

# THE REFINEMENT AND VALIDATION OF THE SOCIAL RESPONSE SCALE: THE CASE OF MULTINATIONAL CORPORATIONS OPERATING IN TUNISIA

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**ABSTRACT:** *Satisfying multiple stakeholder expectations and, in some cases, stakeholder issues is perceived as a major challenge the companies face. Despite this challenge, corporate social response activities have not been well documented in the empirical literature and have so far attracted relatively limited attention from researchers interested in the field (e.g., de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia-Falcon, 2002). One of the main causes of this situation is closely related to the lack of a scale for measuring the social response activities among companies. In light of this gap in the corporate social response literature, the main objective of this study is to refine and validate the psychometric properties of a social response scale and to create a scaled-down version suitable for companies, and in particular for multinational corporations (MNCs). The refined scale is based on the prior literature and administrated to a sample of 251 subsidiaries operating in Tunisia. The scale has four dimensions. In quantitative analyses these dimensions highlight high reliability and satisfactory validity. Research contributions are provided based on the study findings. Limitations are also presented and discussed along with suggestions for research.*

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**Keywords:** *multinational corporation (MNC), corporate social response, social issues, stakeholders, scale refinement and validation.*

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## INTRODUCTION

Environments are characterized by multiple stakeholders where corporations struggle to deal with their social issues. While corporate social response is commonly associated with the nature of the social issue (Husted, 2000), a growing line of research attributes corporate social response to a set of social activities (e.g., Ackerman & Bauer, 1976; Arcelus & Schaefer, 1982; Amba-Rao, 1993). Research suggests that corporate social response falls under an umbrella term known as corporate social responsibility which is

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generally split into four categories, i.e. economic, legal, ethical and philanthropic (Sethi, 1979; Murphy, 1978; Carroll, 1991), with other authors claiming that it is a process and an implementation of activities (e.g., Preston & Post, 1975; Waddock, 2004).

The concept, although born more than 40 years ago (Arlow & Gannon, 1974), is still not well defined and therefore increasing attention must be paid to investigating it at theoretical, empirical and comparative levels. Extant research has described the processes used to respond to social issues and the various forms of corporate social response can take (e.g., Post & Mahon, 1980; Savage et al., 1991; Galbreath, 2006). Recently, few studies have focused on the determinants of corporate social response in the context of multinational corporations (MNCs) operating in developed countries and its role in establishing and maintaining social well-being (e.g., de la Cruz Déniz Déniz & Garcia Falcon, 2002; Borchani, 2010). But apart from these exceptions, insufficient empirical research on corporate social response has been conducted. The most common reason for this is the lack of an appropriate instrument. Therefore, we extend this line of inquiry through the re-examination of corporate social response and its measurement, building on the perspective of key stakeholders within a corporation.

According to the stakeholder perspective, stakeholder issues should not be seen in isolation but rather in conjunction with social practices and activities of MNC's subsidiaries (Park & Ghauri, 2015). Dealing with these issues thus involves a measurement instrument of corporate social response. Researchers that aim to develop a scale measuring corporate social response to social issues face several difficulties. A major difficulty that they continue to encounter is the limited body of literature directly linking MNCs and social activities. Quantitative research methodologies, by their nature, can be applied to only a large sampling of companies and therefore the process of collecting primary data is another challenge for researchers. In addition, researchers must also use available data, or research scale and this has proven to be difficult to find. Drawing on a bibliographic analysis of social practices studies, Park & Ghauri (2015) indicate that the existing literature that will aid in facing these difficulties is growing but still limited.

The most thorough works on this topic have been done by some researchers (e.g., de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia Falcon, 2002) who have developed a 28-item scale measuring social response of MNC's subsidiaries. Overall, the social response scale is an excellent starting point for our study as it has some advantages. First, this scale is an up-to-date measure of MNC's behaviors in response to a wide range of social issues. Second, it is a multi-dimensional scale and should be conceptualized as such. Therefore it may properly reflect the overall level of MNC's subsidiaries social response. Third, it is easy to apply it consistently in the industries and MNC's subsidiaries that need to be studied.

The social response scale, while offering some benefits has limitations. This scale has been developed primarily by focusing on MNCs operating in one developed country, notably Spain. As efforts to develop a measurement scale of social response have been carried out in a developed country, the published literature does not exhibit a clear concern about

measuring social response activities among Spanish MNC's subsidiaries. This need to expand the context in which corporate social response is measured has been mentioned as a gap in international corporate social response literature. Furthermore, the 28 items for capturing the five dimensions have not been tested with confirmatory factor analysis (CFA) following currently advocated procedures. Thus, the fit of the 28-item original version of the social response can be improved by deleting scale items. This suggests the need to understand and measure the social response activities for the development of a shorter version of the social response scale. For these two reasons, some refinements of this scale appear necessary.

From a stakeholder theory, this study extends an understanding of corporate social response enabling managers of MNC's subsidiaries to satisfy multiple stakeholder expectations. Moreover, it re-examines a social response scale using CFA. Once this procedure is complete, this scale will be a useful tool for researching and investigating relationships between it and organizational outcomes (both economic and social). This study views corporate social response as an independent variable that will affect a variety of outcomes. Thus, its role is essential to gain more empirical knowledge about corporate social response. In addition, it offers an appropriate social response scale for MNC's subsidiaries operating in an emerging country –Tunisia. By proposing a conceptualization and a measurement instrument, one can make fine-gained recommendations to MNC's subsidiaries managers regarding ways to create and maintain social well-being. In other words, the social response scale serves as an organization-wide guide for leading them to make accurate decisions regarding stakeholder strategies.

Providing researchers and MNC's subsidiaries with a culturally appropriate social response scale represents an attempt to fill the gaps mentioned above. Understanding and measuring its activities are important for the refinement and preliminary validation of the scale measuring corporate social response. Therefore, the main objective of this study is to refine and validate such a scale and to create a scaled-down version that will be suitable for MNC's subsidiaries and can be used to deal with social issues. To attain this objective, it draws on the conception of corporate social response as forwarded by de la Cruz Déniz-Déniz & Garcia Falcon, (de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia Falcon, 2002).

The remainder of the study is organized as follows. The relevant literature reviews are undertaken to examine the corporate social response and its activities in section 1. Section 2 presents research methods. Section 3 focuses on analyzing the results. Section 4 provides a discussion of these results. Section 5 outlines research contributions. Section 6 points out limitations of the study and directions for future research.

## 1. CORPORATE SOCIAL RESPONSE

The concept of corporate social response was introduced into Business and Society literature in 1974. Despite the increasing attention to this concept, a consensus amongst researchers as to a definition of the term has yet to be reached. Many definitions of corporate social response have been developed, each providing a slightly different perspective. Broadly conceptualized, corporate social response is used to refer to an organization's capacity to respond to social pressure (Frederick, 1994, p. 154). However, as Murphy (1987, p. 19) argued, corporate social response that is defined in terms of a reaction to stakeholder demands in diverse ways is a more positive and accurate concept than corporate social responsibility.

According to Walker & Parent (2010), some proponents of corporate social response (e.g., Carroll, 1979; Wartick & Cochran, 1985) used a scale reflecting four motives—reactive, defensive, accommodative and proactive—attributed to companies for adopting socially responsive behavior. Moreover, corporate social response is regarded as a managerial approach (Carroll, 1979) and related to other business-society concepts such as corporate social responsibility and corporate social performance (e.g., Wood, 1991; Clarkson, 1995). Later, Husted (2000, p. 29) re-conceptualized corporate social response as the mechanism to maintain or bring the company into alignment with its social environment. Waddock (2004) advocated for some functions that help companies implement social response activities of this mechanism/ process. These functions are (1) open dialogue, (2) ethical business involvement, (3) stakeholder relations and communication, (4) public affairs, and (5) issues management (see Table 1).

The Husted's (2000) definition is used to provide the conceptual framework for this discussion and analysis. This overview paper is organized according to the definition's focus on the ability of a company to set up a process for dealing with its social environment. From this theoretical perspective, it is assumed that the corporate social response construct is multifaceted and built around activities of social mission establishment, stakeholders' environment analysis, social response formulation, social response implementation and social response process control and its results (de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia Falcon, 2002). These five social response activities should not be considered to be mutually exclusive to one another, but rather to provide a working framework through which the social response scale can be refined and validated. We believe companies use a combination of five activities to deal with stakeholder issues, suggesting that there are multiple ways by which they can be established. The following paragraphs merely illustrate short descriptions of each social response activity.

Table 1: *The differences between corporate social responsibility and corporate social response*

Corporate social responsibility	Corporate social response
Emergence	
1953 (Wartick & Cochran, 1985).	1974 (Arlow & Gannon, 1974).
Term synonyms	
Company's social obligation (Bowen, 1953; Sethi, 1990; Frederik, 1994).	- Managerial approach (Frederik, 1994) - Process and implementation of following activities: environmental assessments, stakeholder management, issues management and public relations management (Wood, 1991).
Determinant(s)	
Stakeholder issues (Carroll, 1979; David, Kline & Dai, 2005; Maignan & Ferrell, 2001).	Open dialogue, ethical business involvement, stakeholder relations and communication, public affairs, and issues management (Waddock, 2004).
Arguments for	
Moral obligation, sustainability, license to operate and reputation (Porter & Kramer, 2006).	Gaining and sustaining a competitive advantage and facilitating corporate social responsibility (Friedman, Parent & Mason, 2004).
Types	
Economic responsibilities (To make a profit); Legal responsibilities (To respect laws); Ethical responsibilities (To be ethical); Philanthropic responsibilities (To be a good corporate citizen) (Carroll, 1979).	- Reactive, defensive, accommodative and proactive (Carroll, 1979; Wartick & Cochran, 1985). - Compromise, avoidance, defiance or manipulation (Olivier, 1991).

### 1.1. Corporate social mission establishment

The corporate social mission establishment is the first step of a corporate social response process. Its purpose is to involve a company in assuming social responsibilities. The corporate social mission establishment requires much dialogue between the company and its stakeholders (Morsing & Schultz, 2006). The corporate social mission is essential for the company setting up the social response process. In other words, it serves as a guide to formulating and implementing social plans, making assessment of these plans and determining what adjustments are necessary for them (de la Cruz Déniz-Déniz & Garcia-Falcon, 2002). As noted by some authors (e.g., Capriotti, 2011; Trapp, 2014), corporate social mission may also offer several other advantages such as consensual decision-making

and ensuring stakeholders support. However, the corporate social mission establishment is seen to be, more often than not, more complicated in the case of MNCs, as it is applied to local stakeholders in host countries as well as to MNC's subsidiaries (de la Cruz Déniz-Déniz & Garcia-Falcon, 2002).

## 1.2. Stakeholders' environment analysis

Once the corporate social mission is explicitly established, the company must analyze its stakeholders' environment. The environmental analysis involves the identification of the company's stakeholders and their social issues.

### 1.2.1. Identification of the company's stakeholders

To analyze its social environment, a company must begin with the identification of the stakeholders who have a 'stake' or an interest in its proper functioning (Freeman, 1984, 1999). The company has a variety of stakeholders such as customers, employees, shareholders, suppliers and government agencies. Stakeholders are "groups and individuals who can affect, or are affected by, the achievement of an organization's mission" (Freeman, 1984, p. 54). The range of relevant stakeholders is investigated through the use of several theoretical and empirical approaches. The descriptive approach being a basic framework starts from the assumption that the organization is a constellation of competing and cooperative interests. According to Donaldson & Preston (1995), this approach aims to describe the relationship between the company and its stakeholders.

Mitchell, Agle & Wood's (1997) proposed framework considers a set of attributes such as power to influence, legitimacy and urgency. Stakeholder classification which is then determined by combining them brings out three general categories: (1) definitive stakeholders who possess all three attributes, (2) expectant stakeholders who possess two attributes and (3) latent stakeholders who possess one. This has led researchers (e.g., Driscoll & Starik, 2004) to propose another attribute-proximity-in order to identify stakeholders and classify them into a fourth category, namely primary stakeholders. Specifically, Atkin & Skitmore (2008) apply an alternative typology of stakeholders categorizing them by distinguishing between internal and external stakeholders. Internal stakeholders include managers, employees and shareholders. External stakeholders are governments, competitors, customers and the media (Harrison, Bosse & Phillips, 2010; Laplume, Sonpar & Litz, 2008; Tang & Tang, 2012).

Savage et al. (1991) claim that stakeholders can be identified based on their possession of two attributes: (1) potential for cooperation between the stakeholders and the company and (2) potential threat. This typology provides the largest range of diverse stakeholders groups. However, Yang & Rivers (2009) delineate two broad categories of stakeholders: social and organizational. The social stakeholders consist of formal government institutions, the community in which the company operates or serves, Non-government organizations (NGOs) and industry bodies. This group of stakeholders

defines the company's social context influencing all companies operating in any country. The organizational stakeholders consist of consumers, shareholders, employees and parent firms. This group of stakeholders defines the company's organizational context affecting the specific company. In short, all these typologies base much of the assessment on managers' perceptions.

### *1.2.2. Identification of stakeholders' issues*

Once the most important stakeholder groups are clearly identified, the company must determine each group's issues. Therefore, a clear distinction between different stakeholders should lead to a better assessment of social issues. Formal government institution-related stakeholder issues include compliance with the laws and tax receipts and other government issues. Community-related stakeholder issues encompass creating jobs for people living in the community, local sourcing, economic and social contribution to a region's development and philanthropic giving and other community issues. Non-government organization-related stakeholder issues include donations to social causes, employment of people with disabilities and the support of social projects.

Consumer-related stakeholder issues range from consumer declarations and expectations, to consumer safety and other consumer issues. Shareholder-related stakeholder issues encompass achieving profits, sustainable growth, long-term financial success, responsible investments and other shareholder issues. Employee-related stakeholder issues include corporate policies and practices toward union relations, working conditions, non-discrimination of employees, elimination of forced/child labor, remuneration policy and other human resources issues. Parent firm-related stakeholder issues include compliance with parent firm's requirements for social practices and activities, value creation and performance and other parent firm issues (Yang & Rivers, 2009; Lovett, Pérez-Nordtvedt & Rasheed, 2009; Mishra & Suar, 2010).

As part of this step, social issues are analyzed according to three attributes: scope, urgency and importance (Mitchell et al., 1997; de la Cruz Déniz-Déniz & Garcia Falcon, 2002). This can be achieved through considering social issues closely linked with the main activities of the company (e.g., production, marketing). Research in corporate social response suggests that another way of identifying stakeholders' issues types is through the construction of maps. It involves determining the impact of the current activities of the company on the social environment and the impact of this environment on these activities; monitoring trends, changing models and major value changes and establishing the impact of undertaken changes on the current and future activities of the company (Preston & Post, 1975; Post & Epstein, 1977; Arcelus & Schaefer, 1982). This stage, therefore, produces a rank ordering of social issues. Two other attributes should be considered when identifying stakeholders' issues: the area of society in which they are set- political, economic, environmental, social, cultural or legal as well as the level of demand stakeholders have – primary, secondary or tertiary (Wood, 1994; Frooman, 1999; Pomeroy & Douvere, 2008).

Thus, the company must satisfy the expectations of its stakeholders which are not of equal importance. Satisfying multiple stakeholder expectations, never an easy task, becomes exceptionally difficult in the case of MNC's subsidiaries. As there is a great difference between host-country stakeholders' expectations and those of the home country, subsidiaries which are part of a MNC are often faced with difficult decisions when choosing the most appropriate response to social issues (Polonsky & Jevons, 2009). Therefore, MNC's subsidiaries should take into account all stakeholders who affect their social practices saliently.

### 1.3. Social response formulation

The main purpose of social response formulation is to choose the most appropriate response and to formulate social plans and programs.

#### 1.3.1. *Choosing the most appropriate social response*

Because stakeholders' issues may change over time, a company should remain an ongoing process allowing for strategy design to adjust as more is known about their evolution. In other words, the company must focus on developing an understanding of the expected future for the most important social issues and trends in the behavior of stakeholders to adopt the most appropriate response (de la Cruz Déniz-Déniz & Garcia Falcon, 2002). Much of the existing literature attempts to identify strategy typologies. Van Bommel's (2011) typology claims that a company can follow three strategies to deal with social issues, namely a resign strategy, a defensive strategy and an offensive strategy.

Along the same lines, some authors (e.g., Carroll, 1979; Wartick & Cochran, 1985; Sauser, 2005) show wide agreement in stating that strategies can be classified into four main categories, i.e. reactive, defensive, accommodative and proactive. However, Heikkurinen & Forsman-Hugg's classification (2011) suggests two possible social strategies, namely responsive and beyond responsive strategy. Some recent studies (e.g., Van Marrewijk, 2010; Van Bommel, 2011) also establish links between the social strategy types and several key factors suggested in a company's wider context. Typical factors of this kind include strategic guidelines, pressures and incentives. But in any case the social response chosen must reflect the values inspired from those of the corporate social mission (de la Cruz Déniz-Déniz & Garcia Falcon, 2002).

#### 2.3.2. *Formulating social programs and plans*

To address social issues, a company establishes actions plans and tactics during the strategic social programming stage. Every involved unit must accept the plan in terms of actions proposed by the company (de la Cruz Déniz-Déniz & Garcia Falcon, 2002). This plan which represents the best fit between stakeholders' values, managers' values and social issues the company faces should be designed after the social objectives have been set (Stead, Stead & Gray, 1990). Therefore, it is necessary for the company to sacrifice the

content, the resources (e.g., financial resources, physical resources, human resources) and the time schedule in favor of socially responsive actions in the plan. As a result, an efficient allocation of all resources provides a means for this company to achieve its target social objectives (Logsdon & Yuthas, 1997).

#### **1.4. Social response implementation**

In order to implement the plan, a company must make decisions and develop activities. Therefore, several activities including –staff allocation, motivation and leadership, reward system and socialization of employees –need to be accomplished. The company can begin with human resource allocation (de la Cruz Déniz-Déniz & Garcia-Falcon, 2002; Logsdon & Yuthas, 1997). Once selecting the right people for the plan implementation as the selected personnel needs to have both a positive attitude toward social issues and the ability to do things.

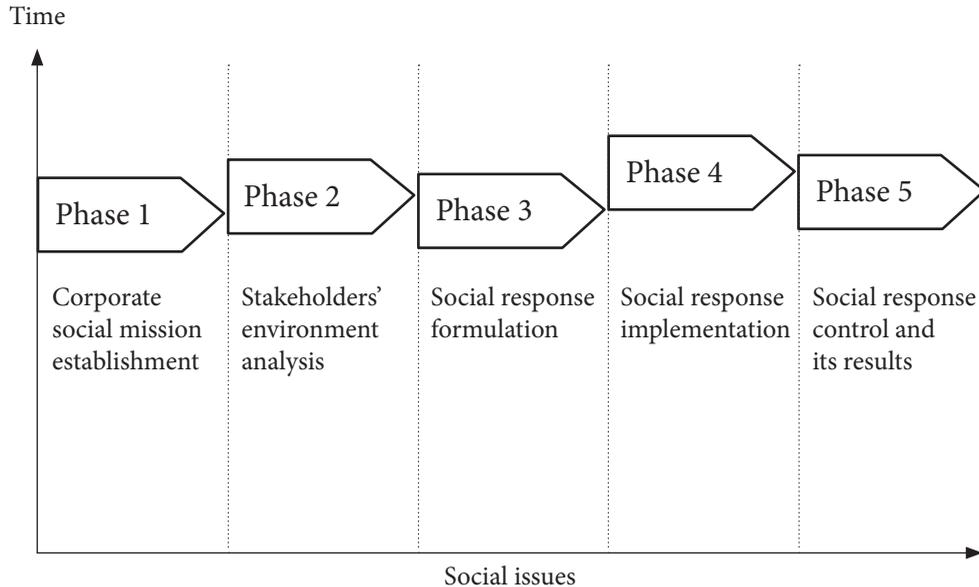
Motivation and leadership, in effect, identify four main roles that managers must play in implementing this plan, i.e. the visible support of the plan, the communication of the plan details to the personnel, the use of a two-way communication if the change presents threats and the information can be misinterpreted and the implementation of a reward system (Gray, 1981). The next stage, reward system, should allow the managers to compensate for the efforts of the personnel acting in the best interest of all stakeholders. Acknowledging sanctions by employees adds an important component to this system. Socialization is also recommended to ensure moral development of the personnel (Logsdon & Yuthas, 1997). Performing these activities is a continuing process that puts the previously defined social plans into practice (de la Cruz Déniz-Déniz & Garcia Falcon, 2002).

#### **1.5. Social response process control and its results**

Periodic controls of the social response process are essential to ensure the follow up of social objectives, the performance of the staff involved in the social plans implementation, etc. It is also important for the company to evaluate the effect of its social response activities on the stakeholders' environment (de la Cruz Déniz-Déniz & Garcia Falcon, 2002). After assessing the progress of the social response process, it can obtain information that will be published in an integrated report (IIRC, 2013). This information is very useful for the company that is trying to make necessary changes into any step of the process (de la Cruz Déniz-Déniz & Garcia Falcon, 2002). Another information gathering activity should take place. This company should develop an effective communication to know the viewpoints of all stakeholders (e.g., customers, suppliers, shareholders) on the results of the social response process (Lavallée & André, 2005; Morrison-Saunders, Baker & Arts, 2003; Loxton, Schirmer & Kanowski, 2013; Kohls, 1985; de la Cruz Déniz-Déniz & Garcia Falcon, 2002).

This gives a sequence of five social response activities with a conceptual representation, as delineated in Fig. 1.

Figure 1: *Proposed framework for corporate social response, figure adapted from de la Cruz Déniz-Déniz & Garcia Falcon (2002, p. 345)*



## 2. RESEARCH METHODOLOGY

To develop and validate the social response scale, the methodological approach appears to be useful in this study. Conducting this approach involves follow-up procedures advocated in the literature (DeVellis, 1991; Ping, 2004). Without the sample selection and the measurement of corporate social response, it will be impossible to study the psychometric properties of this scale (e.g., reliability, discriminant validity, predictive validity).

### 2.1. Research setting

Few works have tried to develop a psychometrically robust measure of corporate social response (e.g., de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia-Falcon, 2002), and the literature is in its embryonic stage. To address this gap, the aim of this study is to provide a tool by which MNCs can deal with stakeholders' issues. As the social response scale will be subject to further assessment, there is a need to undertake a selection of subsidiaries from different kinds of industries. Given the variation of social activities in different sectors, the latter concern (focus on subsidiaries undertaking several sector operations) should not be ignored (Öberseder et al., 2014). The generalizability of the results is yet another basic reason behind the selection of sample through a multi-sector approach (Mishra & Shah, 2009; Huang, Kristal & Schroeder, 2008).

## 2.2. Research sample and data collection

The survey sample of this study includes MNC's subsidiaries which are located in Sousse, Tunis, Nabeul and Zaghouan. The main reasons for choosing these cities are not only the accessibility of subsidiaries, but also the facilitating data distribution and collection process. These subsidiaries operate in a variety of industries. In fact, the technique used to select such industries is the stratified sampling. This technique has clear advantages for the researchers, since it allows a greater degree of representativeness (Babbie, 1990) and consequently, a higher level of accuracy in estimating parameters (Nachmias & Nachmias, 2007). In this study, the frame from which the survey sample is drawn is stratified according to foreign direct investment (FDI).

The sampling frame for MNC's subsidiaries operating in the five industries with most investment consists of 58 subsidiaries from the energetic industry (e.g., oil and gas extraction industry, oil and gas refining industry), 247 subsidiaries from the mechanic industry, 233 subsidiaries from the electric and electronic industry, 1124 subsidiaries from the textile and clothing industry and 74 subsidiaries from the construction materials industry. To increase the response rate, the survey was conducted entirely through face-to-face interviews. A self-administered questionnaire was used and only translated from Spanish to French. The respondents were only managers who held different management positions in the foreign subsidiaries. The data collection process took place during the summer of 2011 and resulted in 265 completed responses. After eliminating fourteen cases, due to their inadequate completion of the research questionnaire, the final sample consisted of 251 subsidiaries.

In terms of representativity, this sample is composed of all the industries cited above. The biggest industry is that of textiles and clothing, representing more than 33% of the sample with 83 subsidiaries. The electrical and electronic industry and the mechanic industry, each accounts for about a quarter of the subsidiaries of the total sample, which is almost the same proportion (26%). Against all expectations, the energy industry includes only 9.6% and the construction and materials industry only 6%. Over 92% of MNC subsidiaries come mainly from European countries such as France, Italy, Germany, the UK, Sweden, Australia and Spain. Regarding the markets served, 44.6% of the subsidiaries are not focused on serving the host country. The average number of employees in these subsidiaries is 361 and the median is 70. Their median share capital was 850 million euro. Detailed characteristics of the sample are given in Table 2.

Table 2: *Sample descriptions*

Characteristics	Study	
	N	%
Home country		
Europe	231	92.2
North America	14	5.8
Asia	6	2.0
Market served		
Host country	139	55.4
Other countries	112	44.6
Sector		
Textiles and clothing	83	33.1
Electrical and electronic industry	64	25.5
Mechanic industry	65	25.8
Energy	24	9.6
Construction and materials	15	6.0
Size		
Fewer than 10 employees	29	11.5
10–49	67	26.6
50–199	100	40.0
More than 199	55	21.9
Share capital		
Less than 50 million euro	38	15.1
50–150 million euro	35	14.0
151–300 million euro	24	9.5
301–800 million euro	13	5.1
801–3000 million euro	18	7.1
3001–5000 million euro	17	7.0
More than 5000 million euro	106	42.2

### 2.3. Scale measurement

Some authors (e.g., de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia Falcon, 2002) have developed the social response scale as a measure of socially responsive behavior related to MNC's subsidiaries. The social response scale was designed as a multidimensional, 28-item scale that assesses the effort MNC's subsidiaries devoted to performing five social response activities (see Fig. 1). In addition, these authors have investigated the relationship between the social response scale and a variety of variables (e.g., attitudes toward formulating social policies, legislation). Overall, results have been consistent with underlying theory and confirm the validity of the social response scale. They have also suggested that the social response scale has acceptable reliability. However, they did not make use of other known psychometric procedures and standards (e.g., convergent validity, discriminant validity) similar to those reported in other scale development studies (e.g., Webb, Mohr & Harris, 2008; Öberseder et al., 2014).

### 3. ANALYSES

To broaden our understanding of corporate social response as well as to bring needed attention to developing a reliable and valid scale measuring it, three studies are conducted. The first one focuses on refining scale items (study 1). However, the second methodological study aims to determine the dimensionality and reliability of the corporate social response (study 2). Finally, the third methodological study is concerned with checking convergent, discriminant and predictive validity of the scale (study 3).

#### 3.1. Study 1: content validity evaluation and pilot testing

This stage of the study involves scale refinement. Following de la Cruz Déniz-Déniz & Garcia Falcon's (2002) preliminary five dimensional conceptualization of social response scale, a pool of items was generated: social mission establishment (6 items), stakeholders' environment analysis (6 items), social response formulation (6 items), social response implementation (6 items) and social response process control and its results (4 items). All five dimensions were combined with one another to form an overall measure of social response scale. Based on the conceptualizing and combining of these scale dimensions, content validity of the pool of items was then assessed by a group of four expert judges, academics and professionals. Both human judgment and ranking method were used to ensure consistent, quality scores. A priori items that got consistent scoring from at least three of the four judges were retained. In the end, this resulted in a total of 25 items remaining.

Next, the 25-item social response scale was incorporated into a questionnaire. The 25 items were measured using a five-point rating scale, anchored by 1 'no effort' and 5 'much effort'. Using a procedure recommended by Netemeyer, Bearden & Sharma (2003), a pilot survey was then conducted to test the questionnaire among a small sample ( $n = 31$ ). Respondents were asked to assess items for clarity and conciseness. This process resulted in some items being rephrased and in the retention of all the items for further analysis. The third stage of this study involves further purification of scale items and an overall testing of the internal reliability for 25 items. As the overall measurement scale was judged too long for large-scale survey research, items with a corrected item-total correlation inferior to 0.5 were deleted, resulting in the elimination of four items. The 21 remaining items were then subjected to follow-up factor analyses. By using Cronbach's alpha, the internal reliability of the 21-item scale was acceptable ( $n = 31$ ), which is in line with Nunnally's (1987) recommendations for scale refinement.

#### 3.2. Study 2: exploratory factor analysis and internal reliability testing

As an initial step in examining construct dimensionality, two tests KMO (Kayser Meyer Olkin) and Bartlett were used to test the data adequacy for factor analysis. In this study, the KMO was very high at 0.95 and the Bartlett test of sphericity was significant at the

< 0.001 level, clearly indicating the appropriateness of conducting an exploratory factor analysis (EFA) (principal components analysis (PCA) with varimax rotation) on the 21 remaining items (Pallant, 2007). Next, factor loadings and communalities were also estimated in order to ensure that each item loaded on one dominant factor as well as one specific factor. The values of both parameters should be greater than 0.5.

Once the factor analysis revealed several factors, however, the items failing to exhibit simple structure on any factor should be eliminated. This study investigated the factor structure of the social response scale without identifying cross-loadings problems. The EFA applied to the remaining items was again used to examine the proportions of total variance and restrict the number of factors extracted. The items load on four distinct latent factors (factor loading above 0.6), accounting for 85.2% of the variance (see Table 3). The first factor included the stakeholders' environment analysis dimension and the social response formulation dimension (SEA & SRF), the second captured the social mission establishment dimension (SME), the third represented the social response process control dimension (SRPC) and the fourth reflected the social response implementation dimension (SRI). By using the EFA, we showed that almost all factors were confounded with those proposed in the theoretical model drawn from de la Cruz Déniz-Déniz and Garcia Falcon's (2002) study, except for the stakeholders' environment analysis dimension and the social response formulation dimension being merged together to report a significant relation to the underlying construct of corporate social response.

Internal consistency was firstly assessed using Cronbach's alpha. Secondly, assessment of internal consistency was based on another kind of indicator called composite reliability using a CFA. Cronbach's alpha is also distinguished from composite reliability. Unlike Cronbach's alpha, composite reliability provides an assessment of internal consistency without assuming unidimensionality (Webb, Mohr & Harris, 2008). As recommended for testing internal consistency (Gerbin & Anderson, 1988), composite reliability presupposes the inequality of items reliabilities.

We showed that a modest positive correlation exists between factors of corporate social response (SEA & SRF – SME,  $r = 0.582$ ; SEA & SRF – SRPC,  $r = 0.553$ ; SEA & SRF – SRI,  $r = 0.670$ ; SME – SRPC,  $r = 0.620$ ; SME – SRI,  $r = 0.537$ ; SRPC – SRI,  $r = 0.647$ ). These factors were not only conceptually and empirically distinct but also not highly intercorrelated. Therefore, the second order factor analysis was not performed (Anderson & Gerbing 1988; Doll, Xia & Torkzadeh, 1994) and the composite reliability for each factor was calculated.

Thus, internal consistency of four factors was assessed using two indicators: Cronbach's alpha and composite reliability (Nunnally, 1979; Hair et al., 1998). The Cronbach reliability values exceeded the acceptable threshold of 0.7: SEA & SRF = 0.97; SME = 0.96; SRPC = 0.96; SRI = 0.96. The composite reliabilities values also reached this threshold: SEA & SRF = 0.89; SME = 0.96; SRPC = 0.95; SRI = 0.96, indicating high reliability for all four factors.

Table 3: The factor structure of social response scale (final sample,  $n = 251$ )

Items <sup>a</sup>	Communi- mality	Factor 1	Factor 2	Factor 3	Factor 4
<i>Social mission establishment</i>					
26. To formulate a declaration of intentions for safeguarding society's well-being.	0.885		0.846		
25. To establish the specific obligations of the company towards its stakeholders (clients, employees...).	0.920		0.871		
27. To decide what budget will be dedicated to meet the society obligations.	0.901		0.835		
. To establish the operational area participating in fulfilling the obligations of the society.	0.927		0.863		
<i>Stakeholders' environment analysis and social response formulation</i>					
7. To consult publications for identifying the new demands emanating from the environment.	0.716	0.697			
9. To analyze the impact (present and future) of the stakeholders' demands.	0.784	0.730			
11. To put the stakeholders' demands in order of priority.	0.782	0.717			
20. To estimate the likelihood of new demands emerging from the stakeholders' environment.	0.809	0.723			
20. To establish the most appropriate answer to the stakeholders' demands.	0.801	0.802			
23. To specify the content, resources, duration, and person responsible for carrying out the social objectives.	0.833	0.783			
21. To formulate projects of staff training involved in the carrying out of social objectives.	0.832	0.801			
. To define evaluation systems for staff who participate in plans meeting the society obligations.	0.857	0.815			
. To define reward systems for staff who participate in plans meeting the society obligations.	0.831	0.802			
<i>Social response implementation</i>					
14. To form interdisciplinary work teams to identify social demands and to find responses to them.	0.857		0.803		
15. To designate personnel who will be in contact with stakeholders.	0.881		0.815		
17. To assign a central role to managers in the implementation of plans meeting the society obligations.	0.866		0.825		
16. To communicate the social objectives and the plans to the whole organization.	0.892		0.830		
<i>Social response process control and its results</i>					
3. To ask the managers for reports about their corporate social response contributions.	0.867		0.845		
1. To evaluate the personnel's performance in social response activities.	0.855		0.797		
5. To evaluate the suppliers' performance in terms of corporate social response.	0.888		0.815		
2. To learn the stakeholders' opinion about corporate social response.	0.904		0.837		
Eigenvalue		12.77	2.04	1.82	1.27
Explained variance (%)		29.32	18.72	18.63	18.5
Accumulated explained variance (%)					85.2

<sup>a</sup>All items numbers are those in de la Cruz Déniz-Déniz & García-Falcon (2002).

### 3.3. Study 3: measurement model validation and construct validity

As the exploratory results seemed reasonable and parsimonious, the 21 remaining items were subsequently subjected to further structural investigation using CFA. Prior to data analysis, Pearson's coefficient of skewness, Kurtosis coefficient and multivariate Kurtosis test were used to check the multinormality of the data. All items met or exceeded accepted standards for Pearson's coefficient of skewness. The calculated Kurtosis coefficient for each item was in the acceptable range, providing further support for the assumption of multivariate normality. Based on multivariate Kurtosis test, whereby the Mardia's coefficient for all items should be less than 3.

The calculated Mardia's coefficient for all did not fall below this threshold. Further procedure was therefore required before estimating the measurement model using maximum likelihood estimation (MLE). To do so, an initial examination of the factor structure of the social response scale was performed through Bootstrap method. It is an estimating process of the factor loadings, covariance between latent variables and error variances based on the resampling (Franco & Reisen, 2007; Yuan & Chan, 2008). The use of Bootstrapping is in no way an attempt to show the multinormality of the data, but provides a test to determine whether or not the multivariate normality assumption is violated.

After confirming the non-violation of the multivariate normality assumption, the measurement model was examined and estimated in AMOS 18. To test the robustness of this model, some fit indices were used. They must meet or exceed the cited and recommended standards (see e.g., Hair et al., 2010; Byrne, 2001). The Chi-Square test statistic ( $\chi^2$ ) additionally divided by degrees of freedom ( $\chi^2/df \leq 2.5$ ), the Comparative Fit Index (CFI  $\geq 0.95$ ), the Normed Fit Index (NFI  $\geq 0.95$ ) and the Root Mean Square Error of Approximation (RMSEA  $\leq 0.06$ ). However, the CFA showed a very poor model fit for the four-factor solution of the social response scale ( $\chi^2 = 407.156$ ,  $df = 146$ ,  $p = 0.000$ ; CFI = 0.86; NNFI = 0.81; RMSEA = 0.085). Examination of the modification indices suggested the elimination of two additional items.

This process resulted in 19 items capturing four factors as follows: SEA & SRF (9 items); SME (4 items); SRPC (4 items) and SRI (4 items). The remaining 19 items were again tested with CFA resulting in a satisfactory fit of the data. The descriptive model fit statistics were  $\chi^2 = 241.195$ ,  $df = 142$  ( $p < 0.01$ ); CFI = 0.984; NFI = 0.962, and RMSEA = 0.053, which are within the guidelines recommended by Hair et al. (2010). The CFA results indicated that four factors are useful in terms of understanding the corporate social response construct.

Following the suggestions of Fornell & Larcker (1981), the average variance extracted (AVE) was used to test convergent validity. It is calculated as the sum of the item standardized loadings squared divided by the sum of the item standardized loadings squared added to the sum of the item error variance. The AVE must be greater than 0.5 (Hair et al., 1998). The calculated AVE for the four factors exceeded the recommended threshold of 0.5: SEA & SRF = 0.55; SME = 0.87; SRPC = 0.84; SRI = 0.85. In addition, as recommended by

Fornell & Larcker (1981), the discriminant validity is checked if the AVE is more than the square correlations between each pair of factors in the model (for similar approaches to construct validity, see e.g., Kaptein 2008). All AVE values were also very good ranging from 0.55 to 0.87, whereas all interconstruct correlations were between 0.3 and 0.46 (see Table 4); this is an indicative of distinct social response factors.

Table 4: *Correlations between the factors, square root of AVEs and standard deviations*

	SME	SEA & SRF	SRI	SRPC	Standard deviations
SME	<b>0.93<sup>a</sup></b>				1.28
SEA & SRF	0.34	<b>0.74</b>			0.91
SRI	0.3	0.46	<b>0.93</b>		1.24
SRPC	0.4	0.31	0.44	<b>0.91</b>	1.24

Notes: The bold numbers in the diagonal row show the square roots of AVE.

Data obtained from the same sample (n = 251) were used to gain further insight into predictive validity of the social response scale as well as to allow further examination of the generalizability of this factor structure. Predictive validity aims at how well the focal construct is predicted by other measures for which a relationship can be theoretically deduced (Bagozzi, 1994). To do so, measures for two conceptually related yet distinct constructs were included in the questionnaire, namely proactivity and reactivity in the formulation of social strategies (de la Cruz-Déniz Déniz & Garcia Falcon, 2002). Proactivity is conceptualized as “the degree to which behavior is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions” (Burcke & Logson, 1996, p.498).

In the strategic literature, it is almost universally agreed that proactivity appears to be important in planning. According to Frederick (1994), more proactive is the firm which adopts an anticipatory scanning procedure to detect emerging problems. The level of proactive social strategy followed by a firm is largely dependent on the social mission, social strategy, organizational budget, organizational systems, managerial responsibilities and social decisions (e.g., Amba-Rao, 1993; Wykle, 1992; Merenda, 1981). Compared with reactivity, proactivity has two important advantages which are applicability and profitability (Carroll & Buchholtz, 2009). While the reactive approach is helpful for formulating and instituting actions after social event has taken place, the proactive approach is more relevant if one’s interest is to anticipate the change in the stakeholders’ environment (Rupp, 1994). Based on this, the following hypotheses are advanced:

**H1.** *Proactivity has significant positive effects on the adoption level of social response activities by MNC’s subsidiaries.*

**H2.** *Reactivity has significant negative effects on the adoption level of social response activities by MNC’s subsidiaries.*

In addition to the social response scale, the questionnaire included two items, one measuring proactivity and the other measuring reactivity. These two items were adapted from de la Cruz Déniz-Déniz (1999). The final test employed in this study was to assess whether proactivity and reactivity are significant predictors of social response activities of MNC's subsidiaries. At this stage, predictive validity of the social response scale was initially examined with correlation analysis. As hypothesized, proactivity was significantly positively related to all four factors: SEA & SRF ( $r = 0.22, p < 0.01$ ); SME ( $r = 0.11, p < 0.1$ ); SRPC ( $r = 0.14, p < 0.05$ ); SRI ( $r = 0.19, p < 0.01$ ).

Similarly, reactivity was also significantly associated with all factors: SEA & SRF ( $r = -0.20, p < 0.01$ ); SME ( $r = -0.21, p < 0.1$ ); SRPC ( $r = -0.17, p < 0.01$ ); SRI ( $r = -0.16, p < 0.05$ ), indicating strong support for H1 and H2. To further assess predictive validity structural equation modeling (SEM) was used. Due to the presence of multicollinearity problem with covariance-based structural equation modeling (CBSEM), a partial least square (PLS) regression was subsequently adopted. The adjusted  $R^2$  of 0.33 suggests that a significant proportion of the variation in corporate social response is accounted for by proactive and reactive approaches. In support of H1, the findings show that proactivity was positively associated with subsidiary's adoption of social response activities, particularly SEA & SRF ( $\gamma = 0.22, p < 0.1$ ) and SRI ( $\gamma = 0.21, p < 0.1$ ). Additionally, reactivity had significant negative correlation with SEA & SRF ( $\gamma = -0.26, p < 0.1$ ) and SRPC ( $r = -0.21, p < 0.01$ ), but not SME and SRI.

Figure 2: *Scale refinement and validation process*

<p><b>Stage 1</b> Item generation</p>	<p><b>Literature review</b> International corporate social response Total number of items after item generation = 28</p>
<p><b>Stage 2</b> Content validity judgement</p>	<p><b>Expert judges</b> with 4 academics and professionals Result: suppression of 5 items + division of some items into additional sub-items Total number of items = 25</p>
<p><b>Stage 3</b> Pilot test and initial purification</p>	<p><b>Mini-survey</b> with 31 subsidiaries' managers Result: suppression of 4 items + reformulation of some items Total number of items = 21</p>
<p><b>Stage 4</b> Further purification</p>	<p><b>Face-to-face survey</b> with 251 subsidiaries' managers Result: suppression of 2 items Total number of items = 19</p>

#### 4. DISCUSSION

Given the current world-wide, high level of interest in and concern about the demands' internationalization of the stakeholders, the global society wants MNCs to behave more socially responsive. Due to this fact, more MNCs have become aware of the necessity of engaging in the corporate social response. In Spain some authors (e.g., de la Cruz Déniz-Déniz, 1999; de la Cruz Déniz-Déniz & Garcia-Falcon, 2002) have developed a scale measuring the corporate social response based on previous studies. Outside the context of Spain, this scale must be refined and updated for use, in particular, with subsidiaries' managers in Tunisia, an important African business centre being viewed as a radically different sociocultural context from that of Spain.

In the theoretical literature, increasing attention is paid to corporate social response. Despite such corporate efforts to explore corporations' response to social issues, research on corporate social response has been scarce in terms of its measurement. Thus, one of the objectives of the present study is to develop a shorter version of the social response scale in the Tunisian context. Building on the existing literature, this study re-examines corporate social response and describes the process used to refine and validate the social response scale to measure it.

Based on a series of three studies, integrating a range of methodologies, this research suggests that corporate social response is a multidimensional construct. To develop a shorter version of the social response scale implies that the CFA model would be fitted to the data. Another approach to validity assessment is the updated social response scale convergency with and divergency from other scales. All of the undertaken studies used recognized psychometric procedures and standards available in other scale development works (e.g., Webb, Mohr & Harris, 2008; Öberseder et al., 2014). The research findings show a reliable and valid measure.

Four unidimensional factors of corporate social response that emerged are labeled as follows: stakeholders' environment analysis and social response formulation, social mission establishment, social response implementation and social response process control. These factors of the social response scale share some consistent scores with the dimensions identified in de la Cruz Déniz-Déniz & Garcia Falcon's (2002) study, which help establish the utility of the social response use in MNC's subsidiaries. This research has generally broadened our understanding of corporate social response as well as drawn the attention of managers to a strategy engagement that goes beyond simply financial results.

In addition to maximizing shareholders profits, subsidiaries' managers maintain organization competitive advantages which derive from social response activities and which, in turn, depend largely on satisfactory fulfillment of stakeholder expectations in host countries. In particular, subsidiaries' managers realize different types of benefits by focusing on key stakeholders: consumers (e.g., consumer loyalty, enhanced brand image, reputation), employees (e.g., employee satisfaction, job commitment), suppliers

(e.g., increased ability to establish good supplier relations), shareholders (e.g., continued commercial cooperation and business relationship; decreased long-term level of risk on the investment, improved financial performance), local community (e.g., decreased regulatory burdens, improvement in the quality of local labor), parent company (e.g., obtaining internal legitimacy) and local governments (e.g., obtaining external legitimacy, building strong local relationships) (Yang & Rivers, 2009; Park & Ghauri, 2015).

In order to secure their advantages, subsidiaries' managers must undertake many essential locally based actions including making resources and processes investment in relationship with stakeholders and avoiding conflicts with them. Through these actions, MNC's subsidiaries become more socially responsive. That is, MNC can be regarded as a valuable associate with consumers, suppliers and local governments, as a good employer for employees, as a profitable and sure investment for shareholders, as a good corporate citizen for the communities in which MNC operates, etc (Park & Ghauri, 2015).

Subsidiaries' managers consider the social response scale to be useful in dealing with a wider range of social issues (e.g., protection of the environment, recycling behavior). Further, the importance placed on the social response scale in dealing with social issues is greater for proactive MNC's subsidiaries. It should be noted that the objective of this study is to refine and validate the social response scale for use in MNC's subsidiaries operating in five industries with most investment. However, based on ANOVA test, we recognize that the analysis at the industry level is not useful in understanding either the differences in subsidiary's social response, or the social response scale validation across sectors.

## 5. THEORETICAL AND PRACTICAL CONTRIBUTIONS

Based on data analysis, the findings represent an initial effort in the refinement and validation of the social response for use by MNC's subsidiaries in the Tunisian context. It seems, therefore, that the refined scale has several advantages. Data are gathered from face-to-face interviews with subsidiaries' managers in order to develop a new scale that reflects their current social concerns. Refining a scale of corporate social response allows us to better understand its manifestations in the Tunisian context. The primary contribution to general corporate social response literature is the refinement of a social response scale that captures the views and perceptions of subsidiaries' managers. This scale is multidimensional and has a complex and multifaceted conceptualization.

After initiating the scale refinement and validation process, this study also confirms the structure of corporate social response and shows that the social response scale is generalizable across industries. This means that this tool is applicable to a wide variety of settings. Because of their daily exposure to unpredictable events in their task environment (e.g., stakeholders), managers need the social response scale to face them. According to Polonsky & Jevons (2009), MNC's subsidiaries encounter difficulties when responding to social issues. To overcome such difficulties, the social response scale appears to be a good starting point for MNC's subsidiaries.

In addition, the finding that the refinement of a multidimensional scale contributes to address issues of all stakeholders helps guide MNC's subsidiaries in their institution of social response activities. This effort recognizes the rich and multidimensional character of the social response scale and the result here suggests that the tool contains a wide range of social response activities relevant to MNC's subsidiaries. Research needs to explore the benefits that the social response scale provides for MNC's subsidiaries, and specifically, the use of this scale as a strategic tool.

## 6. LIMITATIONS AND RESEARCH DIRECTIONS

There are several limitations to be noted. First, although a review of literature highlighted several policies of the proper development, evaluation and use of the questionnaire – the back-translation, the decentering, the committee technique and the parallel-blind translation (Cateora, 1996), only direct translation was used to develop the questionnaire. Perhaps the way in which the questionnaire was initially developed was inappropriate. Future research could also address this limitation of the present research by using the back-translation which is the best practice recommended by Maignan & Ferrell (2000).

Second, findings demonstrated convergent, discriminant and predictive validity through the testing of convergence and discrimination (both within the scale and among developed scales), correlational analysis and the PLS regression. To enhance the predictive validity (e.g., Bagozzi, 1984; Netemeyer, Durvasula & Lichtenstein, 1991), the social response scale could be used in future studies to appropriately assess the impact of the corporate social response on variables such as corporate social performance. By testing the result of the corporate social response, our understanding of the phenomenon of social involvement of MNCs could be extended.

Third, survey data having been gathered from the same source may have an impact on the results produced. In order to minimize common method bias, several precautions were taken such as the protection of respondent anonymity and the ensuring of the clarity and unambiguity of all scales items (Podsakoff et al., 2003), but this is not sufficient. To remedy this limitation, future research could use a Multitrait-Multimethod (MTMM) model to better check the common method bias.

In addition, the social response scale may also have its application in the Tunisian context. Future research should consider replicating the factor structure among other nations, cities and regions. Differences observed across regions allow researchers to achieve greater insight into the refinement of the social response scale. Furthermore, longitudinal research could be used to empirically verify whether the social response scale is evolving over time. Other key variables may also be studied through the examination of the social response scale. Although researchers (e.g., de la Cruz Déniz-Déniz & Garcia-Falcon, 2002; Borhani, 2010) have paid attention to the corporate social response, we know very little about its antecedents.

Finally, future research seems interesting and insightful in trying to answer the following questions: When the MNC uses the corporate social response? What types of response it can provide to deal with the foreign stakeholders' issues? How does the social response change over the time? What are the criteria to be taken into account when choosing the corporate social response?

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