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Corporate Stakeholder Orientation in an Emerging Country Context: A Longitudinal Cross Industry Analysis

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Abstract This study examines corporate stakeholder orientation (CSO) across industries and over time prior to the introduction of mandatory CSR. We argue that CSO is a legitimacy signal consciously employed by firms to demonstrate their shareholder and specific non-shareholder orientations in the midst of institutional pressures emerging from country and industry contexts. Using a 7-code index of CSO on CEO–shareholder communications from India, we find that in general large firms in India exhibit a predominant, significant and rising trend of pro-shareholder orientation in the six-year period immediately preceding the CSR law. Yet, we uncover significant industry differences in CSO potentially driven by four key factors: the degree of competitive dynamics, nature of products and services, extent of negative externalities and social activism, and exposure to international markets. Our findings support the view that while some minimum threshold of regulatory intervention is required to balance the interests of business with society, legislation raises questions in relation to the usefulness of a uniform one-size-fits-all CSR across all industries.

Keywords Corporate stakeholder orientation (CSO) · Corporate social responsibility (CSR) · Industry CSR · Mandatory CSR · Institutional theory · Emerging country

Introduction

During the last decade, the new trend of mandating certain minimum standards of corporate social responsibility (CSR) is gaining traction in the developing world—i.e., after Mauritius and Indonesia, India has recently passed a law, directing specified *large companies* across *all industries* to devote, at the least, 2 % of their net profits in (non-profit making) CSR activities.[1] We can draw two main observations from this initiative. First, mandatory regulation on CSR reflects concerns about the absence or lack of firms' orientation towards social stakeholders (Mitra 2011). In this manner, it invokes the controversial yet important debate regarding the purpose of the business corporation, i.e., whether firms should adopt a shareholder orientation to maximize shareholder value or whether they should pursue

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[1] *Under this law, all companies in India,* public and private, domestic as well as foreign, having a net worth of at least US $83 million or a turnover of US $160 million or a net profit of US $830,000 will have to contribute 2 % *of their net profits* to CSR in India for activities such as promoting poverty reduction, education, gender equality, health, vocational skills development, and environmental sustainability. As per a PWC report (2014), this law is likely to impact about 16,000 companies across all industries operating in India. It is expected that this law could change the course of CSR approaches of large firms. Our study is based on a six-year period preceding this legislation.

wider socio-economic objectives by espousing a broader stakeholder orientation (Economist 2015; Stout 2012). Second, a minimum universal one-size-fits-all threshold has the unintended consequence of bundling all firms across industries in the same basket, overlooking industry-specific concerns, responsibilities and their respective dynamics. Probing further into these two evident observations is timely and important, which we set out to do in this paper.

A firm's orientation towards its stakeholders has been assessed by examining the managerial perspective of a firm's responsibilities towards its internal and external stakeholders (Aupperle 1984). There is a general agreement that corporate responsibility is a culture-laden construct and national cultural differences can influence managerial stakeholder perspectives (Burton et al. 2000). Yet, some studies based in emerging countries find that exposure to institutional pressures from international markets, inter-governmental organizations, and parent companies are important drivers of managerial motivations behind corporate responsibility (Jamali et al. 2015; Tsamenyi and Uddin 2009).

For example in the Indian context, benevolence in business was a well-established practice based on normative pressures primarily driven by cultural and religious beliefs (Kanagasabapathi 2007). Given the prevalence of family- and state-owned firms with a strong "community ethos" (Balasubramanian et al. 2005), Indian business practices historically reflected a wide *stakeholder orientation*. However, skeptics construe that progressive globalization, increased competition for attracting investments among firms and also among governments, along with a simultaneous influx of western business philosophies may have weakened this ethos and altered perceptions towards an instrumental view of corporate responsibility as propagated by Friedman's model of *shareholder orientation* (Chakraborty 1997; Sundar 2000).

At an industry level, scholars suggest that while homogeneity in CSR practices is generally found within industries, differences in CSR practices are apparent across industries (Jackson and Apostolakou 2010). The similarity of institutional conditions within an industry in the form of the degree of competition and collaboration among firms and the presence of industry-specific self-regulations (soft laws) may result in homogeneity of CSR behaviors within industries. On the other hand, power differences in monitoring across critical stakeholders and influence of the state across industries also account for divergence in CSR behaviors across industries (Campbell 2007). Thus, industry-specific complexities may drive firms to adopt a similar view of responsibility towards stakeholders, and at the same time industry specificities may lead to emergence of different groupings on stakeholder orientations (O'Connor and Shumate 2010). Current research on corporate orientations, although substantial, has not yet considered both emerging country as well as industry-specific dynamics (Burton and Goldsby 2009).

The purpose of this study is to longitudinally assess stakeholder orientations of large firms across industries in an emerging country prior to the introduction of a hard law on mandatory CSR expenditures. It is our understanding that exploring voluntary corporate stakeholder orientations (CSO) prior to institutionalized social responsibilities captures the disparities between firms' existing orientations and what such regulatory practices seek to establish. It also sheds light on the purpose of the business as viewed through a corporate lens relative to how it is perceived by the regulatory state. Together, they can help identify the nature and extent of changes expected in future CSR behaviors.

We draw on the construct of corporate social orientation (Aupperle 1984) to define corporate stakeholder orientation (CSO) as a legitimacy signal (Jain 2015) that reflects managerial perception of legitimate stakeholders for their firms in the midst of various kinds of environmental pressures. Adopting an institutional perspective in an industry context, we contend that firms face coercive, mimetic, and normative pressures while framing their stakeholder orientations, contingent upon economic and environmental constraints, and socio-cultural and ethical norms (Campbell 2007; DiMaggio and Powell 1983; Scott 2001, 2008). Furthermore, the degree to which these institutional pressures will impact the construction of CSO will be tempered by the industry in which firms are embedded. We argue that it is within these industry level institutional dynamics that management constructs their CSOs and communicates them to stakeholders through their voluntary corporate disclosures. Firms are likely to send stronger signals to those stakeholders that (managers perceive) hold the key to their social legitimacy (Boutilier and Thomson 2001; O'Donovan 2002).

We contextualize our study in India, which presents an opportune experimental setting due to the recently mandated CSR law. To assess CSO, we adapt and apply a validated CSO index (Jain 2015) on a large sample of CEO/chairpersons' annual statements between 2007 and 2012, immediately preceding the CSR law in India. Using thematic analysis (Boyatzis 1998) on these communications, we inductively identify the specific stakeholders towards whom firms are oriented. We analyze the shareholder and non-shareholder orientations through careful longitudinal and across industries comparisons to synthesize a better understanding of firms' stakeholder preferences in light of the specific institutional pressures at play. We believe CSR legislation must take cognizance of institutional differences across industries and corresponding industry CSOs to

facilitate the acceptance and effective implementation of such laws.

Through this paper, we offer the following contributions to the CSR field. We clarify the corporate social orientation (Aupperle 1984) construct by refining it as corporate stakeholder orientation. This is not a matter of semantics, but we believe that the corporate stakeholder orientation construct offers a better mechanism for identifying corporate purpose—both economic and social. In line with the focus of this special issue, examining industry-specific CSO fills an important gap in the comparative inter-sectorial CSR literature. Drawing on institutional theory at the industry level, we theorize and illustrate the complexities behind CSOs. By longitudinally analyzing CSOs, we add a dynamic dimension to CSO, which has been explored as a static construct in the literature. Finally, although in general we capture a widening gap between shareholder versus non-shareholder orientations of firms in India, we also identify significant industry differences highlighting the relevance of industry level institutional dynamics in constructing CSO.

The rest of this paper is organized as follows. We begin by introducing our corporate stakeholder orientation construct followed by a review of literature in this field. Next, drawing on relevant literature pertaining to institutional theory and the industry context, we present our theoretical framework where we conceptualize CSO as a legitimacy signal. Thereafter, we describe our research design and methodology before presenting our findings and analyses. We conclude this paper by offering a set of relevant, timely and testable propositions on industry-specific CSO.

From Corporate Social Orientation to Corporate Stakeholder Orientation

Among the different definitions for CSR (Dahlsrud 2008), one of the most widely used was suggested by Carroll (1979). He proposed that the entire spectrum of corporate responsibilities could be conceptualized into economic, legal, ethical, and philanthropic responsibilities. Economic responsibility is primarily concerned with creating value for shareholders; legal responsibility implies legal and regulatory compliance; ethical responsibility involves following normative codes prevalent in society; and philanthropic responsibility includes corporate giving for non-profit endeavors (Carroll 1979). Using this definition, Aupperle (1984) introduced the corporate social orientation construct to assess the managerial view of a firm's responsibilities towards internal and external stakeholders. Aupperle (1984) scored firms' orientations through a forced choice survey instrument. Respondents were asked to rate statements that represented economic, legal, ethical, and discretionary dimensions of CSR. The mean score on each of these four dimensions was then collated to measure CSOs. Aupperle's instrument has since been used to study orientations of diverse groups such as CEOs and board members (Ibrahim and Angelidis 1991, 1995), small businesses (Burton and Goldsby 2009), as well as students (Angelidis and Ibrahim 2004).

Although the corporate social orientation construct has expanded research on CSR, it provides a limited view of CSR. Carroll's CSR definition is an all inclusive classification of responsibilities that includes economic and non-economic obligations towards shareholders and non-shareholder stakeholders. Although the corporate "social" orientation construct is based on this definition of CSR, the economic dimension is later separated from the non-economic dimension. Aupperle et al. (1985) propose that the latter corroborates better with the social orientation of organizations. Despite this segregation, the literature continues to club the orientation towards all stakeholders (including shareholders) as corporate *social* orientation. This adds to the confusion of corporate *social* orientation implying orientations of a social nature alone, when in fact they include orientations of economic responsibility towards stakeholders. In addition, though corporate social orientation explains the entire spectrum of manager's responsibilities towards stakeholders, it does not clearly capture the stakeholders associated with each level of responsibility.

In order to bring greater clarity to this construct that embodies the managerial perception of firms' internal and external stakeholder responsibilities, we re-frame it corporate stakeholder orientations, henceforth (CSO). CSO includes identifying the requisite stakeholder groups towards whom firms are oriented and it does not club all the non-shareholder stakeholders into a single category. We contend that this is important because the nature and extent of responsibility towards these multiple stakeholder entities may differ. Furthermore, the stakeholder orientation construct is independent of culture or country-specific nuances often associated with CSR (Burton et al. 2000), thereby more appropriately embodying and/or reflecting who and what counts for top management and for the firms they represent in any national context (Donaldson and Preston 1995; Freeman 1984).

Literature Review

In this section, we discuss how the literature on corporate orientations has developed over time. Notably, most of the present research has focused on studying CSO in the developed country context. The most commonly studied contexts include countries in the EU, USA, Japan, and Australia (Angelidis and Ibrahim 2004; Burton and

Goldsby 2009; Fukukawa and Teramoto 2009; Ibrahim and Angelidis 1991, 1995; Sotorrío and Sánchez 2008). Since our study is based in an emerging country context, it is important to highlight that differences in institutional pressures and cultural norms often inform how firms in different countries understand and interpret their stakeholder responsibilities and subsequently construct their stakeholder orientations (Jamali and Neville 2011; Visser 2008; Williams and Aguilera 2008). Accordingly, CSO in developed contexts are likely to significantly differ from CSO in emerging market contexts, such as India (Jain 2015).

Specifically in the Indian context, the CSO literature can be divided into two different time periods. The first corresponds to the period when India was a closed economy with restrictive foreign trade policy and second relates to the period after India adopted economic liberalization and became part of the global markets (Nayar 1998). Prior to India's exposure to globalization, there are two main studies on corporate orientations that are worth highlighting—the study of managerial perceptions by Khan and Atkinson (1987) and a comprehensive study of management attitudes by Krishna (1992). Both studies find that a large proportion of Indian managers believed that a business has responsibility not just to its shareholders but also to its employees, customers, suppliers, the state, and the society within which it operates. They uncover an agreement on the corporate pursuit of economic *and* social goals among managers, particularly in larger sized firms. Most scholars relate this to the culture and value system prevalent in India at the time, which implicitly institutionalized social and ethical responsibilities among firms (Matten and Moon 2008; Patel and Schaefer 2009).

Studies evaluating corporate orientation in the post-liberalization era report that the Indian economy lags behind the west in terms of social, environmental, and ethical performances (KPMG 2005; Mishra and Suar 2010; Mitra 2011). Part of this massive shift in orientation, from a broader social character to a largely profit-oriented one, could be explained by the institutional changes that accompanied globalization. To begin with, there were several corporate governance reforms that took place in the developing world (Rajagopalan and Zhang 2008). Many of these reforms were largely based on the corporate governance practices of the US, which follow the agency model of shareholder value maximization (La Porta et al. 1998; Rajagopalan and Zhang 2008). At the same time, the new millennium witnessed a growing importance and institutionalization of soft laws in the forms of principles, standards, and ethical codes of conduct such as those propagated by UN Global Compact, Global Reporting Initiative, and UNDP. The influx of these somewhat contradicting yet powerful global institutional practices led to an interesting interplay between the pressure to conform to shareholder value logic by mimicking the legitimized governance practices and the pressure to conform to ethical norms propagated by soft laws and the prevalent socio-cultural systems. In this paper, we track the trend of corporate stakeholder orientations across industries in India prior to the introduction of institutionalized CSR. We argue that institutional pressures to conform to stakeholder expectations will vary contingent on industry specificities.

Corporate Stakeholder Orientation as a Legitimacy Signal

A stakeholder is broadly understood as any individual or group who can affect or is affected by the achievement of an organization's objectives (Freeman 1984). However, managerial perception of who these stakeholders are and how far managerial responsibility extends still remain intriguing questions, particularly with differences in managerial mindsets across nations (Donaldson and Preston 1995; Jamali et al. 2009; Kapelus 2002; O'Riordan and Fairbrass 2008; Waldman et al. 2006). We define corporate stakeholder orientation (CSO) as the top management's viewpoint of their firm's legitimate stakeholders. We contend that managers co-create their firms' CSO on the basis of who they consider to be their legitimate stakeholders and accordingly communicate this intent and orientation through corporate disclosures.

We conceptualize CSO as a legitimacy signal that carries crucial information about organizations' stakeholder intent. Management is likely to accord greater attention, in other words, send more signals to those entities who are perceived as more important for their firms' survival and whose claims are considered legitimate. In addition, there are complex environmental pressures facing firms (Aguilera et al. 2007) during this process that will influence the construction of CSOs.

As per institutional theory (DiMaggio and Powell 1983), firms encounter different institutional pressures ranging from coercive, normative to mimetic (Scott 2008). Conformation to these pressures enables firms to gain both resources and legitimacy that are vital to unlock success in hugely competitive environments such as those persisting in emerging countries (ibid). It also helps avoid social and legal sanctions that may accrue due to non-compliance (Meyer and Rowan 1977). When viewed from the stakeholder lens, institutional pressures can be seen as embodying diverse stakeholder expectations from firms. At the same time, institutional configurations can influence the degree to which stakeholders can influence managers (Campbell 2007) and, in this manner, impact managerial stakeholder orientations.

Drawing on literature linking institutional theory to the industry context, we posit that firms belonging to a particular industry group have to establish a good corporate image among their peers to get access to human and material resources, and to maintain customer loyalty. Yet, they must secure investment opportunities (Mahoney et al. 2012) and gain competitive advantages over other firms in the same industry (Jackson and Apostolakou 2010). Given the nature of products and services, structure of the industry, manufacturing processes, risks involved, extent of societal visibility, and the nature and level of interaction with the state, every industry faces a set of unique opportunities and constraints different from other industries (ibid). Therefore, firms within an industry are presented with a complex but similar amalgam of local and global institutional pressures that arise from a juxtaposition of multiple coercive, mimetic, and normative forces specific to that particular industry (DiMaggio and Powell 1983). We argue that under such circumstances, each industry is sensitized differently to its stakeholders, and such distinctions lead to the creation of industry-specific stakeholder orientations.

Institutional Pressures in the Industry Context

In this section, we discuss how the institutional dynamics at the industry level lead to firms' adopting specific stakeholder orientations, resulting in potential isomorphism among them. The central idea is based on the argument that firms thrive on legitimacy, and in their quest for legitimacy they surrender and succumb to industry-specific institutional pressures (O'Donovan 2002; Washington and Patterson 2011). We argue that this process would typically result in similarity of stakeholder orientations across firms functioning in the same industry (Washington and Patterson 2011). Below we discuss the three kinds of institutional isomorphism at the industry level in emerging country contexts, such as India.

Coercive isomorphism is a consequence of firms experiencing institutional pressures (formal or informal) from organizations on which they are dependent (DiMaggio and Powell 1983), embodying an element of power relations. These pressures could arise from multiple entities such as from the state through regulations; customers, suppliers, and parent companies due to resource dependence; watchdogs such as media, national and international NGOs and social movements; and socio-cultural norms prevalent in society (Scott 2008). Interestingly, these different pressure points tend to embody mechanisms that may push for both shareholder and non-shareholder orientations. For example, for foreign multinational subsidiaries in emerging countries, corporate governance practices prevalent in home countries may require firms to align their orientation with shareholder value maximization (La Porta et al. 1998) that may contradict with the cultural norms supporting social stakeholders in the host country (Patel and Schaefer 2009).

At the industry level, industries with exorbitant profit margins may attract state and third sector attention due to ethical concerns in emerging countries. For example, the metal and mining industry in India has a somewhat oligopolistic structure, giving firms in this sector enormous power. Such powerful firms are not affected by their dwindling social reputations and their economic priorities tend to over-ride the need for certain forms of institutional compliance. At the same time, some industries (due to their societal visibility and the magnitude of externalities they create) are more prone to attract activism from NGOs and social movements. We sustain that the different kinds of coercive institutional pressures interact among themselves and with specific industry variables such as market structure and power dynamics (Perez-Batres et al. 2012). This process is expected to trigger managers into complying with those institutional demands that are more salient, magnified, and intense within their industries. In this manner, coercive institutional pressures together with the industry dynamics can affect corporate stakeholder orientations.

Normative isomorphism tends to emerge when professionals in a field claim superiority and set up norms that are adopted across firms (DiMaggio and Powell 1983). Such pressures for adoption are most commonly seen in the form of soft laws. Some of these soft laws such as the UN Global Compact are targeted at all firms across industries, others are more specific industry codes of conduct (Dacin 1997; Scott 2001) and standards propagated through universities, professional training institutions, and trade magazines (Galaskiewicz and Wasserman 1989). Firms that defect from such norms are likely to be viewed with suspicion from media and social stakeholders, yet it is noteworthy that these norms are in the form of comply or explain and do not come with legal sanctions.

We contend that across industry codes pressure firms to adopt some common orientations depending on pressing global concerns. A good example of such a code is the Global Reporting Initiative (GRI) that seeks to promote sustainability and integrated reporting across industries in view of the globally significant climate change phenomena and businesses' ecological footprint. However, firms may opt to follow industry-specific codes depending on the relevance of the issue represented by the code along with industry-specific externalities and pressures (Logsdon and Wood 2005). For example, due to heavy outsourcing of manufacturing facilities to emerging countries and institutional voids (Khanna and Palepu 1997) in labor laws, the apparel industry is blamed for encouraging inhumane labor

conditions. On the other hand, the extractive industries are infamous for extensive mining of minerals in an environmentally irresponsible way (Fynas 2010). To tide with these different sets of externalities (that increase industry susceptibility to social activism), there are different codes that guide action such as the Ethical Trading Initiative (ETI) that seeks to improve working conditions in the apparel industry, and the Sustainable Mining Initiative that addresses social and environmental issues related to extractive industries. Firms adopting such industry codes are likely to gain more legitimacy among their peers and supply chain partners (Prakash 2000). We contend that normative institutional pressures, together with sector specific externalities, visibility of the industry and pressures of conformation within the industry are likely to inform stakeholder orientations at the industry level.

Mimetic isomorphism displays the tendency of firms to model or imitate the behavior of successful and legitimate firms in an environment of uncertainty (DiMaggio and Powell 1983). Mimicking behavior is a safer and easier way to gain legitimacy in an environment when the best course of action cannot be ascertained (Suchman 1995). In emerging countries, globalization was accompanied by a strong wave of structural reforms that encompassed industrial deregulation, trade liberalization, and relaxation of state regulations (Nayar 1998). These weakened the protectionist regimes, at least in some countries, such as India, and exposed the local firms to fierce international competition. To cope with this uncertain environment and appear legitimate in this highly competitive international business environment, the emerging country firms started mimicking western business models through a process of mimetic isomorphism (ibid).

However, at the industry level, the scope and scale of liberalization differed. While some industries such as information technology saw a greater interaction with the global markets (Arora and Gambardella 2005), others such as mining and finance still remained partially dominated by state-owned corporations and derived a large proportion of their revenues from domestic businesses (Goldberg 2009). Higher state regulations placed restrictions on the extent to which foreign firms could enter specific industries. In line with this argumentation, we contend that although the impact of mimetic isomorphism will be visible within and across industries, firms will mimic those behaviors and practices that are followed by leading and successful firms in their specific industries. Firms facing greater international competition are likely to mimic successful international firms and firms operating largely in the domestic market will tend to mimic domestic firms. We sustain that mimetic isomorphism is likely to influence stakeholder orientations contingent on industry specifics such as the degree to which an industry has exposure to the international market environment.

Overall, we argue that firms face diverse institutional pressures from multiple stakeholders. The intensity of such pressures and the legitimacy of these stakeholders are contingent upon the industry within which firms are embedded. It is within this complex interaction of multiple pressures (Aguilera et al. 2007) that firms identify their legitimate and critical stakeholders and construct their corporate stakeholder orientations.

Research Design

The purpose of this study is to longitudinally assess voluntary corporate stakeholder orientations across industries. To do so, we contextualize this study in India, and focus on the period *prior* to the CSR legislation that was enacted in 2013. We believe this constitutes a unique experimental setting to evaluate voluntary CSO across industries prior to state institutionalization of firms' responsibilities that is likely to significantly impact existing CSOs and usher a new era of CSR.

Existing studies have used three different methodologies to analyze CSO. The first approach uses a self-reported survey instrument pioneered by Aupperle et al. (1985), the second approach examines CSOs through reputational ratings such as the KLD (e.g., Berman et al. 1999; Tang and Tang 2012), and the third approach is based on the content analysis of corporate social disclosures (CSDs) (e.g., Adams et al. 1998). While all these approaches have proliferated, they are not without limitations. Aupperle's (1984) survey instrument has limited application for our study because it does not explicitly identify the stakeholders towards whom firms have economic and non-economic responsibilities (Aupperle et al. 1985). The main contention of reputational ratings is that they are more a measure of outcomes rather than of orientations and adopt specified categories that end up being restrictive in identifying orientations (Wood 2010).

On the other hand, CSDs can be useful tools for examining CSO, yet scholars are often critical about their strategic use for greenwashing and publicity (Hoffman 2006). In this study, we capitalize on the potential of corporate disclosures to capture CSO for two reasons. One, in line with our definition of CSO, we want to identify a corporate disclosure that is voluntary and reflects the managerial viewpoint of legitimate stakeholders. Two, it is critical that this disclosure should be able to filter out, if not all, at least a significant part of corporate posturing. We argue that the CEOs/chairpersons' annual letters to the shareholders meet both of these conditions as the relevant

voluntary disclosure for longitudinally examining CSO (Jain 2015).

We contend that to examine CSO, it is prudent to focus on corporate disclosures that are voluntary, not impacted by particular guidelines such as GRI and that reflect top management's view of their company's position with respect to corporate responsibilities (Castelló and Lozano 2011). CEOs/chairpersons' letters to stockholders are generally employed by top management to communicate firm's vision and mission, business trends, corporate policies, and strategies on aspects that are perceived to be highly relevant to stakeholders. These statements often candidly express management opinions and beliefs, including on trends such as CSR (Raman 2006). For instance, N. R. Narayana Murthy, the chairman of Infosys Technologies Ltd., is known to write his own letters to the shareholders. Such letters may reveal top management's willingness to align their firms' behaviors with norms defined by their multiple stakeholders.

Secondly, CEOs/chairpersons' annual letters to the shareholders are specifically addressed to stockholders. Therefore, these letters can be a conservative test of a firm's stakeholder orientation, i.e., if a firm perceives its purpose as shareholder value maximization, we expect to find a stockholder letter heavily focused on shareholders. On the other hand, if a firm believes in creating long-term shareholder value through satisfying a broader set of stakeholders, it will communicate this to its shareholders by highlighting the value of sound stakeholder relationships. Furthermore, shareholders themselves do not constitute a homogeneous group and different types of shareholders have different expectations from firms (Neubaum and Zahra 2006; Stout 2012; Walls et al. 2012). For instance, some shareholders have a short-term investment horizon and expect firms to focus on maximizing shareholder value and disregard expenditures for other stakeholders unless such investments are instrumental for increasing profits. Other shareholders invest in firms for the long haul and consider CSR activities relevant for strategic competitive advantages (Walls et al. 2012). Top management is likely to consider these varied shareholder expectations while framing their stakeholder orientations. Accordingly, CEOs/chairpersons' letters are likely to be a strong reflection of *who* managers perceive to be their key stakeholders, what firms perceive as their stakeholders' expectations and consequently how firms frame their stakeholder responsibilities and orientations (Castelló and Lozano 2011; Jain 2015; Raman 2006).

For the purpose of assessing the CSO from CEO/Chairperson's letters (hereinafter called the CEO statement), we used thematic analysis which is a technique commonly employed in psychological studies (Braun and Clarke 2006). It is a qualitative method that involves quantifying qualitative texts using recurring patterns of explicit themes and analyzing them statistically (Boyatzis 1998). Our goal was to carefully examine what is being communicated and then inductively identify the underlying stakeholder towards whom it was intended (Stebbins 2001). We employ a previously developed and validated CSO code (Jain 2015). This study devised the code through a two-stage process. During the first stage, CEO statements of the largest steel firms in the world were utilized. Focusing on the intentional level of analysis, every sentence in the CEO statement was coded to identify the managerial intentions behind it. In this manner, specific stakeholders towards whom top management attention was directed were inductively identified. The following orientations were most commonly prevalent across the dataset—shareholder, customer, employee, partner, environment, community, and corporate governance. In the second stage, this code was applied on 54 CEO statements of banking firms across multiple countries, including India. We adapted the CSO code from this study and modified it to the Indian context as shown in Table 1.

Shareholder orientation includes a concern for economic sustainability, economic achievements, and future financial strategies with an underlying emphasis on creating shareholder value. Customer orientation encompasses concern for present as well as potential customers such as designing product and customer satisfaction policies. Employee orientation comprises concern towards employees' working conditions, compensation and training, and welfare of their families. Partner orientation focuses on sustaining long-term relationships with third parties such as suppliers, creditors and lending institutions, and governmental agencies. Environment orientation includes actual and intended environment-related policies and structures, and concern for ecological footprint. Community orientation comprises of firms' concern towards the larger society and future generations beyond employees and their families. Lastly, corporate governance orientation focuses on adopting ethical, lawful, and transparent structures and practices.

Sample and Data

We examine CSO of large firms in India across industries between 2007 and 2012. We focus on the BSE S&P 100 index, which is a broad-based index composed of 100 large, liquid and well-established companies across all sectors in India, covering nearly 70 % market capitalization of the listed universe. Firms that are part of this index are representative of various industrial sectors of the Indian economy and results based on their analysis can give us a good indication of CSO of large firms across industries.

Table 1 7-Code CSO Index

Code	Theme description
Shareholder orientation	**Actual** economic achievement described as financial reporting, production numbers, market share and profitability, financial ratios, steps taken to enhance bottom-line, control costs
	Forecasting economic trends such as future product demand, increasing costs of operation, rise in salaries, pricing, economic crisis, market survival, inorganic growth strategies
	Concern for economic goals, economic sustainability, competitive advantage, liquidity issues, increase in competition
	* Immediate and long-term time horizon, implied as well as explicit
Customer orientation	**Actual** policies towards customer, commitment and service, introduction of innovative new products, disclosures of product quality, consumer relations and service, awards for customer satisfaction, consumer protection laws
	Forecasting customer needs
	Concern for customer related issues of a company as customer satisfaction, sustaining customer relationships and client servicing, citizenship with an underlying customer orientation
	* Immediate and long-term focus, actual as well as intended
Employee orientation	**Actual** policy measures relating to employees working conditions, pension, compensation, employee consultation, training and education, employment of minorities or women, and trade union information, employee turnover, accidents, awards for best employer award, labor laws
	Forecasting employee numbers, turnover, needs such as trainings and development
	Concern for employees and their dependents such as quality of life, reducing injuries, improving health care, citizenship with an underlying employee concern
	* Statements should have an underlying concern for employees, usually long term in nature, implicit or explicit, and not in context of economic or environmental sustainability
Partner orientation	**Actual** policies regarding relationships with suppliers, lenders, banks, governments, and such other agencies that are external partners for various functions, measures undertaken to support suppliers and increase supplier diversity, improving joint projects with suppliers
	Intent towards sustaining long-term relationship with suppliers, government for policy initiatives, other lending institutions, compliance with partner norms across supply chain
	Concern for sustaining long-term supplier relationships
	* Statements could include actual, planned, issues and concerns towards partners, usually long term
Environment orientation	**Actual** policies towards environment-related expenditures such as eco-friendly offices, conservation of energy, water, and recycling activities, using green technology, alternative production processes, maintaining bio-diversity, disclosure of environmental policies and regulations, and environmental awards (including ISO 14001 and Eco Management and Audit Scheme—EMAS)
	Forecasting environmental impacts of products and processes
	Concern for the environment and its protection, conservation and regeneration, climate change, air quality, growing responsibly and sustainably with reference to the environment, citizenship with an environmental focus
	* Actual or intended with a long-term perspective
Community orientation	**Actual** and **intended** effort towards contributing to social good such as improving education, provision of health services such as AIDS awareness, inclusive growth, disclosures relating to sponsorship (e.g., of art exhibits) as well as charitable donations and activities, promoting art and culture, educating and protecting human rights
	Concern and commitment for the larger society and communities and masses, future generations, social transformation, removal of poverty, care of human life (including safe driving, reducing traffic accidents), reduction of crime rates, growing responsibly with reference to community, citizenship in a community caring sense
	* Community concern extends beyond existing employees and their families, is long term, implicit or explicit

Table 1 continued

Code	Theme description
Corporate governance orientation	**Actual** management policies concerning transparent, lawful and ethical operation of the company such as compliance to standards, control procedures, audits, whistle blower policy, Clause 49 of the listing agreement, repositioning business, major restructuring
	Disclosures on capital adequacy ratios, BASEL, dividend declarations, values statements, codes of conduct, statement on managing risk; executive compensation, leadership, responsible management, BOD structure, achievements in CG
	Concern over corporate governance issues, protection sensitive information, preventing asset laundering, ethical procedures and intentions, citizenship with a general stakeholder orientation and even a long-term economic outlook
	* Actual and intended long-term focus of top management on stakeholders' interests

(Adapted from Jain 2015)

We obtained the BSE S&P 100 list of firms as of April 1st 2007 from BSE India. Table 2 lists the sector-wise distribution of these firms. We focused on the "the letter to the shareholder" section of the annual reports or "CEO/chairperson message" of these firms from 2007 to 2012. The annual reports were accessed from individual company websites. Several Indian companies have only recently started maintaining online archives of annual reports. Therefore, in those cases where annual reports were not available on the websites, we contacted the registered offices of the companies. In some cases, the chairperson's letter replaced the CEO's letter or vice-a-versa. Since both these letters serve the same purpose, we followed Tengblad and Ohlsson (2010) and did not treat them differently. Some firms did not issue either of the two statements, which were subsequently labeled as missing.

Table 2 Sector-wise distribution of BSE S&P 100

S. no.	Industry name	Number of firms	% Index weight
1	Auto	7	5.07
2	Capital Goods	8	8.21
3	Cement	5	2.93
4	Chemicals	3	1.15
5	Diversified	5	2.70
6	Electronics	1	0.27
7	Finance	18	20.48
8	FMCG	8	6.99
9	Pharma	7	4.12
10	Hospitality	1	0.56
11	IT	7	15.52
12	Mass Media	1	0.57
13	Metal & Mining	8	4.71
14	Oil & Gas	9	14.47
15	Power	4	3.45
16	Real Estate	2	0.92
17	Sugar	2	0.26
18	Telecom	4	7.63
	Total	100	100 %

From the total desired sample of 600 CEO statements (BSE S&P 100 firms over 6 years), 359 CEO statements across 18 industries were available. 251 statements were missing that comprised about 41.8 % of the planned dataset. We analyzed the missing data and found a systematic pattern in it. The primary reason behind the pattern was that some firms did not issue a CEO statement at all. We found that 24 firms (across 15 industries) out of the 100 targeted did not issue a CEO statement for the block years 2007–2012. However, the non-issuing of a CEO statement does not imply that firms do not have an orientation towards their stakeholders: it simply indicates that we do not know what their orientation is. We proceeded with the hand-coding of 359 CEO statements inductively (Stebbins 2001) after eliminating all the missing data.

To maintain reliability of codes, a second coder was engaged aside from the first author of the paper (who was the main coder of the text). The unit of coding was a sentence and each sentence was coded for the presence of orientations as per the CSO index in Table 1. The number of times an orientation appeared was recorded as the frequency, which reflected the intensity of a specific orientation. The CSO codes were applied to the sample of 359 CEO statements independently by the two coders to maintain objectiveness of coding. Between the two coders, an initial agreement of about 84 % on the basis of the presence of themes was reached which was as per the minimum acceptable benchmark for inter-coder reliability

suggested by Boyatzis (1998). After further discussions, we reached a complete agreement on the final coding.

Research Analyses and Findings

We begin the analysis by checking for normality of our final dataset. Although the sample was fairly large to assume normality of the distribution, we apply several normality tests namely Shapiro–Wilk, Jarque–Bera, and Anderson–Darling (Field 2009). We find that normality was not obtained for any of the orientation distributions except for the shareholder orientation (results available upon request). Accordingly, we proceed with the analysis using non-parametric tests. We analyze the 7-orientations (as coded) for the BSE S&P 100 firms as a whole and across industries.

Our first two objectives are to assess the corporate stakeholder orientations among large firms in India over the 2007–2012 period, and then to scrutinize the CSO across industries. For this, it is important to analyze both the firms' preferential order of various stakeholders (stakeholder prioritization) and the extent of firms' relative concern towards each of them (relative intensity of stakeholder orientation). To do so, we begin by calculating the mean orientations for the Index and for specific industries presented in Table 3.

Table 3 shows that in general the preference for shareholder orientation is clearly evident across all firms and industries. In terms of prioritization for the index, on an average shareholder ($M = 38.44$), customer ($M = 11.18$), and corporate governance ($M = 6.33$) orientations are the top three priorities; partner ($M = 5.32$), community ($M = 3.14$), and environment orientations ($M = 2.14$) are the bottom three; and employee orientation ($M = 5.74$) is nested in the middle. However, an important observation is that even though these letters are addressed to shareholders, they portray firms' orientation towards non-shareholders stakeholders as well. On one hand, this observation supports our argument that shareholder letters could be viewed as an interesting site for capturing non-shareholder orientations on a conservative basis, and on the other hand, it highlights that although large firms demonstrate a predominant shareholder orientation, they also reflect a broader stakeholder orientation in their shareholder letters.

Next step is to investigate the prevalence of shareholder and non-shareholder orientations at an industry level. Towards this end, we start by using the mean orientations in Table 3 to prepare stakeholder prioritization graphs for BSE S&P 100 index (Fig. 1) and for specific industries (Fig. 2). This enables us to visualize the relative importance of each stakeholder for large firms on an average and also for each industry in our sample. Some interesting observations stand out. We find that oil and gas ($M = 43.94$) and metal and mining ($M = 40.89$) industries have the highest shareholder orientations and also the widest gap between their shareholder and non-shareholder orientations. On the other hand, information technology (IT) and telecom industries not only have lower than average shareholder orientation but also have the lowest gap between their shareholder and non-shareholder orientations indicating industry differences.

To shed more light on whether the mean differences in orientations across industries are significant, we employ Kruskal–Wallis test (Table 4) as a baseline (Field 2009). We find that for all orientations namely shareholder ($K = 44.5$, $p < 0.001$), customer ($K = 118.2$, $p < 0.001$), employee ($K = 83.72$, $p < 0.001$), partner ($K = 25.20$, $p < 0.05$), environment ($K = 105.99$, $p < 0.001$), community ($K = 39.28$, $p < 0.001$), and corporate governance ($K = 49.41$, $p < 0.001$), the differences across industries are significant, indicating that industries prioritize their stakeholder orientations differently. This provides preliminary support to our argument that industries have their own unique institutional dynamics that are likely to inform their view of stakeholder legitimacy.

Our next objective is to delve deeper into the industry dynamics. In particular, we seek to explore to what extent similar institutional forces can lead specific industries to exhibit analogous intensity of orientations. To do so, we

Table 3 Mean intensity of shareholder and stakeholder orientations for BSE S&P index and across industries

	BSE	Cap. Goods	Cement	Auto	Finance	Power	Oil	Telecom	Pharma	FMCG	IT	Mining
Shareholder	38.44	38.42	37.04	41.82	36.20	31.49	43.94	31.08	39.91	38.24	34.21	40.89
Customer	11.18	9.59	2.84	12.60	13.03	6.24	7.76	15.43	18.78	16.69	20.92	5.41
Employee	5.74	6.10	17.03	4.25	2.58	4.40	3.65	2.68	4.11	6.37	9.78	9.18
Partner	5.32	5.13	5.63	5.41	6.27	6.00	5.46	3.12	3.61	5.18	3.53	3.53
Environment	2.14	3.05	2.83	1.20	0.69	5.65	4.64	0.91	0.15	3.91	3.01	2.45
Community	3.14	2.28	2.85	1.37	3.49	7.32	3.32	6.35	3.40	3.12	2.54	3.39
Corp.Gov.	6.33	5.84	4.08	4.74	7.79	8.20	5.08	6.67	8.74	5.25	8.54	5.85

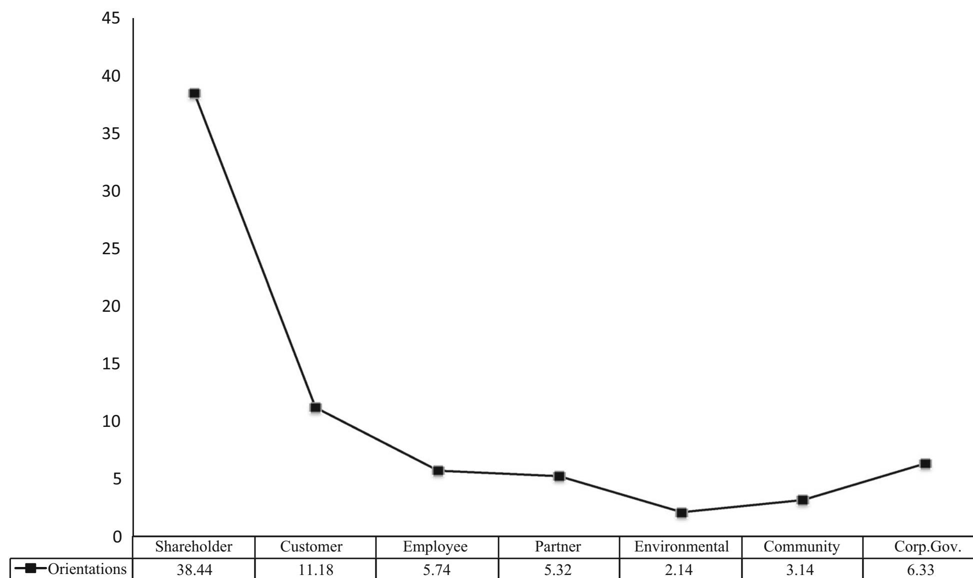

Fig. 1 Stakeholder prioritization for BSE S&P 100 firms over 2007–2012

Fig. 2 Industry-wise shareholder and stakeholder orientations in India over 2007–2012

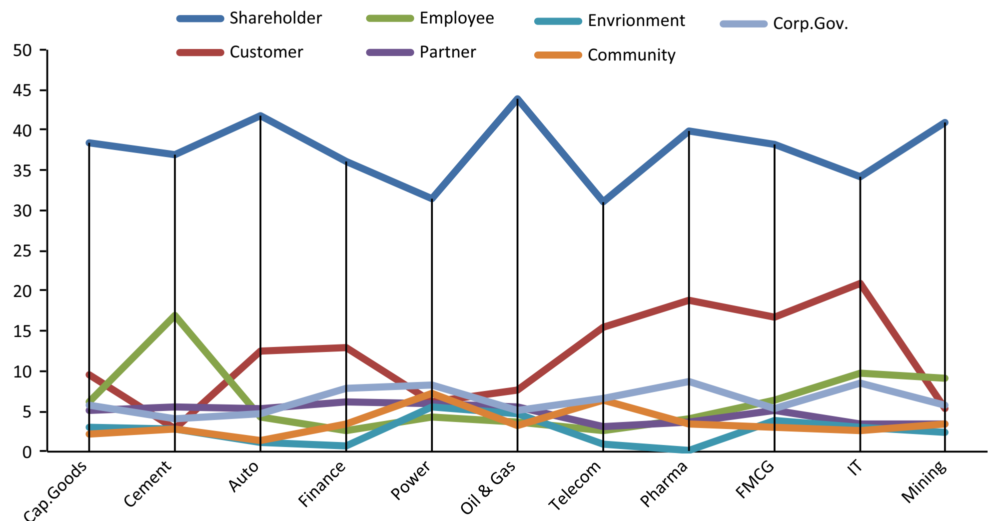

Table 4 Kruskal–Wallis test for differences on each orientation across industries

	Shareholder	Customer	Employee	Partner	Environment	Community	Corp. Gov.
K	44.45***	118.72***	83.72***	25.20**	105.99***	39.28***	49.41***

Two-tailed test: ** $p < 0.05$; *** $p < 0.001$

conduct pairwise analysis of industries using Dunn's procedure ($p < 0.05$) (presented in Table 5) and establish industry clusters for each orientation (Field 2009). The industry clusters that emerge from this analysis are not significantly different within themselves, but significantly different between themselves, i.e., industries that fall within a cluster do not significantly differ from each other on a specific orientation, while two separate industry clusters significantly differ from each other on that orientation. This helps us analyze the nature of similarities between industries and qualitatively identify the institutional forces behind these commonalities.

Some observations from the pairwise comparisons in Table 5 are as follows. We find that oil and gas ($M = 43.94$) and metal and mining ($M = 40.89$) are not statistically different on their shareholder orientations and

Table 5 An example of industry cluster

Shareholder		Customer		Employee		Environment		Community		CG	
Telecom	Mining	Cement	Auto	Finance	Cap.Goods	Pharma	Mining	Auto	Telecom	Auto	Finance
Power	Oil & Gas	Mining	Telecom		Mining	Finance	Cap.Goods	Cap.Goods	Power		Power
IT			Pharma		IT		IT				
Finance			FMCG		Cement		Oil & Gas				
			IT				Power				

All groupings are significant at $p < 0.05$

cluster together. The results are in line with our earlier observation that these two industries also have the strongest mean shareholder orientation, significantly different from the cluster of finance ($M = 36.20$), power ($M = 31.49$), telecom ($M = 31.08$), and IT ($M = 34.21$) industries, which also have the lowest mean shareholder orientation. On customer orientation, durable goods, fast moving and service-based industries have higher than average customer orientation significantly different from the cluster of heavy industries, which have lower than average customer orientation. For example, one of the emerging clusters with a higher than average customer orientation is that of IT ($M = 20.92$), pharmaceutical ($M = 18.78$), FMCG ($M = 16.69$), telecom ($M = 15.43$), and automobile ($M = 12.60$) industries. In contrast, heavy industries such as cement ($M = 2.84$) and mining ($M = 5.41$) cluster together at the lower end.

On employee orientation, industries that tend to follow poor labor policies such as employing a high proportion of contract labor, and this includes majority of the industrial sector such as cement ($M = 17.03$), metal and mining ($M = 9.78$), and capital good ($M = 6.10$) (Ananthanarayanan 2015) cluster together and exhibit high employee orientations (Table 5). On environment orientation, broadly all industries portray a low level of orientation in their shareholder letters. However, industries that inherently create more risk for the environment by virtue of their manufacturing or extraction processes such as power ($M = 5.65$), oil and gas ($M = 4.64$), capital goods ($M = 3.05$), IT ($M = 3.01$), and mining ($M = 2.45$) cluster together with higher than average mean environment orientation. Interestingly, automobile firms that heavily rely on contract labor reflect a low employee orientation ($M = 4.25$) and pharmaceutical firms ($M = 0.15$) despite being risky in terms of their environmental footprint exhibit low environment orientation.

Our next step is to explore whether there are likely to be differences between CSO prior to and after a CSR law. In India, the CSR law intends to improve firms' orientations towards community and environment (Companies Act 2013). Therefore, we ascertain how firms are orientated towards community and environment versus other stakeholders prior to the law. If the existing orientations towards these two stakeholders are low, we can expect CSR law to substantially change CSO in the future. Accordingly, we create a composite index of environment and community—CEC, and club the rest of the stakeholders into a separate category. Using the Kruskal–Wallis technique (Field 2009), we test whether there are significant differences between firms' orientations towards CEC vis-à-vis other orientations (Table 6). We also conduct pairwise comparison between CEC and other stakeholder orientations using Dunn's procedure (Field 2009) to identify the extent and direction of differences between them (Table 7). Finally, we plot these differences to visualize the orientation gap between CEC and other stakeholders (Fig. 3).

As expected, firms' community and environment orientations are significantly and positively correlated ($r_s = +0.34$, $p < 0.001$). The Kruskal–Wallis test (Table 6) shows that the differences between CEC and all other orientations as a group are significant for all years 2007–2012. Upon further investigation through pairwise comparisons (Table 7) between CEC and each specific orientation, namely shareholder, customer, employee, partner, and corporate governance, we find that not only is the difference between them significant individually but also negative for most of the years in the block period of 2007–2012. This specifies that CEC orientations are significantly low versus the rest of the orientations. What is critical is that the primary stakeholder orientations (Clarkson 1995), i.e., shareholder and customer centric orientations of management, are consistently in conflict with community and environment. When we plot their mean of rank values in a graph (Fig. 3), we find that the difference between the CEC and other orientations is positive, significant, and rising over the years 2007–2012. These results reflect a potential discord between CEC and rest of the orientations.

To add further clarity to these results, we run correlation tests to ascertain whether the relationship between shareholder and non-shareholder orientations is contradictory or harmonious. We employ the Spearman correlation (r_s) test

Table 6 Kruskal–Wallis test for differences between CEC and other orientations

Years	2007	2008	2009	2010	2011	2012
K	107.47***	101.62***	107.75***	117.93***	121.65***	141.30***

Two-tailed test: *** $p < 0.0001$

Table 7 Pairwise comparisons using Dunn's procedure between CEC and other orientations

	Shareholder	Customer	Employee	Partner	Corp.Gov.
2007	−132.59***	−63.59***	−25.01	−15.29	−40.56
2008	−136.40***	−55.23***	−31.37	−30.57	−50.97***
2009	−134.94***	−65.17***	−18.73	−31.73	−38.97
2010	−143.16***	−81.76***	−27.09	−46.37***	−45.17**
2011	−142.36***	−83.24***	−22.70	−43.70**	−40.57
2012	−165.27***	−101.53***	−54.24***	−73.90***	−76.06***

Two-tailed test: ** $p < 0.05$; *** $p < 0.0001$

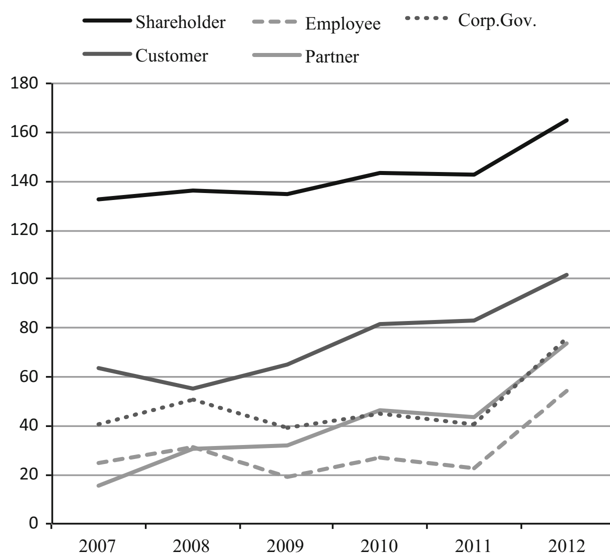

Fig. 3 Orientation gap between CEC and other orientations from 2007 to 2012

for this purpose given the non-parametric nature of our data (Field 2009). The results indicate that the shareholder orientation for BSE S&P firms negatively and significantly correlates with employee ($r_s = -0.13$, $p < 0.001$), community ($r_s = -0.29$, $p < 0.0001$), and corporate governance ($r_s = -0.33$, $p < 0.0001$) orientations. At an industry level (Table 8) also, a clear pattern emerges revealing a strong negative correlation between shareholder orientation at one end and employee, community, environment, and corporate governance orientations at the other. This finding implies that managers of large firms in India often perceive shareholder interests as opposed to non-shareholder interests, and that prioritizing the former implies ignoring the latter. It highlights the classic shareholder versus non-shareholder dilemma among managers (Adams et al. 1998) particularly in relation to community and environment stakeholders, the prime beneficiaries of a pro-CSR legislation. Our finding implies that if the CSR law is implemented as purported, it should lead to significant changes in existing stakeholder orientations of large firms in India over time in favor of non-shareholder shareholders (particularly community and environment as intended by the law).

The negative correlation between shareholder and corporate governance orientation is intriguing primarily because good corporate governance is generally understood as the structuring, operating, and controlling of a company to foster ways in which widely dispersed shareholders can ensure a return on their investment (Shleifer and Vishny 1997). Consequently, one would expect corporate governance orientation to be positively related with shareholder orientation (La Porta et al. 1998). We focus our analysis on three industries, i.e., capital goods, automobile, and pharmaceutical, that display a significant negative correlation between the two orientations (Table 8). In all three sectors in our sample, family promoters (individuals who set up the firm) and/or institutional investors tend to be the largest shareholders. As per the corporate governance literature, in cases where promoters or institutions are the majority shareholders, they can directly monitor management, and this reduces the need for disclosing information through corporate disclosures, which is reflective of their peculiar corporate governance practices (Ntim and Soobaroyen 2013). In addition, in an emerging country context, agency conflicts arise not between managers and widely dispersed shareholders, but rather between promoters (having dual class shares) and other shareholders (Pande and Kaushik 2012; Stout 2012). In such cases, promoters have greater power over resource allocation decisions as well as over board of directors and management, and they purposely intend to keep transparency low (Shah 2009), supporting

Table 8 Correlation matrix between shareholder orientation and stakeholder orientations across industries

Shareholder Orientation											
	Cap.Goods	Cement	Auto	Finance	Power	Oil & Gas	Telecom	Pharma	FMCG	IT	Mining
Customer	−0.30*	0.51*	−0.26	−0.09	0.35	0.16	0.54*	0.10	0.21	0.07	0.57**
Employee	−0.62***	−0.44	−0.01	−0.07	0.19	0.17	−0.60**	−0.46*	−0.42*	0.08	−0.41**
Partner	−0.05	0.25	0.49**	0.25**	0.38	0.44**	−0.36	0.01	−0.01	−0.17	0.14
Environment	−0.30*	−0.01	−0.53**	0.01	−0.339	−0.08	−0.06	−0.17	0.12	−0.09	−0.17
Community	−0.55***	−0.11	−0.47**	−0.11	−0.12	−0.42**	−0.62**	−0.40*	−0.15	−0.40*	−0.16
Corp.Gov.	−0.27*	−0.35	−0.78***	−0.11	−0.38	−0.13	−0.42	−0.61**	−0.39	0.19	−0.29

* $p < 0.05$; ** $p < 0.001$; *** $p < 0.0001$

the significant negative correlation between corporate governance and shareholder orientations.

Robustness Check

Prior research suggests that voluntary CSR practices, and hence orientations, may also be affected by firm size, financial performance, and maturity of the firm (Gamerschlag et al. 2011; Sharma 2002; Waddock and Graves 1997). To ensure robustness of our results and avoid the impact of exogenous variables on our model, we check for correlations between the seven orientations and firm size measured by sales, financial performance measured by slack, and age of the firm measured by the number of years since incorporation. We find only two significant correlations between employee orientation and age (+0.13, $p < 0.05$) and environment orientation and firm size (+0.24, $p < 0.05$). Subsequently, we run regression models on these variables to estimate their impact on changes in orientations. The regression model was found to be weak and not significant (results available upon request). Therefore, we can conclude that our results are robust and do not appear to be affected by differences in firm size, performance, or age.

Discussion of Findings and Theoretical Propositions

In this section, we critically discuss our findings on CSO to uncover insights anchored in institutional theory applied at the industry level and draw relevant theoretical implications. Although there are multiple interesting results, we focus on four key factors, namely the degree of competitive dynamics, nature of products and services, extent of negative externalities and social activism, and exposure to international markets that can together shed more light on industry-specific CSR.

At the outset, our assessment of CSO in India during the 6 years prior to the CSR law suggests a pre-dominance of shareholder centric orientations across industries, yet we find the prevalence of non-shareholder orientations in varying proportions. Oil and gas, and metal and mining industries in India tend to exhibit the highest shareholder orientation in our sample. Interestingly, both of these industries are oligopolies (Livemint 2009). In situations where competition is low and firms have enormous power, the tendency to extract profits is higher and firms can withstand coercive institutional pressures that are not strong enough to influence firms' profitability and survival (Campbell 2007). In addition, these industries present their own specific set of operational conditions and constraints that may increase shareholder pressure on profitability. For instance, the oil and gas sector faces financial constraints due to shortage of fuel and state-enforced price caps (Lee 2013). The metal and mining sector, on the other hand, depends heavily on the state for securing mine allocations and their respective pricing. Often, this dependency together with institutional voids prevalent in emerging contexts promotes illicit political donations pressuring firms to recover these extra costs (Fynas 2010). That said, although the oil and gas industry falls in the same cluster as metal and mining on its environment orientations with no significant differences, yet the mean orientations on CEC are higher for the oil and gas sector in comparison to the metal and mining sector. Notably, oil and gas sector in our sample has a larger proportion of state-owned firms, while majority of the mining firms in our sample belong to the private sector. The power industry also demonstrates similar dynamics such that along with an oligopolistic structure, the power industry in our sample is dominated by state-owned firms. While firms in this industry exhibit one of the lowest shareholder orientations, they also display a higher environment and community orientation.

Corroborating the two observations, private sector ownerships in oligopolistic market dynamics seem to exert

greater pressure on firms to adopt a shareholder orientation leading to a wider gap between shareholder and non-shareholder orientations. At the same time, such market conditions can weaken the coercive institutional pressures on firms towards adopting a wider stakeholder orientation. Therefore, oligopolistic industries are more likely to adopt a stronger shareholder orientation. However, state participation increases coercive pressures to conform to social expectations and consequently pushes firms towards a more responsible orientation towards social stakeholders. This is evident in the oil and gas industry that adopts a stronger CEC orientation, similar to the state-dominated power industry, unlike the private sector-dominated metal and mining industry. This brings us to our first proposition:

Proposition 1 *In the presence of oligopolistic dynamics at the industry level, a higher proportion of private ownership is likely to reduce the effect of coercive institutional pressures to adopt a pro-community and pro-environment orientation. On the other hand, a higher proportion of state ownership is likely to increase the effect of coercive institutional pressures to adopt a pro-community and pro-environment orientation.*

At the other spectrum, some industries tend to be highly competitive. In our sample, the industries that are representative of such a market structure are telecom, IT, pharmaceuticals, automobile, and FMCG (Battelle 2014). These industries cluster together and display the highest customer orientation in our sample (Table 5). Primarily belonging to the business-to-consumer segment, this cluster is highly visible in the communities. Some of these products directly impact consumer health and wellbeing such as pharmaceuticals, and others such as IT and telecom are often blamed for creating a "digital divide" in emerging and developing countries (Hoekstra 2003; Verboven 2011). Accordingly, institutional pressures for legitimization in these industries are very strong. As per the 2014 R&D funding forecast (Battelle 2014), driven by intense competition and consumer demands, the share of emerging countries in global R&D spending is rising rapidly, specifically in consumer centric industries, faster than the share of the developed economies. High competition from international and domestic players intensify mimetic pressures to innovate and spend on research, at the same time growth of the consumer movement enforces coercive pressures to follow quality standards such as ISO 9000. It is clear that business-to-consumer industries producing socially visible products in highly competitive environmental contexts are pressured into adopting customer-focused orientations.

On the other hand, the business-to-business segment such as metal and mining and cement display the lowest customer orientations (Table 5). These industries are not highly competitive to begin with (Livemint 2009). The market for industrial goods is typically dominated by a few large players with high barriers to entry. The products manufactured or extracted are primarily undifferentiated across firms, their per capita consumption is low and the value created is usually hidden and indirect. Consequently, the coercive pressures from customers as a stakeholder group are lower and that brings us to the second proposition:

Proposition 2 *In the presence of highly competitive market dynamics at the industry level, consumer centric industries are more likely to face mimetic and coercive institutional pressures to adopt a higher customer orientation.*

Our third observation relates to industry-specific externalities in emerging country contexts. Industries generate many different types of negative externalities. For example, due to outsourcing of manufacturing processes and inherent cost-competitiveness, the industrial sector in emerging countries is responsible for creating a low-skill, bad-job trap for workers (Booth and Snower 1996). Often, unemployed workers are willing to accept low wages during training periods with a view to earn more after the skill training. However, the combination of lower demand for high skills, and a higher demand for low skills leads to skill and training externalities in industrial firms (ibid). These practices may also have the effect of lowering societal expectations of acceptable working conditions besides promoting the culture of low wages for manual work. Similarly, the extractive industries are infamous for extensive unsustainable mining of minerals by way of exploiting industry–government relations (Human Rights Watch 2012). These practices result in deplorable living conditions and a high incidence of diseases in communities around mining sites creating severe health externalities (Pless-Mulloli et al. 2001).

Specifically in India, the industrial sector uses significant amount of contract labor. Industries such as cement, capital goods, mining, and automobile manufacturers meet up to 45 % of labor requirements through temporary contract labor (Ananthanarayanan 2015). These laborers are poorly trained with low skills, low wages, and no union representation that results in skill externalities. Similarly, certain types of industries such as power, oil and gas, capital goods, and mining inherently create health externalities due to irresponsible environmental practices. To discourage such activities, there are different types of legislations in the form of hard law such as labor laws prescribing minimum wages, and quotas restricting the extent of mining to limit ecological damage (Kolk et al. 1999). However, the coercive and restrictive nature of legislations induces industries to find ways and means for

circumventing laws particularly because of the prevalence of institutional voids in emerging countries (Khanna and Palepu 1997; Luo and Tung 2007). In such circumstances, the third sector plays a watch-dog role and exerts coercive pressures on industries to comply with societal norms and expectations (Fynas 2010).

Interestingly, some industries attract third sector attention more than others. For example, in the Indian context, industries such as capital goods, metal and mining, and cement tend to feel the pressure from NGOs more and consequently adopt a higher orientation towards employees (Table 5) (Ananthanarayanan 2015). Similarly, metal and mining, capital goods, oil and gas, and power adopt a higher orientation than others towards the environment because of the pressure of environmental advocacy groups. However, the automobile industry is known for employing the most amount of contract labor. Yet, their employee orientations tend to be weak. This is because it was only recently in 2012 that the automobile industry in India came under the scanner of social activists (Ananthanarayanan 2015). Similarly, pharmaceuticals have a significantly high environmental footprint and yet their environment orientations are low because their activities have still not attracted adequate social activism (Mathew and Unnikrishnan 2012).

From this analysis, we conclude that not all industries attract social activism despite the externalities they create because of the differentiated nature of institutional pressures at play in each industry. Those that do come under activists' scrutiny tend to adopt a stronger orientation towards those stakeholders that are adversely affected by their functioning because of a potential damage to their reputations. Therefore, coercive institutional pressures on firms' CSO are contingent on the nature of externality created by the industry. At the same time, these pressures tend to get magnified when the degree of activism surrounding the issue is high. We suggest our third proposition as follows:

Proposition 3 *Coercive institutional pressure of social activism on specific stakeholder orientations is likely to magnify the effect of negative externalities on corresponding stakeholder orientations at the industry level.*

Our fourth observation pertains to variations in industry exposure to international markets and its effect on firm's CSO. In the Indian context, within the service industry, IT firms derive a large part of their business from international markets (Forbes 2007). To gain legitimacy in international markets and meet competition, IT firms have to comply with coercive global institutional pressures and at the same time mimic the behavior of responsible firms in the global IT industry. This generally translates to more responsible HR practices and higher environmental standards (Som 2006), regardless of whether the industry generates negative externalities. Therefore, industries exposed to international markets and competition face mimetic pressures to adopt higher standards on both employee and environment.

Conversely, banking industry in India is mainly concentrated in the domestic market. Accordingly, it derives legitimacy from standards prevalent in domestic markets. Employee and environmental regulations in the domestic market are not as stringent for service firms as they are for industrial firms (Ananthanarayanan 2015). This helps to explain that the finance industry has a lower orientation towards both employee and environmental stakeholders due to lack of coercive institutional pressures in the domestic market. This leads to our fourth proposition:

Proposition 4 *Greater exposure to international markets is more likely to trigger mimetic institutional pressures towards adopting higher non-shareholder orientations, irrespective of industry-specific negative externalities.*

Though the research design of this study was carefully deliberated, and our results are supported by the institutional theory framework at the industry level, this study remains limited in ways that merit further research. First, while we analyzed the largest 100 firms in India, which represented 18 different industries, our sample size was effectively reduced and can be considered relatively small for a cross industry analysis. To deal with this limitation, for industry level analysis we examine only 11 industries where the sample was large enough to robustly conduct the required statistical tests. Consequently, some sectors with a smaller sample size such as electronics, chemical, sugar, hospitality, real estate, and mass media were omitted from our industry analysis. There is clearly a room for confirming our findings by focusing on individual sectorial indices. Second, although CEO statements are relevant for assessing managerial intentions and hence firms' CSO (Weber and Marley 2012), it is plausible that some managers may not express specific stakeholder orientations through their CEO statements. To substantiate our findings, it would be worthwhile to look at other voluntary disclosures in conjunction with CEO statements.

Conclusion

Our study seeks to understand corporate stakeholder orientations across industries in an emerging country context. Contextualizing this research in India, we longitudinally examine the CSO of large firms across multiple industries. We maintain that CSO is a legitimacy signal consciously used by firms to demonstrate their shareholder and specific stakeholder orientations in the midst of multiple coercive, normative, and mimetic pressures that differ across industries. Our results

show that during the six-years preceding the CSR law, firms in India demonstrate a pre-dominant pro-shareholder orientation consistent across industries. The orientation gap between community and environment (potential beneficiaries of the pro-CSR legislation) and other stakeholders is positive, significant, and growing.

Yet, there are significant industry differences in non-shareholder orientations. Industry specificities such as the degree of competitive dynamics, nature of products and services, extent of negative externalities and social activism, and exposure to international markets creates differences in institutional pressures at the industry level that in turn differentiates across industry stakeholder orientations. Regulations promoting CSR and defining CSR (such as in India) that work like a blanket regulation tend to overlook these industry dynamics that influence the construction of stakeholder orientations.

While it appears that some degree of regulatory intervention might be in order to balance the interests of business with society in emerging countries, there are two key takeaways that must be emphasized. The first one is that states should possibly try to learn from industry-specific soft laws that take specific industry dynamics and externalities into consideration for encouraging responsible behaviors. Setting the same legal standards across industries, despite apparent differences in existing orientations, may fail to encourage stakeholder orientations in the intended direction (Rupp and Williams 2011). Second, given institutional voids in emerging countries (Khanna and Palepu 1997) due to corruption, weak governance, and faulty implementation of laws (Visser 2008), threats of litigation and punishments for non-compliance with hard laws could undermine the development of psychologically induced motivations to meet the spirit, and not just the letter, of law (Kagan et al. 2003). The jury, in this case, is still out.

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