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Enterprise strategy concept, measurement, and validation: Integrating stakeholder engagement into the firm's strategic architecture

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ABSTRACT

A firm's enterprise strategy is its overarching strategic orientation, addressing questions regarding its general purpose and the specific nature of its relationships with stakeholders along two dimensions: (a) scope, which represents the range of stakeholders the organization attempts to serve, and (b) type, which represents the general motivation behind stakeholder initiatives. The corporate social responsibility literature has played an important role in bringing a concern with stakeholder issues; however, this literature does not provide a systematic means of integrating these concerns into the firm's strategic architecture. Enterprise strategy offers a unifying construct, grounded in strategic considerations of both the social and economic demands placed on an organization. However, despite its conceptual importance to strategy and social issues, this construct is empirically underdeveloped. This study develops a reliable and valid measure of the enterprise strategy construct to advance the field's understanding of this increasingly important stream of research. Based on computer-aided text analyses of company letters to stakeholders, we systematically identify terminology that reflects the scope and type of a firm's espoused enterprise strategy. Overall, these data support four fundamental orientations of enterprise strategy: (1) narrow defensive, (2) narrow offensive, (3) broad defensive, and (4) broad offensive.

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1. Introduction

Managers increasingly devote resources to support organizational relationships with stakeholders (Porter & Kramer, 2011) and stakeholder management research continues to grow in importance. Traditional approaches to stakeholder relationships examine corporate social responsibility (CSR) (Freeman, 1984) and the effects a firm's voluntary initiatives, such as sustainability and philanthropy, have on financial performance. However, because CSR promotes "a split between the profit-making piece of business and the profit-spending or socially-responsible part" (Margolis, Elfenbein, & Walsh, 2007, p. 40), CSR does not provide a strategic perspective of how firms interact with their financial and social stakeholders. To this end, Freeman (1984) suggests:

Isolating social issues as separate from the economic impact which they have, and conversely isolating economic issues as if they had no social effect, misses the mark both managerially and intellectually. While the corporate social responsibility literature has been important in bringing to the foreground in organizational research a concern with social and political issues, it has failed to indicate ways of integrating these concerns into the strategic systems of the corporation in a non-ad hoc fashion. (p. 40)

In contrast to CSR, enterprise strategy (ES) offers a unifying construct, grounded in integrative analyses of both the social and economic demands placed on an organization, to help advance this highly-relevant research stream.

ES assesses a firm's overarching social legitimacy (Schendel & Hofer, 1979) and reason for being (Freeman, 1984). ES also unites the financial and non-financial concerns of a firm by emphasizing value-based judgments as a primary component of decision-making and overall strategic architecture. These deeply-held

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values are considered simultaneously with primary, external constituents' interests (Freeman & Gilbert, 1988), and although the concept and its typology were developed over thirty-five years ago, limited empirical studies have followed. Nonetheless, the enduring concepts of values, ethics, negotiations, and motivations are held together by ES, making it more important than originally expected (Freeman, 2004).

ES draws importance from its position at the apex of a hierarchical order of strategies (Hofer & Schendel, 1978), and "as one moves from the enterprise strategy to corporate strategy to business strategy to functional strategy, one not only moves down the organizational hierarchy, one moves downward in terms of constraints" (Schendel & Hofer, 1979, p. 13). Thus, within this hierarchy of strategies, ES sets the parameters within which all lower-level strategies are formulated, and understanding a firm's ES is crucial to understanding its nested strategies.

Although Schendel and Hofer (1979) argued that ES was central to the field of strategic management, this construct has received limited empirical exploration perhaps because it challenges the prevailing notion that maximizing shareholder value should be the central mission of all for-profit firms (Judge & Krishnan, 1994). Furthermore, due to its normative, value-laden nature, the construct is difficult to operationalize through secondary data (Crilly, 2013). In summary, a measure of ES is absent despite its conceptual elegance and central importance to organizational science. Without such a measure, research on ES and its links to other strategies remains stagnant, so this study offers a reliable and valid measure of ES to help advance this important research stream. Specifically, in the present study we seek to address the following question: *Can we develop a reliable and valid measure of a firm's espoused enterprise strategy using archival data?*

We recognize that a complex concept like ES cannot be easily reduced to a single measure. Yet, a reliable and valid proxy for this important construct would be a valuable contribution to the strategic and stakeholder management literature. Thus, our purpose in this study is to (1) develop one such measure that is reliable and valid and (2) provide a methodology for further research in the antecedents and effects of ES.

In this study, we focus on multinational enterprises (MNEs) as our empirical context for several reasons. First, stakeholder concerns are a global issue (Gjølberg, 2009), and MNEs are highly visible targets for external stakeholders. Compared to domestic firms, MNEs manage a greater variety of stakeholders (Buysse & Verbeke, 2003), including global media sources, activist groups, and international non-governmental organizations, all of which assess firm accountability. MNEs also operate in multiple environments, spanning home- and host-country institutions (Zaheer, 1995) and MNEs are more likely than domestic firms to approach a broad set of stakeholders strategically and MNEs are often more responsive to social concerns (Judge, Gaur, & Muller-Kahle, 2010).

Additionally, MNEs are dominant economic participants in the global economy. For example, "51 of the 100 largest economies in the world are corporations, [and] the top 500 multinational corporations account for nearly 70% of the worldwide trade; this percentage has steadily increased over the past twenty years" (Steger, 2008, p. 51). Relationships between financial performance and stakeholder engagement are frequently explored in the stakeholder literature (Margolis et al., 2007; Orlitzky, Schmidt, & Rynes, 2003; Stanwick & Stanwick, 1998), and due to their vast resources, MNEs are more likely than domestic firms to engage with stakeholders using distinguishable strategic actions. Given its applicability to so many aspects of strategic management, ES provides a useful construct to understand how MNE executives orient themselves to all their stakeholders.

2. Definition and dimensions of ES

ES suggests that firms secure their long-term survival and prosperity by approaching each stakeholder group with wisdom and care (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010). It reflects top managers' ultimate strategic intent regarding converging stakeholder interests, and helps to determine corporate goals and strategies (Freeman, 2004). ES also reflects "the firm's attempt to match its 'values' to the 'values' of its stakeholders," and shows "how a firm attempts to add value to its environment in order to legitimize its existence and ensure its future" (Meznar, Chrisman, & Carroll, 1991, p. 53).

Conceptual work suggests that ES contains two dimensions: scope and type. ES scope refers to the range of stakeholders the organization attempts to serve simultaneously (Meznar et al., 1991). In other words, ES scope is a continuum that ranges from "narrow" to "broad." A firm that focuses on only a small subset of stakeholders, such as its owners, has a narrow ES. A firm that attempts to serve a larger variety of stakeholders operates with a broad ES.

The second dimension, ES type, reflects how proactive the firm is in adding value to its various stakeholder demands (Meznar et al., 1991). ES type mirrors the benefits a firm provides to its stakeholders, including economic gains (e.g., corporate philanthropy), social gains (e.g., endorsing causes), and reductions in financial or social costs (e.g., responses to dissatisfied stakeholders). Like scope, ES type is a continuum that ranges from "defensive" to "offensive" orientations. A firm that maximizes tangible, value-generating benefits for its stakeholders has an offensive ES, and one that focuses on minimizing stakeholders' costs characterizes a defensive ES. The ongoing interactions between MNEs and their multiple stakeholders result in variations in these two dimensions of ES.

Combined, these two dimensions form four ideal ES orientations: (1) narrow defensive, (2) narrow offensive, (3) broad defensive, and (4) broad offensive. The original classification of these four types from Meznar et al. (1991) contains two other ES orientations: accommodative narrow and accommodative broad. An accommodative strategy is an intermediate response to social responsibility demands (Carroll, 1979; Sethi, 1975). Because we seek to establish the reliability and validity of the essence of ES (Meznar et al., 1991), these intermediate orientations are beyond the scope of this study.

Additionally, the ES literature has not explicitly dealt with the issue of the extent to which a firm has a single, identifiable ES. In its original formulation, the ES is conceptualized as "a broad description of claims regarding 'what do we stand for'" and involves "tradeoffs about the relative importance of stakeholder concerns, values and social issues" (Freeman, 1984, p. 101). Therefore, at this point in its level of empirical development, we have assumed that the ES is a single strategy that drives a firm's overall decisions, unlike a business-level strategy that can vary across strategic business units within the same firm.

In sum, this study seeks to establish a systematic measure of a firm's espoused ES, and then proceeds to empirically explore whether these four ES orientations are identifiable in contemporary multinational organizations. Table 1 outlines the primary literature of this domain.

3. Method

We operationalized the firm's espoused ES orientation using Short, Broberg, Coglisier, and Brigham's (2010) content-analysis method, which combines conceptual and empirical approaches to ensure proper psychometric properties. Content analysis offers an unobtrusive method of assessing organizational issues (Palmer,

Table 1
Definitions of the Enterprise Strategy (ES) in the primary ES literature.

Author (Year)	ES definition
Ansoff (1965/1977)	A level of strategy which identifies the relationship of the firm with society. In part, it represents the moral or ethical component to strategic management.
Schendel and Hofer (1979)	The strategy, which directly addresses the relationship of an organization with society.
Freeman (1984)	Contains the answer to the question “What do we stand for?” At this level strategy, the task of setting direction involves understanding the role of a particular firm as a whole, and its relationships to other social institutions.
Freeman and Gilbert (1988)	Denotes the conjunction of ethical and strategic thinking. It is a “raison d’être” for the firm, a way of conceptualizing the enterprise as a whole rather than as a group of discrete entities.
Meznar et al. (1991)	Shows how the firm attempts to add value to its stakeholders in order to legitimize its existence and ensure its future.
Judge and Krishnan (1994)	Reflects the relationship of the organization with society.
Judge and Fowler (1994)	ES scope is the range of stakeholder satisfaction achieved by the firm.
Meznar and Nigh (1995)	The top management’s orientation toward a firm’s role in society. It has two dimensions: scope and type.
Hemphill (1996)	It is concerned with questions of governance, legitimacy, and corporate public policy activities that integrate the firm with its broader external environment. Therefore, ES encompasses the firm’s social legitimacy concerns or its social strategy
Stead and Stead (2000)	This strategy is similar to that described in Freeman and Gilbert (1988), however, its ethical foundation goes beyond the human community to address environmental issues.
Hillman, Keim, and Luce (2001)	It reflects an organization’s effort to integrate with its broader social environment. It is set at the highest level of the organization.
Freeman (2004)	Describes the relationship between the firm and society by asking the question “What do we stand for?” It concerns questions of purpose, value, and ethics, among others.
Steyn and Niemann (2008)	It is a mechanism for incorporating societal expectations, values, norms and standards into organization’s strategic decision-making processes.
Steyn and Niemann (2010)	It is the broadest, overarching level of strategy, and addresses the political and social legitimacy of an organization. It is also known as the “societal role strategy.”
Crilly and Sloan (2012)	Refers to the top management’s conceptualization of the firm’s relationship with society.
Crilly (2013)	Articulates how the firm engages with actors in its economic, social, and political environment to ensure long-term corporate performance.
Steyn and Niemann (2014)	It is the level of strategy that addresses the political and social legitimacy of an organization and its relationship with society.

Kabanoff, & Dunford, 1997), and is useful for ES orientations which have not been developed or tested sufficiently (Sonpar & Golden-Biddle, 2008). Because top managers make ES-related decisions (Ansoff, 1977; Steyn & Niemann, 2010), and a central premise of content analysis is that the languages and ideas used reflect the primary decision-makers’ cognitions (Dورياu, Reger, & Pfarrer, 2007), their lexical choices demonstrate their perceptions, attentions, choices, and actions (Sapir, 1944; Whorf, 1956). Cognitive maps that assess words show general directions and intensities of managerial attention (Huff, 1990) and assessing the words that individuals use while communicating their position illustrates the mental models that they apply to understand the environment.

The lexical data for this study are drawn from 320 letters to stakeholders provided by firms who are members within the Global Reporting Initiative (GRI). Our sample frame is comprised of the stakeholder letters of all MNEs that filed GRI reports in 2011 that were available at the time of the data collection. Initially, we identified 453 MNEs with GRI reports. The final sample of 320 stakeholder letters was selected based on their availability and publication in English. The letters were extracted manually based on these criteria. Of the 320 stakeholder letters, 74 are from MNEs that are Global 500 companies. The remainder of the stakeholder letters were from other, smaller MNEs, which the GRI defines as multinational companies with at least 250 employees and turnover greater than 50 million euro, or a balance sheet total of more than 43 million euro (Sustainability Disclosure Database, 2012). Either the GRI or one of the Big Four accounting firms audited the majority of the reports. Overall, the sampled firms represent 31 industries in 37 countries. Table 2 outlines the number of regions and sectors represented.

We believe that the letters to stakeholders in GRI reports are particularly useful for the present investigation for several reasons. First, in their structure and content, GRI reports parallel annual reports as a means to bolster legitimacy with a variety of stakeholders (Etzion & Ferraro, 2010). For example, annual reports

contain letters to shareholders and GRI reports contain letters to stakeholders. Like letters to shareholders, letters to stakeholders contain statements from a firm’s senior decision-makers regarding “the overall vision and strategy for the short-term, medium term (e. g., 3–5 years), and long-term, particularly with regard to managing the key challenges associated with economic, environmental, and social performance” (GRI Sustainability Reporting Guidelines, 2011, p. 20). Also, they are optional and take valuable resources to produce. Hence, they signal that the firm’s overall relationship with stakeholders matters.

Second, many of the statements in the letters to stakeholders are backed up by facts and figures. In other words, they do not just state “employees are our most important resource”; instead, they provide data illustrating their claim. As a result, stakeholder letters have more precision regarding a firm’s claims than other public statements and offer a yardstick against which the information supplied in them is verifiable. Research shows that claims of stakeholder investments are attended to by the public and unsubstantiated claims can ruin a firm’s reputation (e.g., Janney & Gove, 2011; Wagner, Lutz, & Weitz, 2009). Consequently, there is a movement away from “window dressing” towards more substantial claims. In addition, GRI reports (and hence their letters to stakeholders) are increasingly audited. As such, the reliability of the information in the stakeholder letters is increasingly hard to question.

Finally, letters to stakeholders are likely to represent the executives’ perception and commitment to a wide variety of stakeholder groups as opposed to shareholders only. Specifically, the CEO’s letter to shareholders in annual reports has been commonly used to assess corporate strategy (Short, Broberg, Coglisier, & Brigham, 2010). Therefore, we find it reasonable to use the CEO’s letters to stakeholders in GRI reports to assess the ES as they provide a unique and valuable source of information on a firm’s stakeholder engagement. A discussion of the five major criteria—content validity, external validity, reliability, dimensionality,

Table 2
Origin of firms with stakeholder letters (N = 320^a).

Criterion		# of firms	%
Region	N. America & Australia	133	42
	S. America	16	5
	W. Europe	107	33
	E. Europe	10	3
	Asia	49	15
	Africa	5	2
	Total N	320	100
Sector	Pollution-intensive	181	57
	Other	139	43
	Total N	320	100

^a The number of industries and countries represented is 31 and 37, respectively.

and predictive validity—necessary to measure and validate a construct through text analysis (Short et al., 2010)—follows.

3.1. Content validity

Content validity specifies the theoretical basis for the items that comprise a latent construct. Typically, a panel of experts assesses the degree to which measurement of a construct corresponds to the construct's conceptual definition (Hair, Black, Babin, & Anderson, 2010). During computer-aided text analysis (CATA), for each dimension of a construct, researchers generate a set of unique words to form a dictionary and this dictionary is then applied to text to measure a phenomenon (Neundorf, 2002). Dictionaries can be constructed through deduction or induction (Short et al., 2010). The deductive approach is theory-driven, with a dictionary of words developed prior to application to text. The inductive approach allows salient words to emerge from within the text. CATA begins with a deductive approach, and is subsequently supplemented by words generated inductively (Porac, Wade, & Pollock, 1999; Short et al., 2010). We followed this technique to create a customized dictionary to measure ES.

3.1.1. Deductively-generated word list

To develop a dictionary of words related to ES, we began with the extant ES literature, but theoretical and empirical ES research is sparse. We used sources that demonstrated serious considerations of ES (Table 1). To develop a dictionary for the two ES dimensions, we extracted a list of ES definitions and used a four-step process to generate words for inclusion in the dictionary.

First, we identified a broad range of stakeholders corresponding to Freeman's (1984) view of ES at a level at which, "the task of setting direction involves understanding the role of a particular firm as a whole, and its relationships to other social institutions" (p. 90). Second, we built on a prior ES classification (Meznar et al., 1991), assessing the dimensionality of the theoretical ES dimensions of scope and type: "(1) the environment to which the firm adds value [i.e., the range of stakeholders] and (2), the type of value the firm adds [i.e., the benefits provided to those stakeholders]" (p. 56–58). Third, we developed an extensive word list to capture the theoretical dimensions of the construct.

To ensure a comprehensive word list, we used Rodale's (1978) *Synonym Finder* (Short et al., 2010) and Roget's *International Thesaurus* (Kipfer, 2011). Finally, two individual raters—one of the authors of this study and a doctoral student not affiliated with this project—examined the words generated deductively and inductively, comparing them with the established definition that ES reflects top managers' orientations toward a firm's role in society (Meznar et al., 1991). The raters excluded words that did not correspond to this theory-driven definition of ES, and added words that did. Of the 1237 deductively-generated words, the raters chose

334 word roots for inclusion in the dictionary. Specifically, a word was retained if it (a) explicitly referred to a stakeholder (e.g., community or employee) or was a derivative of a stakeholder (e.g., communities or employees) and (b) indicated something related to expansion, maintenance, or contraction (e.g., development, investment, and divestment). Discrepancies were resolved through discussions.

3.1.2. Inductively-generated word list

We supplemented the deductively-generated word list with text-specific words (Short et al., 2010) that appeared in the GRI stakeholder letters. We randomly selected 100 letters to stakeholders from a pool of 320 GRI reports. All letters were merged into a single text file and subjected to a basic word count to better identify the common content across this sub-sample of letters. Yoshikoder, a publicly available, multilingual, content analysis program, performed the word count analysis and returned text-extracted passages surrounding focal words. The procedure returned 7912 words. Some words appeared only once (e.g., the non-English term *cegria*) and the most frequently used word, *business*, appeared 417 times. Stop words (e.g., *are*, *with*, and *this*) were removed from this list.

We conducted a thorough review of the words in the GRI stakeholder letters and highlighted words for further examination and retention in the dictionary using the above approach of inclusion of words in the dictionary. Initially, 667 words were generated. Of those, 577 overlapped with words and their derivatives generated deductively. Ninety unique words were retained for further analysis.

This CATA approach to ES was exploratory, with the goal of understanding the tone and content of the GRI stakeholder letters as they relate to the espoused ES. CATA software does not automatically assess co-occurrences of words, so to offset this deficiency, we manually examined the context in which words considered for inclusion in the dictionary were used. We analyzed concordances (i.e., words surrounding focal words) to identify patterns of word co-occurrences. For example, the word *natural* often preceded the word *environment*. The concordance analysis suggested that for the dictionary words regarding ES scope (i.e., broad versus narrow), we should focus on nouns that explicitly refer to a stakeholder group (e.g., customers, employees, and environment) and disregard the adjectives that describe those nouns. This inclusion criterion helped to avoid double counting words, which could overstate the importance of a particular stakeholder theme.

To develop the set of words that identify ES type (i.e., offensive versus defensive), we focused on verbs (and their derivatives), and omitted other parts of speech. Some exceptions included words such as *productivity*, *initiative*, *donations*, *conservation*, and *development*, which according to concordance analysis, contribute

Table 3

Extractions from the dictionary for the operationalization of the ES dimensions (N = 385 dictionary entries).

Dimension	Sample extractions
Activists	NGO*, activist*, advocate*, demonstrator*, nongovernment, non-government, partisan*, protester* (8) ^a
Certification	GRI, certification*, certificate*, committee*, compact, ISO (6)
Society	child*, citizen*, communities, community, education, everyone, household*, nation*, people, person* population, public, societal, society, student*, university, universities, world (21)
Competitors	competitor*, player*, rival*, opponent*, vier*, contender*, entrant*, contestant*, opponent* (9)
Customers	buyer*, client*, consumer*, customer*, market*, patient*, purchaser*, segment*, shopper* (13)
Distributor	agent*, connection*, dealer*, distributo*, distribution, exporter*, link*, merchant* (18)
Employees	accident*, contractor*, culture, diversity, employee*, fatalities, fatality, gender, injuries, injury, job*, labor, men, personnel, professionals, staff, talent, team*, women, worker* workforce, workplace (29)
Government	Washington, authorities, authority, bribery, corrupt* government*, jurisdiction*, law*, political, politics, presidency, regulation*, regulatory (17)
Managers	CEO, chairman, director*, executive*, leader*, manager*, management (9)
Environment	CO2, air, biodiversity, carbon, climate, electricity, emission*, energy, environment*, footprint, forest*,gas, gases, greenhouse, hydrocarbons, land, nature, natural, paper, planet, plants, pollutant*, pollution, power, recycling, renewable*, waste, water (28)
Financiers	bank*, dealer*, holder*, investor*, landlord*, shareholder*, stockholder* (15)
Supplier	donor*, provider*, retailer*, supplier* (10)
Union	strike*, syndicate*, union* (7)
Offensive	acqui*, boost*, create*, develop, developed, donat*, engage*, expand*, extend*, generat*, grew, grow*, implement*, improv*, increas*, initiat*, innovat*, introduce*, invest*, launch*, nurtur*, provid*, reinvest*, rose, streamlin* strengthen*, striv*, transparen*, undertak*, volunteer*, (113)
Defensive	abate*, alleviat*, avoid*, compliance, complied, comply, conserv*, consolidat*, control*, cost*, cut*, damp*, decreas*, ease, easing, efficien*, eliminate*, ensur*, expense*, expenditure*, inefficien*, lose, loss, lost, lowering, miminiz*, mitigate*, optimize, optimize, preserv*, prevent*, protect*, recover*, respon*, save*, saving, shorten*, shrink*,shrunk, tackl* (82)

*the word is truncated. The sign * substitutes for any number of characters at the end of the word. For example, investor* will count both words—"investor" and "investors." Likewise, corrupt* will count "corrupt," "corruption," "corrupting," etc.

^a The number in the brackets represents the number of dictionary entries for each ES component.

uniquely to ES scope. Table 3 presents a truncated example of the ES dictionary. The complete ES dictionary contains 385 entries¹ (334 deductively and 51 inductively generated), and is available from the authors on request.

3.2. External validity

The second major criterion for the development of a measure, external validity, describes the generalizability of relationships across time, people, and settings (Mitchell & Jolley, 2001). Due to the variety of stakeholder narratives (Freeman, 2004), multiple combinations of stakeholder attention can belong to the same ES orientation. For example, a firm's limited focus on investors and owners is just as indicative of a narrow ES scope as a firm's limited focus on the natural environment and employees. This presents challenges to the development of generalizable findings, but the proximal similarity method (Campbell, 1986) contributed to this investigation by identifying generalizability contexts to develop a theory about contexts that are or are not similar to the present study.

Each coder independently searched for contextual similarities between a sample of stakeholder letters from U.S. MNEs (i.e., a subsample of the 320 MNEs) and independent, U.S. domestic firms that also filed a GRI report in 2011. This decision was based on the institutional embeddedness literature, which suggests that MNEs remain deeply-rooted in their home country's institutional environment (Rugman & Hodgetts, 2001), and although we expected disparities between these two groups of firms, their ES language should remain similar.

3.2.1. Testing for linguistic evidence of an organization's ES

We used a one-sample *t*-test to identify the presence of ES language in the GRI stakeholder letters. Short et al. (2010) suggest comparing the presence of language in text using a value of zero,

¹ The number of dictionary entries is smaller than the total number of words because the software only extracts one entry for derivatives. For example, the entry *employee* counts occurrences of both *employee* and *employees*.

representing that the text does not contain language that defines the construct. A non-zero comparison indicates that the text can be used to measure the construct. A one-sample *t*-test of the 320 stakeholder letters identified that all ES components were significant, suggesting the letters communicate language consistent with ES. We also assessed the number of letters that mentioned a given ES component at least once as a robustness check of the true presence of ES language. Results for the global MNE and domestic U.S. samples are shown in Table 4.

These two different sub-samples were chosen to ensure that the letters to stakeholders in GRI are not simply a blank that all companies, regardless of their origin and product, fill out. We used an institutional underpinning for our choice expecting that U.S. domestic companies and MNEs will respond to different institutional pressures and, therefore, will attend to different stakeholders.

3.2.2. Evidence and results of ES language

Table 4 presents differences between MNE (including U.S. MNEs) and U.S. executives regarding words related to certifications, competitors, employees, and financiers. Although this table illustrates some overlap, this was expected, as disparities between country-level business cultures and institutional environments both influence the ways firms attend to stakeholders (Hall & Soskice, 2001; Whitley, 2007). To establish external validity, we performed a one-way ANOVA test which compared the mean values of the ES components for the U.S. MNE and U.S. domestic firm. Table 5 presents these results.

With some exceptions for individual ES components (e.g., activists, competitors, financiers, and the natural environment), there were no differences between the overall means for the ES dimensions between U.S. MNEs and U.S. domestic firms. In contrast, there were differences between global MNEs and U.S. firms, the most significant in the areas of executives' attention intensity toward the community, competitors, employees, governments, and the natural environment. The drivers of statistical significance were mean differences for the ES scope components rather than the ES type components, suggesting that although U.S. domestic firms and U.S. MNEs are similar in the intensity to which they attend to

Table 4
Evidence of ES language in the GRI letters to stakeholders.

ES component	Overall MNE sample						U.S. domestic sample					
	N	Mean	SD	t test ^a	Non-zero ^b	% ^c	N	Mean	SD	t test ^a	Non-zero ^b	% ^c
Activists	320	.0004	.0008	7.97	71	22.19	119	.0002	.0006	4.63	22	18.49
Certification	320	.0012	.0020	10.50	134	41.88	119	.0011	.0037	3.35	34	28.57
Community	320	.0095	.0064	26.55	308	96.25	119	.0105	.0076	15.04	114	95.80
Competitors	320	.0003	.0007	7.06	60	18.75	119	.0002	.0008	3.22	12	10.08
Customers	320	.0061	.0053	20.68	278	86.88	119	.0063	.0047	14.67	108	90.76
Distributors	320	.0003	.0008	7.66	69	21.56	119	.0004	.0010	4.02	22	18.49
Employees	320	.0063	.0053	21.30	289	90.31	119	.0064	.0052	13.39	101	84.87
Government	320	.0009	.0016	10.33	125	39.06	119	.0009	.0016	5.88	42	35.29
Managers	320	.0060	.0044	24.71	310	96.88	119	.0055	.0044	13.66	118	99.16
Environment	320	.0142	.0111	22.90	310	96.88	119	.0203	.0140	15.75	116	97.48
Financiers	320	.0009	.0013	11.95	138	43.13	119	.0013	.0018	8.03	59	49.58
Suppliers	320	.0009	.0015	10.91	130	40.63	119	.0007	.0012	6.38	43	36.13
Unions	320	.0002	.0007	5.27	38	11.88	119	.0002	.0013	1.99	11	9.24
Defensive	320	.0143	.0076	33.71	320	100.00	119	.0136	.0065	22.71	119	100.00
Offensive	320	.0226	.0088	45.77	320	100.00	119	.0246	.0092	1.06	119	100.00

^a All are significant at the $p < .001$, except Unions, which is significant at $p < .05$.

^b This column represents the number of letters that mention a given ES component at least once.

^c This column represents the percentage of letters that mention a given ES component at least once.

Table 5
ANOVA comparison of U.S. MNEs and U.S. domestic firms on ES components.

ES component	U.S. MNEs (N = 90)	U.S. Domestic (N = 119)	F test	Sig
Total	.0881	.0910	.77	.38
Activists	.0004	.0002	3.42	.07
Certification	.0008	.0011	.46	.50
Community	.0121	.0105	2.57	.11
Competitors	.0001	.0002	2.88	.09
Customers	.0054	.0063	1.98	.16
Distributors	.0002	.0004	1.27	.26
Employees	.0076	.0064	2.18	.14
Government	.0006	.0009	1.72	.19
Managers	.0059	.0055	.48	.49
Environment	.0150	.0203	9.19	.00
Financiers	.0008	.0013	5.29	.02
Suppliers	.0009	.0007	.92	.34
Unions	.0001	.0002	.98	.32
Defensive	.0146	.0136	1.09	.30
Offensive	.0235	.0419	.76	.38

Note: The components of the ES are standardized to account for the stakeholder letter size.

stakeholders, they differ in terms of the types of stakeholders to which they attend.

3.3. Reliability

To develop a reliable measure of ES, two coders generated and evaluated the words included in the ES dictionary. Prior to coding the GRI stakeholder letters, the second coder was trained on the ES literature and its most relevant concepts. After generating the word lists, the reliability of the dictionary was calculated using the Holsti's (1969) approach.² Acceptable CATA inter-rater reliability corresponds to an acceptable Cronbach's alpha of .70 (Riffe, Lacy, & Fico, 2005). The inter-rater reliabilities for the list of words generated deductively was .84 for ES scope and .75 for ES type. Inter-rater reliabilities for the list of words generated inductively were .92 for ES scope and .85 for ES type. Concordance analyses used 20% of the 3128 concordances for ES scope (626) and all concordances (2663)

² $PA = 2A/[N1 + N2]$, where PA is the percentage of agreements, A the number of agreements between coders, and N1 and N2 the number of words rated by each coder.

for ES type, resulting in inter-rater reliabilities of .87 for ES scope and .82 for ES type. Table 6 presents examples of the concordance extractions.

3.4. Dimensionality

Dimensionality, or discriminant validity, refers to the degree to which each item (in this case, word) for a dimension associates strongly with the other items of the same dimension, and is also uncorrelated with items that define other dimensions of a construct. Short et al. (2010) recommend examining the correlation matrix because low correlations among ES dimensions would suggest ES is a multidimensional construct. Ideally, no correlation between dimensions should be higher than .40 (Short et al., 2010). The correlation between ES scope (the score of the number of stakeholders attended to) and ES type (the score of the defensive/offensive components) in the MNE sample was .279 ($p < .01$). The correlation between the ES dimensions for the U.S. sample, including domestic firms and U.S. MNEs, was .342 ($p < .01$), suggesting ES is multidimensional.

4. Predictive validity: Testing the ES typology

Predictive validity requires that correlations among constructs make sense by identifying whether they are in the expected, theoretically-driven direction (Hair et al. 2010). Short et al. (2010) demonstrate predictive validity by testing whether a construct links with others in a way extant theory suggests. These tests favor constructs that can be measured through established sources of archival data. To observe the distribution of the sample along the ES dimensions, and thus test Mezner et al.'s (1991) ES typology, we used a median split along the two ES dimensions, and quantitatively and qualitatively validated the typology.

To establish the ES scope dimension, we dichotomized each stakeholder score by assigning a code of zero if the stakeholder was not mentioned and a code of 1 if the stakeholder was mentioned at least once. The number of stakeholder categories in this sample was 13. The median for ES scope was 7, meaning half of the firms mentioned more than 7 stakeholders and half mentioned fewer than 7. These results informed the measure of ES scope such that firms with scores below the median represented a narrow ES scope and firms with scores above the median represented a broad ES scope.

Table 6
Sample concordances for the ES type analysis: Offensive and defensive components.

Type	Concordances		
Environmental	We are deeply committed to safe and	efficient	operations and to conducting our business in an environmentally sound manner overall emissions
	We improved our environmental performance in 2011 by	lowering	
	We continue to be committed to	avoiding	
	In 2011 the Company	reduced	
	We have always been mindful about being water and energy	efficient	
Economic	Our teams have embraced the	initiative	any loss of IUCN red list or endangered species at managed sites its emissions 19% and energy consumption 28% compared to the previous year so that we do not compete unnecessarily with the local communities on scarce resources with enthusiasm organising a range of events to raise funds for the partnership money and expertise to improve our own environmental performance and over 1700 trees planted touching more than 22,892 lives globally over the past year
	We continue to	invest	
	1907 blood units were	donated	
	Also CPT will also	undertake	
	In 2011 we lowered our overall emissions by	introducing	
	This computed to cost	avoidance	
	We will cultivate these markets even more efficiently	consolidating	
	by		
	We improved the	cost	
	Our focus remained firmly on stringent internal cost	controls	
Social	Our focus remained firmly on stringent internal	cost	situation via high utilisation of capacities in our production facilities effectively allocating capital and strengthening our portfolio controls effectively redeploying capital and strengthening our portfolio with a turnover of SEK 140 million strengthens our position in the UK market a sound financial foundation that will allow us to share the wealth
	This	acquisition	
	Our investment in the mining and extraction of gold will	create	
	Delivering a 9%	increase	
	This year the company decided to significantly	invest	
	In 2011, our Lost Time Injury Frequency Rate	decreased	
	Implementing and maintaining critical	controls	
	This includes the reduction and	control	
	We recorded our best ever employee	lost	
	We have become proven contributors to environmental stewardship financing for sustainable futures poverty	alleviation	
To recognize	develop		
	We will	increase	in underlying earnings and dividend per share in 2011 extended our strong track record in structures factory expansions the acceleration of its Gourmet business by 6% while we increased our workforce by over 1500 when is essential to delivering a safe and healthy workplace This includes the reduction and control of potential workplace occupational health exposures of potential workplace occupational health exposures and elimination of long-term harm time injury and recordable injury rates in 2011 and mitigation infrastructure improvement improvements in social conditions improved workplace health and safety and education at the primary secondary and tertiary levels and enable women's potential at Agrium we expanded the Agrium Women's Leadership employee care programs that offer more opportunities to enhance their skills this year to promote and uphold our approach to diversity in the workplace the new role of Chief Sustainability Officer to which we have appointed Tom Robinson training initiatives to continue integration of the principles of the United Nations Global Compact into our business operations
	Our Talent through Diversity Policy was	launched	
	The next steps on our journey to 2020. We have	created	
	We significantly reduced accident figures in our	increased	
	breweries and logistics operations and		

To establish the ES type dimension, we calculated the median of the difference between the value of language reflecting offensive and defensive ES. The median amount of text from the GRI stakeholder letters that firms spent discussing stakeholder initiatives was approximately 1% of the total, meaning that firms that spent more than 1% of the length of their stakeholder letter discussing stakeholder initiatives were considered to have an offensive ES. Firms who spent less than 1% of their letter discussing stakeholder initiatives had a defensive ES. The median splits along these two dimensions yielded four clusters of MNEs with nearly equal distributions, suggesting preliminary support for the proposed 2 × 2 ES typology. Fig. 1 shows the distribution of the observations per cluster. The concentration of observations in the broad offensive ES cluster is at the expense of the narrow offensive cluster. The defensive ES types are distributed nearly equally.

Cluster 1 represents firms with scores above the median for ES scope and below the median for ES type (i.e., broad defensive). Cluster 2 represents firms with scores below the median for ES scope and above the median for ES type (i.e., narrow offensive). Cluster 3 represents firms with ES scope and type scores that were both below the median (i.e., narrow defensive), and Cluster 4 represents firms with ES scope and type scores that were both above the median (i.e., broad offensive). Table 7 presents additional differences between these clusters using an ANOVA test and a post-hoc Tukey test.

Although the four ES categories share some stakeholder similarities (e.g., certification, community, employee, manager, supplier, and union stakeholder intensity attention), they also show differences in two areas: (a) focus on stakeholders such as activists, competitors, customers, and governments, and (b) level of intensity. This robustness analysis demonstrates that the four clusters represent distinct ES configurations, and exposes the composition of these configurations. Following identification of the four ES clusters, we conducted a quantitative validation of ES. In the CSR literature, the question of whether it is economically viable for firms to pay attention to social demands is ongoing (van Beurden & Gössling, 2008). This, however, is not at the core of ES. For example, Meznar et al. (1991) concluded that the social responsibility of the firm should focus on the appropriateness of the ES relative to a

	Narrow	Broad
Defensive	N=70 (22.2%)	N=89 (27.8%)
Offensive	N=61 (18.8%)	N=100 (31.2%)

Fig. 1. ES orientation cluster membership for MNEs (N = 320).

Table 7
Characteristics of the MNEs ES by cluster.

ES components	Broad defensive (N = 89)		Narrow offensive (N = 61)		Narrow defensive (N = 70)		Broad offensive (N = 100)		ANOVA F^*	Difference b/n clusters (Tukey)
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Activists	.001	.001	.000	.000	.000	.000	.000	.001	12.95***	1 > 2,3; 4 > 2,3
Certification	.001	.002	.001	.002	.001	.002	.001	.002	.40	
Community	.010	.006	.010	.007	.009	.006	.009	.006	1.20	
Competitors	.000	.001	.000	.000	.000	.000	.000	.001	7.09***	1 > 3; 4 > 2,3
Customers	.005	.004	.006	.006	.005	.005	.008	.005	7.92***	4 > 1,3
Distributors	.000	.001	.000	.001	.000	.001	.000	.001	3.79**	4 > 2,3
Employees	.007	.005	.007	.007	.006	.005	.006	.005	2.10	
Government	.002	.002	.000	.001	.000	.002	.001	.001	12.42***	1 > 2,3,4; 2,3 > 4
Managers	.006	.003	.006	.005	.006	.005	.006	.004	.40	
Environment	.015	.013	.013	.010	.016	.011	.012	.010	2.58*	3 > 4
Financiers	.001	.001	.001	.001	.000	.001	.001	.002	10.61***	4 > 1,2,3; 1 > 3
Suppliers	.001	.001	.001	.002	.001	.002	.001	.001	.60	
Unions	.000	.001	.000	.001	.000	.001	.000	.000	1.10	
ES type ^a	.000	.007	.019	.009	-.001	.008	.017	.007	162.24***	2 > 1,3; 4 > 1,3

* $p < .10$; ** $p < .05$; *** $p < .001$.

^a The degree of ES proactivity (offensive vs. defensive).

firm's stakeholders and capabilities and not on its economic outcomes.

Drawing on this sentiment, and the fact that this study relies on public announcements in the form of stakeholder letters to develop an ES measure, we utilize voluntary disclosure theory to suggest that the ways that firms represent themselves in their GRI stakeholder letters is an accurate depiction of their actions. Voluntary disclosure theory posits that a firm reveals information voluntarily about its social and environmental stance to ensure stakeholders understand the appropriateness of the firm's position on important social and environmental issues (Brammer & Pavelin, 2004; Clarkson, Richardson, & Vasvari, 2008) and "good" firms reveal themselves more to their stakeholders than "bad" firms (Mahoney, Thorne, Cecil, & LaGore, 2013, p. 351). Within the ES terminology, MNEs with a more stakeholder-friendly ES (i.e., broad offensive) will be more transparent to their stakeholders than MNEs with a less stakeholder-friendly ES (i.e., narrow defensive). To measure the degree of transparency that firms offer to their stakeholders, and to relate this to the content of a firm's stakeholder letter, we used the Bloomberg environmental, social, and governance (ESG) disclosure score, which is defined and measured as:

a proprietary Bloomberg score based on the extent of a company's Environmental, Social, and Governance (ESG) disclosure. The score ranges from .1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg (Clark & Master, 2012, p. 33).³

Organizational transparency means that an organization shares important information about its stakeholders in an intelligible manner so affected stakeholders can understand relevant issues (Dublink, Graafland, & van Liedekerke, 2008). Bloomberg's ESG scores offer a third-party assessment of a firm's level of stakeholder transparency and either validates or rejects this voluntarily-disclosed information as window dressing. Due to the tenets of voluntary disclosure theory, we hypothesize that a broader and offensive ES associates with a higher ESG score because

³ Each datum is weighted in terms of importance, with data such as greenhouse gas emissions carrying greater weight than other disclosures. The score is tailored to industries according to their sources of emissions, and each firm is evaluated only on data relevant to its industry.

organizational leaders are eager to share their firms' favorable stance on social and environmental actions, projects, and plans.

To examine whether organizational transparency relates to stakeholder relationships, we analyzed the relationship between ES and ESG scores. We also controlled for sector (i.e., pollution-intensive or not as defined by Mani and Wheeler [1997]), firm profitability (i.e., net income), firm size (i.e., log of employees), and female representation on the board of directors (i.e., number of female directors on the board) because the presence of women on a board links to greater concern for stakeholders (Marquis & Lee, 2013). Table 8 presents the means, standard deviations, and Pearson correlation coefficients for these variables.

This multi-faceted approach follows the establishment of a nomological network to assess the predictive validity of a content analysis-derived measure (Abrahamson & Hambrick, 1997). To test the suggested relationship, we use hierarchical regression analysis and Table 9 presents the results of this test.

We found support for the relationship suggested by voluntary disclosure theory, and demonstrate a positive relationship between a firm's broad and offensive ES and its degree of transparency. Beyond this demonstration of predictive validity, the findings strengthen the case that stakeholder letters are a reliable source of data for a dictionary-based measure of ES.

To explore discrepancies across the various ES outcomes further, we qualitatively examined the four ES clusters. An organization manifests its ES through attributes such as mission and vision statements, codes of conduct, ethical conduct, social audit committees, and corporate philanthropy (Steyn & Niemann, 2010). We are interested in identifying criteria that not only speak to the ES orientation a firm adopts, but also allow systemic analysis and comparison of four cases. We selected a company from each ES cluster and qualitatively assessed its ES using a case-based approach. During selection, we controlled for country- and industry-level influences on ES by using two criteria: (a) the MNEs must be headquartered in the same country, and (b) the MNEs must be in same industries.

Due to the amount of English-language information available, we selected four U.S. MNEs: McDonald's for narrow defensive, Target for narrow offensive, Walmart for broad defensive, and Staples for broad offensive. Although selection was constrained by limitations of the sample, the Securities and Exchange Commission identifies all four firms as belonging to the retail industry. Target

Table 8

Means, standard deviations, and Pearson correlation coefficients of variables used in the predictive validity analysis.

Variable	Mean	S.D	N	1	2	3	4	5
1. Net income	2071.08	4758.63	217					
2. Sector	.52	.50	221	.10				
3. ESG disclosure Score	42.71	13.81	220	.28**	.15*			
4. Employees (Log)	4.29	.69	211	.40**	-.09	.29**		
5. Enterprise strategy	3.11	.73	221	.09	-.05	.09	.02	
6. Women on board	1.47	1.19	217	.10	-.23**	.18**	.27**	-.02

*p < .05; **p < .01.

Table 9

Hierarchical regression analysis for the ES as a predictor of ESG disclosure scores.

	Model 1	Model 2
Sector	.20**	.21**
Employees (Log)	.19**	.19**
Net income	.16*	.15*
Women on board	.14*	.15*
Enterprise strategy		.14*
Adj. R ²	.13	.15
F value	8.87**	8.20**

*p < .05; **p < .01.

and Walmart (variety stores; SIC: 5331), Staples (miscellaneous shopping goods; SIC: 5940), and McDonald's (eating places; SIC: 5892).

Table 10 presents a summary of general company information and differences among the four cases. Because ES integrates the economic and social performance of a firm (Freeman, 1984), comprehensive ratings that evaluate firms across all three dimensions (i.e., economic, social, and the natural environment) are warranted. We drew on data from corporate websites, publicly available documents, and financial statements contained in annual reports. Social and environmental performance measures were

drawn from *Corporate Responsibility* (CR) Magazine rankings, glassdoor.com employee surveys, *Newsweek's* green ranking, and Bloomberg's ESG scores. The following section describes four different U.S. retail firms as well as their ES.

4.1. McDonald's - narrow defensive ES exemplar

McDonald's was founded in 1940 with the mission of being a customer's "favorite place and way to eat and drink" (McDonald's, 2013). In addition to customers, McDonald's claims to value its employees, ethical conduct of business, and giving back to the community. It perceives these values as a path to continually improving and growing profitably (McDonald's, 2013). McDonald's is financially prosperous. However, in the area of non-financial performance, it lags behind the other three firms. McDonald's was not included in the 2011 and 2012 CR Magazine rankings of the most responsible companies, and has the lowest 2011 and 2012 BusinessWeek green score of the four firms. Philanthropy does not associate with firm-specific capital outlays. In 2011, the company's self-reported philanthropic contributions were \$24 million. However, this philanthropic total was collected through Ronald McDonald House Charities, consisting of customer money with the corporate name attached.

According to its ESG score, McDonald's is the least transparent

Table 10

Summary of the four-case qualitative convergence analysis of ES.

Criteria	Narrow defensive	Narrow offensive	Broad defensive	Broad offensive	
	McDonald's	Target	Walmart	Staples	
General	2011# of Employees (thousands)	440	361	2200	85
	Firm Age (in years)	73	111	51	27
	Geographic Reach (# of countries)	118	2	27	26
	G500 Ranking (rank)	52	195	11	395
	Women in Management (%)	28	29	19	31
	Women on the Board (%)	21	36	20	17
	Board Size (# of members)	14	11	15	12
	Board Average Age (years)	62	57	60	59
	Board of Directors Age Range (years)	33	21	27	21
	Independent Directors (%)	86	91	67	92
Economic	Board Meetings Per Year (count)	8	5	4	4
	CEO tenure (years)	7	3	2	9
	2011 Revenue (in \$ million)	27,000	70,000	447,000	25,000
	2011 Operating Profit (in \$ million)	15,300	22,000	111,800	6700
	2011 Net Profit (in \$ million)	5500	3000	15,700	1000
	2011 Total Assets (in \$ million)	33,000	46,600	193,400	13,400
Social	2011 Market Cap (in \$ million)	102,500	33,500	209,700	11,100
	2011 CR Ranking	Not ranked	42	95	55
	2012 CR Ranking	Not ranked	64	Not ranked	49
	Corporate Giving (% profit)	0	5	2	.4
	Glassdoor Employee Rating (out of 5)	3	3.3	2.9	3
	2011 Social Disclosure Score	12	23	23	33
Environment	2011 Green Score	49	52	64	71
	2012 Green Score	50	63	68	74
	EPA Green Power Partner Since (year)	2012	Never	2009	2002
	2011 Environmental Disclosure Score	7	44	26	48
Total	2011 ESG Disclosure Score	19.6	43.1	34.9	46.4

firm in the sub-sample. Comparative, qualitative analysis was consistent with the quantitative predictive validity, demonstrating strong economic performance (i.e., 20.4% net profit, the highest of the four) at the expense of its social and environmental position, which supports a narrow defensive ES and emphasizes short-term value creation for the firm's financial stakeholders.

4.2. Staples – broad offensive ES exemplar

Staples was founded in 1986 to serve the consumer retail market for office supplies. The company's mission is “finding the soul in the selling of office supplies” (Staples, 2013). Its corporate values focus on four pillars—ethics, community, environment, and diversity—and although Staples is the smallest of the four companies, it had the second-highest and highest CR Magazine ranking for the most responsible companies in 2011 and 2012, respectively. Staples also obtained the highest green score in BusinessWeek rankings for 2011 and 2012, and became an Environmental Protection Agency (EPA) Power Partner as early as 2002.

Based on its ESG score, Staples is the most transparent and committed corporation of this group in terms of social and environmental performance. However, according to Goodness 500, its philanthropy as a percentage of profit was only .4%, lower than Target and Walmart, but higher than McDonald's. Staples generated the lowest profits as a percentage of sales, yet the company had the highest third-party rankings and the best non-financial performance in comparison to the other three. This trade-off among economic, environmental, and social performance accords with a broad offensive ES, which emphasizes long-term value creation for all of a firm's stakeholders.

4.3. Target - narrow offensive ES exemplar

Target was founded in 1902, and its mission is to be the “preferred shopping destination in all channels by delivering outstanding value, continuous innovation and exceptional guest experiences” (Target, 2013). The company values design, great service, customer value-added, provision of a good work environment, diversity, and giving back (Target, 2013). Target is the third-largest company we examined. In comparison to the other three cases, it had the highest and second-highest CR Magazine ranking for most responsible companies in 2011 and 2012, respectively, but lagged in environmental performance, with the third-highest green score for the BusinessWeek ranking in both 2011 and 2012. Unlike the other three cases, Target is not an EPA Power Partner, though it has a goal to reduce waste by 15% by the end of the 2015 fiscal year. Target is the most philanthropic case, with contributions of 5.5% of profits.

Based on its ESG score, Target is the second most transparent corporation in social and environmental performance. The comparative, qualitative analysis was mixed but consistent with quantitative predictive validity, categorizing Target's ES as narrow offensive, which emphasizes long-term value creation for a narrow range of stakeholder groups.

4.4. Walmart - broad defensive ES exemplar

Walmart was founded in 1962, and its mission is to “help people save money so they can live better” (Walmart, 2012). Walmart is the largest of the four firms, but had the second lowest ranking in the 2011 CR Magazine assessment for the most responsible companies. From an environmental viewpoint, Walmart earned the second-highest green score in the BusinessWeek ranking in both 2011 and 2012. Walmart's philanthropy constitutes 1.7% of profits. Based on its ESG score, Walmart is not highly transparent. Like Target, it

reflects a mixed picture, performing better in some non-financial areas and worse in others. The comparative, qualitative analysis supports placing Walmart in the broad defensive ES category, which emphasizes short-term value creation for financial stakeholders while reacting to other stakeholders when they pose a legitimate, sizeable threat.

In combination, these four contrasting examples provide rich and tangible cases of MNEs operating in the same retail sector but due to variations in ES, engage with stakeholders differently regarding type and scope. Having established that use of language in managerial statements is a reliable and valid measure of a firm's ES, many other opportunities emerge to integrate ES with other phenomena in strategic management.

5. Discussion and future research

This study offers a valid and reliable measure of the espoused ES that should open the door to many other fruitful avenues of future ES research, but also required a number of tradeoffs to accomplish this contribution. Utilizing the stakeholder letters from GRI reports presented two noteworthy limitations. First, the sampling frame consisted of MNEs that issue GRI reports, and although many other MNEs publish sustainability reports, they are not in line with uniform GRI guidelines, and were excluded from further analysis. This inclusion criterion allowed us to use consistent reporting standards as a way to examine ES differences systemically. Due to these sample limitations, we compared the ES language of MNEs based in the United States (N = 90) with those of U.S. domestic firms (N = 119). A larger and more diverse sample would be preferable to generalize these findings.

A second consideration is that in order to remain consistent with studies that use letters to shareholders from annual reports, we used only letters to stakeholders from GRI reports; however, using the entire GRI report would provide a richer source of information regarding a company's approach to its stakeholder. We believe that this study serves as a foundation for the advancement of an ES measure based on a combination of primary data sources and the entire GRI report.

An important consideration in future studies is that the ES literature does not specify if a firm has a single overarching ES. We can infer, however, from the few empirical investigations on a related concept, the organizational identity orientation (Brickson, 2005), which reflects the organization's values and addresses the question of “who are we as an organization vis-à-vis our stakeholders”, some possibilities regarding the extent to which a firm adopts a single overarching ES. The organizational identity orientation describes the nature of the stakeholder relationship patterns with various stakeholders, including customers, employees, and non-government organizations in three aspects: (1) some organizations view themselves as separate from others and, as a result, develop individualistic identity orientations; (2) others view themselves as deeply connected to a narrow set of stakeholders and develop relational identity orientations; (3) a third group of firms, impersonally connected to a larger collective, adopts collectivistic identity orientations (Brickson, 2007). Therefore, the ES represents this overarching strategic orientation to all its stakeholder groups, and similar to identity orientation, is assumed to take a single orientation.

In a field study of 88 US companies across three industries, Brickson (2005) identified the existence of organizations with hybrid organizational identity orientations incorporating two or more of the identity orientations, arguing that they are “relatively common” (p. 576) among a variety of US firms. In as much as organizations can develop multiple identity orientations, one can argue that multiple ES strategies within a single firm are possible,

but the organizational identity orientation addresses only the value aspect of the ES and does not consider relevant social issues and important stakeholder concerns. Expressing the ES in broad terms can support the case for the existence of a single, identifiable ES, including in the case of MNEs. For example, if communities and consumers are primary stakeholders in the UK, while customers and regulators are more important in France and the Netherlands (Maignan & Ralston, 2002), a narrow defensive or offensive ES will subsume all salient stakeholders for companies that are present in all three countries. The identification of whether firms have a single ES, however, remains a matter of empirical investigation and the present study provides a platform to explore that in the future.

Beyond exploring the limitations inherent in this study, we suggest that research on the long-term effects of ES on functional and business performance, and organizational effectiveness (Venkatraman & Ramanujam, 1986), will be critical to the advancement of ES as a foundational aspect of strategic management research. For example, the antecedents and outcomes of ES remain unknown, but through the use of this measure of ES, future research could begin to focus on the contextual factors that influence a firm's ES choice.

Because institutions determine what is legitimate within a society, national institutions may guide or constrain the selection of ES orientations. For example, in the varieties of capitalism (VoC) approach, Hall and Soskice (2001) suggest that countries with coordinated market economies (e.g., Germany) focus on long-term care for employees and the establishment of a strong reputation within powerful business associations. Conversely, liberal market economies (e.g., the United States) characterize relatively short-term employment and weakly-organized labor unions, suggesting that firms in this context have little incentive to invest in employees' firm-specific skills. Based on these disparities, we recommend further investigation into the effects of these types of contextual and institutional drivers of a firm's ES.

A second productive area to better understand the differences between firms in their approach to ES would be to examine the composition of the board of directors and top management teams. These individuals influence a firm's ES directly because this level of strategy is devised among members of a firm's upper echelon. ES represents an organization's position on a continuum between having a very narrow focus on and investing very little in stakeholders to having a broad interest in and being very generous toward stakeholders. For example, unlike their U.S. counterparts, German firms have strong stakeholder representation by including major customers, employees, and suppliers on their boards of directors. As a result, CEOs are constrained from making unilateral decisions (Amable, 2003). Taken together, this measure of ES could be applied in a variety of different ways as scholars re-discover this wide-reaching and important construct in strategic management research.

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