code'' (= 1), ''it is in the company code but not implemented'' (= 2), ''it is in the company code but partially implemented'' (= 3), ''it is in the company code and substantially implemented'' (= 4), and ''it is in the company code and fully implemented'' (= 5). Respondents were asked to endorse the degree of compliance of their companies with respect to the issues mentioned in each item. CSR was measured separately for each stakeholder. Thirteen items assessed CSR towards employees including issues such as equal opportunity action plan, anti-discrimination policies, provisions covering health and safety at work, etc. (Cronbach alpha = 0.74). Seven items examined CSR towards customers covering issues such as commitment to provide quality products and services, pricing products as per quality, voluntary codes for advertising, etc. (Cronbach alpha = 0.70). Seven items evaluated CSR towards investors including issues like investor grievance handling policies, rules to strengthen auditor's independence, and policies towards prohibiting insider trading (Cronbach alpha = 0.72). CSR towards community was evaluated with 12 items comprising of issues like third-party social and sustainable development, community partnerships, etc. (Cronbach alpha = 0.78). Issues such as systems for measuring environmental performance, end-of-pipe controls, and environmental training for managers were included in the 17 items assessing CSR towards natural environment (Cronbach alpha = 0.91). CSR towards suppliers was evaluated on five items (Cronbach alpha = 0.76) including issues such as safety and environmental aspects, and policies on the restrictions of sweat shop/human rights' violation at the suppliers' locations.

The convergent validity of the constructs was tested by confirmatory factor analysis. The Amos 4.0 software package was used to analyze the responses. Un-standardized and standardized regression weights, various fit measures of goodness of fit index (GFI), comparative fit index (CFI), normed fit index (NFI), and root mean square error of approximation (RMSEA) of the constructs were obtained (see Appendix). Minimum of the model was achieved indicating the fit of each CSR construct to data. Because items were causal indicators and not affect indicators (Bollen and Lenox, 1991), few items had non-significant loadings. Despite the non-significant loadings, we retained them because they represented distinct issues relevant to the stakeholder group and each construct had high inter-item consistency (Cronbach alpha > 0.60).

Stakeholder management strategy

Strategy of the top management towards each stakeholder group was assessed on the RDAP continuum. Response descriptions specifying RDAP (Clarkson, 1991, 1995) were given on a four point scale – ''do less than required as per the industry norms'' (= 1) indicating reactive strategy, ''do the least required as per the industry norms'' (= 2) indicating defensive strategy, ''do all that is required as per the industry norms'' (= 3) indicating accommodative strategy, and ''do more than required as per the industry norms'' (= 4) indicating proactive strategy (Cronbach alpha = 0.65). The higher score indicated more favorable strategy.

Salience

Items for assessing stakeholder salience were adopted from the measures developed by Agle *et al.* (1999). Salience being positively related to the cumulative of the three attributes – power, legitimacy and urgency (Agle *et al.*, 1999; Mitchell *et al.*, 1997), we considered salience of each stakeholder group. Salience of each stakeholder was assessed on the three attributes accordingly: this stakeholder group receives high priority from the top management,satisfying the claims of this group is important to the top management, and this group receives a high degree of time and attention from the top management. Response descriptions against each item were given on the seven-point Likert-type scale ranging from ''strongly disagree'' (= 1) to ''strongly agree'' (= 7). The Cronbach alpha of the scale for six stakeholders ranged from 0.79 to 0.94. The scores on three items related strongly among themselves for each stakeholder group (Pearson correlation range = 0.43, $p < 0.001$ to 0.85, $p < 0.001$). The summative score on three items towards a particular stakeholder indicated the salience of that stakeholder. The scores for each stakeholder were divided by the number of items to keep the value of the variable within the range of the scale.

Results

Descriptive statistics and Pearson correlation among the studied variables are presented (Table II). Ownership was coded as a dummy variable (SOEs = 0, private = 1). Number of employees (as on 31 March 2006) and average sales (three year average of the net sales from 2003-2004 to 2005-2006), representing size of the firm, were continuous variables. The three control variables – ownership, number of employees, and average annual sales, neither related to any of the CSR variables nor to strategy and salience. This suggested that the control variables did not confuse the relations between CSR, strategy, and salience. Only the salience of investors was high in private sector companies. These findings suggested to control ownership (SOEs vs private owned enterprises) of firms only in further analysis.

Correlation between stakeholder management strategy and CSR variables indicated that a more favorable strategy towards all the six stakeholders increased the corresponding CSR towards them. Moreover, as all the six stakeholders were perceived as salient, the CSR towards them also increased.

Correlation analysis specifies the bidirectional relations that are unreserved in regression analysis. To gauge the influence of strategy on CSR, and salience on CSR controlling ownership, separate hierarchical multiple regression analyses were carried out. We entered ownership in the first step and strategy in the second step of the regression analysis. As in correlations, ownership did not influence any of the CSR variables. In the second step, when the negligible influence of ownership was partialled out, a favorable strategy towards employees, customers, investors, community, environment, and suppliers increased the corresponding CSR towards those stakeholder groups (Table III). This supported the first hypothesis.

Similarly, regression analyses were carried out to examine the influence of stakeholder salience on CSR. After controlling the confounding effect of ownership on CSR in the first step, when salience was entered in the second step, the increased salience of each of the six stakeholder groups enhanced the CSR towards the respective stakeholder groups (Table IV). This supported the second hypothesis.

Hierarchical regression analyses were conducted to test the relative strength of stakeholder management strategy and salience on CSR. Ownership, strategy, and salience were entered as independent variables in three successive steps. In the first step, ownership did not influence any of the CSR variables. In the second step when the influence of ownership was partialled out, a favorable strategy towards all the six stakeholder groups increased the corresponding CSR towards those stakeholder groups. In the third step, an increased salience increased the corresponding CSR towards stakeholders. However, strategy towards employees, customers and investors, which had significant influence on CSR in the second step, became non-significant in the presence of salience of respective stakeholders. In case of community, environment, and suppliers, though strategy was significant in the third step, the standardized and un-standardized beta values decreased than that in the second step (Table V).

The shift in R^2 from step 1 to step 2 indicated the additional variance explained by strategy and the shift in R^2 from step 2 to step 3 revealed the additional variance explained by salience. In the context of the six stakeholders when strategy explained 4 to 8 percent of the additional variance in the corresponding CSR, salience explained 5 to 22 percent of the additional variance in the corresponding CSR. This suggested salience of the six

Table II Descriptive statistics and Pearson correlation among studied variables

Variable	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*
1. Ownership	1.00																				
2. No. of employees	−0.22**	1.00																			
3. Sales	−0.04	0.00	1.00																		
4. Strat-employee	0.04	−0.06	−0.02	1.00																	
5. Strat-customer	0.04	−0.04	−0.07	0.10	1.00																
6. Strat-investor	0.13	−0.04	0.04	0.16*	0.20**	1.00															
7. Strat-community	−0.01	−0.01	0.12	0.03	0.15	0.07	1.00														
8. Strat-envt	0.07	0.00	0.04	0.17*	0.17*	0.19*	0.14	1.00													
9. Strat-supplier	0.11	−0.03	−0.03	0.10	0.07	0.16*	0.11	0.09	1.00												
10. Sal-employee	0.00	0.09	0.08	0.23**	0.06	0.21**	0.06	0.20*	0.14	1.00											
11. Sal-customer	−0.11	0.04	−0.07	0.16*	0.39***	0.13	0.10	0.27***	0.11	0.23**	1.00										
12. Sal-investor	0.21**	0.05	0.03	0.20*	0.06	0.44***	0.09	0.21**	0.13	0.40***	0.21**	1.00									
13. Sal-community	0.05	0.00	0.14	0.20*	0.06	0.20*	0.22**	0.13	0.15	0.41***	0.15	0.37***	1.00								
14. Sal-envt	0.09	−0.03	0.09	0.29***	0.31***	0.29***	0.07	0.27***	0.16	0.30***	0.31***	0.29***	0.19*	1.00							
15. Sal-supplier	0.08	0.01	0.01	0.29***	0.16*	0.19*	0.17*	0.15	0.18*	0.56***	0.19*	0.49***	0.45***	0.22**	1.00						
16. CSR-employee	−0.05	0.09	0.10	0.20*	0.23**	0.11	0.33***	0.20*	0.40***	0.29***	0.36***	0.17*	0.25**	0.24**	0.28***	1.00					
17. CSR-customer	0.05	0.05	0.00	0.12	0.22**	0.15	0.09	0.65***	0.17*	0.20*	0.37***	0.17*	0.12	0.18*	0.09	0.32***	1.00				
18. CSR-investor	−0.06	0.06	0.11	0.28***	0.25**	0.18*	0.48***	0.24**	0.43***	0.33***	0.43***	0.26***	0.32***	0.31***	0.31***	0.84***	0.36***	1.00			
19. CSR-community	−0.02	0.00	0.05	0.35***	0.35***	0.16	0.21**	0.29***	0.51***	0.30***	0.47***	0.17*	0.26***	0.40***	0.27***	0.64***	0.39***	0.71***	1.00		
20. CSR-envt	−0.05	0.02	−0.01	0.35***	0.30***	0.30***	0.26***	0.27***	0.27***	0.30***	0.47***	0.22**	0.26***	0.52***	0.20*	0.60***	0.38***	0.63***	0.64***	1.00	
21. CSR-supplier	0.00	0.02	0.03	0.50***	0.28***	0.20*	0.20*	0.23**	0.24**	0.18*	0.41***	0.24**	0.17*	0.35***	0.29***	0.60***	0.32***	0.62***	0.59***	0.63***	1.00
M	0.79	6319.21	6682.98	3.43	3.55	3.19	3.05	3.16	3.15	6.33	6.59	6.13	5.26	5.36	5.81	3.37	3.74	3.81	3.41	3.70	2.80
SD	0.41	37000.21	28428.39	0.62	0.54	0.60	0.75	0.70	0.55	0.79	0.58	0.95	1.44	1.36	0.96	0.68	0.74	0.87	0.75	0.90	1.08

Notes: Strat = strategy, Sal = salience, envt = environment; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

Table III Regression results of CSR, ownership, and stakeholder management strategy

DV	*Step*	*IV*	*B*	*SEB*	*β*	R^2	*F*
CSR-employee	1	Ownership	−0.08	0.14	−0.05	0.002	0.37
	2	Ownership	−0.09	0.13	−0.05	0.04	3.41*
		Strategy-employee	0.22	0.09	0.20*		
CSR-customer	1	Ownership	0.08	0.15	0.05	0.002	0.31
	2	Ownership	0.07	0.15	0.04	0.05	3.90*
		Strategy-customer	0.30	0.11	0.22**		
CSR-investor	1	Ownership	−0.12	0.17	−0.06	0.003	0.45
	2	Ownership	−0.17	0.17	−0.08	0.04	2.88*
		Strategy-investor	0.27	0.12	0.19*		
CSR-community	1	Ownership	−0.03	0.15	−0.02	0.00	0.04
	2	Ownership	−0.03	0.15	−0.01	0.04	3.36*
		Strategy-community	0.21	0.08	0.21**		
CSR-environment	1	Ownership	−0.11	0.18	−0.05	0.002	0.36
	2	Ownership	−0.15	0.18	−0.07	0.08	6.20**
		Strategy-environment	0.35	0.10	0.28***		
CSR-supplier	1	Ownership	0.01	0.22	0.00	0.00	0.00
	2	Ownership	−0.06	0.21	−0.02	0.06	4.65**
		Strategy-supplier	0.48	0.16	0.25**		

Notes: DV = Dependent variable, IV = Independent variable, B = Beta, SEB = Standard error of beta; β = Standardized beta; R^2=Coefficient of determination; *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

Table IV Regression results of CSR, ownership, and stakeholder salience

DV	*Step*	*IV*	*B*	*SEB*	*β*	R^2	*F*
CSR-employee	1	Ownership	−0.08	0.14	−0.05	0.002	0.37
	2	Ownership	−0.08	0.13	−0.05	0.09	6.90**
		Salience-employee	0.25	0.07	0.29**		
CSR-customer	1	Ownership	0.08	0.15	0.05	0.002	0.31
	2	Ownership	0.16	0.14	0.09	0.15	12.58**
		Salience-customer	0.49	0.10	0.38**		
CSR-investor	1	Ownership	−0.12	0.17	−0.06	0.003	0.45
	2	Ownership	−0.24	0.17	−0.11	0.08	6.35*
		Salience-investor	0.26	0.07	0.28**		
CSR-community	1	Ownership	−0.03	0.15	−0.02	0.00	0.04
	2	Ownership	−0.06	0.15	−0.03	0.07	5.48*
		Salience-community	0.14	0.04	0.26**		
CSR-environment	1	Ownership	−0.11	0.18	−0.05	0.002	0.36
	2	Ownership	−0.21	0.16	−0.10	0.28	28.62**
		Salience-environment	0.35	0.05	0.53**		
CSR-supplier	1	Ownership	0.01	0.22	0.004	0.00	0.003
	2	Ownership	−0.05	0.21	−0.02	0.09	6.93**
		Salience-supplier	0.33	0.09	0.29**		

Notes: DV = Dependent variable; IV = Independent variable; B = Beta, SEB = Standard error of beta; β = Standardized beta, R^2=Coefficient of determination; *$p < 0.01$; **$p < 0.001$

stakeholder groups was more important than their strategy to explain the corresponding CSR.

Baron and Kenny (1986, p. 1177) suggested three conditions to ascertain the mediation role of a variable in a series of regression models. First, the independent variable must affect the mediator in the first equation. Second, the independent variable must affect the dependent variable in the second equation. Third, the mediator must affect the dependent variable in the third equation. Full mediation is confirmed, when the independent variable has no effect on the dependent variable when the mediator is introduced. If the effect of independent variable decreases when the mediator is introduced, then it is partial mediation. The first condition was satisfied in the correlation matrix (Table II) where a more positive strategy towards a particular stakeholder group increased the salience of that stakeholder group.

Table V Regression results of CSR, ownership, strategy and salience

DV	Step	IV	B	SEB	β	R^2	ΔR^2	F	ΔF
CSR-employee	1	Ownership	−0.08	0.14	−0.05	0.002		0.37	
	2	Ownership	−0.10	0.13	−0.06	0.04	0.04	3.41*	6.44*
		Strategy-employee	0.22	0.09	0.20**				
	3	Ownership	−0.09	0.13	−0.05	0.11	0.07	5.77***	10.06**
		Strategy-employee	0.16	0.09	0.15				
		Salience-employee	0.22	0.07	0.26**				
CSR-customer	1	Ownership	0.08	0.15	0.05	0.002		0.31	
	2	Ownership	0.07	0.15	0.04	0.05	0.05	3.90*	7.45**
		Strategy-customer	0.30	0.11	0.22**				
	3	Ownership	0.15	0.14	0.08	0.15	0.10	8.73***	17.53***
		Strategy-customer	0.12	0.11	0.08				
		Salience-customer	0.44	0.11	0.35***				
CSR-investor	1	Ownership	−0.12	0.17	−0.06	0.003		0.45	
	2	Ownership	−0.17	0.17	−0.08	0.04	0.04	2.88*	5.29*
		Strategy-investor	0.27	0.12	0.19*				
	3	Ownership	−0.25	0.17	−0.12	0.09	0.05	4.53**	7.59**
		Strategy-investor	0.12	0.13	0.08				
		Salience-investor	0.23	0.08	0.25**				
CSR-community	1	Ownership	−0.03	0.15	−0.02	0.00		0.04	
	2	Ownership	−0.03	0.15	−0.01	0.04	0.04	3.36*	6.67*
		Strategy-community	0.21	0.08	0.21**				
	3	Ownership	−0.05	0.14	−0.03	0.09	0.05	5.02**	8.01**
		Strategy-community	0.16	0.08	0.16*				
		Salience-community	0.12	0.04	0.23**				
CSR-environment	1	Ownership	−0.11	0.18	−0.05	0.002		0.36	
	2	Ownership	−0.15	0.18	−0.07	0.08	0.08	6.20**	12.02***
		Strategy-environment	0.35	0.10	0.28***				
	3	Ownership	−0.23	0.15	−0.10	0.30	0.22	20.78***	46.12***
		Strategy-environment	0.18	0.09	0.14*				
		Salience-environment	0.32	0.05	0.49***				
CSR-supplier	1	Ownership	0.01	0.22	0.004	0.00		0.003	
	2	Ownership	−0.06	0.21	−0.02	0.06	0.06	4.65**	9.30**
		Strategy-supplier	0.48	0.16	0.25**				
	3	Ownership	−0.10	0.21	−0.04	0.13	0.07	6.95***	10.92**
		Strategy-supplier	0.39	0.15	0.20**				
		Salience-supplier	0.29	0.09	0.26***				

Notes: DV = Dependent variable; IV = Independent variable; B = Beta, SEB = Standard error of beta; β = Standardized beta; R^2 = Coefficient of determination; *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

The second step of the regression analysis satisfied the second condition and the third step the third condition (Table V). In the second step, strategy towards all the six stakeholder groups increased the corresponding CSR. In the third step of the regression analysis when salience was introduced, strategy towards employees, customers, and investors did not influence the corresponding CSR. This suggested that in case of these stakeholders, their salience fully suppressed the influence of the corresponding strategy on the respective CSR. In case of community, environment, and suppliers, their salience partially suppressed the influence of the corresponding strategy on CSR towards those stakeholders. These findings supported the third hypothesis.

Discussion

This study examines whether strategy and salience of six primary stakeholder groups – employees, customers, investors, community, environment, and suppliers – influence the CSR towards the corresponding stakeholder groups. Studying a cross-sectional sample of 150 companies across 18 different categories of industries and controlling the confounding effect of ownership on CSR, findings reveal that a favorable strategy towards the six stakeholders increases the corresponding CSR. Salience of all the six stakeholders also enhances the corresponding CSR. When both salience and strategy are considered, influence of salience of stakeholder groups of employees, customers and suppliers becomes so strong that it nullifies the effect of the corresponding strategy on CSR. This indicates full mediation of salience on strategy towards employees, customers and suppliers. For stakeholder groups of community, natural environment, and suppliers, their salience reduces the influence of the corresponding strategy suggesting partial mediation of salience on strategy.

A proactive strategy towards a particular stakeholder group indicates a firm's genuine interest towards that stakeholder group. Particularly, in the strategy continuum of proaction to reaction, a proactive strategy demands more management attention and resources in comparison to strategies like reaction or defense. For example, a proactive strategy towards natural environment will mean that the company will plan for pollution prevention technologies and development of green resources and capabilities. Similarly, a proactive strategy towards community indicates that the company will plan programs aimed at the development of the surrounding community. This leads the management to adopt responsible policies for those stakeholders, which increases the corresponding CSR. In contrast, a reactive strategy will demand only the legally minimum efforts, hence the corresponding CSR will also be less.

Salience of primary stakeholders is found to have a strong impact on CSR. The results are consistent with the past findings that highly legitimate stakeholders with control over resources are more likely to get positive response from the firms (Eesley and Lenox, 2006). Positive responses are translated into favorable policies and practices towards stakeholders, thereby enhancing CSR towards those stakeholders. Evidence suggests a negative association between salience of secondary stakeholders and CSR (David *et al.*, 2007). Because secondary stakeholders do not directly benefit from a firm, they will not bother about the consequences of their demand even if it goes against the interest of the firm and other stakeholders. However, with primary stakeholders, a firm's relationship is mutual. Primary stakeholders have an economic stake in the company and bear some degree of risk (Clarkson, 1995). Shareholders risk their financial resources, employees risk their labor and so on. A profitable firm pays incentive to its employees, ensures returns to its shareholders, adds product features and enhances its quality for its customers, and so on. Owing to this mutual relationship, primary stakeholders will not undertake actions that adversely affect the interest of the firm and other stakeholders. For example, an employee's union may go on strike to press its demand, but they soon come back to negotiate and accept solutions that are mutually acceptable. Owing to the key role of primary stakeholders in firm's sustenance, the firm also concedes to their demand. Thus, salience of primary stakeholders influences CSR positively.

When both strategy and salience are considered, salience modifies and decreases the effect of strategy on CSR. The top management generally adopts business strategies to enhance firm profitability. While designing stakeholder management strategies that aim at welfare of stakeholders, there is every likelihood of the management also looking at its profitability aspect. However, when factors beyond profitability emerge, like stakeholder-related social issues, it is the perceived importance of stakeholders that influences firm's action. If a firm feels that stakeholders have the power, legitimacy, and urgency, it will immediately attend to their needs/demands. This perceived salience either overrides or decreases the intensity of the stakeholder management strategy. A firm with a proactive employee strategy will design its policies and practices for the betterment of employees. However, when the employee groups become salient to the firm, it would steer its policies and programs still higher to satisfy employees and improve CSR towards them. A strike by the labor union for a wage increase has got more impact on the management decisions than a regular proactive employee policy to enhance salary. Here the strike enhances the salience of employees and becomes instrumental in increasing wages. This increased salience of employees fully suppresses the influence of the employee strategy on corresponding CSR.

A proactive customer management strategy generally aims at enhancing sale of products by focusing on product quality, after-sales service, pricing strategy, etc. Factors beyond these general issues such as preservation of health and safety during the use of the product or ethical standards for advertising may not get attention in regular proactive marketing strategies of companies. However, when customers demand such things, managers start paying attention to such issues. This increased salience of customers influences managers' decisions and subsequently the corresponding CSR. Empirical evidence shows that customers expect firms to be highly responsible in terms of product quality and service. Customers do not favor companies that harm their interests (Archer and Wesolowsky, 1996). For example, when the news of pesticide content in Pepsi and Coca-Cola beverages came out in India, Indian customers reacted sharply. Sales of both companies slumped by 60 percent in 2006 (*Financial Express*, 2006). This prompted the two companies to expedite their research initiatives for measuring the pesticide content in soft drinks. Though they had been working on this as a proactive initiative in association with the Indian government since 2003, the sharp customer reaction prompted them to consider it on an urgent basis. PepsiCo India even launched health products such as low-calorie variants of its existing soft drinks and energy drinks (*Food and Beverage News*, 2006). Here the sharp reaction from customers increased their salience. This increased customer salience became instrumental in offsetting the influence of the proactive customer strategy on CSR.

Similarly, when investor groups become salient, the firm redesigns its accounting standards and other compliance measures to satisfy them. This increases CSR towards investors. Such activities overtake regular proactive accounting practices in the firm. Strengthening of corporate governance codes in firms after the Enron debacle is a case in point. When aware investors started demanding compliance with better governance standards, even firms that already had proactive accounting policies, started taking renewed efforts to change existing standards in line with emerging standards.

In case of stakeholders like community, natural environment and suppliers, the influence of strategy on CSR reduces as salience becomes active. In case of community, a company may have a regular peripheral development policy. However, if it considers it salient, it formulates need specific plans and programs for community development, which coexists with the regular programs and policies. NALCO (National Aluminum Company Ltd, Orissa, India) has a proactive policy towards peripheral development with annual budget allocation towards such activities. However, an accident in one of its plant locations and subsequent community unrest prompted the company to forge still stronger alliance with the surrounding community. The company took this emergency measure along with the regular community initiatives. Here salience acts as the trigger factor to influence CSR, but does not completely nullify the influence of strategy.

A proactive stand towards environment is evident when firms have better awareness about environmental issues or adopt mandatory environmental standards. However, when firms consider it as a salient factor, they take extra steps to show their responsibility by adopting voluntary standards ISO 14000 or OHSAS 18000 certification. Of the surveyed companies in this study, 92 percent have clearance from the state and central pollution control boards that is the minimum legal requirement for environmental management. Besides this, 43 percent firms have ISO 14000 and another 15 percent have OHSAS 18000 certification. This indicates that these later groups of companies consider natural environment as salient while adopting a proactive stand towards it. Here both environmental strategy and salience influence the corresponding CSR.

A proactive strategy towards suppliers is seen in terms of selecting appropriate suppliers and having right/ethical business deal with them enhancing CSR towards suppliers. Recently, there is a growing demand for upholding human rights throughout the supply chain of firms (Adam and Rachman-Moore, 2004; Ahlstrom and Egels-Zanden, 2008). Issues like inspection of health and safety facilities or use of child labor at suppliers' locations, which are generally not a part of supplier strategy, are growing in importance. After the rising concern about increasing use of child labor in India, many international buying firms selected Indian carpet suppliers who did not employ child labor and banned others. Indian firms like the Tata group select suppliers strictly based on ethical practices at the suppliers' locations. Increased importance of supplier issues increases their salience, which influences the corresponding CSR. Though the proactive strategy continues to influence CSR, salience takes a leading role in shaping CSR towards suppliers.

Above findings bring in the differential approach adopted by managers to handle different stakeholders. Firms might be intending to treat all the primary stakeholders equally, but in practice, such an objective may not be easy to pursue (Galbreath, 2006). Within the primary stakeholders, firms may adopt different approach towards internal and external stakeholders. However, this differential approach does not indicate that managers attend to some stakeholders at the cost of other stakeholders (Clarkson, 1995; Kolk and Pinkse, 2006). First, as the needs of internal and external stakeholders differ, so also the urgency to attend to their needs varies. Investments on internal stakeholder management are lower compared to that on external stakeholders. For example, investments on employee welfare programs or investor management strategies are lower compared to that of enhancing environmental efficiency or launching sustainable community development programs (Galbreath, 2006). Hence, top management reacts promptly to the demands of internal stakeholders even if it means overriding existing proactive policies towards them. Second, the proximity of internal stakeholders to the top management gives them the scope to engage in dialogues and discussions with, and place their demands before the top management. This increases their salience and offsets the corresponding effects of a proactive strategy on CSR. Third, groups contributing to the bottom line are also given higher priority by organizations (Gioia, 1999). Hence, in case of external stakeholders like customers, their increased salience has more influence on CSR than the strategy towards them. Fourth, external stakeholders such as community, environment and suppliers, do not interact with the management on a regular basis. Hence, though increased emphasis on them in the new global order has increased their salience, it has not yet become powerful enough to fully offset the importance of a proactive strategy towards them.

Past research on CSR has largely focused on a single dimension of CSR, or has combined various CSR constructs into an aggregate variable (Maignan *et al.*, 1999; Russo and Fouts, 1997). Such aggregation has facilitated inter-firm comparison on the level of CSR displayed by firms. However, with aggregation, a firm's high CSR may be driven by high CSR towards a few stakeholders leaving the issue of other stakeholders fully or partially unattended. This study gives a segregated account of CSR issues with respect to six stakeholders. By linking strategy and salience with the stakeholder-driven CSR, a firm can find out which stakeholders are neglected and accordingly design its CSR agenda towards them. Such segregation is essential to avoid CSR crisis, which occurs when firms prioritize some stakeholders, and neglect or avoid others (Kolk and Pinkse, 2006).

Past research has mostly used aggregate CSR measures from secondary sources such as Moskowitz reputational scale, Fortune reputational scale (Cochran and Wood, 1984), and KLD (Hillman and Keim, 2001; Ruf *et al.*, 2001; Waddock and Graves, 1997). The two widely used secondary database on Indian companies, CMIE-Prowess and India Business Insight Database (IBID) (Informatics India Limited, 2003), give access to corporate governance reports and newspaper articles on corporate activities respectively. There are few recent attempts to rate CSR activities of Indian companies, like the Karmayog CSR rating (IndiaPRwire.com, 2007), and the initiatives by ITC and CII to launch a CSR rating program (*Business Standard*, 2007). However, when we started the research in 2005, no systematic database was available for evaluating Indian companies from the stakeholders' perspective. This study, therefore, has undertaken a primary survey of Indian companies to assess their CSR based on a comprehensive list of stakeholder issues. Many companies declined to participate in the survey on the ground that, they did not undertake any activity on CSR or did not have a CSR department. CSR activities in their perspective were limited to mainly philanthropic activities. However, when they were explained that a proper assessment of CSR goes beyond philanthropy and includes responsible business behavior towards stakeholders, they participated. Such perception is well articulated in a survey by Partners in Change (2000) which finds that Indian companies mainly focus their CSR activities on community development. Though some large companies have been proactive in integrating stakeholder management strategies with their business activities, further scope exists for many others who have missed the stakeholder linkages in their business strategies.

There are certain limitations of the study that must be acknowledged. First, collected data were perceptual in nature. Respondents might have overemphasized positive performance and understated negative performance of their firms. Second, the data were collected from 18 categories of industries. Issues faced by each category being unique and different, an aggregate analysis across multiple categories of industries might have missed industry-specific issues (Griffin and Mahon, 1997). However, CSR issues included in the study are generic in nature. For example, product quality and price, safety standards in the work place, community partnership or stronger governance standards indicate responsible business practices across industries. Third, it is difficult to construct a comprehensive measure of CSR because of the complexity of issues it deals with (Lydenberg *et al.*, 1986; Wolfe and Aupperle, 1991). Our CSR measure assesses a firm's social policies and practices towards primary stakeholders. This may be a narrow conceptualization of CSR. However, in the absence of a systematic CSR database in India, this was one of the possible ways to operationalize CSR. Fourth, CEOs and senior executives being the respondents, it was very difficult to get their appointment. Because they generally operate from their corporate offices, contacting the corporate offices of 1,500 companies all over the country through various means was a difficult task and that restricted the response rate to 10 percent.

Conclusions and future research agenda

The study contributes to the descriptive literature on stakeholder management. It highlights stakeholder management strategy and salience of stakeholders as two antecedent factors of CSR. Unlike previous research on salience-CSR relationship (Papsolomou-Doukakis *et al.*, 2005; Uhlaner *et al.*, 2004), we do not compare the degree of salience of different stakeholder groups. Rather we proceed with Clarkson's (1995) premise that primary stakeholders, who are essential for the survival of the firm, will be salient to managers. With increased importance of issues such as environment, labor, customer safety, community relations, corporate governance, and supply chain in the new global economic order, salience of the primary stakeholder groups induces firms to adopt CSR policies sensitive to their needs. The higher is the salience of a particular stakeholder group, the higher will be the CSR towards that group. Moreover, when managers are faced with situations where there is a growing demand from pressure groups, media, or legislators, it is either the salience of the stakeholders, or the combination of salience and strategy that drives the CSR. However, this study only considers CSR from the perspective of primary stakeholders leaving aside the issue of secondary stakeholders. Inter-relations between strategy, salience and CSR from the perspective of secondary stakeholders are issues for future investigation.

This study brings out the importance of strengthened stakeholder relations for Indian companies. A firm sensitive to needs of its stakeholders reaps positive impression about itself, its values, direction and overall worth (Jones and Murrell, 2001). A high CSR sends positive signals about the values embedded in a firm (Agle and Caldwell, 1999). This results in intangible and non-replicable benefits for the firm such as corporate image, reputation, and trust that cannot be easily imitated by the competitors. This ultimately enhances the overall performance of a firm. This study can be considered as a basis on which further analysis on CSR and firm performance be built. Future research can explore the dynamics associated with the primary and secondary stakeholders in the context of stakeholder management strategy, salience and CSR. Influence of such dynamics on corporate reputation and firm performance can be studied. Furthermore, findings of this study may be replicated in specific industry or across industry categories.

References

Adam, A.M. and Rachman-Moore, D. (2004), ''The methods used to implement an ethical code of conduct and employee attitudes'', *Journal of Business Ethics*, Vol. 54 No. 3, pp. 225-44.

Agle, B.R. and Caldwell, C.B. (1999), ''Understanding research on values in business: a level of analysis framework'', *Business and Society*, Vol. 38 No. 3, pp. 326-86.

Agle, B.R., Mitchell, R.K. and Sonnenfeld, J.A. (1999), ''Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values'', *Academy of Management Journal*, Vol. 42 No. 5, pp. 507-25.

Ahlstrom, J. and Egels-Zanden, N. (2008), ''The process of defining corporate responsibility: a study of Swedish garment retailer's responsibility'', *Business Strategy and the Environment*, Vol. 17 No. 4, pp. 230-44.

Andriof, J., Waddock, S., Husted, B. and Sutherland, R.S. (Eds) (2002), *Unfolding Stakeholder Thinking: Theory, Responsibility and Engagement*, Greenleaf Publishing, Sheffield.

Archer, N.P. and Wesolowsky, G.O. (1996), ''Consumer response to service and product quality: a study of motor vehicle owners'', *Journal of Operations Management*, Vol. 14 No. 2, pp. 103-18.

Arlow, P. and Gannon, M. (1982), ''Social responsiveness, corporate structure and economic performance'', *Academy of Management Review*, Vol. 7 No. 2, pp. 235-41.

Arminas, D. (2005), ''Texan messages'', *Supply Management*, Vol. 10 No. 12, pp. 32-3.

Barney, J.B. and Hansen, M.H. (1994), ''Trustworthiness as a source of competitive advantage'', *Strategic Management Journal*, Vol. 15, pp. 175-90.

Baron, R.M. and Kenny, D.A. (1986), ''The moderator-mediator variable distinction in social psychological research: conceptual, strategic and statistical considerations'', *Journal of Personality and Social Psychology*, Vol. 51 No. 6, pp. 1173-82.

Benito, J.G. and Benito, G. (2005), ''Environmental proactivity and business performance: an empirical analysis'', *Omega*, Vol. 33 No. 1, pp. 1-15.

Berman, S.L., Wicks, A.C., Kotha, S. and Jones, T.M. (1999), ''Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance'', *Academy of Management Journal*, Vol. 42 No. 5, pp. 488-506.

Bollen, K. and Lenox, R. (1991), ''Conventional wisdom on measurement: a structural equation perspective'', *Psychological Bulletin*, Vol. 110 No. 2, pp. 305-14.

Brenner, S. and Cochran, P. (1991), ''The stakeholder theory of the firm: implications for business and society research'', paper presented at the International Association for Business and Society, Sundance, UT.

Burke, E.M. (1999), *Corporate Community Relations: The Principles of the Neighbour of Choice*, Praeger, New York, NY.

Business Standard (2007), ''ITC, CII to launch CSR rating program'', available at: www.itcportal.com/newsroom/press13dec07.htm (accessed 10 December 2008).

Buysee, K. and Verbeke, A. (2003), ''Proactive environmental strategies: a stakeholder management perspective'', *Strategic Management Journal*, Vol. 24 No. 5, pp. 453-70.

Carroll, A.B. (1979), ''A three-dimensional conceptual model of corporate performance'', *Academy of Management Review*, Vol. 4 No. 4, pp. 497-505.

Carroll, A.B. (1993), *Business and Society: Ethics and Stakeholder Management*, 2nd ed., South-West Publishing, Cincinnati, OH.

Carroll, A.B. (1999), ''Corporate social responsibility: evolution of a definitional construct'', *Business and Society*, Vol. 38 No. 3, pp. 268-95.

Chand, M. (2006), ''The relationship between corporate social performance and corporate financial performance: industry type as a boundary condition'', *The Business Review*, Vol. 5 No. 1, pp. 240-5.

Clarkson, M.B.E. (1991), ''Defining, evaluating, and managing corporate social performance: the stakeholder management model'', in Preston, L.E. (Ed.), *Research in Corporate Social Performance and Policy*, JAI Press, Greenwich, CT, pp. 331-58.

Clarkson, M.B.E. (1995), ''A shareholder framework for analyzing and evaluating corporate social performance'', *Academy of Management Review*, Vol. 20 No. 1, pp. 571-610.

Cochran, P.L. and Wood, R.A. (1984), ''Corporate social responsibility and financial performance'', *Academy of Management Journal*, Vol. 27 No. 1, pp. 42-56.

David, P., Bloom, M. and Hillman, A.J. (2007), ''Investor activism, managerial responsiveness, and corporate social performance'', *Strategic Management Journal*, Vol. 28 No. 1, pp. 91-100.

Davis, K. (1973), ''The case for and against business assumptions of social responsibilities'', *Academy of Management Journal*, Vol. 16, pp. 312-22.

DiMaggio, P. and Powell, W.W. (1983), ''The iron cage revisited: institutional isomorphism and collective rationality in organizational fields'', *American Sociological Review*, Vol. 48 No. 2, pp. 147-60.

Donaldson, T. (1989), *The Ethics of International Business*, Oxford University Press, New York, NY.

Donaldson, T. and Preston, L.E. (1995), ''The stakeholder theory of the corporation: concepts, evidence and implications'', *Academy of Management Review*, Vol. 20 No. 1, pp. 65-91.

Driver, C. and Thompson, G. (2002), ''Corporate governance and democracy: the stakeholder debate revisited'', *Journal of Management and Governance*, Vol. 6 No. 2, pp. 111-30.

Eesley, C. and Lenox, M.J. (2006), ''Firm response to secondary stakeholder action'', *Strategic Management Journal*, Vol. 27 No. 8, pp. 765-82.

Evan, W.M. and Freeman, R.E. (1983), ''A stakeholder theory of the modern corporation: Kantian capitalism'', in Beauchamp, T. and Bowie, N. (Eds), *Ethical Theory and Business*, Prentice-Hall, Englewood Cliffs, NJ, pp. 75-93.

Financial Express (2006), ''New norms to gauge toxins in colas soon'', *Financial Express*, 19 December, p. 1.

Fitch, G.H. (1976), ''Achieving corporate social responsibility'', *Academy of Management Review*, Vol. 1 No. 1, pp. 38-46.

Fombrun, C. and Shanley, M. (1990), ''What's in a name? Reputation building and corporate strategy'', *Academy of Management Journal*, Vol. 33 No. 2, pp. 233-58.

Food and Beverage News (2006), ''Pepsi plans new healthy launches'', *Food and Beverage News*, 9 September, p. 4.

Frederick, W.C. (1994), ''From CSR1 to CSR2. Business and society: the maturing of business-and-society thought'', *Business and Society*, Vol. 33 No. 2, pp. 150-64.

Freeman, R.E. (1984), *Strategic Management: A Stakeholder Approach*, Pitman Publishing, Boston, MA.

Freeman, R.E. (1994), ''The politics of stakeholder theory: some future directions'', *Business Ethics Quarterly*, Vol. 4 No. 4, pp. 409-21.

Frooman, J. (1999), ''Stakeholder influence strategies'', *Academy of Management Review*, Vol. 24 No. 2, pp. 191-205.

Galbreath, J. (2006), ''Does primary stakeholder management positively affect the bottom line? Some evidence from Australia'', *Management Decision*, Vol. 44 No. 8, pp. 1106-21.

Garriga, E. and Mele, D. (2004), ''Corporate social responsibility theories: mapping the territory'', *Journal of Business Ethics*, Vol. 53 Nos 1/2, pp. 51-71.

Gillis, T. and Spring, N. (2001), ''Doing good is good for business'', *Communication World*, Vol. 18 No. 6, p. 23.

Gioia, D.A. (1999), ''Practicability, paradigms and problems in stakeholder theorizing'', *Academy of Management Review*, Vol. 24 No. 2, pp. 228-32.

Global Reporting Initiative (GRI) (2002), ''Sustainability reporting guidelines, global reporting initiative'', available at: www.globalreporting.org/guidelines/062002guidelines.asp (accessed 12 December 2004).

Griffin, J.J. and Mahon, J.F. (1997), ''The corporate social performance and corporate financial performance debate: 25 years of incomparable research'', *Business and Society*, Vol. 36 No. 1, pp. 5-31.

Gupta, M.C. (1994), ''Environmental management and its impact on the operations function'', *International Journal of Operations & Productions Management*, Vol. 15 No. 8, pp. 34-51.

Heugens, P.P.M.A.R., Van Den Bosch, F.A.J. and Van Riel, C.B.M. (2002), ''Stakeholder integration'', *Business and Society*, Vol. 41 No. 1, pp. 36-60.

Hillman, A.J. and Keim, G.D. (2001), ''Shareholder value, stakeholder management and social issues: what's the bottom line?'', *Strategic Management Journal*, Vol. 22 No. 2, pp. 125-39.

Hooley, G., Cox, T., Fahy, J., Shipley, D., Beracs, J., Fonfara, K. and Snoj, B. (2000), ''Market orientation in the transition economies of Central Europe: tests of the Narver and Slater market orientation scales'', *Journal of Business Research*, Vol. 50 No. 3, pp. 273-85.

Igalens, J. and Gond, J.P. (2005), ''Measuring corporate social performance in France: a critical and empirical analysis of ARESE data'', *Journal of Business Ethics*, Vol. 56 No. 2, pp. 131-48.

IndiaPRwire.com (2007), ''Announcing Karmayog CSR ratings of India's top 500 companies'', available at: www.indiaprwire.com/pressrelease/other/200712156225.htm (accessed 10 December 2008).

Informatics (India) Limited (2003), ''India Business Insight Database'', available at: http://ibid.informindia.co.in/bsearch.asp (accessed 12 November 2005).

Inman, R.A. (1999), ''Environmental management: new challenges for production and inventory managers'', *Production and Inventory Management Journal*, Vol. 40 No. 3, pp. 46-9.

Jawahar, I.M. and McLaughlin, G.L. (2001), ''Toward a descriptive stakeholder theory: an organizational life cycle approach'', *Academy of Management Review*, Vol. 26 No. 3, pp. 397-414.

Johnson, J.H., Farrell, W.C. Jr and Henderson, G.R. (1995), ''Mr Porter's 'competitive advantage' for inner-city revitalization: exploitation or empowerment?'', *Review of Black Political Economy*, Vol. 24 Nos 2/3, pp. 259-89.

Jones, R. and Murrell, A.J. (2001), ''Signaling positive corporate social performance'', *Business and Society*, Vol. 40 No. 1, pp. 59-78.

Kinder, Lydenberg, Domini & Co. (KLD) (2004), ''KLD Database'', Social Investment Fund, Kinder, Lydenberg, Domini & Co., Boston, MA.

Knox, S., Maklan, S. and French, P. (2005), ''Corporate social responsibility: exploring stakeholder relationships and program reporting across leading *FTSE* companies'', *Journal of Business Ethics*, Vol. 61 No. 1, pp. 7-28.

Kolk, A. and Pinkse, J. (2006), ''Stakeholder mismanagement and corporate social responsibility crises'', *European Management Journal*, Vol. 24 No. 1, pp. 59-72.

Kreiner, P. and Bhambri, A. (1991), ''Influence and information in organization stakeholder relationships'', *Research in Corporate Social Performance and Policy*, Vol. 12, pp. 3-36.

Lee, M.P. (2008), ''A review of the theories of corporate social responsibility: its evolutionary path and the road ahead'', *International Journal of Management Reviews*, Vol. 10 No. 1, pp. 53-73.

Logsdon, J. and Wood, D.J. (2002), ''Business citizenship: from domestic to global level of analysis'', *Business Ethics Quarterly*, Vol. 12 No. 2, pp. 155-88.

Lydenberg, S., Marlin, A.T. and Strub, S. (1986), *Rating America's Corporate Conscience*, Addison-Wesley, Reading, MA.

McGuire, J.B., Schneeweis, T. and Sundgren, A. (1988), ''Corporate social responsibility and firm financial performance'', *Academy of Management Journal*, Vol. 31 No. 4, pp. 854-72.

Maignan, I., Ferrell, O.C. and Hult, G.T.M. (1999), ''Corporate citizenship: cultural antecedents and business benefits'', *Academy of Marketing Science*, Vol. 27 No. 4, pp. 455-69.

Mitchell, R.K., Agle, B.R. and Wood, D.J. (1997), ''Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts'', *Academy of Management Review*, Vol. 22 No. 4, pp. 853-86.

O'Brien, K. (2005), ''Golin study: staff playing major role in CSR comms'', *PR Week*, Vol. 8 No. 26, p. 5.

Papsolomou-Doukakis, I., Krambia-Kapardis, M. and Katsioloudes, M. (2005), ''Corporate social responsibility: the way forward? Maybe not! A preliminary study in Cyprus'', *European Business Review*, Vol. 17 No. 3, pp. 263-79.

Partners in Change (2000), *Report on Survey on Corporate Involvement in Social Development in India*, Partners in Change, New Delhi.

Pfeffer, J. and Salancik, G. (1978), *The External Control of Organization: A Resource Dependence Perspective*, Harper & Row, New York, NY.

Post, J.E., Preston, L.E. and Sachs, S. (2002), *Redefining the Corporation: Stakeholder Management and Organizational Wealth*, Stanford University Press, Palo Alto, CA.

Preston, L.E. and Post, J.E. (1975), *Private Management and Public Policy: The Principle of Public Responsibility*, Prentice-Hall, Engelwood Cliffs, NJ.

Prowess (2005), ''Prowess version 2.5'', Centre for Monitoring Indian Economy Private Limited, New Delhi, available at: www.cmie.com (accessed 12 November 2005).

Rowley, T.J. (1997), ''Moving beyond dyadic ties: a network theory of stakeholder influences'', *Academy of Management Review*, Vol. 22 No. 4, pp. 887-910.

Ruf, B.M., Muralidhar, K., Brown, R.M., Janney, J.J. and Paul, K. (2001), ''An empirical investigation of the relationship between change in corporate social performance and financial performance: A stakeholder theory perspective'', *Journal of Business Ethics*, Vol. 32 No. 2, pp. 143-56.

Russo, M.V. and Fouts, P.A. (1997), ''A resource-based perspective on corporate environmental performance and profitability'', *Academy of Management Journal*, Vol. 40 No. 3, pp. 534-59.

Salancik, G.R. and Pfeffer, J. (1974), ''The bases and use of power in organizational decision making: the case of a university'', *Administrative Science Quarterly*, Vol. 19 No. 4, pp. 453-73.

Savage, G.T., Nix, T.W., Whitehead, C.J. and Blair, J.D. (1991), ''Strategies for assessing and managing organizational stakeholders'', *Academy of Management Executive*, Vol. 5 No. 2, pp. 61-75.

Social Accountability International (SAI) (2001), *Social Accountability 8000*, Social Accountability International, New York, NY.

Stanwick, P.A. and Stanwick, S.D. (1998), ''The relationship between corporate social performance and organizational size, financial performance, and environmental performance: an empirical examination'', *Journal of Business Ethics*, Vol. 17 No. 2, pp. 195-204.

Suchman, M.C. (1995), ''Managing legitimacy: strategic and institutional approaches'', *Academy of Management Review*, Vol. 20 No. 3, pp. 571-610.

Uhlaner, L., van Goor-Balk, A. and Masurel, E. (2004), ''Family business and corporate social responsibility in a sample of Dutch firms'', *Journal of Small Business and Enterprise Development*, Vol. 11 No. 2, pp. 186-94.

Ullman, A.A. (1985), ''Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of US firms'', *Academy of Management Review*, Vol. 10 No. 3, pp. 540-57.

Waddock, S.A. (2001), *Leading Corporate Citizens*, McGraw-Hill, Boston, MA.

Waddock, S.A. and Graves, S. (1997), ''The corporate social performance-financial performance link'', *Strategic Management Journal*, Vol. 18 No. 4, pp. 303-19.

Wartick, S.L. and Cochran, P.L. (1985), ''The evolution of corporate social performance model'', *Academy of Management Review*, Vol. 10 No. 4, pp. 758-69.

Wartick, S.L. and Mahon, J.F. (1994), ''Toward a substantive definition of the corporate issue construct: a review and synthesis of the literature'', *Business and Society*, Vol. 33 No. 3, pp. 293-311.

Wolfe, R. and Aupperle, K. (1991), ''Introduction to corporate social performance: methods for evaluating an elusive construct'', in Post, J.E. (Ed.), *Research in Corporate Social Performance and Policy*, JAI Press, Greenwich, CT, pp. 265-8.

Wood, D.J. (1991), ''Corporate social performance revisited'', *Academy of Management Review*, Vol. 16 No. 4, pp. 691-718.

World Business Council for Sustainable Development (WBCSD) (2000), *Corporate Social Responsibility: Making Good Business Sense*, World Business Council for Sustainable Development, Geneva.

Appendix

Table AI Scale items and validity

Variable	No. of items	GFI	CFI	NFI	RMSEA	USRW	SE	SRW
1. CSR-employee	13	0.8	0.62	0.56	0.14			
1.1 An equal opportunity action plan						1.00		0.64***
1.2 Anti-discrimination policies towards issues of gender, pregnancy, marital status						1.50	0.28	0.82***
1.3 Policies towards sexual harassment prohibition						1.53	0.38	0.80***
1.4 Policies towards disability/disability harassment prohibition						1.32	0.39	0.69***
1.5 Policies to ensure representation of women and minorities in the Board of Directors						0.14	0.36	0.16†
1.6 Compensation of workers as per legally mandated minimum wages						0.08	0.1	0.13
1.7 Policies towards prohibiting forced overtime						0.04	0.07	0.02
1.8 Policies for the training and development of employees						0.00	0.20	0.00
1.9 Special staff development opportunities for women and minorities						0.55	0.11	0.37***
1.10 Promotion policy for women and minorities						0.62	0.21	0.39***
1.11 The right to freedom of association, collective bargaining and complaint procedure						0.32	0.23	0.27***
1.12 Policies covering health and safety at work						0.18	0.16	0.26***
1.13 Provision for formal worker representation in decision making						0.74	0.09	0.45***
2. CSR-customer	7	0.93	0.81	0.76	0.12			
2.1 Competitive prices and payment conditions for products commensurate with quality						1.00		0.52***
2.2 Policy/management systems for customer satisfaction						1.68	0.35	0.69***
2.3 Policy/management systems for preserving customer health and safety during use of products						2.02	0.49	0.49***
2.4 Standards and voluntary codes for advertising						2.03	0.54	0.43***
2.5 Commitment to quality through a well-developed, company-wide quality program						1.63	0.36	0.59***
2.6 Commitment to industry research and development and innovation						1.24	0.34	0.41***
2.7 Direct involvement in providing products to the economically disadvantaged						1.47	0.44	0.37***
3. CSR-investor	7	0.95	0.9	0.84	0.09			
3.1 Constitutional reference for shareholders' participation in decision making and access to all relevant information						1.00		0.44***
3.2 Provision of all required information to credit rating agencies						1.70	0.39	0.63***
3.3 Investor grievances-handling policies						1.55	0.34	0.73***
3.4 Rules to strengthen auditor independence						0.80	0.20	0.53***
3.5 Regulatory mechanisms for prohibiting insider trading						1.42	0.36	0.50***
3.6 Commitment to reporting on financial and non-financial issues						1.13	0.30	0.47***
3.7 Policies and procedures for engaging in wide range of stakeholder dialogues						0.96	0.29	0.38***
4. CSR-community	12	0.84	0.77	0.67	0.11			
4.1 Policy for contribution of skills and time of employees for community services						1.00		0.49***
4.2 Observes, both directly and indirectly, all relevant local laws and regulations						0.28	0.07	0.43***
4.3 Helps community through charitable donations, and educational and cultural contributions						0.95	0.18	0.64***
4.4 Supports for third-party social and sustainable development-related initiatives						1.35	0.25	0.68***
4.5 Supports educational programs for the promotion of corporate citizenship						1.62	0.29	0.75***
4.6 Supports public policies and practices to promote human development and democracy						1.25	0.25	0.60***
4.7 Pursues partnerships with community organizations, government agencies and other industry groups dedicated to social causes						1.48	0.26	0.77***
4.8 Prohibits child labor, and violation of human rights						0.22	0.08	0.27**
4.9 Makes timely payment of taxes						0.13	0.10	0.11
4.10 Policy for dealing with a country that systematically violates human rights						0.65	0.20	0.31**
4.11 Policy for social accountability or sustainable reporting						1.05	0.24	0.47***

(*Continued*)

Table AI

Variable	No. of items	GFI	CFI	NFI	RMSEA	USRW	SE	SRW
4.12 Code of conduct with regard to bribery, gift receipts and corruption						0.10	0.21	0.05
5. CSR-environment	17	0.66	0.66	0.61	0.16			
5.1 Explicit definition of environmental policy and long-term environmental plans						1.00	0.13	0.69***
5.2 Well-defined environment responsibilities						1.02	0.13	0.70***
5.3 Systems for measuring and assessing environmental performance						0.92	0.13	0.60***
5.4 Environmental emergency plans						0.93	0.11	0.62***
5.5 Policies for substitution of polluting and materials and conservation of virgin materials						0.73	0.09	0.56***
5.6 Designs facilitating reduction of resource consumption and waste generation during production, distribution and product usage						0.61	0.14	0.62***
5.7 Preference for green products in purchasing						1.05	0.13	0.66***
5.8 Natural environment training for employees						0.87	0.13	0.61***
5.9 Selection of cleaner transportation methods						0.81	0.13	0.53***
5.10 Responsible disposal of waste and residues, and recuperation and recycling systems						0.58	0.10	0.51***
5.11 Emission filters and end-of-pipe controls						0.64	0.11	0.51***
5.12 Process design for reducing energy and natural resources consumption in operations						0.76	0.10	0.65***
5.13 Production planning reducing energy and natural resources consumption in operations						0.70		0.60***
5.14 Regular voluntary information about environmental management to stakeholders						0.92	0.10	0.61***
5.15 Policies for preventing direct and indirect pollution of soil, water, and air						0.73	0.13	0.64***
5.16 Systems and techniques for producing environmentally safe products						0.81	0.10	0.58***
5.17 Mechanism for supporting research and development of environmental technologies						1.11	0.12	0.66***
6. CSR-supplier	5	0.97	0.97	0.94	0.09			
6.1 Inspection of supplier facilities for health, safety and environmental aspects						1.00		0.72***
6.2 Policy to ensure ethical and friendly procurement at supplier's place						1.13	0.22	0.80***
6.3 Policy to pay and receive competitive market prices timely to/from the supplier						0.20	0.09	0.26**
6.4 Policy on restrictions on the use of child labor, sweat shop and violation of human rights at the supplier's place						0.97	0.22	0.63***
6.5 Policy for social accountability or sustainable reporting by the supplier						0.75	0.21	0.62***

Notes: USRW = Un-standardized regression weight, SE = Standard error, SRW = Standardized regression weight; †$p < 0.10$; *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$

About the authors

Supriti Mishra is an Assistant Professor at HDF School of Management (India). Her current research interests include CSR and corporate governance.

Damodar Suar is a Professor in the Department of Humanities and Social Sciences at the Indian Institute of Technology, Kharagpur (India). His current research focuses on social issues and CSR. He has authored over 70 scientific/professional articles including book chapters. Damodar Suar is the corresponding author and can be contacted at: ds@hss.iitkgp.ernet.in