Reaching an Optimally Distinctive CSR Strategy:
Examining the Antecedents of CSR Scope
Conformity and Emphasis Differentiation Among
Chinese Publicly Listed Companies

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ABSTRACT Building on recent developments in optimal distinctiveness (OD) research, we identify two dimensions of corporate social responsibility (CSR) practices – CSR scope conformity and CSR emphasis differentiation – and examine the antecedents of both. We theorize that private ownership and enhanced media coverage may increase scope conformity and emphasis differentiation, while such effects may be contingent on industrial context. In socially contested industries, the impact of private ownership on scope conformity will be mitigated, and the impact of media coverage on scope conformity will be amplified. Meanwhile, in highly competitive industries, the impact of private ownership and media coverage on emphasis differentiation will be mitigated. We test our predictions using a database of 942 Chinese publicly listed firms between 2008 and 2016. Our findings imply that the choice of optimal CSR strategy has to be made in accordance with the embedding context. The multidimensionality view of OD enables firms to better orchestrate firms’ strategic positioning along different dimensions of complex practices, which leads to better customization of societal expectations and the industrial competitive landscape.

KEYWORDS China, conformity, CSR, differentiation, optimal distinctiveness

INTRODUCTION Complex practices such as corporate social responsibilities often present challenges to the adopters with regard to the degree to which firms should conform to the established convention while maintaining their uniqueness that leads to a competitive advantage. Building on Brewer’s (1991) ideas about how individuals forge unique identities amid strong normative pressures to conform, a broad literature has emerged to address such problems by identifying an optimal positioning...
strategy that reconciles the conformity-differentiation tension and maximizes firm performance (Barlow, Verhaal, & Angus, 2019; Deephouse, 1999; Durand, Rao, & Monin, 2007). While early studies adopting a strategic balance perspective assume that a single optimal point exists in a strategic dimension along a specific dimension of a practice that leads to best performance (Deephouse, 1999), later studies have discovered evidence that contradicts such predictions (e.g., Cennamo & Santalo, 2013; Jennings, Jennings, & Greenwood, 2009). These inconsistencies suggest that it is necessary to move beyond the strategic balance perspective toward a renewed agenda.

Responding to this call, recent studies have highlighted the contextual contingencies of optimal distinctiveness (OD) (Haans, 2019), acknowledging stakeholder multiplicity (Pontikes, 2012; Taeuscher, Bouncken, & Pesch, 2019), and unpacking the temporal dynamics in the strategic position-performance relationship (Zhao, Ishihara, Jennings, & Lounsbury, 2018). However, two limitations in the current literature constrain the progress of OD research. First, extant studies either continue to adopt the unidimensional assumption in examining firms’ strategic positioning or simplify by collapsing multiple organizational dimensions into a single positioning measure, yet in reality, firms can address conformity and differentiation needs by managing multiple organizational dimensions. We need to bring multidimensionality in OD research to the fore and explicitly conceptualize and test the way that firms orchestrate different positioning strategies along multiple dimensions of complex practice and then achieve overall optimally distinctive strategies. Second, these studies typically assume strategic positioning to be exogenous while ignoring the sources of these positioning strategies and how those root causes of different positioning may influence firm performance (e.g., Zhang, Wang, & Zhou, 2020). Because of these two limitations, studies to date have fallen short of capturing the heterogeneous behavioral patterns that OD encompasses. The driving forces that lead to these heterogeneous OD configurations also remain unclear.

This article aims to address these limitations by simultaneously examining firms’ conforming and differentiating actions and identifying the antecedents of both. We ground our theoretical development in the context of corporate social responsibility (CSR) practices among Chinese publicly listed firms. This context is ideal for examining our research question for two reasons. First, CSR has emerged as an inescapable imperative for business leaders in China over the past decade due to enhanced pressure from governments, the media, and financial market intermediaries. Despite strong isomorphic pressures, regulatory frameworks for CSR have mainly focused on identifying and addressing the various CSR issues with few clear guidelines on the allocation of attention or resources across different issue fields. Firms thus have sufficient room to customize their CSR activities (Marquis & Qian, 2014), allowing us to observe firms’ conforming as well as differentiating actions. Second, private control (in this case private ownership) and market force (in this case financial media coverage) both play a salient...
role in shaping firms’ CSR practices (Luo, Wang, Raithel, & Zheng, 2015), enabling us to identify clear antecedents of heterogeneous behavioral patterns in CSR practices.

Building on our contextual analysis of the CSR landscape among Chinese publicly listed companies, we employ a concept network approach to further investigate the multidimensionality of CSR practices. We simultaneously study two important dimensions of CSR practices – CSR scope conformity and CSR emphasis differentiation – that respectively capture firms’ conforming and differentiation actions. **CSR scope conformity** refers to the degree to which firms cover a wide range of material CSR issues commonly recognized in a given industry. **CSR emphasis differentiation** compares a firm’s inputs in various material CSR issues with industry average inputs in corresponding CSR issue fields. While CSR scope conformity reflects a firm’s conformity and alignment with established conventions guiding firms’ CSR agenda setting, CSR emphasis differentiation captures a firm’s adoption of a unique CSR strategy that distinguishes it from the average industry player. We argue that firms that seek an optimally distinctive position regarding CSR would orchestrate their positioning strategy along these two dimensions, which in turn helps firms to win legitimacy and competitive advantage. We theorize on how legitimacy pressures and competition pressures, two pivotal forces that influence business activities, shape the two dimensions of CSR practices. Furthermore, we examine how these main effects vary depending on whether a firm is part of a socially contested industry and the competitive intensity of its industry. These two industry-level contingencies moderate the main effects through their influence on the underlying legitimacy and competition mechanisms.

Analyzing a database of 942 Chinese publicly listed firms from 2008 to 2016, we find that private ownership makes firms vulnerable to legitimacy and competitive pressures, leading to higher CSR scope conformity and emphasis differentiation. In contrast, financial media coverage heightens the market visibility of the firm, exposes it to strong legitimacy and competitive imperatives, and thus increases both outcomes. We further demonstrate that the positive impact of private ownership on CSR scope conformity is mitigated in socially contested industries, and the positive impact of financial media coverage on CSR scope conformity is enhanced in such industries. When operating in industries with higher competitive intensity, the positive impact of private ownership on CSR emphasis differentiation is mitigated, while the positive impact of financial media coverage on CSR emphasis differentiation is weakened.

These findings have three major contributions. First, by identifying the multiple dimensions through which firms pursue CSR conformity and differentiation, we demonstrate that the behavioral patterns that OD encompasses are more heterogeneous than generally recognized. Our focus on examining the antecedents of OD and the various industry-level contingencies also helps extend recent advancements in OD research and contributes to realizing the full potential of the renewed agenda. Second, whereas past studies on CSR have mainly focused on the diffusion
and convergence of CSR practices and the forces that lead to higher evaluations by CSR rating agencies (Marquis & Qian, 2014), our findings show that firms can leverage both conforming and differentiating actions in their CSR practices to align with broader social norms and at the same time build a unique CSR strategy. As such, we go beyond the traditional view of CSR as a holistic construct and conceptualize it as a complex management practice with multiple dimensions (Wang, Tong, Takeuchi, & George, 2016). How a firm manages its CSR profile in terms of scope conformity and emphasis differentiation depends on the ownership type, financial media coverage, and the nature of the industry settings in which they are embedded. Third, empirically, we follow recent studies (e.g., Fiss, Kennedy, & Davis, 2012; Zhang et al., 2020) and introduce a new analytical framework developed by communication and knowledge-network scholars – the concept network approach – to understand variations in firms’ CSR practices.

**OPTIMAL DISTINCTIVENESS: FROM A HOLISTIC VIEW TO A MULTIDIMENSIONAL APPROACH**

Conformity has traditionally been considered a source of legitimacy and a strong force that constrains firm actions (Oliver, 1991). Firms are pressured to comply with social norms and adopt known features and prominent practices that constitute powerful standards regarding how firms should behave (Hargadon & Douglas, 2001; Scott, 2001). By increasing conformity and appearing similar to industry peers, firms can gain recognition, strengthen their legitimacy, secure the flow of resources, and enhance survival prospects (Espeland & Sauder, 2007). Despite the various benefits associated with strong conformity, it is also considered a non-strategic and passive response to the external environment and thus at odds with strategy scholars’ prescription for firms to be distinctive, unique, and innovative to gain and sustain competitive advantage (Lounsbury & Glynn, 2001; Oliver, 1991).

Subsequent work has started to bridge these contrasting views by examining how firms can manage and reconcile the competing pressures of conformity and differentiation to achieve OD (Zhao, Fisher, Lounsbury, & Miller, 2017; Zuckerman, 2016). For instance, the strategic balance perspective proposes that a moderate level of strategic differentiation can help firms balance competitive and institutional forces, leading to optimal firm performance (Deephouse, 1999). This perspective has been applied in a variety of contexts, accumulating a substantive body of work that supports the idea that a balanced position optimizes firm outcomes such as return on assets (McNamara, Deephouse, & Luce, 2003; Roberts & Amit, 2003) and market entry (Stephan, Murmann, Boeker, & Goodstein, 2003). However, other studies have challenged the strategic balance perspective and found that firms with a balanced position may perform worse compared to those pursuing either strong conformity or strong differentiation strategies. For example, Zott and Amit (2007) find that integrating novelty and
efficiency-based conformity design elements into a business model is counterpro-
ductive in entrepreneurial firms. Jennings et al. (2009) show that strategic differen-
tiation in employment systems among new firms in a dynamic knowledge-intensive
service industry has a U-shaped (vs. inverted U-shaped) relationship with organiza-
tional productivity. Cennamo and Santalo (2013) demonstrate a similar U-shaped
effect, with intermediate positioning leading to the worst platform performance.

Recognizing the mixed findings and ongoing debate regarding the optimal
positioning strategy, Zhao and colleagues (2017) propose that OD research can
move beyond the strategic balance perspective. According to this view, OD is a
multidimensional construct and what constitutes an optimal positioning strategy
is more contextually contingent. In conceptualizing and testing OD, we also
need to take into account the heterogeneities in industrial contexts and stakeholder
expectations. For example, Haans (2019) introduces the notion of distinctiveness
heterogeneity in different categories and points out that categories differ in their
composition. Distinctiveness can thus be expected to be punished or rewarded dif-
ferently, depending on the nature of the category. Evidence from the Dutch cre-
ative industries challenges the notion that one ‘optimal’ level of distinctiveness
exists, and shows that when the category is very homogeneous, being entirely dif-
ferent or entirely the same actually pays off, while when heterogeneity in firm posi-
tions is higher, being different loses its performance effects entirely. In a similar
vein, Gehman and Grimes (2017) find that B corporations are more likely to
promote their certifications when they are embedded in ‘dirtier’ regional and
industrial contexts (i.e., contexts with more environmental, social, and governance
concerns). Pontikes (2012) examines stakeholder multiplicity by distinguishing
between ‘market-takers’ (e.g., consumers) and ‘market-makers’ (e.g., venture capi-
talists) and demonstrates that different stakeholders value different OD strategies.

Despite the important insights that these recent studies generate, they share
two limitations that have created blind spots in our understanding of OD. First,
while Zhao and colleagues (2017) explicitly call for research that attends to how
conformity and differentiation needs can be addressed by managing multiple
organizational dimensions, most studies continue to adopt the unidimensional
assumption in examining firms’ strategic positioning or simplify by collapsing mul-
tiple organizational dimensions into a single positioning measure. There is thus a
strong need to bring the multidimensionality in OD research to the fore and explic-
tly conceptualize and test the various dimensions through which firms achieve
OD. Firms can choose to conform on some dimensions while deviating on
others (Philippe & Durand, 2011). A more accurate understanding of positioning
will emerge by examining multiple dimensions. Second, studies to date have typ-
ically assumed strategic positioning to be exogenous and thus overlook the root
causes of different positioning strategies. Identifying the sources of different posi-
tioning strategies is important because these may be the ultimate forces that influ-
ence firm performance through positioning choices. As such, we join others who
have shifted their focus from establishing the positioning-performance relationship

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to examining the antecedents of those positioning strategies (Durand & Jourdan, 2012; Durand & Kremp, 2016).

**ORCHESTRATING CSR STRATEGIES IN CHINA’S TRANSITIONAL CONTEXT**

We contextualize the aforementioned theoretical inquiry in China’s transitional economy context in which firms seek optimally distinctive CSR strategies by choosing conformity or differentiation strategies along the scope and emphasis dimensions of CSR practices. The Chinese context is ideal for exploring our research question because in the past two decades, regulatory agencies and various stakeholders have paid close attention to firms’ social performance and thus exerted mounting pressure on firms to be compliant with established CSR conventions. Meanwhile, firms are increasingly aware of the strategic value of CSR and try to formulate unique CSR initiatives to stand out among their peers. These two forces jointly shape firms’ CSR strategy and thus require firms to find appropriate solutions to simultaneously cope with these competing pressures.

Regarding the compliance forces, as China becomes more integrated into the global economy through trade and institutional participation, pressures and influences from foreign buyers and multinational companies have raised Chinese firms’ awareness regarding a variety of CSR practices, such as labor rights protection, better quality control, and greener consumption (Zu & Song, 2009). This process is further reinforced by changes in the national institutional environment. In 2005, the National People’s Congress, the national legislature of China, declared a shift of focus from economic growth to societal balance and harmony (Moon & Shen, 2010). Pressure for an intensified focus on CSR was one outcome of this policy change; CSR has since been promoted as an essential element of the nation’s broader mission of building a harmonious society.

Consistent with this national orientation, the central government has adopted new regulatory frameworks and policy instruments. The Shenzhen Stock Exchange issued the first CSR reporting guideline in 2006, which required its listed firms to engage in CSR practices according to a newly established framework. The Shanghai Stock Exchange and the nation’s top regulator of state-owned enterprises – the State-owned Assets Supervision and Administration Commission (SASAC) – subsequently adopted similar regulatory guidelines (SASAC, 2008). Both the Shanghai and Shenzhen Stock Exchanges published papers emphasizing why CSR in general is important for listed companies. Moreover, key market intermediaries such as the financial media and professional rating agencies began to follow firms’ CSR disclosures. Rating agencies such as Runling and news agencies such as Sina began publishing CSR ratings and systematically evaluating and comparing firms’ CSR practices across various issue fields. These intermediaries put stronger pressure on those firms to pursue more-effective CSR strategies.
CSR has since grown into a normative institutional pillar and has become a matter of social obligation (Li & Lu, 2020). CSR practices have become essential to a firm’s relationship with its stakeholders, and social expectations regarding the degree to which firms should assume responsibility for a variety of social and environmental issues have significantly increased. Responding to these pressures, publicly listed firms in China have increasingly disclosed their CSR practices to stakeholders. In 2006, there were only 32 firms that published CSR reports; this number increased to 169 in 2008 and subsequently to 942 in 2016.[1] The themes of CSR practices have also expanded over the years, moving from a narrow focus on philanthropy and policy compliance to coverage of broader issues such as the efficiency and security of supply chains, energy saving, emissions reduction, and enhanced governance and accountability.

The salience of these different CSR issue fields also varies across industries and at different times. For instance, a philanthropic donation was the most popular form of CSR activity after the Wenchuan earthquake in 2008. However, the salience of such activities later declined, and environmental sustainability and social inequality became top priorities thanks to the increasing public awareness of these issues (Zhang & Luo, 2013). In responding to these demands, many firms began to invest in social issues consistent with these priorities, such as environmental protection, clean energy technology, and poverty reduction.

Despite the overall tendency toward stronger compliance with more central and prevalent CSR practices, there is still considerable room for firms to deviate from industry peers and build a unique CSR strategy. This is because even with various regulatory frameworks and guidelines on the books, enforcement has been relatively lax. Indeed, many Chinese publicly listed firms went beyond general compliance to adopt a more specialized portfolio of CSR practices. Individual firms tend to tailor their CSR practices according to their strategic goals. The purpose is to better leverage CSR practices as a source of distinction, make the best use of resources, help manage relationships with stakeholders, and gain competitive advantage (Wang & Qian, 2011). For instance, Vanke’s CSR investments are closely connected to its real estate business. Together with some green NGOs, Vanke has enabled a ‘Green Supply Chain Initiative’ in which they set green industrial standards for raw construction materials (Vanke, 2016). Moreover, in its real estate projects, Vanke takes advantage of its constructive capacity to enforce environmental protection in local communities.

Overall, CSR practices of Chinese publicly listed firms vary along two key dimensions: on the one hand, there is general pressure for them to broadly engage CSR activities and conform to and align with the most central and prevalent CSR practices to gain legitimacy. On the other hand, there is also a need to differentiate themselves from their peers and build unique CSR strategies to be distinctive. We next examine key drivers underlying the heterogeneous patterns of these two dimensions among Chinese publicly listed firms.

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HYPOTHESES DEVELOPMENT

Prior literature suggests that a firm’s OD rests on a constant interplay with stakeholder evaluation. This requires that managers explore and adapt to differences in evaluative frameworks across different types of stakeholders and understand the malleable nature of their resources and capabilities under heterogeneous stakeholder expectations (Zhao et al., 2017). When it comes to the CSR domain, regulatory agencies and market intermediaries turn out to be more salient in shaping firms’ CSR strategies. We thus choose to focus on these two stakeholder groups.

The Impact of Ownership Type on CSR Scope Conformity and Emphasis Differentiation

The role of government in business is active and influential, particularly in the context of Chinese publicly listed firms (Marquis & Qian, 2014). Governments in China not only act as key regulators but also control resources that are crucial to firms’ survival and prosperity (Wang & Qian, 2011). They can, therefore, impose strong pressures on firms to promote certain management practices that are consistent with governmental objectives. When firms are more dependent on the state for access to critical resources, they choose to comply with government guidelines and abide by government interests (Sun, Hu, & Hillman, 2016).

State-owned public enterprises (hereafter SOEs), in particular, are strongly reliant on governments for institutional support and various resources (Li & Lu, 2020). As a result, SOEs must abide by governmental guidelines in terms of improving CSR performance and enhancing the disclosure of CSR activities. Although this is imperative for SOEs, their actual adoption and implementation of CSR initiatives may be confined only to those issue fields that are mandated by the government. Indeed, compared to privately owned public firms (hereafter private firms), SOEs have inherent political legitimacy and also a more positive image among the general public (Marquis & Qian, 2014). Therefore, for many SOEs, it is not necessary to further enhance their legitimacy by investing many financial and attentional resources in expanding their CSR activities and covering a more-extensive list of CSR issues.

In contrast, private firms in China still face many disadvantages in a variety of aspects (e.g., tax, financing, and employment). This is mainly due to the historical view of private firms as opponents of socialist Chinese society (Nee, 1992). As a result, compared to SOEs, private firms have a stronger need to enhance their reputation and brand value and are more motivated to seek additional support from the government (Wang & Qian, 2011). High-profile CSR activities become an important channel for that purpose (Li & Lu, 2020). Engaging in more-extensive CSR practices can help private firms cultivate relationships with the government, gain legitimacy in the eye of government actors, and secure resources controlled by the government. In addition, private firms are more closely monitored by the government (Peng & Luo, 2000), which in turn pushes them to...
conform more comprehensively to government guidelines and align their CSR practices with broader societal expectations. Accordingly, we propose:

*Hypothesis 1a: Private ownership of a firm is positively associated with CSR scope conformity.*

Compared to private firms, SOEs also face relatively weaker competition because of their prioritized access to governmental resources. As a result, SOEs are less motivated to customize their CSR practices or leverage CSR as a source of distinction. Moreover, SOEs historically operated strictly according to the input and output quotas mandated by the government and were accustomed to executing preset plans (Li & Xia, 2008). Although more recently the government has encouraged SOEs to transform into market-based firms to survive intensified competition, their attempts at such transformation have been hampered by the entrenched routines and legacies of the historical planning system (Zhou, Gao, & Zhao, 2017). In contrast, private firms are established as market-based companies. They are free from historical constraints and are more motivated and capable of leveraging CSR as a strategic resource. They may be particularly adept at differentiating themselves from industry peers and customizing their CSR practices to match their resources and capabilities so as to gain competitive advantage.

*Hypothesis 1b: Private ownership of a firm is positively associated with the CSR emphasis differentiation.*

The Impact of Financial Media Coverage on CSR Scope Conformity and Emphasis Differentiation

Beyond government influence, the publicly listed firms in China also face pressures from key intermediaries in the financial market, financial media in particular. Studies have highlighted the importance of financial media in affecting the estimates of assets’ fundamental values through disseminating information to investors (Byun & Oh, 2018; You, Zhang, & Zhang, 2018). The media not only functions as a vehicle for publicizing and reflecting the realities of firms’ actions but also actively shape information through editorials and featured articles. They thus have the power to influence the opinion of many stakeholders (Kölbel, Busch, & Jancso, 2017). As CSR gained a foothold in Chinese society and became an essential element of the national goal of building a harmonious society, major financial media began to closely monitor the progress of firms’ CSR practices. Their work not only reinforced the government’s efforts in promoting the adoption of CSR but also made a unique contribution by providing professional opinions regarding the strategic value of firms’ CSR initiatives (Wang & Qian, 2011).

Indeed, CSR activities have been shown to enhance firms’ reputations for keeping their commitments with respect to the implicit/explicit contract with
key stakeholders (e.g., employees and customers) and increase stakeholders’ willingness to contribute resources and efforts to support firms’ operations; all of this helps improve firm performance and thus shareholder wealth (Flammer, 2015a). As a result, financial media have increasingly accounted for CSR practices in their coverage and evaluation of firms (Cahan, Chen, Chen, & Nguyen, 2015), putting stronger pressure on those firms to pursue more-extensive CSR practices. As the financial media coverage of a firm increases, firms tend to receive more publicity among diverse stakeholders and need to engage more in CSR activities as a way of meeting their demands (Lee, Oh, & Kim, 2013). Moreover, firms receiving high media attention are more vulnerable to crisis and are thus more motivated to engage in CSR activities as a way of building a positive reputation capital to ensure against potential harmful incidents (Cantrell, Kyriazis, & Noble, 2015). Reflecting this, some of the most visible companies in China (i.e., those with a large amount of media coverage) have proactively pursued CSR and publicly demonstrated their enthusiasm in engaging extensive CSR practices. Following these arguments, we propose:

**Hypothesis 2a:** Financial media coverage is positively associated with the CSR scope conformity of Chinese publicly listed firms.

While the extensiveness of CSR practices helps a firm secure legitimacy, the uniqueness of its CSR strategy is critical for winning the market competition and gaining a positive response from financial media. As financial media coverage of a firm increases, there will be increasing pressure for the firm to customize its CSR strategy and highlight the uniqueness of its CSR practices. In doing so, the firm can convey to the more sophisticated writers in the financial media that rather than a symbolic stunt, its CSR activities are carefully designed to match the firm’s resources and capability, and present its mission, which in turn contribute to its competitive advantage vis-à-vis industry peers. Take the banking industry as an example. The high-profile, major banks in China all strive to develop their distinctive strategic emphasis on CSR activities. For instance, the Industrial and Commercial Bank of China places risk management and customer service as its top priority (Commercial Bank of China, 2014), the Agricultural Bank of China views its service to clients in the agriculture industry as its key feature (Agricultural Bank of China, 2014), and the Ping An Bank uses its microfinance service as the main differentiating point from its peers (Ping An Bank, 2014). As such, we propose:

**Hypothesis 2b:** Financial media coverage is positively associated with the CSR emphasis differentiation of Chinese publicly listed firms.

The primary mechanisms underpinning the effects of private ownership and financial media coverage theorized above center around legitimacy pressures that

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shape CSR scope conformity, and competitive pressures that push for CSR emphasis differentiation. We next identify two industry-level contingencies – the socially contested nature and the competitive intensity of industries – that shape the legitimacy and competitive pressure mechanisms, respectively, and hypothesize on how firms’ CSR scope conformity and emphasis differentiation vary across heterogeneous industry settings. Figure 1 illustrates our research framework and the relationships among the hypotheses.

**CSR Scope Conformity in Socially Contested Industries**

Socially contested industries are those in which products/services/consumers are negatively stereotyped and the overall market discredited by one or more stakeholders (Mirabito et al., 2016). Recent studies have identified a number of socially contested markets, ranging from tobacco (Hsu & Grodal, 2015), arms (Durand & Vergne, 2015), and biodiesel (Hiatt & Carlos, 2019), to gay bathhouses (Hudson & Okhuysen, 2009). Some commonalities across these various markets include that they are socially contested, face hostile stakeholders, and are subject to targeted scrutiny due to their discrediting attributes – stigma (Durand & Vergne, 2015). These challenges often contribute to a schism between industry insiders and outsiders, profound distrust between firms and external stakeholders, and difficulties in gaining broad social approval (Baum & McGahan, 2013). For this reason, overcoming such stigma and gaining legitimacy with stakeholders is a strong imperative for firms embedded in socially contested industries. To do so, firms may engage in destigmatizing efforts by diluting stakeholder attention or changing stakeholders’ perceptions (Vergne, 2012). They may also try to avoid adopting stigmatized technologies (Hiatt & Carlos, 2019) or divest assets from the socially contested industry (Durand & Vergne, 2015).

Consistent with these strategies, firms can also engage in CSR activities to compensate for their legitimacy loss due to stigma, enhance firm value, and reduce risk (Cai, Jo, & Pan, 2012; Kotchen & Moon, 2012). SOEs have close ties with governments, which substitutes for the need to achieve legitimacy through CSR scope conformity. However, they are very sensitive to any legitimacy...
loss since they carry the reputation of a nation. SOEs thus act very carefully so as not to attract criticism from the public. In this case, CSR is used as a defensive mechanism with the intent of counterbalancing the illegitimacy discount associated with their socially contested industry membership (Kotchen & Moon, 2012). When operating in socially contested industries, SOEs are more motivated to engage in a wide range of material CSR issues to garner social support, reduce risks, and turn their negative image into a positive one. As a result, the membership of socially contested industries will enhance SOEs’ scope conformity and thus narrows their differences with privately owned firms. We thus expect that:

Hypothesis 3: In socially contested industries the positive impact of private ownership on CSR scope conformity is mitigated.

When an industry is stereotypically regarded as one that lacks social legitimacy, enhanced media coverage may further intensify the legitimacy pressure felt by firms operating in that industry since firms with more media coverage have a higher social exposure to stakeholders. This is consistent with prior research suggesting that higher market visibility more strongly affects a firm’s responses to institutional pressures in challenging settings (Brammer & Millington, 2006).

When it comes to CSR practices, Cahan and colleagues (2015) further point out that firms operating in industries that the public views negatively have a greater incentive to actively engage in CSR. Meanwhile, they are more likely to address more CSR issues to manage their media image and win media favorability. Therefore, the membership of socially contested industries will increase CSR scope conformity for firms with more media coverage than their peers with less coverage. We thus also expect that firms with higher financial media coverage are likely to face even stronger legitimacy challenges in socially contested industries than in other industries, and thus may engage in even more-extensive CSR practices. As such, we propose:

Hypothesis 4: In socially contested industries the positive impact of financial media coverage on CSR scope conformity is amplified.

CSR Emphasis Differentiation Under Strong Competitive Intensity

The impacts of ownership type and financial media coverage on firms’ CSR emphasis differentiation vary depending on the competitive intensity of their industry settings. Competitive intensity is the level of competition that a firm faces in its business domain (Ang, 2008). Under strong competitive intensity, firms are pushed to be more market-oriented and more responsive to changes in stakeholder needs (Morgan, Vorhies, & Mason, 2009). In particular, there is a stronger demand for differentiation among competing firms (Flammer, 2015b). In this case, CSR activities may serve as an important differentiator since they help enhance the
firm’s reputation and add value to the core attributes of its product offerings (Dupire & M’Zali, 2018).

Despite their primary dependence on the government as a key resource provider, SOEs have been increasingly pushed to embrace a market logic and actively participate in market competition in past decades. As a result, SOEs began to use corporate innovations to differentiate themselves from market competitors (Genin, Tan, & Song, 2021). Such corporate innovations are not limited to product or technological updates but are also reflected in their social activities. For instance, the SOE Poly Real Estate Group (Poly) has constructed its CSR program by embracing the idea of ‘harmony’ and leveraging the Chinese traditional culture and arts as a unique feature to differentiate itself from its peers. In 2016, Poly initiated a poverty reduction project named ‘Dream Art Classroom’ and provided generous funds for students in primary schools to preserve the intangible cultural heritage through education (Poly, 2016). We thus expect SOEs in such settings to consider CSR as a distinctive alternative marker, develop unique CSR strategies to enhance their reputation and enable product differentiation, and ultimately provide additional value. As a result, the intensified market competition will narrow the gap between state-controlled firms and private firms on CSR emphasis differentiation. We therefore propose:

**Hypothesis 5:** When competitive intensity is stronger the positive impact of private ownership on CSR emphasis differentiation is weakened.

Although market competition can encourage SOEs to invest more in CSR issues and differentiate their program from others, such positive impact only happens under the condition that these firms often have more slack resources and are thus able to afford the additional investment. However, the high-level competitive intensity may also negatively affect the availability of resources, such as shrinkage of profit margins, which may adversely affect firms’ ability to fulfill their commitment to investors. When firms’ pragmatic legitimacy is endangered, for example, firms may not be able to deliver high dividends or offer high compensation to employees, then key stakeholders may be less willing to see firms making significant investments in designing innovative and strategic CSR programs. They may attach less value to firms’ CSR practices aiming to enhance moral legitimacy, and their motivation to positively respond to such CSR practices tends to diminish (Suchman, 1995; Wang & Qian, 2011).

This view is echoed in previous research that indicates that the audience expectation and their responses to CSR practice are contingent on the resource constraints that firms face. When intensified competition drives firms’ profit margin to a razor-thin level, even to the extent that their very survival may be at risk, managers of these firms may have limited discretion over investment decisions, especially when such decisions are about programs that are not directly related to the firm’s core business (Duanmu, Bu, & Pittman, 2018; Ioannou & Serafeim, 2012). As an important market intermediary, the financial media tend
to hinge their expectations of firms’ social performance on firms’ economic conditions (Wang & Qian, 2011); that is, they tend to expect firms that face fewer resource constraints to contribute more to the society. However, when firms are facing intense competition or are financially constrained, they may understand that managers’ limited attention and firms’ scarce resources should be prioritized to improve core business operations instead of being used to promote social innovations or show the uniqueness of corporate social activities. We expect this effect of intensified competition to be stronger for firms that are closely monitored by shareholders and market intermediaries such as financial media. Following these arguments, we propose:

Hypothesis 6: When competitive intensity is stronger the positive impact of financial media coverage on CSR emphasis differentiation is weakened.

METHODS

To test our hypotheses, we assembled a database of Chinese firms that issued CSR reports and were publicly listed on the Shanghai or Shenzhen Stock Exchange from 2008 to 2016. We collected data on firms’ CSR practices from the China Listed Firm Corporate Social Responsibility Research Database, maintained by the GTA Information Technology Co., Ltd. GTA has collected CSR reports disclosed by listed firms since 2008. Data on firms’ financial and demographic information were obtained from the China Stock Market and Accounting Research (CSMAR) database, which includes the financial statements of Chinese listed companies. The financial media coverage data were drawn from the China Financial News Database maintained by the Chinese Research Data Service Platform (CNRDS). This database has collected data on printed and online media news about Chinese listed firms since 2001. We gathered corporate governance data and identified the ultimate owners of publicly listed firms using the WIND Info database. After merging these databases, we generated a final sample of 942 publicly listed firms from 2008 to 2016.

Dependent Variables

As discussed, firms’ CSR practices vary along two key dimensions: CSR scope conformity and CSR emphasis differentiation. To measure these two dimensions, we used data collected from firms’ CSR reports. The GTA CSR research database contains firms’ social activities in ten different CSR issue fields – shareholder protection, creditor protection, employee protection, supplier protection, customer protection, environmental protection, public relations, CSR capacity building (system construction), work safety, and deficiency. We excluded the deficiency field because a majority of reported information on this item is about the overall deficiency of the firms, which is only remotely related to CSR. We then gathered
data on each project that a firm carried out in each of the remaining nine fields; project-level information includes items such as project name and project value.

The portfolio of projects carried out across these various fields reflects the variety and range of CSR practices that a firm undertakes. Given that different CSR fields vary in terms of their importance and prominence, we adopted a concept network approach to generate weights for each CSR field (Ansari, Fiss, & Zajac, 2010; Kennedy & Fiss, 2013). We first created a two-mode affiliation matrix for each year and each industry, with nine CSR fields and sample firms as the columns and rows, respectively. The numbers in this affiliation matrix represent the number of projects or activities in a given CSR field that a given firm reported. We then transformed the two-mode affiliation networks (CSR fields by firm) to one-mode concept networks (CSR fields only) that show how different CSR fields co-occur and how strong the connections are among them. In such networks, activities that are more tightly connected with others can be viewed as more essential CSR practices in the industry and at a particular time. Accordingly, to evaluate the importance of each CSR field, we calculated its eigenvector centrality value.

To illustrate the changing salience of different CSR fields over time, we calculated the normalized eigenvector centralities of each CSR field for every two years during our observation period and then constructed a radar graph to show the changes (see Figure 2). Figure 2 shows some emerging trends of CSR practices in China. First, the foci of CSR practices vary across different years, and the variations of changes seem to become larger in the most recent four years. Second, the fields of public relationship and environment have gradually become the key foci recently, implying that Chinese firms are actively participating in social issues.

Building on this concept network approach, we measured CSR scope conformity as the sum of the products of dummies indicating each of the nine CSR fields in which a firm is engaged and the eigenvector centrality score of each field in the prior time period. The formula is as follows:

$$\text{Scope conformity} = \sum_{i=1}^{9} \text{EC}_{i(t-1)} \times \text{CSR}_{it}$$

where $\text{EC}_{i(t-1)}$ refers to the eigenvector centrality of issue field $i$ at time $t - 1$, and $\text{CSR}_{it}$ refers to whether issue field $i$ was included in the firm’s report at time $t$ (Yes = 1, No = 0). Thus, the value of scope conformity is determined by both the number of issue fields addressed and the importance (eigenvector centrality) of these fields. A higher score means a firm pursues more-extensive CSR activities in terms of the range and centrality of CSR fields covered.

CSR emphasis differentiation captures the extent to which a firm’s CSR practices deviate from the typical practice in its industry. To operationalize CSR emphasis differentiation, we first captured the firm’s emphasis on a given CSR field by calculating the number of activities the firm carried out in the field as a proportion of its total number of activities across the nine fields. We then computed the
difference between the firm’s emphasis and the average emphasis across all firms in its industry. The sum of the differences across all nine CSR fields was then used as an indicator of the differentiation of the firm’s CSR emphasis compared to standard practice. The formula is as follows:

\[
\text{Emphasis differentiation}_t = \sum_{i=1}^{9} |\text{AE}_{it} - \text{FE}_{it}|\text{EC}_{i(t-1)}
\]

where \(\text{AE}_{it}\) is the averaged emphasis in issue field \(i\) at time \(t\), \(\text{FE}_{it}\) is the firm’s emphasis in issue field \(i\) at time \(t\), and \(\text{EC}_{i(t-1)}\) is the eigenvector centrality of issue field \(i\) at time \(t - 1\). A higher score indicates the firm employs a more unique CSR strategy compared to industry peers. Both conformity and differentiation measures are continuous variables, and standardized scores of both variables are used in subsequent analyses to facilitate comparison and interpretation of the effects of the covariates.

The measures of our two key constructs are not only theoretically different but are also statistically distinct. Using a real example to illustrate, in 2014, the CSR practice of North Electro-Optic Co., Ltd. (SZ: 600184), which covers three CSR fields (lower scope conformity), is significantly lower in emphasis differentiation dimension (standardized emphasis differentiation: \(-0.332\) versus \(0.118\)) than the practice of
Weichai Power Co., Ltd. (SH: 000338), which covers eight CSR fields (higher scope conformity). We calculated the statistics of firms’ CSR scope conformity and emphasis differentiation based on the information from their annual CSR reports.

**Independent Variables**

As discussed in the context section, the diffusion of CSR is mainly driven by regulatory agencies and market intermediaries such as financial media. We thus constructed variables to measure their influence. *Private ownership* is a dummy variable indicating whether or not a firm is a privately owned enterprise (POE). Following previous studies (e.g., Mattingly & Berman, 2006), *financial media coverage* (FM Coverage) was measured by counting the number of articles published in major financial media that cover a firm. In operationalization, we used its natural logarithm to correct its skewed distribution.

We took a two-step approach to construct the dummy variable *socially contested industry* (SC Industry). We first followed the existing literature to identify socially contested industries. Previous studies in the Western context designated industries such as alcoholic beverages, firearms, defense, gambling, forestry, mining, and tobacco as highly socially contested industries characterized by stigma (Koh, Qian, & Wang, 2014). While most of the industries are similarly perceived as stigmatized in the Chinese context, some industries, such as alcoholic beverages, are instead viewed as part of the Chinese traditional culture and thus bear no significant stigma among stakeholders. We thus removed this category from our classification of socially contested industries. Second, we identified other socially contested industries in the Chinese context by ranking the average numbers of industry-level negative newspaper reports from 2008 to 2016. We selected the top five industries each year as the annual highly socially contested industries. The industries that received large numbers of negative newspaper reports included smelting and pressing of ferrous metals, extraction of petroleum and natural gas, transportation, furniture making, construction, and installation.

*Competitive intensity* (Comp. Intensity) of the industry was operationalized as the industrial concentration ratio (Cr_4), measured by the ratio of combined market share (captured by profit) of the top four sellers in the industry (Barnett & Salomon, 2012; Ho, Wu, & Xu, 2011). We reversely coded this measure so that higher values indicate stronger competitive intensity.

**Control Variables**

We included a set of control variables at the firm level that may affect firms’ CSR practices. We controlled *firm age* and *firm size* in our analyses, with the former measured as the number of years since the firm’s incorporation and the latter the number of its employees. A firm’s financial performance may have an impact on its CSR practices. As such, we included *financial leverage* (the ratio of total debt to equity)
and earnings per share (the portion of a company’s profit that is allocated to each outstanding share of common stock) of the firm as controls. We included a firm’s marketing intensity to control for its willingness to spend on marketing and selling-related activities to differentiate itself from competitors. Marketing intensity was calculated as the ratio of selling and administrative expenses to sales (Wang & Qian, 2011). The percentage of independent directors (Pct. Of Indep. Directors) was included to capture the strength of the internal monitoring for effective corporate governance. We controlled for institutional investor ownership (Inst. Investor Ownership), calculated as the percentage of equity ownership of securities brokers, banks, trusts, insurance companies, and other types of financial companies. Past studies have shown that institutional investors are more likely to monitor firms’ strategies and participate in firms’ decision-making (Hoskisson, Hitt, Johnson, & Grossman, 2002). Previous studies suggest that a high ownership concentration is often associated with greater monitoring of firm strategies and thus may affect firms’ CSR activities (Burns, Kedia, & Lipson, 2010). We thus incorporated ownership concentration, measured as the percentage of equity owned by the largest five shareholders.

We also included a set of variables that account for characteristics of the top management team and the CEO, which may affect the firm’s decision-making on CSR. Top management team equity holding (TMT Power), i.e., the percentage of firm equity that a firm’s TMT owns, is included in our models. CEO MBA Degree is a dummy variable indicating whether the CEO holds an MBA degree. CEO returnee is a dummy variable coded as one when the CEO has overseas education or work experience, and zero otherwise. CEO party membership indicates whether the CEO is a member of the communist party (=1) or not (=0). CEO power is an index calculated as the common factor of two items: CEO duality (whether the CEO serves as the chair of the board of directors), and the equity share held by the CEO. These CEO-level attributes reflect the CEO’s experience, political connections, and power and influence, all of which can affect the firm’s CSR practices. To control for temporal variations, we included a dummy variable indicating two periods of CSR development in China. Starting from 2012, all central SOEs were required to publish their CSR reports. As such, we generated a period dummy using the year 2011 as a temporal cutoff point and included it as a control variable in our analyses. To reduce the estimation biases due to potential outliers, we winsorized all variables generated from the accounting data at 1% in each tail. Our results were also robust at other cutoff points, for example, 0.5% or 2.5% in each tail. Table 1 reports the basic descriptive statistics and correlation matrix of the key variables in our models.

**Estimation Strategy**

Our data are structured as a panel with firm year as our unit of observation. Since some of our key independent variables such as private ownership and socially contested industry dummies are time invariant, we followed previous research (e.g.,
Marquis & Qian, 2014) and ran GLS random-effects models to test our hypotheses. All independent and control variables were lagged one year in our analysis. To address potential heteroskedasticity and autocorrelation concerns, we reported robust standard errors, clustered at the firm level.

RESULTS

We first examined the main effects of private ownership and financial media coverage. In Model 2 (Table 2), firms’ CSR scope conformity was used as the outcome variable. The coefficient of private ownership was positive and statistically significant ($\beta = 0.120$, S.E. = 0.060, $p = 0.046$), which is consistent with our prediction that private ownership is positively associated with high-level CSR scope conformity (Hypothesis 1a). Following the suggestions of prior studies on assessing a variable’s effect size (Fey, Hu, & Delios, 2022; Lewin et al., 2016), we calculated the effect size of private ownership. The result shows that private ownership leads to an increase of 0.13 SD in scope conformity. The coefficient of financial media coverage is positive and statistically significant ($\beta = 0.035$, S.E. = 0.016, $p = 0.035$), which lends support to our Hypothesis 2a that postulates that financial media coverage is positively associated with CSR scope conformity. We also calculated the effect size of financial media coverage on CSR scope conformity and found a large effect of financial media coverage – one SD increase in financial media coverage will result in an increase of 1.05 SD in scope conformity.

In Model 7 (Table 3), we used firms’ CSR emphasis differentiation as the dependent variable. The coefficient of private ownership was positive and statistically significant ($\beta = 0.198$, S.E. = 0.056, $p = 0.000$), indicating that private ownership leads to a higher score of CSR emphasis differentiation, which is consistent with our Hypothesis 2a. In assessing the effect size, we also identified a median effect of private ownership – having private ownership leads to an increase of 0.21 SD in scope conformity. Model 7 further tests the impact of financial media coverage on firms’ CSR emphasis differentiation. The positive and statistically significant coefficients supported our Hypothesis 2b ($\beta = 0.056$, S.E. = 0.020, $p = 0.004$), which states that financial media coverage is positively associated with the CSR emphasis differentiation of Chinese publicly listed firms. The effect size of financial media coverage on CSR emphasis differentiation is large, and one SD increase in financial media coverage leads to an increase of 1.09 SD in emphasis differentiation.

We next examined the effects of industry-level contingencies. The first set of interaction effects is reported in Table 2. Model 3 included the interaction term between private ownership and socially contested industry. The coefficient is negative and significant ($\beta = -0.263$, S.E. = 0.109, $p = 0.015$), indicating that the difference between state-controlled firms and private firms along the CSR scope conformity dimension is weakened in socially contested industries. This supports our Hypothesis 3. Model 4 tests Hypothesis 4, which states that the positive

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Table 1. Descriptive statistics and Pearson correlation coefficients

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<td>4,885</td>
<td>4,885</td>
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<td>4,885</td>
<td>4,885</td>
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<tr>
<td>Mean</td>
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<td>0.00</td>
<td>0.35</td>
<td>6.10</td>
<td>0.15</td>
<td>0.08</td>
<td>16.63</td>
<td>8.47</td>
<td>0.48</td>
<td>0.47</td>
<td>2.17</td>
<td>0.37</td>
<td>0.55</td>
<td>3.98</td>
<td>0.01</td>
<td>0.12</td>
<td>0.17</td>
<td>0.41</td>
<td>0.00</td>
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<td>Std. Dev.</td>
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<td>1.00</td>
<td>0.48</td>
<td>1.20</td>
<td>0.35</td>
<td>0.36</td>
<td>5.36</td>
<td>1.43</td>
<td>0.22</td>
<td>0.62</td>
<td>0.81</td>
<td>0.04</td>
<td>0.25</td>
<td>0.35</td>
<td>0.12</td>
<td>0.33</td>
<td>0.38</td>
<td>0.49</td>
<td>0.53</td>
<td>0.46</td>
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Table 2. Models predicting changes in firms’ CSR scope conformity

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>SE</td>
<td>p-Value</td>
<td>β</td>
<td>SE</td>
<td>p-Value</td>
</tr>
<tr>
<td>SC industry</td>
<td>-0.065</td>
<td>0.051</td>
<td>0.207</td>
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<td></td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>0.175</td>
<td>0.048</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm age</td>
<td>-0.005</td>
<td>0.004</td>
<td>0.289</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Firm size</td>
<td>0.040</td>
<td>0.018</td>
<td>0.031</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Financial leverage</td>
<td>-0.024</td>
<td>0.083</td>
<td>0.773</td>
<td></td>
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</tr>
<tr>
<td>Firm annual earnings</td>
<td>-0.064</td>
<td>0.026</td>
<td>0.014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing intensity</td>
<td>0.041</td>
<td>0.032</td>
<td>0.192</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of independent</td>
<td>-0.293</td>
<td>0.404</td>
<td>0.468</td>
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<td>directors</td>
<td>0.059</td>
<td>0.064</td>
<td>0.360</td>
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<tr>
<td>Institutional ownership</td>
<td>-0.036</td>
<td>0.075</td>
<td>0.632</td>
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<tr>
<td>Ownership concentration</td>
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<td>0.119</td>
<td>0.922</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>TMT power</td>
<td>-0.083</td>
<td>0.049</td>
<td>0.090</td>
<td></td>
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<tr>
<td>CEO MBA degree</td>
<td>0.008</td>
<td>0.051</td>
<td>0.869</td>
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<tr>
<td>CEO returnee</td>
<td>0.001</td>
<td>0.051</td>
<td>0.984</td>
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<tr>
<td>CEO party membership</td>
<td>-0.023</td>
<td>0.035</td>
<td>0.301</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO power</td>
<td>0.030</td>
<td>0.039</td>
<td>0.438</td>
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</tr>
<tr>
<td>Industry CSR intensity</td>
<td>0.022</td>
<td>0.036</td>
<td>0.543</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year after 2011</td>
<td>-0.018</td>
<td>0.032</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private ownership</td>
<td>0.120</td>
<td>0.060</td>
<td>0.046</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial media coverage</td>
<td>0.035</td>
<td>0.016</td>
<td>0.035</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private ownership × SC industry</td>
<td>-0.263</td>
<td>0.109</td>
<td>0.015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial media coverage × SC industry</td>
<td>0.131</td>
<td>0.031</td>
<td>0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N = 4,885 4,885 4,885 4,885 4,885 4,885
F-value = 4.43 4.08 3.88 4.13 3.94
R-square = 0.650 0.651 0.651 0.652 0.652
Table 3. Models predicting changes in firms’ CSR emphasis differentiation

<table>
<thead>
<tr>
<th>DV = emphasis differentiation</th>
<th>Model 6</th>
<th></th>
<th></th>
<th>Model 7</th>
<th></th>
<th></th>
<th>Model 8</th>
<th></th>
<th></th>
<th>Model 9</th>
<th></th>
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<th>Model 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>SC industry</td>
<td>( \beta )</td>
<td>SE</td>
<td>p-Value</td>
<td>( \beta )</td>
<td>SE</td>
<td>p-Value</td>
<td>( \beta )</td>
<td>SE</td>
<td>p-Value</td>
<td>( \beta )</td>
<td>SE</td>
<td>p-Value</td>
<td>( \beta )</td>
</tr>
<tr>
<td>Competitive intensity</td>
<td>0.420</td>
<td>0.108</td>
<td>0.000</td>
<td>0.399</td>
<td>0.107</td>
<td>0.000</td>
<td>0.598</td>
<td>0.147</td>
<td>0.000</td>
<td>1.620</td>
<td>0.472</td>
<td>0.001</td>
<td>1.829</td>
</tr>
<tr>
<td>Firm age</td>
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<td>0.004</td>
<td>0.395</td>
<td>0.004</td>
<td>0.004</td>
<td>0.328</td>
<td>0.004</td>
<td>0.004</td>
<td>0.411</td>
<td>0.005</td>
<td>0.004</td>
<td>0.214</td>
<td>0.005</td>
</tr>
<tr>
<td>Firm size</td>
<td>-0.151</td>
<td>0.018</td>
<td>0.000</td>
<td>-0.157</td>
<td>0.019</td>
<td>0.000</td>
<td>-0.158</td>
<td>0.019</td>
<td>0.000</td>
<td>-0.150</td>
<td>0.019</td>
<td>0.000</td>
<td>-0.151</td>
</tr>
<tr>
<td>Financial leverage</td>
<td>-0.041</td>
<td>0.085</td>
<td>0.628</td>
<td>-0.019</td>
<td>0.085</td>
<td>0.825</td>
<td>-0.020</td>
<td>0.084</td>
<td>0.820</td>
<td>0.020</td>
<td>0.086</td>
<td>0.820</td>
<td>0.018</td>
</tr>
<tr>
<td>Firm annual earnings</td>
<td>0.044</td>
<td>0.024</td>
<td>0.172</td>
<td>0.032</td>
<td>0.024</td>
<td>0.166</td>
<td>0.033</td>
<td>0.024</td>
<td>0.166</td>
<td>0.050</td>
<td>0.024</td>
<td>0.040</td>
<td>0.051</td>
</tr>
<tr>
<td>Marketing intensity</td>
<td>-0.042</td>
<td>0.029</td>
<td>0.146</td>
<td>-0.037</td>
<td>0.029</td>
<td>0.201</td>
<td>-0.041</td>
<td>0.029</td>
<td>0.161</td>
<td>-0.058</td>
<td>0.030</td>
<td>0.056</td>
<td>-0.062</td>
</tr>
<tr>
<td>Percentage of independent directors</td>
<td>0.403</td>
<td>0.466</td>
<td>0.387</td>
<td>0.242</td>
<td>0.464</td>
<td>0.602</td>
<td>0.281</td>
<td>0.456</td>
<td>0.539</td>
<td>0.238</td>
<td>0.461</td>
<td>0.605</td>
<td>0.277</td>
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<td>Institutional ownership</td>
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<td>0.074</td>
<td>0.113</td>
<td>-0.133</td>
<td>0.073</td>
<td>0.070</td>
<td>-0.130</td>
<td>0.073</td>
<td>0.075</td>
<td>-0.113</td>
<td>0.072</td>
<td>0.116</td>
<td>-0.111</td>
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<tr>
<td>Ownership concentration</td>
<td>-0.159</td>
<td>0.066</td>
<td>0.016</td>
<td>-0.138</td>
<td>0.067</td>
<td>0.041</td>
<td>-0.122</td>
<td>0.069</td>
<td>0.076</td>
<td>-0.142</td>
<td>0.067</td>
<td>0.034</td>
<td>-0.126</td>
</tr>
<tr>
<td>TMT power</td>
<td>0.196</td>
<td>0.147</td>
<td>0.181</td>
<td>0.164</td>
<td>0.145</td>
<td>0.258</td>
<td>0.171</td>
<td>0.144</td>
<td>0.234</td>
<td>0.168</td>
<td>0.142</td>
<td>0.239</td>
<td>0.176</td>
</tr>
<tr>
<td>CEO MBA degree</td>
<td>-0.002</td>
<td>0.060</td>
<td>0.967</td>
<td>-0.012</td>
<td>0.060</td>
<td>0.836</td>
<td>-0.007</td>
<td>0.061</td>
<td>0.903</td>
<td>-0.012</td>
<td>0.060</td>
<td>0.836</td>
<td>-0.007</td>
</tr>
<tr>
<td>CEO returnee</td>
<td>-0.059</td>
<td>0.048</td>
<td>0.223</td>
<td>-0.074</td>
<td>0.048</td>
<td>0.128</td>
<td>-0.067</td>
<td>0.048</td>
<td>0.165</td>
<td>-0.074</td>
<td>0.049</td>
<td>0.130</td>
<td>-0.067</td>
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<tr>
<td>CEO party membership</td>
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<td>0.037</td>
<td>0.005</td>
<td>-0.082</td>
<td>0.037</td>
<td>0.028</td>
<td>-0.084</td>
<td>0.038</td>
<td>0.025</td>
<td>-0.082</td>
<td>0.037</td>
<td>0.028</td>
<td>-0.083</td>
</tr>
<tr>
<td>CEO power</td>
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<td>0.032</td>
<td>0.008</td>
<td>0.054</td>
<td>0.033</td>
<td>0.098</td>
<td>0.061</td>
<td>0.033</td>
<td>0.060</td>
<td>0.060</td>
<td>0.033</td>
<td>0.069</td>
<td>0.067</td>
</tr>
<tr>
<td>Industry CSR intensity</td>
<td>0.096</td>
<td>0.052</td>
<td>0.063</td>
<td>0.088</td>
<td>0.050</td>
<td>0.080</td>
<td>0.090</td>
<td>0.050</td>
<td>0.072</td>
<td>0.103</td>
<td>0.050</td>
<td>0.041</td>
<td>0.105</td>
</tr>
<tr>
<td>Year after 2011</td>
<td>0.179</td>
<td>0.032</td>
<td>0.000</td>
<td>0.147</td>
<td>0.032</td>
<td>0.000</td>
<td>0.149</td>
<td>0.032</td>
<td>0.000</td>
<td>0.160</td>
<td>0.032</td>
<td>0.000</td>
<td>0.161</td>
</tr>
<tr>
<td>Private ownership</td>
<td>0.198</td>
<td>0.056</td>
<td>0.000</td>
<td>0.224</td>
<td>0.057</td>
<td>0.000</td>
<td>0.198</td>
<td>0.055</td>
<td>0.000</td>
<td>0.225</td>
<td>0.056</td>
<td>0.000</td>
<td>0.198</td>
</tr>
<tr>
<td>Financial media coverage</td>
<td>0.056</td>
<td>0.020</td>
<td>0.004</td>
<td>0.054</td>
<td>0.020</td>
<td>0.006</td>
<td>0.051</td>
<td>0.020</td>
<td>0.009</td>
<td>0.049</td>
<td>0.020</td>
<td>0.011</td>
<td>0.044</td>
</tr>
<tr>
<td>Financial media coverage × competitive intensity</td>
<td>-0.437</td>
<td>0.173</td>
<td>0.011</td>
<td>-0.437</td>
<td>0.173</td>
<td>0.011</td>
<td>-0.437</td>
<td>0.173</td>
<td>0.011</td>
<td>-0.437</td>
<td>0.173</td>
<td>0.011</td>
<td>-0.437</td>
</tr>
<tr>
<td>N</td>
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<td>4,885</td>
<td>4,885</td>
<td>4,885</td>
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<td>4,885</td>
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<td>4,885</td>
<td>4,885</td>
<td>4,885</td>
<td>4,885</td>
</tr>
<tr>
<td>F-value</td>
<td>3.98</td>
<td>6.83</td>
<td>8.17</td>
<td>8.60</td>
<td>9.87</td>
<td>11.70</td>
<td>13.20</td>
<td>15.00</td>
<td>16.00</td>
<td>17.20</td>
<td>18.40</td>
<td>19.60</td>
<td>20.80</td>
</tr>
<tr>
<td>R-square</td>
<td>0.554</td>
<td>0.561</td>
<td>0.564</td>
<td>0.565</td>
<td>0.570</td>
<td>0.574</td>
<td>0.577</td>
<td>0.580</td>
<td>0.583</td>
<td>0.586</td>
<td>0.589</td>
<td>0.592</td>
<td>0.595</td>
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</tbody>
</table>
impact of financial media coverage on CSR scope conformity is amplified in socially contested industries. The positive and statistically significant coefficient of the interaction term between financial media coverage and socially contested industries lends support to Hypothesis 4 ($\beta = 0.131$, S.E. = 0.031, $p = 0.000$).

Model 5 included both interaction terms and other covariates. The results show that the effects of both interaction terms still hold in this full model.

We then shifted to the test of the moderation effects of competitive intensity in a given industry. Hypothesis 5 postulates that competitive intensity reduces the differences between state-controlled and private firms along the CSR emphasis differentiation dimension. Models 8 and 9 included both the explanatory variables and their interaction terms with the moderator. The interaction term between private ownership and competitive intensity is negative and significant in Model 8 ($\beta = -0.437$, S.E. = 0.173, $p = 0.011$), lending support to our Hypothesis 5. Hypothesis 6 postulates that the positive impact of financial media coverage on CSR emphasis differentiation will be weakened by strong market competition. The coefficient of the interaction term between financial media coverage and competitive intensity is negative and statistically significant in Model 9 ($\beta = -0.205$, S.E. = 0.076, $p = 0.007$), lending support to Hypothesis 6. Model 10 included both interaction terms and other covariates. The results show that the effects of both interaction terms still hold in this full model. To better illustrate our moderating analyses, we conducted a series of simple slope tests on the moderators. The results of the simple slope tests are reported in the Supplementary Appendix I.

We conducted a series of robustness checks to further validate our findings. To account for the potential selection issues in CSR reporting, we estimated our models using a two-stage Heckman selection approach (Heckman, 1979). The first stage dependent variable was a dummy variable with value one indicating firms that have disclosed their CSR practices in the form of a stand-alone CSR report. Findings based on this correction of potential selection issues in reporting are consistent with our main results. Another valid concern is that the financial media coverage of a firm may be endogenous. We constructed expected financial media coverage as our instrument variable. This has been employed in prior studies investigating the causal relationship between financial media coverage and other organizational outcomes such as firm innovation (Yu, 2008). We calculated the expected financial media coverage and used 2008, the beginning year of our sample, as the benchmark year. The validity of our findings was further confirmed by this instrumental variable approach. We reported the results of robustness tests in the Supplementary Appendix II.

DISCUSSION

This study builds on recent development in OD research and theorizes firms’ CSR practices as multidimensional and constitute both conforming and deviating actions. We employed a concept network approach and identified two key
dimensions of firms’ CSR practices: CSR scope conformity and CSR emphasis differentiation. The former reflects the extent to which a firm pursues CSR activities that are broad and central and thus conform to the central tendencies, whereas the latter captures the degree to which the firm develops a unique CSR strategy and deviates from industry peers. We focused on examining the antecedents of CSR scope conformity and emphasis differentiation and found that ownership type and financial media coverage, as well as their interplay with the nature of different industry settings (socially contested industry and competitive intensity) all contribute to the heterogeneous patterns in CSR practices among Chinese publicly listed firms. These findings have important implications for research on OD and CSR.

Departing from the traditional view of conformity as a strong constraint on firm actions and bridging contemporary research in strategy and organization theory, OD research has gained steam in recent strategy and organization studies (Zhao et al., 2017; Zuckerman, 2016). The renewed agenda on OD, in particular, has proved to be very generative, guiding scholarly inquiries beyond the strategic balance perspective to investigate the contextual contingencies of OD (Haans, 2019), stakeholder multiplicity (Pontikes, 2012; Taeuscher et al., 2019), and temporal dynamics of optimal positioning (Zhao et al., 2018). Our study further extends this line of research by explicitly conceptualizing the multidimensionality of OD, identifying empirical manifestations of both conforming and deviating actions in the context of CSR, and examining the antecedents of both.

By unpacking different dimensions of OD and empirically distinguishing conforming and deviating actions, our study provides a new multidimensional framework for examining the antecedents of OD. While previous studies have focused on the relationship between strategic positioning and performance (e.g., Zhang et al., 2020), identifying the root causes of heterogeneous positioning is equally important since these may be the ultimate driving force behind different levels of firm performance. A small number of studies have started to separately investigate the antecedents of conformity (e.g., Durand & Kremp, 2016; Durand, Hawn, & Ioannou, 2019; Semadeni & Anderson, 2010) and differentiation (Semadeni, 2006), but not the dual dimensions of OD and their antecedents simultaneously. Those studies have mainly focused on organizational or individual attributes (e.g., firm age, firm size, firm innovativeness, individual status, firm motivation, and ability) as the antecedents. Empirically, although prior studies have acknowledged that multiple dimensions must be considered in assessing firms’ positioning strategies, they have typically collapsed the multiple dimensions into a single distance variable (e.g., Semadeni, 2006; Semadeni & Anderson, 2010).

This article builds on and extends these previous studies by explicitly measuring both the conformity and differentiation aspects of firms’ CSR practices. Furthermore, we pay attention not just to firm-level attributes that may influence their CSR practices, but also to how these firm-level attributes interact with industry-level characteristics in shaping how firms configure their conforming and deviating actions in CSR. By attending to industry-level characteristics such as its
socially contested nature, we also connect to recent research on stigma in organization studies. We show that to overcome stigma and legitimacy challenges, a firm may not just engage previously suggested tactics such as diluting stakeholder attention (Vergne, 2012), avoiding stigmatized technologies (Hiatt & Carlos, 2019), or divesting assets from the stigmatized industry (Durand & Vergne, 2015), but also leverage CSR as a defensive mechanism.

We extend the extant literature on CSR in two major ways. First, we shift attention away from convergence models toward a more fine-grained understanding of the heterogeneous CSR practices among Chinese publicly listed firms. Following this approach, we find considerable variance in firms’ CSR practices in terms of both scope and emphasis. Our results thus echo the growing focus on variations (rather than isomorphism) in the adoption and diffusion of organizational practices (Ansari et al., 2010; Fiss et al., 2012). In addition, we also highlight the multidimensional nature of CSR practice, as indicated by many prior studies in CSR research such as symbolic/substantive (Luo, Kaul, & Seo, 2018; Nardi, 2021) and material/immaterial (Khan, Serafeim, & Yoon, 2016). While the findings of these studies are insightful, what is lacking in the research are the dimensions of individual-level and product-level CSR. Future research may find it fruitful to explore these directions.

It is important to note that although the multidimensionality view of OD emphasizes the value of examining firms’ strategic positionings from multiple dimensions of a complex practice instead of hypothesizing the existence of a single overall optimal point, it does not rule out the possibility that along a single strategic dimension an optimal level of differentiation exists. Since the discussion of the optimal level of differentiation requires simultaneous consideration of the effectiveness or performance implication of the given positioning strategy, we cannot explore how industrial contexts and firm features jointly shape the change of the potential optimal level of emphasis differentiation in this article. However, we propose a theoretical figure that shows the shift of the optimal point of differentiation under the influence of industry competition and state control (see Figure 3).[2] The figure indicates that as the level of private ownership shifts the overall level of emphasis differentiation, the competitiveness of an industry shapes the distribution of the emphasis differentiation among its members. This may lead to the overall shift of the optimal differentiation level and a reduced differentiation gap among member firms.

Second, rather than taking CSR as a holistic construct or studying its elements, we take steps to capture more-nuanced differences across CSR issue fields in terms of their prevalence and prominence. Our approach accounts for both temporal and cross-sectoral differences. Specifically, we adopt the concept network approach, which allows us to quantify the relative importance of different CSR issue fields. Previous studies have acknowledged that a methodological challenge in CSR studies is developing a weighting system that more precisely captures the varying importance of different CSR issue fields (Aguinis & Glavas, 2012;
Wang et al., 2016). To address this, we draw insight from concept network analysis and model different CSR issue fields as interconnected systems based on their patterns of association (Fiss et al., 2012; Zhang et al., 2020). By using this novel approach, we can move beyond rough proxies of CSR based on subject evaluations of the importance of different issue fields and quantitatively grasp the temporal and cross-sectoral variations of complex CSR practices. We also encourage future scholars to apply this approach to further explore the complexity of CSR practices.

Theoretical Implications

Our findings also have important managerial implications. As we have discussed, various regulatory agencies and market intermediaries as well as the general public are now paying close attention to firms’ social performance. It is important for managers to consider CSR as a complex management practice with multiple dimensions. Effective CSR strategy not only means firms need to do more but also means firms need to do the right thing and better associate CSR activities with its core business or corporate agenda. Moreover, it is advisable to consider stakeholder multiplicity when formulating firms’ CSR strategies. We have shown that salient stakeholder groups may have distinct preferences. Regulatory agencies pay more attention to the scope conformity of the adoption, while market intermediaries go deeper to examine the strategic value of firms’ CSR activities. Firms thus need to choose proper positioning strategies along these different dimensions. Last but not least, the choice of optimal CSR strategy has to be made while taking the embedding context into account. Societal stereotypical
views toward certain industries may limit the effectiveness of firms’ conformity or differentiation efforts. Therefore, an adequate understanding of societal expectations of firms or industries is an important prerequisite for effective CSR strategy choice.

Limitations and Future Research Directions

There are important limitations to this study, which also direct potential future research efforts. First, we explored the impacts of two important institutional and market forces – private ownership and financial media coverage – on optimally distinct CSR strategies. While we have identified a significant shaping role of these two major forces, their impacts are relatively limited since the effect sizes of these two forces are not large and incremental $R^2$-squared between included and excluded models are relatively small. The limited effects lead us to have a more comprehensive consideration of what drives the best practice of CSR. As in much previous literature, different levels of governments may have distinct impacts in shaping the shift of firms’ strategies in the CSR space (Luo, Wang, and Zhang, 2017; Wang, Wijen, & Heugens, 2018). A simple dichotomy of state control (i.e., state ownership vs. private ownership) may only capture a small fraction of the government’s role in regulating CSR strategies. Moreover, beyond these two major forces, there may be other stakeholder groups, such as NGOs and rating agencies that exert a significant influence on the diffusion of CSR practices. Therefore, stakeholder multiplicity is an important area that needs to be studied further (Zhao et al., 2017). These stakeholders may have divergent interests and as such may use distinct mechanisms to voice their opinions and shape firms’ OD strategies. Attending to stakeholder multiplicity will significantly enrich our knowledge regarding the mechanisms of Chinese corporations’ strategic responses to varied CSR demands.

Second, our study focused on two dimensions of firms’ CSR activities, that is, scope conformity and emphasis differentiation, to demonstrate the complex OD processes at the firm level. Although parsimonious, this two-dimensional framework may also leave some important features of CSR practices unattended. It is possible that a third dimension, that is, the actual types of CSR activities, such as monetary donations, pro bono work, or commercial projects, is also an important dimension along which firms choose to mimic others or differentiate from them. Future studies can develop new measures to further investigate how firms exploit their resource or competency advantages and practice their social responsibility via different means. Opportunities abound for further research at the interface of OD and CSR.

SUPPLEMENTARY MATERIAL

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NOTES

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[2] We sincerely thank our reviewer for suggesting this graphic illustration.

DATA AVAILABILITY STATEMENT

Replication code for this article has been published in Open Science Framework at: https://osf.io/6zgp7/

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