# Psychological antecedents to socially responsible behavior

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## Abstract

To date, the discussion regarding corporate social responsibility (CSR) has primarily addressed organizational rationale and activities. Little has been said about the individual characteristics and behaviors that promote the development of CSR within organizations. In this paper, we propose and test a model to explain individual differences in the propensity to engage in socially responsible behavior (SRB). By linking values, affect and reasoning to managers' propensity to 'do good' and 'do no harm,' we provide a more complete picture of how SRB arises in organizations. A survey of 643 middle managers in five multinational corporations supports our contention that values, affect and reasoning matter for SRB. In particular, self-transcendence values (universalism and benevolence) and positive affect increase the propensity to engage in SRB, as do moral and reputation-based reasoning styles. Moreover, we find that values and affect shape more controlled processes such as moral reasoning. We develop implications for the interaction between the individual and the organization in promoting SRB.
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## Introduction

Concerns about corporate social responsibility (CSR) have increased markedly in recent years, and corporations are under increasing pressure to refrain from socially harmful activities and to engage in activities that improve societal welfare. How managers respond to this pressure has potential implications for profitability (Mackey *et al.*, 2007), legitimacy and ultimately firm survival (Aguilera *et al.*, 2007).

To date, the CSR debate has focused predominantly on the organizational level of analysis, studying intentions, initiatives and outcomes (Post *et al.*, 2002). There has been little fundamental questioning of the role of the individual in promoting CSR. According to Wood the principles of CSR '…leave substantial room for managerial discretion in determining what social problems and issues are relevant and how they should be addressed' (1991: 698). What explains then the discretionary decision-making and behavior by some individuals aimed at proposing initiatives that focus on improving the social impact of organizational activities? Why is it that, within the same organization, some individuals will advance suggestions on the use of

organizational resources that do not directly promote economic performance, whereas others will not?

We need to know more about how individuals in organizations perceive these issues and make decisions, and what personal characteristics influence their perceptions and decisions as they confront difficult dilemmas where the concern for societal welfare is not compatible with pressures for shareholder wealth maximization. By focusing on the individual characteristics that drive socially responsible organizational practices, we embrace the call of Wood to articulate 'a principle of socially responsible human action' (1991: 699).

This paper addresses the characteristics that are thought to promote socially responsible behavior (SRB) of individuals in organizations. In addition to characterizing SRB, we develop a set of psychological antecedents taking into account values, affect and cognition. Our focus on the individual level of analysis is not meant to ignore the extent to which situational factors (such as job content and context, corporate culture, reward systems and peer behavior) encourage or restrain individual efforts to act

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responsibly. These factors have been investigated in detail (Trevino, 1986; Victor and Cullen, 1988; Jones, 1991; Trevino et al., 1998; Cullen et al., 2003). Our contribution is situated precisely on the personal characteristics that enable individuals to engage in SRB in different organizational contexts that may be more or less likely to promote SRB.

We find that values, affect and reasoning styles predict managers' propensity towards SRB. Moreover, proactively doing good deeds involves, in part, different psychological characteristics than refraining from actions that may have harmful consequences. As we assess the interplay between the psychological characteristics, our results allow us to go beyond the mere listing of various individual differences that have been used to explain moral, ethical and prosocial behaviors. Our findings thus also contribute to recent developments within moral and developmental psychology that build on the longstanding debate about whether human morality is built on habit and emotionality (Hume, 1969), or rationality (e.g. Kant, 1959).

## Defining SRB

While the definition of CSR has been debated since the 1950s (see Carroll (1999), for a comprehensive overview), most scholars have attended to CSR as an *organizational* activity. For example, Davis (1973: 312) describes CSR as 'the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm.' Correspondingly, scholars have attended overwhelmingly to firm-level outcomes (Wood, 1991) and antecedents such as corporate values and firm-level motivations to respond to social pressures (Bansal and Roth, 2000).

Yet, there is an increasing awareness that individuals' perceptions and decisions matter for the social performance of their organizations. Most CSR activities, including promoting volunteering programs, providing education and health services to local communities, advising or otherwise supporting NGOs in socially worthy causes and seeking alternatives to factory closings, are the result of individual decisions of leaders, managers or employees. Managers have a degree of discretion in their choice and implementation of CSR policy (Carroll, 1979), and the moral decisions of individual executives matter for corporate culture and social impacts of the organization (Swanson, 1995). In particular, Aguilera et al. (2007) emphasize that organizations face pressure not only from external, but also from internal stakeholders to meet societal expectations. Further, they identify three motives for engagement in CSR – moral, instrumental and relational – and leave open the possibility that these motives vary according to the emotions of individual employees. For example, some situations are likely to arouse emotions that increase the motive to act morally.

However, Swanson (1995) and Aguilera et al. (2007) maintain a focus on CSR and organization-level impacts on society as the dependent variable. There remains no satisfactory conceptual and empirical equivalent in the specific context of CSR pertaining to individual-level behavior. We build on this recent work to argue that it also makes sense to understand what may influence the decisions and behaviors of individual managers, not just the eventual corporate actions.

We define SRB as discretionary decisions and actions taken by individuals in organizations to enhance societal well-being (do good) or to avoid harmful consequences for society (do no harm). In taking decisions and actions that enhance societal welfare or avoid negative social impacts, managers are acting in the service of the common good. This requires the capacity to take into consideration the interdependencies and the multiple, often conflicting, demands of various stakeholders. As such, SRB is based not only in moral idealism, but also in the capacity to take realistic decisions given various situational constraints.

Most of the existing constructs describe behavior related to others within organizations or to the organization; none of the behaviors described is *primarily* targeted at the societal level. It follows that SRB is distinguishable from organizational justice, organizational citizenship and prosocial organizational behavior. Organizational justice concerns perceptions of the treatment of individuals and groups *within* the organization (Tyler and Blader, 2003). Organizational citizenship behavior encompasses discretionary acts of employees and managers who are beneficial to the organization but not necessarily advantageous to society (Deckop et al., 1999). Unlike SRB, prosocial organizational behavior (Brief and Motowidlo, 1986) includes role-prescribed actions and also those undertaken primarily to benefit the organization (e.g. volunteering for additional work assignments). Crucially, SRB involves behavior that targets the well-being of stakeholders both inside and outside the organization.

## Psychological characteristics of SRB

In the following section, we identify characteristics that would make individuals more likely to act in ways that promote societal well-being. The decision to engage in good deeds or to avoid harmful deeds may involve more than rationality and calculation. The extent to which managers weigh concerns such as human rights, costs, benefits and reputation when making ethical decisions has been a topic of considerable recent debate (Shweder and Haidt, 1983; Davidson and Youniss, 1991; Haidt, 2001). Although Kohlberg (1984) argues for the role of reasoning in moral decision-making, contemporary psychologists distance themselves from the overly rational cognitive perspective on moral development (cf. Sonenshein, 2007). Managers do not always carefully consider the consequences of an action before deciding whether it is an appropriate behavior; rather, their gut feelings, affective reactions and values may shape their moral judgments (Haidt, 2001). In line with this, Molinsky and Margolis (2005) describe the emotional challenges that managers face when confronted with 'necessary evils,' that is, deeds that are for the greater good of society or the organization but that involve inflicting harm on a human being. Swanson (1995) recognizes that personal values underlie executive decision-making, which in turn shapes ultimate social performance.

The key personal characteristics that are considered to promote SRB are grouped as values, affect and cognition (as shown in Figure 1). Although we do not claim that these characteristics are exhaustive, importantly they encompass

**A Model of Socially Responsible Behavior (SRB)**
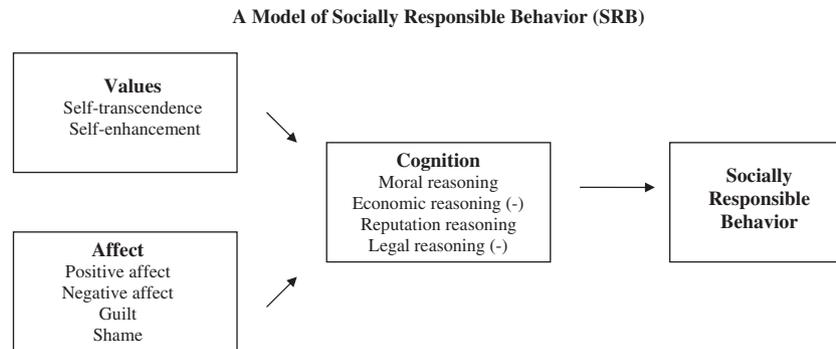


**Figure 1** A model of SRB. While values, affect and cognition (reasoning) are predicted to explain managers' SRB, reflexive antecedents (values, affect) may shape more controlled processes such as reasoning.

the reflexive (habitual, intuitive, emotion-based) as well as the reflective (cognitive, rational) antecedents of SRB and build on the antecedents identified in the conceptual literature (e.g. Swanson, 1995; Molinsky and Margolis, 2005; Sonenshein, 2007).

We argue that most of the time, action results from a complex interplay of values, affect and cognition. We discuss the hypothesized relationship between these psychological antecedents in greater detail after first specifying the direct effects of each on engagement in SRB.

Personal values
Values are the beliefs that people hold about desirable states that motivate and guide people's choices, attitudes and behaviors (Allport *et al.*, 1951; Rokeach, 1973; Higgins, 2006). England (1975) distinguished pragmatic and moral values. Managers with pragmatic values are more concerned with outcomes such as success, performance and effectiveness, and more sensitive to external rewards and controls. Managers with moral values are more concerned with doing what is right or wrong, and more sensitive to internal rewards and controls.

Schwartz (1994) identified 10 universal human values that, he argued, reflected the needs of individuals as well as the requisites of coordinated social interaction. Further, he identified two underlying dimensions: (1) self-transcendence (comprised of universalism and benevolence) *vs* self-enhancement (achievement, hedonism and power); and (2) openness to change (stimulation and self-direction) *vs* conservatism (tradition, conformity and security). The self-transcendence/self-enhancement dimension is especially relevant for our discussion of SRB. In contrast, though openness to change may motivate imaginative efforts to integrate CSR into company strategies and increases environmental behavior (Egri and Herman, 2000), there is less evidence of a relationship between openness to change and ethical decision-making (Fritzsche and Oz, 2007).

*Self-transcendence*
Self-transcendence encompasses values that 'motivate people to transcend selfish concerns and promote the welfare of others, close and distant, and of nature' (Schwartz, 1992: 43–44). Self-transcendence includes universalistic and benevolent values. Universalism represents

an understanding, appreciation and tolerance of all people and nature (Schwartz, 1992), and encompasses notions of equity, caring and justice. Universalistic values are relevant to SRB since they imply consideration and sensitivity for the welfare of others, acting in a way that protects others' interests.

Benevolence denotes a range of values 'preserving and enhancing the welfare of those with whom one is in frequent personal contact' (Schwartz, 1992) and is therefore concerned with the welfare of close others (in contrast to univeralism, which comprises concern for distant others).

Consequently, managers with self-transcendent values will be more likely to demonstrate concern for others and better able to develop trust (Whitener *et al.*, 1998). Values of self-transcendence have been demonstrated to be important for environmental leadership (Egri and Herman, 2000). We anticipate that both universalism and benevolence will be important in predicting SRB when managers are faced with decisions whose consequences impact external and internal stakeholders. Managers who identify with universalistic values are likely to be concerned with the well-being of local communities and nature, whereas benevolent managers may be more concerned about the impacts of their actions on insiders (e.g. workers' rights).

> **Hypothesis 1:** The more managers value self-transcendence, the more likely they are to engage in SRB.

*Self-enhancement*
In contrast to self-transcendence, self-enhancement encompasses values that 'motivate people to enhance their personal interests (even at the expense of others)' (Schwartz, 1992: 43). The extent to which a person is motivated by self-enhancement is related to values of achievement, power and hedonism (Schwartz, 1992). Individuals who value achievement attach importance to personal success, competence and social esteem, which can limit the concern for others' well-being (Schwartz and Bilsky, 1990).

Power reflects the drive to outperform others and exercise control or dominance over people and resources. Based on Schwartz's (1992) analysis, power values are associated with a desire for wealth, preserving one's public image, social esteem, authority and social influence.

The impulse to gratify one's own desires (hedonism) may imply a lack of self-restraint. Recent evidence suggests that hedonistic individuals refrain from assisting others when they are unable to justify that behavior from a perspective of self-interest (Holmes *et al.*, 2002).[1]

We argue, therefore, that self-enhancement values are negatively associated with propensity to engage in SRB.

**Hypothesis 2:** The more managers value self-enhancement, the less likely they are to engage in SRB.

## Affect

The study of affect and moral behavior has grown rapidly in the last two decades (Haidt, 2007). Thoma *et al.* (1991) argue that the first step in ethical decision-making involves a clear affective component that is necessary in order to recognize a moral issue. Thus affect might be an important component of encouraging SRB.

Positive and negative affect can be considered to be dispositional, that is, a general tendency to experience pleasant or unpleasant feelings (affect) and has been studied extensively with regard to cooperative and helpful behavior (Isen and Levin, 1972), problem solving and creativity (Isen, 1999), and, more specifically, organizational citizenship behavior (Organ, 1988) and prosocial behavior (George and Brief, 1992). In contrast, emotions are generally event induced, directed toward specific objects, shorter in duration, and more intense (Frijda, 1986; Russell and Barrett, 1999). Moods are considered to be affective states that are milder, more diffuse, with no directed object (Russell, 2003). Emotional and self-regulatory factors may be powerful determinants of actual behavior (Haidt, 2001). Indeed, an emerging body of work suggests that individual abilities in regulating one's own behavior and moods influence positively moral and prosocial behavior (cf. Eisenberg, 2000).

As our present interest is to explain the characteristics that lead individuals to engage in SRB, we focus on affective disposition rather than emotions or moods. We discuss the relationship between affect and SRB under two different thrusts. First, we want to demonstrate how positive and negative affect influences SRB. Then, we adopt a more textured approach by discussing how certain specific discrete affective traits such as guilt and shame can prime SRB. We do not exclude, however, the possibility that the emotions aroused when managers are confronted by actual ethical dilemmas also influence behavior.

### Positive and negative affect

Positive affect is a trait associated with subjective well-being, happiness and active engagement (Watson and Tellegen, 1985). Empirical research has demonstrated how positive affect promotes helpful and friendly behavior (Isen, 1984, 1999), organizational citizenship behavior (George, 1990) and prosocial behavior (Brief and Motowidlo, 1986). Pleasant emotions help to boost one's personal resources, including physical, intellectual and social-psychological energy, believed necessary to address the challenges of helping others (Lazarus, 1993).

Complex social issues often involve multiple seeming contradictions and moral dilemmas. Dealing with them requires deep reflection and analysis, imagination and lateral thinking to transcend paradoxes (Lewis, 2000) and serve multiple interests. Such kind of cognitive flexibility could be facilitated with the presence of positive affect. In general, positive affect has been shown to enhance problem solving and creativity (Isen, 2001), to broaden people's thought-action repertoires and build long-term resources to help them deal with future challenges (Fredrickson, 1998). Positive affect could also facilitate flexible thinking even when people are faced with negative situations, in part because it reduces defensiveness and increases people's tolerance to negative constructive feedback (Staw and Barsade, 1993; Trope and Pomerantz, 1998) and thus facilitates learning from past mistakes.

Thus positive affect is likely to help individuals to evaluate complex social issues, to reflect deeply about difficult social dilemmas, and to generate innovative alternatives.

Finally, positive-affect individuals are more likely to include diverse individuals within their social circles (Dovidio *et al.*, 1995) and to use a more expansive definition of group membership (Urada and Miller, 2000). This may increase the incidence of SRB as people are likely to attend to, empathize with and assist those whom they perceive as belonging to the same group (Stürmer *et al.*, 2005).

**Hypothesis 3:** The more positive the affect of managers, the more likely they are to engage in SRB.

Although positive and negative affect were previously assumed to lie at the opposite ends of the same continuum (Russell, 1980), they are now recognized as independent dimensions (Watson and Tellegen, 1985). For example, positive affect is associated with enthusiasm and excitement, while its absence is linked to sluggishness. Separately, high levels of negative affect are characterized by distress and fear, while low levels are associated with calmness and a state of relaxation (Watson *et al.*, 1999).

While positive affect should positively influence the engagement in SRB, some caution is warranted as it has also been found to result in excessive optimism and taking cognitive short cuts.

The influence of negative affect is more difficult to predict. Negative affect was found to be related to being more thorough and systematic in analyzing problems, paying more attention to details and to people issues, and being more cautious in their actions (the 'sadder but wiser' hypotheses, Staw and Barsade, 1993). And as such, it could encourage SRBs.

Proponents of the negative-state relief model (Cialdini *et al.*, 1973) argue that negative affect is associated with an increased propensity to help others, albeit from an egoistic motive rather than empathic concern. Individuals potentially feel good from helping others, and consequently negative-affect individuals may desire to do good deeds to replace their unpleasant feelings. There is some evidence for the position that sadness increases one's willingness to assist others (Cialdini and Kenrick, 1976; Dovidio, Allen and Schroeder, 1990).

However, the negative-state relief model applies to the possibility of removing a temporary negative state. In

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the short term, negative affect acts as a signal encouraging the individual to attend to information or engage in actions that might change his or her state. Nevertheless, negative-affect individuals are mostly focused on the self, especially their private goals, and less attentive to the reactions of, and effects on, others (Mor and Winquist, 2002). Moreover, in contrast to positive-affect individuals, negative-affect individuals have been found to assist others only when the instrumental benefits of doing so outweigh the costs (Weyant, 1978).

**Hypothesis 4:** The more negative the affect of managers, the less likely they are to engage in SRB.

Psychologists have studied the role of '…higher order emotions such as guilt and sympathy [which] are believed to motivate moral behavior and to play a role in its development and in moral character' (Eisenberg, 2000: 666). More specifically, moral affect denotes a range of affective states including guilt and shame that may stimulate moral behavior (McCullough et al., 2001). Specific discrete emotions are aroused through further elaborate cognitive appraisals involving perceived control (who is responsible), and goal and value/norm congruence lead to different specific emotions such as anger, disgust, shame or guilt (Ortony et al., 1988; Scherer, 1988). For example, given an event that is contrary to my personal norms or values, I may feel guilty if I hold myself responsible. This leads us to discuss other discrete affective traits, specifically guilt and shame, which can prime social behavior.

### Guilt

Guilt refers to 'an agitation-based emotion or painful feeling of regret that is aroused when the actor actually causes, anticipates causing, or is associated with an aversive event' (Ferguson and Stegge, 1998: 20). Guilt involves a sense of personal responsibility, the feeling that one has violated a moral standard, and concerns about the effects of one's behavior on other people (Tangney, 1992, 1998). The guilty actor accepts responsibility for a behavior that violates internalized standards or causes another's distress and desires to make amends or punish himself (Hoffman, 1998). Proneness to guilt is associated with a general sensitivity to moral norms (Baumeister et al., 1994). Because guilt is focused more on specific transgression, guilt seems to motivate acknowledgement of responsibility and the intention to make restitution for wrong behavior (Tangney, 1998).

### Shame

Shame is hypothesized to be less moral than guilt (Eisenberg, 2000). Whereas guilt implies not living up to one's own standards, shame implies not living up to the standards of others (Lewis, 1971). Thus guilt is more intrinsically motivated while shame is more extrinsically motivated, often caused by the public exposure of a transgression and concern for a loss of status or reputation (Smith et al., 2002). Shame has been found to be linked to a negative evaluation of the self and even a troubled conscience (Smith et al., 2002).

While guilt may motivate individuals to acknowledge responsibility and to engage in SRB in order to repair past transgressions, shame may motivate individuals to *avoid* behaviors that could cause harm to others for fear of external sanctions or to engage in SRB in order to enhance reputation. Shame hence acts as a powerful motivator to avoid public sanction (Dovidio, 1984; Lazarus, 1991). Therefore, we make the following proposition:

**Hypothesis 5:** The more managers experience guilt and shame, the more likely they are to engage in SRB.

### Cognition

Affective reactions to social dilemmas involve cognitive appraisals that are believed to be largely automatic rather than controlled (Shiffrin and Schneider, 1977; Haidt, 2007). Our interest now turns to managerial reasoning, that is, the cognitive process of forming conclusions and judgments that is considered to be more conscious or controlled. Reasoning has traditionally been viewed as the primary antecedent of moral judgments (Kohlberg, 1984). From this perspective, opportunities for SRB are 'cognitive puzzles to be solved' (Fiske, 2004: 352).

Already in the 18th century Hume argued for the primacy of moral sentiment over reasoning, believing that 'people have a built-in moral sense that creates pleasurable feelings of approval toward benevolent acts and corresponding feeling of disapproval toward evil' (Haidt, 2001: 816). Indeed, reasoning may serve to some extent as a *post hoc* explanation of actions or choices that are formed on the basis of intuition. However, this does not mean that conscious, rational approaches play no role in explaining moral behavior. For this reason, Colby argues that 'full moral development requires development of both *moral understanding* and *moral integrity*' (Colby, 2002: 134, our italics). We explore four types of reasoning: moral, economic, legal and reputation reasoning. This choice is guided by our reading of Carroll (1979) and Kohlberg (1984).

Much of the research that examines reasoning as an antecedent to moral behavior is based on Kohlberg's (1984) stage model of moral reasoning. At pre-conventional levels, moral reasoning rests on rewards or sanctions and the awareness of one's own needs. Similarly, economic reasoning rests on an appraisal of the financial costs and benefits of actions. Legal reasoning is concerned with avoiding sanctions. At conventional levels, moral reasoning is based on social approval, social or professional norms. As such, managers may consider reputational consequences of their actions. Only at the post-conventional or principled level is reasoning associated with more abstract moral principles such as justice, reciprocity and responsibility. With each successive stage, the individual's moral judgment grows less and less dependent on external rewards or sanctions and more on internally held moral principles. In addition, each successive stage indicates a superior capacity for complex reasoning.

Carroll (1979) proposes four social responsibility categories: economic, legal, ethical and discretionary, and argues that managers define their responsibility first and foremost in terms of economic and legal concerns. These

categories are not mutually exclusive. Definitions of responsibility include multiple categories, and what is ethically responsible may also be economically and legally responsible. In their empirical analysis, Aupperle *et al.* (1985) find correlations between economic, legal and the higher-level (ethical/discretionary) definitions of responsibility but demonstrate that these definitions are conceptually independent.

## Moral reasoning

Kohlberg's model has been used to describe the moral development of managers (Derry, 1989; Weber, 1990) and has been subject to repeated empirical research. Most managers in the US were found to use conventional reasoning (Trevino, 1986). Higher levels of moral reasoning were found to be significantly related to behavior in organizations such as helping others and decreased cheating (Trevino, 1986) and ethical decision-making (Trevino and Youngblood, 1990). Individuals with developed moral reasoning are better able to understand the perspectives of others (Underwood and Moore, 1982). However, the relationship between moral reasoning and actual behavior may be only moderately strong (Blasi, 1980; Rest, 1986; Ryan, 2001), possibly because of the confounding effects of values and affect. Colby and Damon (1992) argue that people can exhibit moral character or integrity without necessarily being at Kohlberg's highest level of moral reasoning. However, even if the relationship is not very strong, the positive relationship between moral reasoning and SRB appears at least consistent.

> **Hypothesis 6:** The more managers apply moral criteria in decision-making, the more likely they are to engage in SRB.

## Economic reasoning

Much of the literature views CSR as enlightened self-interest at the organizational level. Porter and van der Linde (1995) consider CSR as a potential competitive driver. This instrumentalist view justifies CSR solely on economic grounds (Porter and Kramer, 2002). As we have already stated, economic reasoning is essentially concerned with sanctions and rewards. Managers who weigh up costs and benefits of possible action choices are likely to behave in a socially responsible manner only when such actions promise a direct or indirect financial return.

The failure to balance moral justifications with economic benefit may explain the lack of integration of CSR efforts into the firms' strategy process (Murray and Montanari, 1986). Socially responsible choices divert resources from other projects that may provide a higher return and are frequently difficult to justify purely on economic grounds (Margolis *et al.*, 2007). Even if there is an eventual positive return from socially responsible investments, such investments are unlikely to pay off in the time horizon that managers of public companies attend to (Doane, 2005). Although socially responsible actions may be financially rewarded in the company, compensation is likely to be minimal compared with the benefits for meeting financial targets. Consequently, we argue that managers who apply a high degree of economic

reasoning to moral business dilemmas are less likely to act in a socially responsible manner.

> **Hypothesis 7:** The more managers apply economic criteria in decision-making, the less likely they are to engage in SRB.

## Reputation-based reasoning

Concerns about personal and firm reputation motivate behavior (Jensen, 2006). Although the evidence that firms' ethical reputations actually matter to customers is mixed (Doane, 2005), reputation takes time to build and can therefore become a difficult-to-imitate advantage. Furthermore, it potentially strengthens moral communities by enforcing norms and promoting shunning and other types of punishments (Haidt, 2007). In this way, reputation may encourage compliance with social norms that are seemingly against personal self-interest. Such compliance fosters trust that facilitates mutually beneficial transactions (Sacconi, 2007).

Importantly, reputations are conferred by agents outside the firm, and hence 'corporate reputation is a general organizational attribute that reflects the extent to which external stakeholders see the firm as "good" and not "bad"' (Roberts and Dowling, 2002: 1078). As legitimacy is socially defined (Miller, this issue), managers who are concerned by the legitimacy of their actions may be constrained by local norms. Managers who consider the reputation of their firms when responding to social dilemmas are more likely to attend to the well-being of stakeholders who are liable to be affected by their actions.

> **Hypothesis 8:** The more managers consider company reputation in decision-making, the more likely they are to engage in SRB.

## Legal reasoning

Laws and regulations are the ground rules under which businesses are expected to operate (Carroll, 1979). Legislation places a duty on managers to ensure the basic health and safety of employees, pay taxes and refrain from unfair competition. In this way, laws serve to institutionalize morality (Bogart, 1987). However, exercising social responsibility may involve activities that exceed legal requirements (McGuire, 1963). At the individual level, legal reasoning is likely to motivate only a limited set of SRBs, namely refraining from harmful acts that contravene the law but not those acts that are otherwise to the detriment of society.

There are further reasons to suppose that legal reasoning dissuades managers from SRB. Managers often view social responsibility as an extended form of corporate governance. Corporate law in most jurisdictions restricts the corporation to the pursuit of its own self-interest (equated to that of its shareholders). Executives thus have a legal duty to shareholders, and the wider responsibility to society falls outside their legal mandate. In this vein, managers are also prone to use the law to increase the return for their shareholders, for example by lobbying politicians to enact favorable legislation and shaping public policy (Bonardi, this issue). Alternatively they may try to interpret the gray

areas of the law in a way as favorably as possible to their business (Sacconi, 2007).

**Hypothesis 9:** The more managers apply legal criteria in decision-making, the less likely they are to engage in SRB.

### Interaction between values, affect and cognition

We have explored evidence from the psychology literature on the role of values, affect and cognition in influencing managers' engagement in SRB. Thus far, our interest has been on the direct effects. However, the reflexive antecedents (values and affect) of behavior and deliberative processes (reasoning) may not operate independent of each other.

Two substantive theories make predictions about the sequence of affect and cognition in shaping behavior — appraisal theory (Lazarus, 1991) and the affective primacy hypothesis (Zajonc, 1980). While appraisal theory recognizes a complex relationship between affect and cognition, it predicts that cognitive processes determine the quality and intensity of affective reactions (Lazarus, 1966). When managers are faced with a dilemma, they make an initial (cognitive but not necessarily conscious) assessment of the situation. This initial assessment is complemented by higher-level cognitive evaluations that result in specific emotions (Scherer, 1988). It has been shown that, when confronted with difficult moral dilemmas, individual decision-makers are able to override their instinctive reactions (Greene *et al.*, 2004).

In contrast, the affective primacy hypothesis (Zajonc, 1980) asserts that affective reactions are evoked more quickly and motivate behavior more strongly than cognitive processing. Haidt (2001) builds on this hypothesis to emphasize the role of intuition, affect and values in shaping moral judgment. Moreover, he argues that individuals often cloak moral judgments, based originally on intuitive processes, in the language of reason. In this view, reasoning (cognition) may be shaped by affect and intuition. Additionally, some of the evidence that supports the role of reason in ethical decision-making has been questioned because individuals are likely to use reasoning as a '*post hoc* explanation and justification of their intuitions' (Sonenshein, 2007: 1035). Sonenshein (2007) proposes that motivation, social anchors, experience and intuitive judgment ultimately influence the reasoning that managers use both to explain and justify their actions.

While it is difficult to reconcile these two perspectives, cognitive appraisal theory involves an assessment of a situation that is both automatic and controlled. So while Lazarus (1991) notes that affect potentially shapes subsequent cognitive activity, this corresponds to the initial evaluations (relevance, novelty and valence) while higher-order cognitive processing (as proposed by Zajonc, 1980), which is more controlled involves evaluations of agency, control, and personal or social norms (Scherer, 1988). Thus while managers' assessments of an event may arouse affective states, these states may shape managers' reasoning or their reliance on reasoning to justify the judgments already made on the basis of intuition. This is especially likely in the present context given our specific interest in

positive affect, negative affect and the general tendency to feel guilt or shame (i.e. individual dispositions, and hence fairly stable) rather than emotional events of a limited duration. It is also likely that values precede reasoning. According to Allport (1961: 543), values are a 'dominating force in one's life,' and fairly resistant to change. This is supported by recent evidence that values influence forms of cognitive processing (Blankenship and Wegener, 2008).We propose that, at least in the present context, values and affect shape managers' reasoning. We hence expect that the effects of values and affect on engagement in SRB will be, in part, mediated by managers' reasoning (as implied in Figure 1).

**Hypothesis 10:** The relationship between affect and values on propensity to engage in SRB will be mediated, in part, by managers' reasoning.

## Method

### Empirical context and sample

The empirical analysis relies on a survey instrument administered in 2006–2007 across five multinational companies in the chemicals, energy, food and natural resources (two firms) sectors. The companies face diverse challenges related to social responsibility (community relations, environmental protection, product access and pricing issues, health, etc.). Random sampling was performed on the global population of managers at levels 2, 3 and 4 from the upper-most level of management within each company. This ensured that a wide range of business units, geographies and management functions was represented. Participation was voluntary, and following the recommendation of Podsakoff *et al.* (2003), we guaranteed respondent anonymity. To protect confidentiality, surveys were hosted on a university server. The participation rate was 48%. After the exclusion of 132 partially complete surveys, we analysed 643 responses. The ages of respondents ranged from 21 to 63 ($\bar{x} = 38$), 82% were male. Managers represented 69 countries in total.

### Measures

#### Propensity to engage in SRB

We assessed individuals' propensity to engage in different forms of SRB, as depicted in four scenarios (Table 1) using a Likert scale with anchors 'very unlikely' (1) to 'very likely' (4). The scenarios and scale items were based on the Multidimensional Ethics Scale developed by Reidenbach and Robin (1990). Two scenarios involved behavior that could cause potential harm to customers and to employees, while the remaining two scenarios presented respondents with the choice to improve product access and assist community development. A more complete description is found in Table 1.

We selected these scenarios in order to investigate the importance of different psychological antecedents such as reasoning and affect. A factor analysis was applied to the responses to the four scenarios and revealed a distinction between these two dimensions of SRB. The first two

**Table 1** Decision scenarios

| Scenario | Action |
| --- | --- |
| 1. A company has just introduced a highly successful new kitchen appliance. The sales manager, who is paid partly on a commission basis, discovers that there has been insufficient product testing to meet government guidelines. These tests so far indicate no likelihood of a safety problem. | The sales manager continues to promote and sell the product. |
| 2. A large manufacturer is considering the outsourcing of production of their main product to a supplier in a low-cost third-world country. The move will significantly improve the cost structure of the company due to lower labor costs. It will also increase the risks of violating the company's socially advanced principles for their labor practices, as it will be difficult to monitor the work conditions at the supplier's plant. | The CEO decides to proceed with the outsourcing arrangement. |
| 3. The CEO of a small pharmaceutical company specializing in developing medicine for infectious diseases has been told by the head of R&D that the lab has just found, by accident, a treatment that may cure a serious debilitating illness that affects millions of people in Africa. Developing and distributing this drug will prove extremely costly, however. Given the increasingly competitive business environment, the company is under growing pressure to improve financial performance. | The CEO gives the go ahead to develop and distribute the drug to African countries at a small fraction of the full price. |
| 4. The plant manager of a precision instruments company is concerned about increasing productivity and cost control. The HR manager has just proposed a program which would pay workers for spending one day a month providing community service (e.g. helping handicapped children, visits of elderly people). | The plant manager agrees with plan. |

Factor analysis reveals that the behaviors in scenarios 1 and 2 load on the same factor, while the behaviors in scenarios 3 and 4 load on a second factor. The behaviors represented in scenarios 1 and 2 represent actions that potentially cause harm. We reversed the coefficient signs when predicting 'do no harm' SRB. The behaviors represented in scenarios 3 and 4 represent proactive attempts to make a positive contribution to society ('do good').

scenarios (ensuring product safety and labor conditions) loaded on one factor, which we labeled 'do no harm' SRB. The third and fourth scenarios (improving product access and assisting community development) loaded on a separate factor, which we labeled 'do good' SRB.

This distinction supports recent evidence that the nature of the decision-making scenario is important. For example, scenarios in which the individual must decide whether to refrain from harm evoke more reasoning than scenarios in which the subject has the choice of causing *intentional* harm (e.g. endangering one person to save the lives of many) (Borg *et al.*, 2006). The propensity both to 'do good' and the propensity to 'refrain from harm' represent broad categories of behaviors displayed by managers (Wartick and Cochran, 1985).

### Affect

We employed modified versions of the Positive and Negative Affect Schedule scales (Watson *et al.*, 1988) to measure positive affect ($\alpha = 0.78$) and negative affect ($\alpha = 0.73$). These scales have been shown to be internally consistent, largely uncorrelated and stable over time. Respondents indicated the extent to which they had experienced 28 sentiments over the previous 3 weeks on a scale of 1–6. We selected this time period as we were interested in dispositions rather than (temporary) emotions aroused by the decision scenarios. We measured guilt and shame by two individual items.

### Values

We employed 32 items from the Schwartz Value Survey (Schwartz, 1992). Respondents indicated the extent to which each value was important to them using a nine-point scale from −1 to 7. Following the recommendation of Schwartz *et al.* (1997), we centered the scores of each of the 32 items for each individual around his/her mean value score.[2] We computed the value scores following Schwartz's methodology: universalism (Cronbach's $\alpha = 0.83$), benevolence ($\alpha = 0.77$), power ($\alpha = 0.71$), achievement ($\alpha = 0.80$) and hedonism ($\alpha = 0.67$). The items constituting the five value measures are based on items in the same factors identified by Schwartz (1992).

### Cognition

Our primary measures of moral reasoning came from a modified Reidenbach and Robin's (1990) Multidimensional Ethics Scale. Using the entire scale would have increased significantly the time to complete the survey for respondents. We also asked respondents the extent to which, when confronted with each of the four dilemmas, their decision was based on the following considerations: (1) morally right, (2) enhances corporate reputation, (3) enhances/protects economic results, and (4) meets legal requirements. We averaged the propensity to use each set of criteria (moral, economic, reputation-based, legal) across all four scenarios, and standardized the variables in order to be able to compare their coefficients.

Additionally, we presented respondents with six decision-making criteria developed by Inglehart and Baker (2000). Each consisted of a bipolar scale reflecting a trade-off in taking everyday decisions regarding issues such as environmental protection *vs* productivity; stakeholder well-being *vs* shareholder returns, impact on internal constituents *vs* external constituents. An exploratory factor analysis revealed one main factor that reflected the extent to which managers reasoned using economic as opposed to social criteria. This measure takes into account the trade-off between these two criteria for reasoning and removes any personal bias in scale use. We used this measure as a robustness check of the strength of moral/economic reasoning in predicting SRB.

### Controls

Gender has implications for how moral judgments are made and potentially for behavior. An analysis by Schwartz and Rubel (2005) reveals that men are more likely than women to value power (self-enhancement), while women value benevolence (self-transcendence) more than men. Additionally, we controlled for the continent (Europe, North America, Asia, rest of world) in which respondents were based because national culture may also influence the propensity for SRB. For example, feminine cultures are more concerned for social welfare (Hofstede, 2001; Ringov and Zollo, 2007). Finally, we included dummy variables for the organizations in which the respondents were employed. As we suggested above, corporate context may shape the psychological characteristics and, ultimately, the behavior of individual managers.

### Preliminary analyses

As we relied on measures from the same sources for both our predictor and criterion variable measures, our data are potentially subject to common-method bias (Podsakoff *et al.*, 2003). We conducted Harman's single factor test

(Harman, 1967) to investigate the possibility of common-method variance. Common-method variance is a concern if the majority of the covariance between independent and dependent variables is accounted for by one factor. For our complete model, six factors with eigenvalues ranging from 1.02 to 2.87 were extracted. Each accounted for between 8.2 and 23.2% of the variance. In total, they accounted for 88.5% of the variance. This provides confidence that common-method variance is not likely to be a serious problem in our data set.

The White test did not suggest a problem with homoscedasticity in any of our models, and we therefore proceeded with OLS.[3]

## Results

Table 2 reports descriptive data and correlations for our sample.

### Explaining 'Do Good' SRB

Table 3 displays our principal results.

We first examined the ability of our variables to explain a proactive, 'do good' form of SRB. In the baseline model (Model I), we include only the control variables. Females are significantly more likely than males to 'do good' ($P < 0.001$).

Model II includes the affect and value variables. The Wald test (4.26; $P < 0.001$) suggests a significantly improved model fit. Hypothesis 1 predicts that self-transcendence values will be positively associated with SRB. The results displayed in Model II illustrate that both self-transcendence values, that is, universalism ($P < 0.01$) and benevolence ($P < 0.01$), positively predict 'do good' behavior. Conversely, we find no support for Hypothesis 2 that self-enhancement values (power, hedonism and achievement values) are negatively associated with SRB.

Hypotheses 3–5 concern the role of affect in predicting SRB. We find strong support for Hypothesis 3 that positive

**Table 2** Means, standard deviations, and correlations

| | | Mean | s.d. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Do good | 0 | 1 | 1 | | | | | | | | | | | | | | |
| 2. | Do no harm | 0 | 1 | 0.02 | 1 | | | | | | | | | | | | | |
| 3. | Positive affect | 18.15 | 2.76 | 0.09 | 0.05 | 1 | | | | | | | | | | | | |
| 4. | Negative affect | 8.72 | 2.77 | −0.01 | −0.03 | −0.30 | 1 | | | | | | | | | | | |
| 5. | Shame | 1.65 | 0.74 | −0.01 | −0.06 | −0.11 | 0.42 | 1 | | | | | | | | | | |
| 6. | Guilt | 1.49 | 0.67 | 0.07 | −0.01 | 0.08 | 0.41 | 0.39 | 1 | | | | | | | | | |
| 7. | Universalism | 0.76 | 5.07 | 0.20 | 0.10 | −0.05 | −0.14 | −0.06 | −0.01 | 1 | | | | | | | | |
| 8. | Benevolence | 2.56 | 2.93 | 0.13 | 0.07 | −0.01 | −0.08 | −0.08 | −0.05 | 0.14 | 1 | | | | | | | |
| 9. | Power | −5.52 | 3.93 | −0.14 | −0.11 | −0.05 | −0.06 | 0.07 | −0.04 | −0.49 | −0.50 | 1 | | | | | | |
| 10. | Hedonism | −2.27 | 2.16 | −0.07 | −0.06 | 0.02 | 0.06 | 0.01 | 0.04 | −0.26 | −0.14 | −0.01 | 1 | | | | | |
| 11. | Achievement | −0.57 | 3.41 | −0.19 | −0.04 | 0.11 | 0.14 | 0.10 | 0.00 | −0.63 | −0.46 | 0.35 | 0.06 | 1 | | | | |
| 12. | Legal reasoning | 0 | 1 | −0.04 | 0.01 | 0.01 | −0.01 | 0.07 | 0.00 | −0.04 | −0.07 | 0.11 | −0.03 | 0.00 | 1 | | | |
| 13. | Economic reasoning | 0 | 1 | −0.32 | −0.24 | 0.03 | 0.03 | 0.09 | −0.02 | −0.11 | −0.08 | 0.08 | −0.02 | 0.11 | −0.01 | 1 | | |
| 14. | Reputation reasoning | 0 | 1 | 0.33 | 0.35 | 0.10 | 0.00 | −0.03 | 0.01 | 0.07 | 0.07 | −0.07 | −0.04 | −0.01 | 0.07 | −0.02 | 1 | |
| 15. | Moral reasoning | 0 | 1 | 0.45 | 0.32 | 0.11 | −0.01 | 0.01 | 0.07 | 0.20 | 0.15 | −0.16 | −0.12 | −0.22 | 0.00 | 0.37 | 0.51 | 1 |

This table presents descriptive statistics for 643 middle managers. The do good, do no harm and reasoning variables are standardized with mean 0 and standard deviation 1. Measures of positive and negative affect are based on a modified PANAS scale (Watson *et al.*, 1988). Values are measured using the Schwartz Values Survey (1992) and are mean-centered for each individual manager by subtracting his or her average value score. This takes account of scale usage bias. Correlations greater than 0.07 or less than −0.07 are significant at the 95% confidence level.

**Table 3** Results of regression analysis predicting 'Do Good' and 'Do No Harm' SRB

| | DV: Do good SRB | | | Do no harm | | |
|---|---|---|---|---|---|---|
| | I | II | III | IV | V | VI |
| *Values* | | | | | | |
| Self-transcendence values | | | | | | |
|   Universalism | | 0.036 (0.013)** | 0.022 (0.011)* | | 0.028 (0.013)* | 0.016 (0.012) |
|   Benevolence | | 0.049 (0.019)** | 0.034 (0.007)* | | 0.017 (0.019)+ | 0.027 (0.018) |
| Self-enhancement values | | | | | | |
| Power | | 0.015 (0.014) | 0.014 (0.012) | | 0.007 (0.015) | 0.004 (0.014) |
|   Achievement | | −0.004 (0.018) | 0.017 (0.016) | | −0.001 (0.019) | −0.012 (0.018) |
|   Hedonism | | 0.001 (0.019) | 0.015 (0.017) | | −0.021 (0.019) | −0.015 (0.018) |
| *Affect* | | | | | | |
|   Positive affect | | 0.045 (0.015)** | 0.027 (0.013)* | | 0.012 (0.015) | 0.000 (0.014) |
|   Negative affect | | 0.013 (0.016) | 0.010 (0.014) | | −0.010 (0.017) | −0.011 (0.015) |
|   Guilt | | 0.068 (0.061) | 0.023 (0.052) | | −0.016 (0.062) | −0.034 (0.058) |
|   Shame | | −0.001 (0.065) | 0.051 (0.056) | | (0.066) | −0.042 (0.062) |
| *Reasoning* | | | | | | |
|   Legal reasoning | | | −0.052 (0.038) | | | 0.003 (0.042) |
|   Economic reasoning | | | −0.258 (0.037)** | | | −0.220 (0.041)** |
|   Reputation-based reasoning | | | 0.203 (0.040)** | | | 0.248 (0.044)** |
|   Moral reasoning | | | 0.281 (0.040)** | | | 0.117 (0.044)** |
| *Controls* | | | | | | |
|   Female | 0.422 (0.115)** | 0.350 (0.114)** | 0.372 (0.098)** | 0.200 (0.116)+ | 0.136 (0.117) | 0.134 (0.109) |
|   Firm 2 | −0.100 (0.122) | −0.220 (0.135) | −0.268 (0.116)* | 0.113 (0.123) | 0.018 (0.138) | −0.007 (0.127) |
|   Firm 3 | −0.066 (0.131) | −0.294 (0.145) | −0.328 (0.123)** | 0.195 (0.147) | 0.120 (0.137)+ | 0.101 (0.137) |
|   Firm 4 | 0.336 (0.122)** | −0.035 (0.147) | 0.202 (0.128) | −0.405 (0.130)** | −0.685 (0.150)** | −0.454 (0.128)** |
|   Firm 5 | 0.234 (0.119)* | −0.270 (0.118)* | −0.237 (0.102)* | −0.090 (0.120) | −0.134 (0.120) | 0.080 (0.113) |
|   North America | 0.124 (0.201) | 0.178 (0.198) | 0.124 (0.167) | −0.024 (0.203) | −0.003 (0.201) | −0.022 (0.187) |
|   Europe | −0.081 (0.178) | −0.007 (0.174) | −0.073 (0.149) | 0.108 (0.179) | 0.154 (0.178) | 0.126 (0.165) |
|   Asia | 0.178 (0.207) | 0.241 (0.203) | −0.005 (0.174) | 0.173 (0.209) | 0.178 (0.207) | −0.010 (0.193) |
| Constant | −0.110 (0.187)** | −1.029 (0.423)* | −0.584 (0.364) | −0.041 (0.197) | −0.054 (0.431) | 0.171 (0.403) |
| N | 643.00 | 643 | 643 | 643 | 643 | 643 |
| *Adj R²* | 0.036 | 0.083 | 0.329 | 0.041 | 0.070 | 0.208 |
| *F* | 3.98** | 4.43** | 16.01** | 4.43** | 3.86** | 9.03** |
| *df* | 634, 8 | 625, 17 | 622, 21 | 634, 8 | 625, 17 | 622, 21 |

Values are standardized regression coefficients with standard errors in parentheses.

+$P<0.1$; *$P<0.05$; ** $P<0.01$.

Models I, II and III are a regression analysis with managers' propensity to do good as the dependent variable and, as independent variables, controls for gender, organization and geography (Model I), values and affect (Model II), and reasoning styles (Model III). Models IV, V and VI replicate the analysis with managers' propensity to do no harm as the dependent variable.

affect predicts SRB ($P<0.01$), although there is no detectable relationship between SRB and negative affect, guilt or shame. The lack of discernable relationship between shame and SRB may perhaps be explained by the reduction in empathy that shame has been found to induce in previous studies (Tangney, 1991), although the absence of a relationship between guilt and behavioral intention is more difficult to explain. In sum, these findings provide mixed support for the role of affect in priming 'do good' SRB.

Model III is the complete model, and there is a highly significant improvement in the model fit (Wald test = 59.9; $P<0.001$). In general, we find strong support for the importance of cognition (reasoning). The coefficients of moral reasoning and reputation reasoning are both highly significant ($P<0.001$) and positive, supporting Hypotheses 6 and 8. Hypothesis 7 predicts that economic reasoning will be negatively related to the propensity to engage in SRB, and we also find strong support ($P<0.001$) for this. On the other hand, there is no evidence of a relationship between legal reasoning and SRB (Hypothesis 9).

In the complete model, the coefficients of positive affect, values of universalism and benevolence remain significant but at a lower confidence level ($P<0.05$). We were interested to evaluate whether moral reasoning in part mediated the effects of values and positive affect on SRB (Hypothesis 10). The Sobel test examines the combined effects of the path between the independent variable and the mediator and the path between the mediator and the independent variable (Smith *et al.*, 2005). Using Baron and Kenny's procedure (1986) to test for mediation, we first regressed moral reasoning on our independent variables. Sobel's test of mediation (cf. Baron and Kenny, 1986) confirmed the existence of indirect effects of benevolence and universalism on the propensity to engage in 'do good' SRB ($P<0.001$ in both cases) and the indirect effect of positive affect ($P<0.1$).

The result that positive affect and self-transcendence values are mediated by moral reasoning implies a close linkage between reflexive/automatic processing and reflective/controlled reasoning. Positive affect and values influence SRB partly by priming the consideration of moral concerns.

### Explaining 'Do No Harm' SRB

We replicated the previous analysis using respondents' propensity to refrain from doing harm as the dependent variable.

We find support for Hypothesis 1 (Model V in Table 3). As in our model explaining 'do good' SRB, both universalism and benevolence values are significant ($P<0.05$). However, as in the 'do good' case, we find no support for Hypothesis 2, which predicts that self-enhancement values will be negatively associated with SRB.

We find no evidence that affect explains the propensity to refrain from harm, and hence we find no support for Hypotheses 3–5. Indeed, the model fit is significantly improved if we include values but exclude affect from the model (i.e. *F*-statistic of 5.89 *vs* 3.86). We discuss the implications of this finding in greater detail in the subsequent section.

In the complete model (Model VI), as in that for the 'do good' scenarios, the coefficient of economic reasoning is significant at the $P<0.001$ level and negative. Reputation significantly ($P<0.001$) explains refraining from harm, as does moral reasoning ($P<0.01$). Legal reasoning does not explain the propensity to do no harm.

In the complete model, the coefficients of the self-transcendence values are no longer significant. Hence, apparently, refraining from harm is explained solely by deliberative processes. However, as in the 'do good' case, we assessed whether the effects of benevolence and universalism on the propensity to 'do no harm' were mediated by moral reasoning. Sobel's test confirmed the mediation ($P<0.001$ in both cases). This suggests that self-transcendence values prime moral reasoning, which explains, to a degree, managers' propensity to 'do no harm.'

In sum, we find that self-transcendence (benevolence, universalism) values explain both types of SRB (doing good, refraining from harm), but that the effects of these values are also mediated by moral reasoning. Economic and reputation-based reasoning are also explanatory. Positive affect explains the propensity to do good, but not the propensity to refrain from harm. In fact, affect seems to play a minor role, if any at all, in explaining the propensity to refrain from harm. We note that our model explains refraining from harm less well than it explains the propensity to do good (*F*-statistic of 9.03 *vs* 16.01).

### Additional analyses

To probe further a core insight of this paper, namely that moral reasoning in part mediates the effects of values and affect on SRB, we also conducted a three-stage least-squares estimation in which we treated moral reasoning as an endogenous variable and used our value and affect variables as predictors of moral reasoning. The results, displayed in Table 4, build on our previous analysis.

Positive affect and benevolence values positively influence moral reasoning. In the final stage, we found that moral reasoning is significantly associated with 'do good' behavior ($P<0.001$) and 'do no harm' behavior ($P<0.05$). An interesting finding is that hedonistic and achievement values are negatively associated with moral reasoning ($P<0.01$). While our earlier analysis showed no evidence that self-enhancement values had a direct effect on SRB, self-transcendence and self-enhancement values seem to differ in the forms of deliberative processes that they prime in managers. An achievement-oriented individual is more likely to attend to the possible sanctions or status consequences of his or her actions, while benevolently minded individuals are concerned about abstract moral principles such as justice and responsibility.

We also conducted a number of robustness checks. To assess the robustness of our measures of moral and economic reasoning, we created a latent factor based on the Inglehart and Baker decision criteria (described above). This factor represents the extent to which managers prioritize economic outcomes over impacts on others. This variable is significant ($P<0.01$) in both models, with higher levels of moral reasoning (i.e. lower levels of economic reasoning) being associated with a greater propensity to

**Table 4** Three-stage least-square (3SLS) regression analysis with moral reasoning as endogenous variable

|  | DV: *Moral reasoning* | DV: *'Do Good' SRB* | DV: *'Do no harm' SRB* |
|---|---|---|---|
| *Values* |  |  |  |
| Self-transcendence values |  |  |  |
|     Universalism | 0.019 (0.012) |  |  |
|     Benevolence | 0.032 (0.018)[+] |  |  |
| Self-enhancement |  |  |  |
|     Power values | 0.009 (0.013) |  |  |
|     Achievement | −0.055 (0.017)** |  |  |
|     Hedonism | −0.042 (0.019)** |  |  |
|  |  |  |  |
| *Affect* |  |  |  |
|     Positive affect | 0.057 (0.014)** |  |  |
|     Negative affect | 0.011 (0.013) |  |  |
|     Guilt | 0.052 (0.056) |  |  |
|     Shame | 0.028 (0.052) |  |  |
|  |  |  |  |
| *Reasoning* |  |  |  |
|     Legal reasoning |  | −0.037 (0.041) | −0.016 (0.044) |
|     Economic reasoning |  | −0.203 (0.048)** | −0.239 (0.052)** |
|     Reputation reasoning |  | 0.225 (0.074)** | 0.186 (0.079)** |
|     Moral reasoning |  | 0.511 (0.129)** | 0.311 (0.142)* |
|  |  |  |  |
| Controls included for gender, firm, geography |  |  |  |
| constant | −1.340 (0.402)** | 0.175 (0.158) | −0.045 (0.181) |
| *N* | 643 | 643 | 643 |
| $R^2$ | 0.122 | 0.274 | 0.210 |
| *Chi square* | 94.29** | 363.13** | 253.99** |

Values are standardized regression coefficients with standard errors in parentheses.
[+] $P<0.1$; * $P<0.05$; ** $P<0.01$.
This table presents the results of the three-stage least-squares estimation in which managers' value and affect are used to predict their degree of moral reasoning, which subsequently explains their propensity to do good and do no harm. Specifically, stage 1 produces instrumented variables of the endogenous variable: moral reasoning. These are used, together with the covariance matrix estimated in Stage 2 (not depicted), to predict managers' behavioral intentions.

'do good' and to 'do no harm'. The coefficients of other variables remain essentially unchanged.

To lessen the concerns of social desirability bias, we replicated the analysis using respondents' estimations of peers' propensity to engage in SRB as the dependent variable. In the models with affect and values as predictor variables, positive affect was significant in predicting 'do good' SRB. In contrast to the analyses earlier, the coefficient of negative affect became significant and negative in some scenarios ($P<0.01$). As for values, benevolence was significant ($P<0.05$). The control variables such as gender and the firm dummy variables were no longer significant. One difference from the earlier analyses is the lower significance of economic, moral and reputation reasoning ($P<0.05$ for moral reasoning; $P<0.1$ for economic and reputation reasoning, signs as hypothesized).

Finally, we also implemented a structural equation model. This technique is able to estimate models with latent variables, account for measurement errors in independent and dependent variables, and accommodate correlations among error terms (Bollen, 1989). Our model contained affect and value variables as exogenous variables, moral reasoning and economic reasoning constructs as endogenous variables, and the 'do good' and 'do no harm'

behavioral intentions as dependent variables. We found support for the notion that values and affect shape the form of reasoning that drives behavior. We were able to demonstrate convergent and discriminant validity of our constructs, and the fit of the model was adequate. Specifically, the root mean square error of approximation (RMSEA) fit statistic was 0.038. The heuristic for using RMSEA developed by Browne and Cudeck (1993) proposes that values of 0.08 or smaller indicate acceptable fits. The results of these supplemental analyses are available from the authors.

**Discussion**

Our aim at the outset was to develop and test a model of SRB. We proposed a specific set of psychological antecedents. The results of the study make it evident that values, affect and cognition influence managers' propensity to behave in socially responsible ways. In particular, self-transcendence values and positive affect increase the propensity to engage in doing deeds that have a positive impact on society, as do moral and reputation-based reasoning. The propensity to refrain from harm is better explained by cognition (reasoning criteria) and, to a lesser

extent, by self-transcendence values. Our findings have contributions for the CSR literature and our understanding of moral psychology. More generally, we also hope to stimulate leadership research that takes account of the link between personal traits and behaviors.

Our first contribution is to identify an equivalent to CSR that pertains to individual-level behavior. Even after controlling for the organizations to which managers belong, we have demonstrated that the individual characteristics of managers are able to explain these forms of social engagement. It is not our intention to question the dominant focus in the CSR literature on the role of corporate values as drivers of social performance. Rather, our attention to individual behaviors and their psychological antecedents makes a case for a link between micro-processes and macro-outcomes and is intended to complement extant studies conducted at the organizational level of analysis.

Moreover, we have distinguished, conceptually and empirically, decisions and actions taken by individuals in organizations to enhance societal well-being ('do good' SRB) and those taken to avoid harmful consequences for society ('do no harm' SRB). As Borg *et al.* (2006: 815) argue, 'Certain types of moral scenarios are likely to be processed in characteristic ways.' While decisions made in 'do good' scenarios reflect both cognition and affect, decisions to refrain from causing harm to others are governed largely by more deliberative cognitive processing. This finding is surprising if we consider that executives who cause harm to others are engaging in potentially risky behavior for themselves and their companies.

The finding that moral reasoning and economic reasoning are negatively correlated may help us to reconcile the theoretical and empirical discourse on CSR. Specifically, we posit that the negative trade-off which informs the literature may rest on the tendency of scholars to apply individual-level thinking to the organizational level. Scholars frequently assume a trade-off between value maximization for shareholders and doing the right thing (Friedman, 1962). From our study, at the individual level there does appear to be a trade-off between moral and economic reasoning. Individuals who 'do good' or 'do no harm' do not take this action because it makes economic sense although empirical evidence suggests that corporate social performance may improve corporate financial performance (Margolis and Walsh, 2001).

We also contribute to the literature on ethical decision-making by finding that affect and values shape more controlled processes such as moral reasoning. The dominant models of ethical decision-making assume that moral reasoning occurs prior to determining a course of action (Rest, 1986). In contrast, we find empirical support for the conceptual work of Sonenshein (2007) who argues that ethical decision-making rests to a large extent on habit and intuition. We remain cautious, however, about claiming that affect and values necessarily precede cognitive appraisal. The relation between affect and cognition is complex (Brewin, 1989). Subconscious cognitive appraisal processes may be a prerequisite for our experience of emotions (Lazarus, 1982). It also remains to probe further some of the specific relationships between our psychological antecedents, including the relationships between values

and affect. For example, power has been found to be associated with positive affect, and also to more simplistic reasoning styles (Gruenfeld, 1995), while a strongly positive or negative affect may increase hedonism (Baumann *et al.*, 1981).

Lastly, our results are potentially important in the context of leadership. Placing the long-term interests of the organization ahead of one's own interests is increasingly viewed as an important quality of leadership (Block, 1993; Davis *et al.*, 1997; Hernandez, 2008). While much leadership literature focuses on personal traits, it overlooks the linkage between these traits and their behaviors. In this paper, we have depicted the psychological characteristics of an important variety of leadership behavior. Additional research is needed in the areas of leadership and stewardship.

## Limitations and future directions

We also recognize that this study has limitations. First, our decision scenarios depict situations that are possibly less equivocal than dilemmas facing managers in natural settings (Sonenshein, 2007). This may explain, in part, our finding that managerial reasoning strongly influenced decision outcomes. Decision scenarios may lead respondents to justify their underlying decisions, thereby overestimating the role of rationality, and underestimating the influence of affect and values, in shaping behavior. Second, although metrics exist for evaluating social performance at the corporate level, observing and measuring SRB at the individual level remain problematic. For this reason, we relied on managers' self-reports of how they would act in the four decision scenarios. While we have taken steps to limit social desirability bias, the self-report measures may not be entirely representative of actual behavior. Future research may triangulate data from multiple sources (e.g. self-reports, peer assessments and performance evaluations, where available).

Additional research efforts may identify how organizational context affects these psychological antecedents as well as influences the relationship between psychological characteristics and behavior. Initial efforts show surprising results and may explain some of our non-findings. While we had expected guilt to be associated with SRB, high levels of accountability in the organization may inverse the generally positive relationship. Recent experiments (Pinter *et al.*, 2007) suggest that high-guilt leaders are prone to behave competitively (and possibly infringe moral norms) if they are required to justify their actions to others in the organization. More generally, organizational contexts are prone to shape managers' beliefs and reasoning styles as senior managers implement practices and incentive systems that serve to confirm their assumptions about human nature and behavior (Ferraro *et al.*, 2005). Further research could also explore how the interaction between the individual and the organization evolves that is, how individuals influence the organization and how organization policies and practices promote individual-level SRB.

## Conclusion

In summary, while much of the discourse regarding CSR remains at the organizational level of analysis, we have

focused on individuals in organizations. What are the psychological characteristics linked to the enactment of SRB? We have proposed that values, affect and cognition provide a useful framework for this investigation. This framework goes beyond simple lists of traits to propose a broader view of the psychological character expected to lead to SRB. The findings support our contention that values help to determine the primacy of moral concern, while affect may provide the impetus to engage in responsible behaviors. We have also shown strong support that cognition is involved in the recognition and interpretation of social issues, and have drawn attention to the interplay between the psychological antecedents of SRB.

## Acknowledgements

## Notes

1 We recognize that some earlier experimental evidence suggests that hedonism fosters helping behavior. Baumann *et al.* (1981) argue that altruism is ultimately a form of hedonism as the act of helping others can induce positive affect.

2 Schwartz (1992) provides an analysis of the circumplex structure of values, which makes exploratory factor analysis unsuitable for identifying values. Additionally, scale use bias is a particular problem in responses to questions about values. By centering the score around respondents' mean value scores, the adjusted measure takes account of the trade-offs between values and removes any bias in scale usage (Schwartz *et al.*, 1997).

3 We also performed regression estimating the standard errors using the Huber–White sandwich estimators. This did not alter the significance levels of the coefficients.

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