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Stakeholder pressures, CSR practices, and business outcomes in Denmark, Germany and the Netherlands

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Abstract: This cross-country study investigates the antecedents and outcomes of corporate social responsibility (CSR) practices. Based on institutional theory and stakeholder theory, we conducted an empirical study among 519 firms in Denmark, Germany and the Netherlands. We found evidence that supports a significant positive relationship between stakeholder pressures, CSR practices, and business outcomes in the total sample. While our data reveals similarities between the three countries, differences in some areas can be observed as well. Implications for institutional theory and for CSR are derived.

Keywords: institutional theory; stakeholder theory; CSR; corporate social responsibility.

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Stakeholder pressures, CSR practices, and business outcomes

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1 Introduction

The success of a firm depends not only on its ability to meet customer demands, but also on its relationship with other stakeholders such as suppliers, financial institutions, governments, and non-governmental organisations. In particular, the stakeholder approach argues that firms are faced with stakeholder demands for responsible social and environmental behaviour, in addition to maximising economic shareholder value. Thus, understanding different stakeholder interests and their pressures on managerial decisions and practices is crucial for organisational success (Freeman, 1984).

One way to respond to stakeholder pressures is to develop and implement corporate socially responsible (CSR) practices. By CSR, we mean all clearly formulated and communicated policies and practices of firms that reflect business responsibility for social and environmental issues (Carroll and Buchholtz, 2014; Pedersen, 2015). CSR includes community CR such as involving local stakeholders in important business decisions, financially supporting community activities, and stimulating local economic development. Beyond community CR, the relevance of environmental CR has increased in recent years as a result of growing public concerns about business' role in addressing environmental issues such as global climate change, renewable energies, and nuclear energy (Kolk, 2016).

Previous research that analysed the relationship between CSR and firm performance has produced mixed results, with various studies showing positive, negative, curvilinear or nonsignificant relationships (e.g., Brammer and Millington, 2008; Flammer, 2015; Margolis and Walsh, 2001; Wood, 2010). One shortcoming of previous research is that the national institutional context of CSR is often not adequately addressed. In particular, there has been relatively little cross-national empirical research investigating country differences in terms of the antecedents and outcomes of CSR practices (see the literature reviews of Aguinis and Glavas, 2012; Egri and Ralston, 2008; Holtbrügge and Dögl, 2012; Yawar and Seuring, 2015). Previous cross-national CSR studies have primarily focused on comparisons between countries with diverse institutional frameworks such as those of the European countries versus the USA (Doh and Guay, 2006; Maignan and Ralston, 2002). Differences between these countries are often explained by historically developed institutional frameworks under which firms operate. The liberal market economy and the tradition of corporate philanthropy in the USA leave a larger share of corporate responsibility issues to the discretion of individual firms. In contrast, European firms perceive relatively narrow incentives and opportunities for CSR. Their social and environmental activities are often more tightly regulated by institutional and legal frameworks which reduce the need to explicitly communicate CSR activities. Thus, European CSR strategies tend to be more implicit compared to the US approach of explicit CSR (Matten and Moon, 2008; Rasche, 2015).

While the concept of explicit and implicit CSR has gained attention in recent research (e.g., Hiss, 2009; Höllerer, 2013; Sison, 2009), it has also been criticised for being too simplistic. Some authors detect a general shift towards the use of more explicit CSR practices in Europe which is reflected by significant changes in the financial, labour market and educational systems, and is particularly driven by supranational organisations such as the European Commission (Ungericht and Hirt, 2010). At the same time, there are large and historically stable differences among and even within European countries (Furrer et al., 2010; Habisch et al., 2005). For example, Midttun et al. (2006) and Jackson and Apostolakou (2010) found significant differences between the Anglo-Saxon, Continental, Nordic, and Mediterranean country clusters. There is evidence that European firms pursue similar approaches in some CSR areas, while differences remain in others. For example, responsible HRM practices in Germany differ remarkably from those in other European countries (Preuss et al., 2009), while a convergence of sustainability reporting can be observed (Jensen and Berg, 2012; Kolk, 2008). As a consequence, Matten and Moon (2008, p.419) have called for 'more fine-grained comparisons' in cross-national CSR research.

The purpose of this study is to examine the impact of stakeholder pressures on CSR practices and outcomes, and to reveal potential similarities and differences among European countries. We address these questions by focusing on the antecedents, prevalence, and outcomes of CSR practices in Denmark, Germany and the Netherlands (Table 1). These three countries have long been members of the EU, and they have broadly similar democratic welfare states, low corruption levels, civil legal systems, and high levels of economic development. At the same time, they are characterised by remarkable differences with respect to regulation of their financial, labour market and ecological systems. Thus, they represent an ideal background to test whether firms in Europe follow a standardised CSR approach, or whether institutional differences between European countries lead to differences in CSR.

Table 1 Country-level indicators

	Denmark	*Germany*	*Netherlands*
Population (millions, 2014)	5.6	82.7	16.8
EU membership	Founding member	Founding member	Founding member
Political system	Constitutional monarchy and parliamentary representative democracy	Federal parliamentary republic	Constitutional monarchy and parliamentary representative democracy
Member of Eurozone	No	Yes	Yes
Foreign trade (% of GDP, 2013)	102.8	85.3	155.6
Corruption Perceptions Index (2015)	91 (rank 1)	81 (rank 10)	87 (rank 5)
Human Development Index (2014)	.923 (rank 4)	.916 (rank 6)	.922 (rank 5)
GDP per capita (purchasing power parity, US$; 2014)	$44,025	$43,919	$45,435
Gender Development Index (2014)	.977 (group 1)	.963 (group 2)	.947 (group 3)
Environmental Performance Index 2015	89.21 (rank 4)	84.26 (rank 30)	82.03 (rank 36)
Carbon dioxide emissions, tonnes per capita (2013)	7.2	8.9	10.1

Sources: Transparency International (2015); United Nations Development Programme (2015); Yale Center for Environmental Law and Policy (2016)

Based on these considerations, we seek answers to three research questions: (1) What are the similarities and differences in stakeholder pressures, CSR practices and business outcomes between Denmark, Germany and the Netherlands? (2) To what extent are perceived stakeholder pressures related to implementation of CSR practices? (3) To what extent do CSR practices lead to positive business outcomes? To answer these three research questions, we will use institutional theory and stakeholder theory. Institutional theory has been frequently applied to analyse CSR issues and emphasises the relevance of isomorphic pressures on firm behaviour. Stakeholder theory, on the other hand, argues that firms need to consider the interests of all legitimate stakeholders in order to realise their goals

The remainder of this paper is organised as follows. First, the main arguments of institutional theory and stakeholder theory as applied to CSR are outlined and research hypotheses concerning stakeholder pressures, CSR practices, and business outcomes are developed. The methodology of the study is then explained, followed by the presentation and discussion of results. In the final section, the main contributions of the study, as well as its implications and limitations are presented.

2 Theory and hypotheses

Institutional theory emphasises the role of social and cultural pressures imposed on firms in terms of their practices and structures (Scott, 1992). As stakeholder pressures are tied to and interdependent with surrounding institutional environments, institutional theory is often used to analyse CSR issues (e.g., Doh and Guay, 2006; Greening and Gray, 1994; Jennings and Zandbergen, 1995; Marquis et al., 2007; Matten and Moon, 2008). According to institutional theory, firms respond to stakeholder pressures as their survival depends on compliance with expectations from regulative, normative, and cognitive/cultural institutional environments (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). In the context of institutional theory, a firm's stakeholders play a decisive role in exerting isomorphic pressures on firms to adopt practices with environmental and social value.

Institutional pressures imposed on firms often result in structural homogeneity. Firms operating in institutionally homogenous environments interact with each other more easily and coordinate their activities more effectively than firms in heterogeneous institutional environments. Institutional isomorphism is especially distinct in highly developed countries and leads to competition among firms for institutional legitimacy, political power, economic and social power, as well as environmental strength. Firms that are able to reduce institutional pressures by complying with stakeholder demands are therefore able to enhance their reputation and financial performance (DiMaggio and Powell, 1983).

All three classical forms of institutional isomorphism, coercive, mimetic and normative pressures (DiMaggio and Powell, 1983), can be distinguished with respect to CSR. Coercive pressures result from political strategies and initiatives to promote the adoption of CSR practices. Examples of coercive pressures are regulatory and optional initiatives such as codes of conduct issued by national governments or by supranational and international institutions, such as the UN, OECD, ILO, and Global Reporting Initiative (Kolk, 2008). Coercive pressures can also be exerted by non-governmental organisations (NGOs) which focus on social (e.g., trade unions) or environmental issues (e.g., Greenpeace). Mimetic pressures can occur in the form of best practices which are regarded as legitimate in an organisational field. For example, competitors in the same industry are likely to experience strong conformity and imitation pressures from each other. Normative pressures are associated with professionalisation and can be exerted, for example, by industry associations or educational authorities that set standards for what constitutes legitimate CSR practices.

2.1 Stakeholder pressures in Denmark, Germany, and the Netherlands

Based on the considerations of Matten and Moon (2008), we argue that firms in Denmark, Germany and the Netherlands are faced with similar pressures from their institutional environment. They are all member countries of the EU. In particular, the European Commission exerts strong coercive pressures by setting standards and introducing initiatives to increase the adoption of CSR practices. Social issues have been relevant in the EU since its founding in 1957 and include creating growth and jobs in a sustainable manner, preserving workers' rights and social protection, encouraging corporate social responsibility, and providing equal opportunities (European Commission, 2007). The 1961 European Social Charter seeks 'to make every effort in common to improve the standard of living and to promote the social well-being of both their urban and rural populations by means of appropriate institutions and action.' The first environmental policy of the EU was launched in 1972 and later institutionalised by the European Environment Agency. These initiatives are often directly incorporated into national legislation and are thus perceived by European firms as a strong coercive pressure to implement CSR practices (Habisch and Wegner, 2005).

There are also similar mimetic pressures for CSR. These can be traced back to the creation of the European Union's Eco-Management and Audit Scheme which came into operation in 1995 (European Commission, 1993). The diffusion of standardised CSR reports among European firms has also increased due to shareholder pressure and best-practice sharing (Kolk, 2005), formalised in 2014 when the EU Parliament adopted directive on disclosure of non-financial information by certain large enterprises (European Commission, 2014). Pursuant to Article 29a of this directive, starting in 2016, larger firms (of 500 employees or more) in Europe must report on their CSR efforts in respect to: environmental, social and employee issues, respect for human rights, anti-corruption and bribery. Based on these considerations we propose:

Hypothesis 1. There are no significant differences between Denmark, Germany and the Netherlands with regard to perceived primary and secondary stakeholder pressures for corporate social and environmental responsibility.

2.2 Stakeholder pressures and CSR practices

Our second research question focuses on the extent to which perceived stakeholder pressures are related to the implementation of CSR practices. The research literature often distinguishes between primary (market-based) and secondary (non-market) stakeholder groups (Clarkson, 1995; Holtbrügge et al., 2007). Primary stakeholders create value by performing productive activities or providing important resources (Bridoux and Stoelhorst, 2014). Major primary stakeholders include customers, employees, financial institutions, and suppliers. Without creating value for these stakeholders by satisfying their demands and expectations, a firm cannot succeed or survive. While capable of influencing and affecting the activities of the firm, secondary stakeholders are entities that are not engaged in market transactions with the firm. For example, secondary stakeholders could regulate their environment or influence public opinion. Major secondary stakeholders include government regulators and legislators, local communities, mass media, NGOs, and industry/trade associations.

With reference to primary stakeholders, we argue that firms in European countries which act irresponsibly, e.g., by neglecting environmental protection or community needs, have more difficulties finding investors and getting access to capital. For example, banks can impose mimetic pressures on firms by reducing capital constraints for firms that engage in CSR activities (Cheng et al., 2014). Qualified employees will prefer working for firms that more fully meet their social and environmental expectations (Buysse and Verbeke, 2003). Customers may also pressure firms to offer products and services embodied with socially responsible and environmental friendly features, and may boycott products of those firms which are not willing to do so. For example, Boiral (2007) and Jiang and Bansal (2003) found that persuasive customer demands have been a major force for firms to adopt ISO 14001 certifications. Thus, we propose:

Hypothesis 2a. Perceived primary stakeholder pressures are positively related to the implementation of community CR and environmental CR practices.

In addition to shareholders, employees, and customers, secondary stakeholders can gain coercive and normative (i.e., ethically appropriate) power and demand of firms that they pay greater attention to non-economic aspects of their living conditions. Governments, local communities and industry associations have several coercive mechanisms to pressure firms to act socially responsibly, e.g., through building permits, traffic infrastructure, higher promotion for economic development and more liberal negotiation positions. Public and social movement organisations can also pressure firms to adopt CSR practices and to consider non-economic aspects, e.g., by sponsoring local events or by supporting charitable and educational organisations (Campbell, 2007; Doh and Guay, 2006).

Navarro (1988) states that firms which contribute to the safety of the local community may reduce the risks of theft and vandalism. This is often sustained by the media, who can exert normative pressures on firms by reporting about CSR practices that exceed or fall below industry standards.

With regard to environmental CR practices, governments and local communities can impose coercive pressures by implementing environmental directives that force firms to increase environmental protection in their business activities (Dögl and Behnam, 2015). One study found that firms are influenced by the desire to improve or maintain relations with their communities when deciding to adopt environmental CR practices (Florida and Davidson, 2001). Environmental organisations can also influence public opinion in favour of or against a firm's environmental CR practices. For example, a study by Kassinis and Vafeas (2006) revealed that membership in communal environmental organisations translates into strong mimetic pressures on firms to reduce toxic emissions of industrial facilities in that community. Hence, we propose:

Hypothesis 2b. Perceived secondary stakeholder pressures are positively related to the implementation of community CR and environmental CR practices.

2.3 CSR practices in Denmark, Germany and the Netherlands

We argue that firms in Denmark, Germany and the Netherlands are faced with similar institutional and stakeholder pressures which result in low cross-national variation and more implicit forms of CSR practices. As member states of the EU, firms in these countries perceive relatively few incentives and opportunities to engage in discretionary CSR (Matten and Moon, 2008). Instead, the European Commission and other supranational institutions regulate CSR practices in the form of green papers and provisions that are often enacted in national legislation. As a consequence, the social and environmental policies of the EU members have converged. For example, the Environmental Performance Index, a benchmark for the extent to which countries have protected the environment in the past and their present position to sustain positive environmental conditions in the future, reveals close similarities between Denmark (89.21), Germany (84.26) and the Netherlands (82.03) (Yale Center for Environmental Law and Policy, 2016).

A similar isomorphic pressure is imposed by firms' codes of conduct. Due to the high degree of intra-European trade, these codes are often applied in a standardised form across the whole of the EU. For example, many European firms' codes of conduct refer to compliance with state created governance codes (Bondy et al., 2004). As a consequence, a firm's discretion for CSR practices is limited. These considerations lead us to the following hypothesis:

Hypothesis 3. There are no significant differences between Denmark, Germany and the Netherlands with regard to implementation of community CR and environmental CR practices.

2.4 CSR practices and business outcomes

We also examine questions concerning whether corporate responsibility yields positive benefits for firms, and if there is cross-national consistency in the relationship between CSR practices and business outcomes. Using institutional theory arguments, Husted and Allen (2006) found that firms responding to stakeholder demands to implement CSR practices will be accorded higher legitimacy. This in turn is an important prerequisite for both positive corporate reputation and financial performance (McWilliams and Siegel, 2001).

Fombrun and Shanley (1990) define corporate reputation as the cumulative judgments of a firm's stakeholders. It is determined by the signals that the public receives concerning firms' practices, whether directly from the firm or via other information channels such as the media or the stock market (Brammer and Pavlin, 2006). According to Chatterji and Toffel (2010), CSR practices enable the building, maintenance and assurance of corporate reputation. The more that a firm is committed to a community and engaged in environmental protection, the more positive its image and publicity. Previous research also suggests that there is a positive relationship between a company's CSR activities and consumers' attitudes toward that company (Brown and Dacin, 1997; Sen and Bhattacharya, 2001). The relationships between a firm and NGOs can also be improved by CSR practices, e.g., by social and community programs.

Community CR and environmental CR practices are also important aspects of a firm's employer image, i.e., firms with pronounced CSR practices are more attractive for employees, as they improve employee satisfaction and reduce turnover (Dögl and Holtbrügge, 2014). NGOs and the media can influence the image of a firm by reacting to its community and environmental engagement or misbehaviour in a positive or negative way, thus imposing mimetic pressures on firms. Hence, we propose:

Hypothesis 4a. Community CR and environmental CR practices are positively related to corporate reputation.

Empirical research that has investigated the relationship between CSR practices and business outcomes shows mixed results. While some studies find positive correlations (Brammer and Millington, 2008; Flammer, 2013, 2015; Waddock and Graves, 1997), others indicate non-significant (McWilliams and Siegel, 2001) or even negative relationships (Wright and Ferris, 1997) (for an overview, see the meta-analysis by Orlitzky et al., 2003).

Studies that find negative relationships often use an economic perspective and argue that CSR practices increase costs. Moreover, managers who are engaged in CSR have less time for business-related activities. These additional costs and administrative burdens directly detract from bottom line profits and can put socially responsible firms at a competitive disadvantage relative to rivals who do not engage in such practices (Barnett and Salomon, 2006).

With respect to institutional theory, we argue that firms which conform to institutional pressures show better financial results than those that neglect these pressures. Firms that adjust to their institutional environment interact more easily with their stakeholders and coordinate their activities more effectively. For example, it has been found that the consideration of stakeholder expectations leads to more efficient processes, improved productivity, and lower compliance costs (e.g., Russo and Fouts, 1997). Charitable contributions to the community can increase the local quality of life, which in turn may sustain sophisticated and demanding local customers and thus allow the firm to improve its competitiveness (Porter and Kramer, 2002). Similarly, engagement in social and environmental activities can help firms attract and retain more qualified employees who are a major source of competitive advantage (Dögl and Holtbrügge, 2014). Financial institutions also reward the CSR practices of firms, through social auditing and reduced capital constraints (Cheng et al., 2014). With regard to secondary stakeholders, CSR can prevent governmental regulations or interventions. This argument is based on the assumption that firms which voluntarily fulfil the expectations of the society enjoy less restrictive regulations than those paying less attention to stakeholder interests (Carroll and Shabana, 2010). This in turn will have a positive effect on their financial performance. Therefore, we propose:

Hypothesis 4b. Community CR and environmental CR practices are positively related to financial performance.

2.5 Business outcomes of CSR practices in Denmark, Germany and the Netherlands

Do the isomorphic pressures of primary and secondary stakeholders to implement CSR practices in Denmark, Germany and the Netherlands also lead to similar business outcomes? We argued above that firms across Europe are faced with similar mimetic and coercive pressures that are imposed by European institutions and that this low cross-country variation leads to similar CSR practices. Similarly similarity in country influences on the relationship between CSR activities and business outcomes can be expected. Firms in Denmark, Germany and the Netherlands operate under similar institutional conditions imposed by European institutions which regard CSR as not only beneficial for society and the environment, but also for the financial performance of firms. For example, the European Parliament emphasises that 'the EU debate on CSR has approached the point where emphasis should be shifted from process to outcome.' Consequently, CSR is regarded as a business opportunity which contributes to EU policies for growth, competitiveness, better jobs and sustainable development (CSR-IMPACT, 2010).

Institutional theory suggests that the relationship between CSR practices and business outcomes is moderated by the institutional conditions under which the firms operates (Jackson and Apostolakou, 2010; Matten and Moon, 2008). For example, Ioannou and Serafeim (2012) found that the political system, followed by labour and educational systems, and the cultural system are the most important moderators of this relationship. Given the convergence of these institutions in Europe (Habisch et al., 2005; Midttun et al., 2006; Ungericht and Hirt, 2010), similar business outcomes of CSR practices in the three countries in our study can be expected. Therefore, we propose:

Hypothesis 5a. There are no significant differences between Denmark, Germany and the Netherlands with regard to the positive relationship between CSR practices and corporate reputation.

Hypothesis 5b. There are no significant differences between Denmark, Germany and the Netherlands with regard to the positive relationship between CSR practices and financial performance.

2.6 Interaction effects between social and environmental CR practices and business outcomes

While the social and environmental consequences of firms have often been discussed separately, recent research argues that these two aspects of CSR are interrelated (Egri and Ralston, 2008). Historically, social issues have been relevant in the EU since its founding in 1957, while environmental concerns appeared in the early 1970s as a response to the first oil crisis and growing economic wealth. As Inglehart (1997) argues, once a country obtains a reasonably high level of economic welfare, citizens would finally be comfortable enough to fulfil their less basic concerns such as quality of life and environmental sustainability. Thus, post-industrialisation has led to a growing number of individuals in Europe becoming more socially responsible and more concerned for the environment in terms of their personal habits and lifestyles.

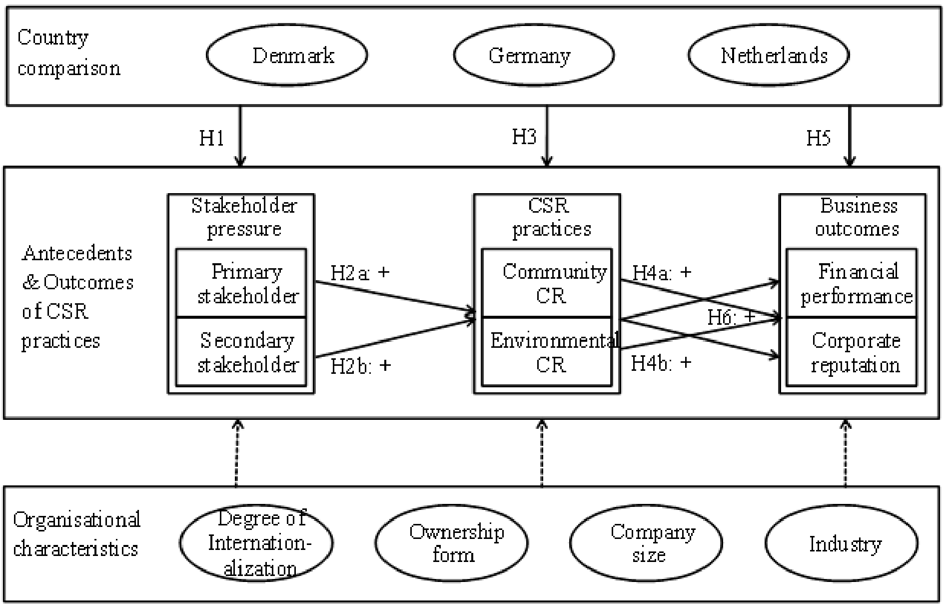
The concurrence of social and environmental issues is also reflected by changes in the institutional conditions for European firms. For example, between 1998 and 2005, Germany was ruled by a coalition between the Social Democratic Party and the Green Party which considered social and ecological issues as being equally relevant. A similar trend can be observed within the NGO sector. Traditionally, most NGOs have focused on a specific issue. However, when they grow in size, NGOs tend to expand their activities to areas surrounding their original focus and become multi-issue NGOs. An example of the convergence of social and eco-labels to multi-issue labels is Fairtrade International, which certifies firms that simultaneously guarantee sustainable social, environmental, and economic standards (Raynolds and Bennett, 2015). Similarly, Oxfam is committed to both social (e.g., education, gender equality and poverty reduction) and environmental issues (e.g., climate change).

With regard to institutional theory, we argue that major stakeholders of firms in Denmark, Germany and the Netherlands follow social and ecological aims in equal measure. There are strong coercive, mimetic and normative pressures on firms to consider not only the social impacts of their activities, but also their environmental footprints. Firms that implement community and environmental CR practices are therefore expected to be more successful in terms of corporate reputation and financial outcomes than firms that emphasise only one set of these practices. Hence, we propose:

Hypothesis 6. There is a synergetic effect between the implementation of community and environmental CR and business outcomes.

In sum, the research model and hypotheses tested in this study are illustrated in Figure 1.

Figure 1 Research model



3 Methodology

3.1 Sample and procedures

We conducted a cross-sectional survey of firms in Denmark, Germany and the Netherlands with country samples identified from the Dun & Bradstreet Global Million Dollar database. Firms with fewer than 50 employees were excluded from the sampling frame. Of the remaining firms, a random sample of 1,500 firms was selected for each country. Questionnaire surveys were addressed to the most senior corporate executive (Chairman, CEO, CFO) named in the Dun & Bradstreet database. We deem the respondents as qualified to answer the research questions, as all hold top-level management positions in their firms and would be expected to provide valid response about their firms' CSR activities (Kumar et al., 1993). We also checked for informant competency by asking the respondents to indicate the scope of the organisation on which they are the most comfortable reporting on and included only questionnaires where the respondents answered this question by stating 'for the whole company'.

Each survey questionnaire was sent with a cover letter, a self-addressed return envelope, and an offer for respondents to receive a summary of study findings (interested respondents were asked to send their business card in a separate envelope). Approximately three weeks after the first mailing, a reminder mail was sent to all firms in the sample. In total, 201 Danish firms, 138 German firms and 180 Dutch firms responded to the survey. After accounting for undeliverable surveys, the response rates were 14%, 10% and 15% respectively. This is comparable to mail survey response rates for top executive respondents (Baruch and Holtom, 2008; Cycyota and Harrison, 2006).

The survey was initially designed in English and standard translation/back-translation procedures were used for each survey questionnaire. In each country, the survey questionnaire was pretested with a sample of 20 to 30 managers and business academic colleagues.

3.2 Measures

Stakeholder pressures. We identified 12 stakeholder groups from previous stakeholder research (Clarkson, 1995; Maignan and Ferrell, 2003; Waddock et al., 2002) and asked respondents to rate the pressures of each stakeholder group on their organisation's consideration of social and environmental issues using a five-point Likert scale (1 = very high importance; 5 = very low importance; then reverse-coded). The initial exploratory factor analysis (EFA) for the total sample showed two sets of stakeholder groups: six primary stakeholders (corporate management, customers, employees, financial institutions, shareholders, and suppliers) and six secondary stakeholders (competitors, government regulators/legislators, industry/trade associations, local communities, mass media, and non-governmental organisations/interest groups (NGOs)). Two stakeholder items (industry/trade associations and shareholders) cross-loaded on both factors and were therefore excluded. Multi-group confirmatory factor analyses (CFA) for the three countries showed cross-national configural invariance for a 4-item primary stakeholder scale (excluding corporate management) and a 4-item secondary stakeholder scale (excluding competitors) [$\chi^2_{(68)} = 113.35$, $p = 0.0005$, CFI = 0.955, NNFI = 0.944, RMSEA = 0.066].

CSR practices. We distinguish between two important dimensions of CSR, namely community CR and environmental CR (Moon, 2014; Pedersen, 2015). Based on Clarkson (1995) and Maignan and Ferrell (2003), we measure community CR practices by asking respondents whether their organisation systematically: (1) communicates with local communities about business decisions that they interact with; (2) gives money to charities in the communities where they operate; (3) helps improve the quality of life in the communities where they operate; (4) financially supports community activities (e.g., arts, culture, sports); (5) stimulates the economic development in the communities where they operate; (6) financially supports education in the communities where they operate. Six items relating to environmental CR practices were developed from the proactive corporate environmental management literature (Egri and Hornal, 2002; Sharma, 2000): My organisation systematically: (1) incorporates environmental performance objectives in organisational plans; (2) voluntarily exceeds government environmental regulations; (3) financially supports environmental initiatives; (4) issues a formal report regarding corporate environmental performance; (5) measures the organisation's environmental performance; (6) conducts environmental life-cycle and risk assessments of all organisational activities. Respondents were asked to indicate the extent to which their organisation had systematically adopted each CR practice using a 9-point Likert scale (1 = strongly disagree, to 9 = strongly agree). The initial EFA for the total sample identified a 5-item community CR factor and a 5-item environmental CR factor. Multi-group CFA for the three countries showed cross-national configural invariance for the two 5-item CR practices scales [$\chi^2_{(122)} = 314.49$, $p < 0.00$, CFI = 0.943, NNFI = 0.948, RMSEA = 0.095].

Business outcomes. The literature argues that CSR may have both financial and non-financial outcomes (McWilliams and Siegel, 2001; Brammer and Pavelin, 2006). First, CSR activities may improve corporate reputation, which is defined as the perceptual representation of a firm's past actions and future prospects that describe its overall appeal to all its relevant stakeholders, when compared to other leading rivals (Fombrun and Shanley, 1996). While some authors regard CSR as an inherent part of reputation, i.e., as a key element in terms of which reputation is described (Hillenbrand and Money, 2007), we expect CSR to augment corporate reputation as it satisfies the expectations of important stakeholders (Brammer and Pavelin, 2006; Donaldson and Preston, 1995; Porter and Kramer, 2002). Second, CSR affects financial performance. While shareholder theory argues that financial performance is the ultimate performance measure and that corporate reputation is only a means to that end, stakeholder theory regards these two performance indicators as equally important interrelated outcomes of CSR practices (Aguinis and Glavas, 2012; Carroll and Shabana, 2010).

Financial performance was measured with a 5-item scale (adapted from Samiee and Roth, 1992) that asked respondents the extent to which their organisation's financial performance had been substantially better than their most relevant competitors over the past three years (using a 9-point Likert scale with 1 = strongly disagree to 9 = strongly agree). Items were: (1) Our return on investment has been substantially better; (2) Our growth in market share has been substantially better; (3) Our sales growth has been substantially better; (4) Our profit growth has been substantially better; (5) Our return on assets has been substantially better. We used perceptual instead of objective performance measures because our pretests revealed that respondents are often not willing to disclose financial indicators such as sales volume, profit margin or return on assets. While objective performance measures would be preferential in terms of validity, perceptional measures are intended to enhance the reliability and the number of responses to this question. Previous studies have also shown that subjective performance measures highly correlate with objective measures (Richard et al., 2009; Wall et al., 2004).

For corporate reputation, we followed the recommendations of Richard et al. (2009) by selecting well-informed respondents (i.e., Chairmen, CEOs, CFOs) and using a multi-item scale with specific definitions. We measured this construct with four items adapted from Fombrun et al. (2000): (1) In general, our organisation has a good reputation; (2) We are widely acknowledged as a trustworthy organisation; (3) We are recognised as a well-managed organisation; (4) This organisation is known to sell high quality products and services. Responses were on a 9-point Likert scale (1 = strongly disagree and 9 = strongly agree). The total sample EFA showed scale items loading on to their respective factors, and the multi-group CFA for the three countries showed cross-national configural invariance for a 4-item corporate reputation scale and a 5-item financial performance scale [$\chi^2_{(89)} = 267.75$, $p < 0.00$, CFI = 0.939, NNFI = 0.926, RMSEA = 0.089].

Control variables. Given that perceived stakeholder pressures, CSR practices, and business outcomes may be influenced by firm-level variables, we included organisational characteristics as covariates in analyses. These were: internationalisation (1 = multinational firm operating in two or more countries, 0 = domestic-only); ownership form (1 = publicly traded, 0 = privately held and other); company size (1= fewer than 100 employees, 2 = 100–999 employees, 3 = more than 1000 employees); primary industry type (1= services, 0 = manufacturing and resource-based).

3.3 Analyses

Measurement model. We conducted a number of statistical analyses to determine the convergent and discriminant validity of the measurement model. To determine the cross-national measurement invariance for the six scale variables, we conducted a series of multi-group CFAs (Steenkamp and Baumgartner, 1998). When examining model fit indictors, we focused on model fit indices (CFI, NNFI, RMSEA) that are not systematically influenced by sample size, e.g., Chi-square statistics (Bagozzi and Yi, 1988; Cheung and Rensvold, 2002).While most coefficients were within an acceptable range, the multi-group CFA testing for measurement error invariance showed a change in the CFI statistic (ΔCFI = 0.019) that was above Cheung and Renvold's (2002) 0.01 cut-off level [$\chi^2_{(978)} = 1638.29$, $p < 0.00$, CFI = 0.908, NNFI = 0.900, RMSEA = 0.073; ΔCFI = 0.019]. That cross-national metric invariance was not observed could be attributed to cross-cultural differences in scale response styles (Fischer, 2004; Johnson et al., 2005). Hence, we used Hanges and Shteynberg's (2004) procedure which involved regressing within-subject standardised scores on to raw scale scores and then retaining the scale scores adjusted for overall scale response style. The adjusted country means, standard deviations and scale composite reliabilities (Raykov's ρ) for the six scale variables used in this study are presented in Table 2. The scale composite reliabilities (Raykov's ρ) are higher than the 0.70 thresholds (Bagozzi and Yi, 1988) with the exception of the two stakeholder pressure scales for Denmark which are both $\rho = 0.64$.

Table 2 Country measures: Means, standard deviations, and scale reliabilities (Raykov's ρ)[a]

	Denmark			*Germany*			*Netherlands*		
	Mean	*s.d.*	*P*	*Mean*	*s.d.*	*ρ*	*Mean*	*s.d.*	*ρ*
Primary stakeholder pressures	3.09	(0.35)	0.64	3.21	(0.37)	0.81	3.27	(0.38)	0.74
Secondary stakeholder pressures	2.79	(0.50)	0.64	2.62	(0.48)	0.72	2.69	(0.60)	0.80
Community CR	4.92	(1.84)	0.88	4.79	(2.13)	0.84	5.09	(1.99)	0.90
Environmental CR	4.88	(1.92)	0.87	4.79	(2.13)	0.82	5.32	(1.94)	0.85
Corporate reputation	7.67	(0.29)	0.82	7.69	(0.30)	0.78	7.71	(0.26)	0.76
Financial performance	6.39	(1.30)	0.85	6.49	(1.23)	0.90	6.22	(1.18)	0.85

Note: [a]Denmark $N = 201$, Germany $N = 138$, Netherlands $N = 180$.

Common method variance may be an issue in studies relying on self-reported survey data (Podsakoff et al., 2003). To address this potential issue, we took preventive measures including: assuring anonymity and confidentiality to study participants; using measures found to be valid and reliable by previous research; using different descriptive scale anchors for various measures; and presenting items to measure variables in separate sections. Additionally, we conducted a series of CFAs to test for common method variance using the combined total sample and applied the CFA marker technique proposed by Williams et al. (2003). For the marker variable that is theoretically unrelated to the study constructs, we used a 2-item 'personal satisfaction' scale that asked respondents to indicate the extent to which they were satisfied with their 'job in general' and their 'life in general'. The model fit results with scale items loading on to their respective 7 factors were not significantly better than for the CFA model in which study scale items were also loaded on to the personal satisfaction marker factor. In summary, these analyses indicate sufficient convergent and discriminant validity to address concerns regarding common method bias influencing study results.

4 Results

Table 3 presents the descriptive statistics (means, standard deviations, and correlations) for the total sample. Table 4 presents the results of the regression analyses to test Hypotheses 1, 2 and 3.

Table 3 Descriptive statistics: means, standard deviations, and correlations[a,b]

	Mean	*s.d.*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*
1. Denmark													
2. Germany													
3. Primary stakeholders	3.28	0.66	0.34	0.13									
4. Secondary stakeholders	2.60	0.75	0.41	–0.01	0.45								
5. Community CR	4.93	1.90	–0.04	–0.05	0.21	0.27							
6. Environmental CR	4.99	2.01	–0.07	–0.10	0.24	0.23	0.44						
7. Corporate reputation	7.70	0.86	–0.01	0.18	0.11	–0.03	0.18	0.24					
8. Financial performance	6.35	1.67	0.00	0.05	0.08	0.05	0.17	0.17	0.31				
9. MNC	0.61	0.48	–0.02	–0.12	0.01	0.08	0.04	0.18	–0.01	0.13			
10. Publicly traded	0.39	0.48	0.51	–0.02	0.14	0.26	–0.01	0.00	–0.07	–0.02	0.09		
11. Company size	2.07	0.79	–0.01	–0.01	0.02	0.10	0.09	0.20	–0.04	0.05	0.35	0.11	
12. Industry: Services	0.39	0.48	–0.12	–0.10	–0.14	–0.08	–0.05	–0.18	–0.02	–0.03	–0.18	–0.07	–0.05

Notes: [a]Total sample $N = 519$ (201 Denmark, 138 Germany, 180 Netherlands). Categorical variables coded: countries are effect coded with Netherlands as reference category; scope of operations: 1 = MNC, 0 = domestic-only; ownership status: 1 = publicly traded, 0 = privately held and other; company size: 1 = less than 100 employees, 2 = 100-999 employees, 3 = 1000 employees or more; industry: 1 = services, 0 = manufacturing and resource-based

[b]Correlations $r \geq |0.09|$ are significant at the $p < 0.05$ level, $r \geq |0.12|$ significant at $p < 0.01$ level, $r \geq |0.15|$ significant at $p < 0.001$ level.

Table 4 Regression results: Perceived stakeholder pressures and CSR practices

	Stakeholder pressures									
	Primary	*Secondary*	*Community CR*				*Environmental CR*			
Variables[a]	*1a*	*1b*	*2a*	*2b*	*2c*	*2d*	*3a*	*3b*	*3c*	*3d*
MNC	0.05	0.02	0.00	–0.01	–0.00	–0.02	0.07	0.05	0.06	0.03
Publicly traded	–0.05	–0.09	–0.03	–0.01	0.00	0.04	–0.01	–0.00	0.01	0.05
Company size	–0.07	0.08	0.06	0.08	0.03	0.05	0.16***	0.18***	0.14***	0.16***
Industry: Services	–0.09*	–0.00	–0.04	–0.01	–0.03	0.00	–0.16***	–0.12**	–0.16***	–0.10**
Denmark	–0.20**	0.20**	0.01	0.08	–0.06	0.00	–0.05	0.00	–0.11	–0.05
Germany	0.02	–0.14**	–0.06	–0.08	–0.00	–0.00	–0.08	–0.10*	–0.04	–0.04
Primary stakeholders				0.31***		0.49***		0.34***		0.50***
Primary stakeholders x Denmark				0.04		0.01		–0.01		–0.02
Primary stakeholders x Germany				0.02		0.02		0.14**		0.11*
Secondary stakeholders					0.35***	0.51***			0.26***	0.43***
Secondary stakeholders x Denmark					–0.02	–0.03			0.08	0.05
Secondary stakeholders x Germany					0.09[†]	0.09[†]			–0.07	–0.03
ΔR^2				0.096***	0.112***			0.119***	0.077***	
Model R^2	0.059	0.029	0.010	0.106	0.122	0.330	0.090	0.209	0.167	0.377
Model F	5.35***	2.58*	0.83	6.69***	7.83***	17.94***	8.39***	14.95***	11.31***	22.05***

Notes: [a]Country variables effect coded with the Netherlands as the reference category. † $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Hypothesis 1 proposed that perceived pressures from both primary and secondary stakeholder groups are similar in Denmark, Germany and the Netherlands. In respect to perceived primary stakeholder pressures (model 1a), Danish firms have lower scores ($\beta = –0.20$, $p < 0.01$) than Dutch and German firms, which have similar scores ($\beta = 0.02$, n.s.). In respect to perceived secondary stakeholder pressures (model 1b), Danish firms have higher scores ($\beta = 0.20$, $p < 0.01$), and German firms have lower scores ($\beta = –0.14$, $p < 0.01$) than Dutch firms. In summary, Hypothesis 1 is partially supported for primary stakeholders and not supported for secondary stakeholder pressures.

Hypothesis 2 proposed that the implementation of community CR and environmental CR practices would be positively related to perceived pressures from primary stakeholder groups (H2a) and secondary stakeholder groups (H2b). Consistent with Hypothesis 2, the implementation of community CR practices is positively related to perceived primary stakeholder pressure ($\beta = 0.31$, $p < 0.001$; model 2b) and perceived secondary stakeholder pressure ($\beta = 0.35$, $p < 0.001$; model 2c). Similarly, implementation of environmental CR practices is positively related to perceived primary stakeholder pressures ($\beta = 0.34$, $p < 0.001$; model 3b) and perceived secondary stakeholder pressures ($\beta = 0.26$, $p < 0.001$; model 3c). Hence, Hypothesis 2 is fully supported. However, there were some country differences in the strength of these positive relationships between perceived stakeholder pressures and CR practice implementation. Specifically, the positive relationship between secondary stakeholder pressures and community CR practices is marginally stronger in Germany than in Denmark and the Netherlands ($\beta = 0.09$, $p < 0.10$, model 2c), and the positive relationship between primary stakeholder pressures and environmental CR practices is also stronger in Germany than in Denmark and the Netherlands ($\beta = 0.14$, $p < 0.01$; model 3b).

Hypothesis 3 proposed that the implementation of community CR and environmental CR practices would be similar in Denmark, Germany and the Netherlands. Hypothesis 3 is fully supported given that there are no significant country differences in the implementation of community CR practices (model 2a) or environmental CR practices (model 3a).

Table 5 presents the hierarchical regression results to test Hypotheses 4 and 5. Consistent with Hypothesis 4a, corporate reputation is positively related to the implementation of community CR ($\beta = 0.26$, $p < 0.001$) and environmental CR practices ($\beta = 0.49$, $p < 0.001$; model 1b). Mixed support is found for Hypothesis 4b with financial performance being positively related to community CR practices ($\beta = 0.17$, $p < 0.001$), but not being significantly related to environmental CR practices ($\beta = 0.07$, model 2b).

Consistent with Hypothesis 5a, there are no significant country differences in the positive relationships between community and environmental CR practices with corporate reputation (model 1c). Hypothesis 5b is also supported (model 2c).

Hypothesis 6 proposed that there would be a synergistic effect between the implementation of community and environmental CR practices and business outcomes. As shown in Table 5, there is a significant interaction between these two types of CR practices and corporate reputation ($\beta = –0.10$, $p < 0.01$; model 1d) with no significant country differences in this interaction. We illustrated the significant interaction of the total sample using procedures identified by Cohen et al. (2003). As shown in Figure 2, firms with high levels of environmental CR (+1 s.d.) have the highest corporate reputation irrespective of the level of community CR practices. However, for firms with low levels of environmental CR (-1 s.d.), those with high community CR have significantly higher corporate reputations than those with lower levels of community CR.

Table 5 Hierarchical regression results: CSR practices and business outcomes

	Corporate reputation				*Financial performance*			
	1a	*1b*	*1c*	*1d*	*2a*	*2b*	*2c*	*2d*
MNC	–0.03	–0.07*	–0.07*	–0.07*	0.13**	0.13**	0.13**	0.13**
Publicly traded	–0.03	–0.01	–0.02	–0.02	0.01	0.02	0.01	0.01
Company size	0.10*	0.00	0.00	0.00	0.06	0.04	0.04	0.04
Industry: Services	–0.08†	0.02	0.01	0.01	0.00	0.02	0.02	0.03
Denmark	–0.04	–0.01	–0.01	–0.01	–0.00	–0.00	0.00	0.02
Germany	–0.01	0.04	0.04	0.04	0.09†	0.11*	0.11*	0.07
Community CR		0.26***	0.26***	0.26***		0.17***	0.17***	0.18***
Environmental CR		0.49***	0.49***	0.48***		0.07	0.08†	0.08†
Community CR x Denmark			0.04	0.03			0.03	0.01
Community CR x Germany			0.02	0.01			0.01	0.01
Environmental CR x Denmark			–0.01	–0.00			–0.05	–0.05
Environmental CR x Germany			–0.01	–0.02			–0.00	0.00
Community CR x Environmental CR				–0.10**				0.02
Community CR x Environmental CR x Denmark				–0.01				–0.04
Community CR x Environmental CR x Germany				–0.01				0.13*
ΔR^2		0.396***	0.003	0.011*		0.047***	0.003	0.011*
Model R^2	0.018	0.415	0.418	0.429	0.036	0.083	0.086	0.097
Model F	1.60	45.21***	30.30**	25.19***	3.19**	5.76***	3.95***	3.59***

Notes: [a] Country variables effect coded with the Netherlands as the reference category. † $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

In respect to financial performance, the community CR-by-environmental CR two-way interaction is not significant (β = 0.02; model 2d), but there is a significant three-way country interaction for Germany (β = 0.13, p < 0.05; model 2d). The nature of this interaction for the German sample is illustrated in Figure 3, which shows that the financial performance of firms with low levels of environmental CR is similar. However, German firms with high levels of community CR and environmental CR have significantly higher financial performance than firms with low community CR and high environmental CR. In summary, Hypothesis 6 is partially supported in respect to the synergistic effects of high levels of community and environmental CR practices on the financial performance of German firms, but not for Danish and Dutch firms.

Figure 2 Total sample: Corporate reputation, community CR, and environmental CR

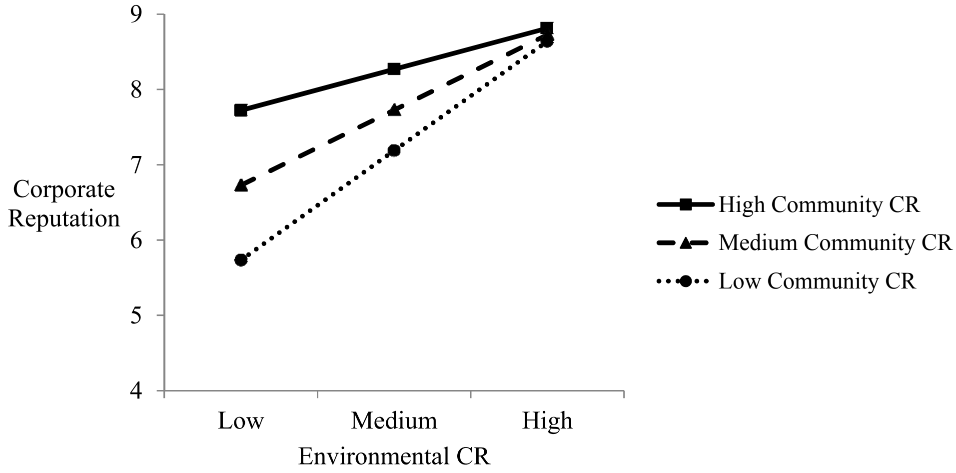
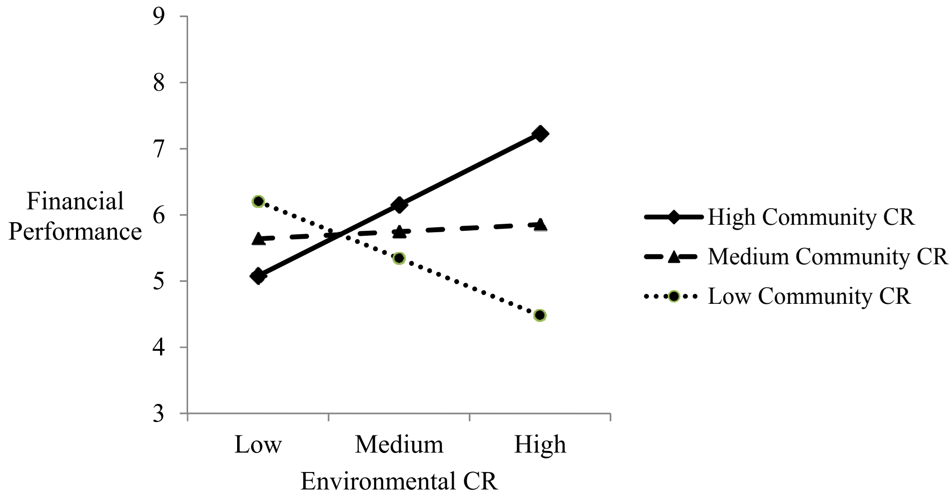


Figure 3 Germany: Financial performance, community CR, and environmental CR



In respect to organisational characteristics, the degree of internationalisation and ownership form were not significantly related to perceived stakeholder pressures and CSR practices (Table 4). However, environmental CR practices were positively related to company size, and were higher in manufacturing and resource-based firms than in service industry firms. Whereas MNCs had lower corporate reputation but higher financial performance than domestic-only firms, there were no significant relationships for the other organisational characteristic variables (Table 5).

5 Discussion and conclusions

The purpose of this study was to examine the impact of stakeholder pressures on CSR practices and outcomes and to reveal potential similarities and differences among European countries. We addressed these questions by focusing on the antecedents, prevalence and outcomes of CSR practices in Denmark, Germany and the Netherlands. Our study shows mixed results. While community CR has a positive effect on both corporate reputation and perceived financial performance, environmental CR has a positive effect on corporate reputation but was not significantly related to financial performance. A possible explanation for this latter finding is that environmental CR implies high investments in technologies, green products, and production processes. While the announcement of environmental investments may have an immediate effect on corporate reputation, it may take much longer before these investments pay off financially. Thus, future studies should consider possible time-lags between the introduction of CSR practices and outcomes and analyse not only *if* but also *when* CSR pays (Servaes and Tamayo, 2013). Moreover, potential curvilinear relationships between environmental CR and financial performance may be explored. There is evidence that although socially conscious stakeholders are willing to sacrifice part of their financial wealth to support firms that emphasise CSR, they nevertheless expect reasonable returns from their financial or human capital investments (McWilliams and Siegel, 2001). With successive increases in CSR efforts beyond a sufficiently high level, these stakeholders may become unwilling to accept terms that continue to lower their financial returns and thus start to withdraw from investing their resources in the firm. Therefore, the marginal benefit of CSR activities may be expected to decrease as the costs associated with these activities increase (Barnett and Salomon, 2006; Wang et al., 2008).

Our study reveals that stakeholder pressures, CSR practices and business outcomes differ between these three countries. In Denmark, firms perceive lower pressure from primary stakeholders and higher pressure from secondary stakeholders than firms in either Germany or the Netherlands. The higher pressures from secondary stakeholders in Denmark may, to some extent, be explained by two unique features of the labour market. At a very early date (September 1899) unions and employers reached an agreement that regulated labour contracting, strikes, lockouts and dispute resolution (Hasselbalch, 2010). Combined with a high level of union membership, this may help explain the perception that secondary stakeholders are sources of high levels of pressure to engage in CSR. Moreover, social partnerships between private firms and non-profit organisations to address problems of social exclusion and unemployment have, since 1995, become a specific characteristic of CSR in Denmark and are still the predominant CSR issue in this country (Morsing, 2005; Vallentin, 2015). In contrast, CSR activities in Germany and the Netherlands are more market-driven, i.e., mainly evoked by customers, suppliers and employees. As is typical for continental European countries, explicit laws for CSR or concerted actions between governments, firms and NGOs have been lacking (Habisch and Wegner, 2005; Midttun et al., 2006).

Finally, we found some country differences with regard to the proposed interaction effects between CSR practices and business outcomes. In Germany, environmental CR only has a positive impact on financial performance if companies are also engaged in community CR. In companies where community CR practices are less pronounced, environmental CR actually has a negative effect on financial performance. In such a situation, the marginal costs of increased environmental CR are evidently higher than their marginal value for companies. Future studies should analyse whether this effect is due to cultural differences (e.g., the higher degree of institutional collectivism in Germany compared to Denmark and the Netherlands), differences in the regulatory environment, or economic wealth differences.

6 Contributions, implications and limitations

6.1 Contributions to institutional theory and international CSR research

This study enhances the state of knowledge in the area of international CSR in several ways. As relatively little empirical large-scale cross-country research exists, our study makes a contribution investigating country similarities and differences with regard to antecedents and outcomes of CSR practices in Denmark, Germany and the Netherlands. With the selection of these countries, we also contribute to the literature on CSR in countries with broadly similar institutional frameworks, thus responding to Matten and Moon's (2008, p.419) call for 'more fine-grained comparisons in cross-national CSR research.

First, our study contributes to institutional theory by specifying the mechanisms by which national institutions influence the implementation of CSR practices, namely by financial and non-financial rewards. We show that isomorphic pressures lead to primary and secondary stakeholder pressures, CSR practices and positive business outcomes. Firms that respond to pressures from relevant stakeholders with appropriate CSR practices will improve their corporate reputation and financial performance. Thus our study also supports the core tenet of the stakeholder approach that a firm needs the support of all legitimate stakeholders to realise its goals.

Second, we demonstrate that institutional theory can explain country similarities in CSR practices and outcomes in countries with similar political, financial, educational and labour systems. We find that the mechanisms that link institutional pressures with CSR activities are mostly consistent in the three European countries in our study, thus supporting the arguments of Matten and Moon (2008) for a standardised European approach to CSR. Primary and secondary stakeholder interests are similar in countries with similar institutional environments. Thus, stakeholder pressures on firms to act in an ecologically and socially responsible way can be traced back to isomorphic pressures.

Despite many similarities, some differences also exist. For example, we had mixed results for the strength of these relationships in the three countries in our study. Danish firms perceive lower pressure from primary stakeholders and higher pressure from secondary stakeholders than firms from either Germany or the Netherlands. Also, the interaction effects between community CR and environmental CR in respect to financial performance differ between the three countries. Thus, this study shows that the effects of institutional conditions on stakeholder pressures, CSR practices and business outcomes are not consistent. In particular, the mechanisms that link institutional pressures with CSR practices may differ for community CR and environmental CR. Future research should therefore analyse these mechanisms in more detail.

6.2 Implications for firms and policy makers

The study also has several implications for firms and policy makers. Our study reveals that relevant stakeholders are able to influence social and environmental practices by exerting institutional pressure. Firms should therefore engage in systematic stakeholder screening in order identify relevant stakeholders and implement appropriate CSR measures. They should also seek to learn more about the pressures that different stakeholders can and do exert upon them. While firms are usually aware of coercive pressures through regulatory initiatives, our findings suggest that mimetic and normative pressures may be relevant as well. Identification and management of such pressures obviously requires instruments for environmental scanning and stakeholder screening which can identify these pressures .

Many firms regard stakeholder pressures as a disadvantage as they incur costs, e.g., implementing green technologies or considering social aspects in HRM. While industry managers often argue that these measures decrease international competitiveness, our study shows that it can lead to higher business outcomes, that is, social and environmental responsibility pays off. Firms that are pressured by stakeholders to implement community CR and environmental CR practices have a significantly better reputation. Community CR also has a strong positive relationship with financial performance. In contrast, no significant effect of environmental CR on financial performance was found. Thus, firms should implement monitoring systems that allow assessment of their CSR activities by type (community, environmental) in terms of how these affect business outcomes.

Our study reveals that firms are not only exposed to pressures from primary stakeholders such as customers, employees, financial institutions and suppliers, but also to secondary stakeholders that are affected by its activities. Governments and NGOs, for example, not only pressure firms to act in a socially and environmentally responsible way by regulating their conditions or by influencing the public opinion, but this behaviour may also result in positive business outcomes.

One example is renewable energy firms in Germany. The German government was one of the first to implement strict environmental regulations. Furthermore, demanding customers continuously pressure German energy firms into innovation and product improvement. These pressures helped German energy firms reach a leading position in the world market for renewable energies and allowed them to successfully export their products to other countries (Dögl et al., 2012). Our study suggests that similar effects may be expected when firms are pressured to implement measures that help to protect the environment or that increase their social responsibility and support, for example, the position of the German government in the recent debate on electro-mobility and accelerated nuclear phase-out (e.g., Renn and Marshall, 2016).

Policy makers in the three European countries can learn from this study that the institutional pressure they exert on firms leads to increased community CR and environmental CR. Thus, firms in Denmark, Germany and the Netherlands evidently regard these pressures as legitimate and shape their CSR activities accordingly. However, this dynamic is marginally stronger in Germany than in the other two countries. Future studies may therefore explore this relationship in countries with weaker institutional frameworks.

It is also interesting for policy makers to learn that social standards and environmental regulations are not necessarily detrimental to firm performance. While they may temporarily increase costs, their long-term effects are likely to be positive for both firms and society as a whole. These positive effects of social and environmental regulations on corporate reputation and – at least partly – on financial performance may help policy makers to justify their institutional pressures on firms and to 'sell' their decisions to the public.

6.3 Limitations and directions for future research

When interpreting our results, some limitations need to be considered. Although we undertook several preventive and statistical measures to address common method variance concerns (Podsakoff et al., 2003), our study relies on survey self-report and cross-sectional data. Hence, we have to consider the potential of bias. Social desirability in reporting a firm's community CR and environmental CR practices may be one potential bias, despite the assurance of anonymity to respondents in order to avoid this issue. While cross-country differences in response styles (Harzing, 2006) are a potential concern, our investigation of the measurement and configuration invariances between Danish, German and Dutch responses indicate that this concern is not relevant for our study.

While this study included samples from three different European countries, additional countries may be needed to test whether European firms follow a standardised CSR approach or whether a pan-European approach to CSR exists. For example, it would be interesting to learn whether similar relationships can be found in European countries with different legal systems (such as the UK), a different political and cultural heritage (such as Poland and the Baltic States) and different economic conditions (like Greece). Another avenue for future research may be to analyse how changes in the institutional environment affect the variables in our study. This longitudinal approach would further enhance our understanding of the relationships between stakeholder pressures, CSR practices and business outcomes and how these develop over time.

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