Asia Pac J Manag (2017) 34:875–899
DOI 10.1007/s10490-017-9506-3

CEO values, stakeholder culture, and stakeholder-based performance

Lu Jiao[1] · Graeme Harrison[1] · Maria Cadiz Dyball[2] · Jinhua Chen[1]

Published online: 6 March 2017

Abstract This study examines how CEO values affect organizational performance. We examine organizational performance in terms of stakeholder-based performance (SBP) comprising four components of quality of goods and services, organizational justice, stakeholder affiliation and opportunity cost; and focus on one key CEO value orientation, specifically whether CEOs are "self-interested" or "other-regarding" in interactions with organizational stakeholders. We also hypothesize that the effect of CEO values on SBP is not direct, but indirect through the mediating factor of stakeholder culture. Data from 621 CEOs of not-for-profit (NFP) organizations in Australia are collected through a mail-based survey questionnaire, and analysed using structural equation modeling. The results support our hypotheses and have implications for organizational managers in creating and distributing stakeholder value in NFP organizations and potentially beyond the NFP context, as well as for future research concerned with how ethical characteristics of top managers affect organizational success.

Keywords CEO values · Stakeholder-based performance · Stakeholder culture · Not-for-profit

✉ Lu Jiao
lu.jiao@mq.edu.au

Graeme Harrison
graeme.harrison@mq.edu.au

Maria Cadiz Dyball
maria.dyball@sydney.edu.au

Jinhua Chen
jinhua.chen@mq.edu.au

[1] Department of Accounting and Corporate Governance, Macquarie University, Sydney, Australia

[2] The University of Sydney Business School, Sydney, Australia

Research in the business ethics and strategic management literatures has been concerned with how ethical characteristics of top managers affect organizational performance and success (Lam, Huang, & Lau, 2012). This research has largely been examined under the theoretical umbrella of the upper echelon perspective of Hambrick and Mason (1984), which posits that top managers' values, cognitive bases and leadership behaviors are reflected in their organizations' strategic decision-making and, in turn, influence organizational outcomes of effectiveness and performance. Recent research has found that ethical leadership behavior affects employee-level outcomes of job satisfaction, organizational commitment and corporate citizenship (Chan & Mak, 2012; Demirtas & Akdogan, 2015; Lin, Che, & Leung, 2009), and organizational-level outcomes of financial and social performance (Eisenbeiss, Van Knippenberg, & Fahrbach, 2015; Shin, Sung, Choi, & Kim, 2015; Wu, Kwan, Yim, Chiu, & He, 2015).

Besides leadership behavior, top managers' values, as another important characteristic envisaged in the upper echelon perspective, can also have important performance consequences. Authors such as Hemingway and Maclagan (2004) have argued that managers' moral values motivate actions and decisions that demonstrate organizational responsibility to non-shareholder stakeholders of employees, customers and the community. Empirically, Agle, Mitchell, and Sonnenfeld (1999) hypothesized that Chief Executive Officers' (CEOs') values would be related to corporate financial and social performance. Specifically, they identified the "key" CEO values of being self-interested or other-regarding, and suggested that an other-regarding value orientation (having regard for the benefit of non-shareholder stakeholders such as employees and the community) would be positively related to corporate social performance measures such as employee relations, products, environment and community relations, and negatively related to financial performance measured by profitability. Agle et al. (1999), however, found limited support for their hypotheses. While they found that CEO other-regarding values were positively associated with community relations, no significant effects of other-regarding values were found for the remaining performance measures. Further empirical examination of the effect of top managers' ethical and moral values on organizational performance is important with this importance heightened contemporarily because of the series of corporate collapses and scandals that have occurred in the first fifteen years of the twenty-first century, and that have been attributed to corporate wrongdoing and moral lapses (Harrison, Bosse, & Phillips, 2010; Ruiz-Palomino, Martínez-Cañas, & Fontrodona, 2013). The purpose of this research is to revisit Agle et al.'s (1999) investigation of the hypothesized effect of CEO values on organizational performance, but to do so with several modifications.

The first modification is to draw on contemporary work of Harrison and Wicks (2013) to develop and operationalize the concept of stakeholder-based performance (SBP). The use of SBP broadly follows Agle et al.'s (1999) approach of examining the performance effects of CEO other-regarding values by measuring organizational success and effectiveness in terms of value creation for not just one type of stakeholder (e.g., shareholders), but for all legitimate stakeholders of an organization. Organizational performance, in this broader context, is concerned with value creation from a stakeholder perspective rather than a shareholder perspective. Value creation for shareholders is typically reflected by financial performance measures such as return on assets or return on equity. By contrast, SBP represents the total stakeholder value created by the organization. Bosse, Phillips, and Harrison (2009) argued that, while financial returns are essential to stakeholders, most stakeholders seek other forms of returns, or "utility," from their association with an organization. Harrison and Wicks (2013: 98) contended that "attention to these other (returns) may prove critical to understanding why firms succeed over time, why stakeholders are drawn to (and remain with) some firms, and which firms do the most for their stakeholders." We draw on Harrison and Wicks (2013) to develop a measure of SBP based on the perceived utility that stakeholders receive from an organization, including perceptions of utility received from the quality of goods and services, organizational justice, affiliation, and opportunity cost.

The second modification is that we position our research in the context of the not-for-profit (NFP) sector instead of the for-profit sector of Agle et al. (1999). This is because economic imperatives and the competitive nature of the for-profit sector may have acted as cognitive and institutional constraints on how CEO other-regarding values can be translated into organizational actions for non-shareholder value creation. These constraints may have overshadowed the relevance of CEO other-regarding values in strategic decision making, which, in turn, might have contributed to Agle et al.'s (1999) overall non-significant findings. By contrast, the NFP sector affords a unique setting to examine the hypothesized association between CEO other-regarding values and SBP. While NFPs need to be economically responsible and viable, the primary responsibility of NFPs is morally and socially based, meaning that value creation is directed to multiple stakeholders who are dependent on NFPs for essential social services, such as clients/beneficiaries (of a charity, for example) or members (of a professional association) (Chen, 2015; Costa, Ramus, & Andreaus, 2011; Murtaza, 2012). Therefore, focusing on NFPs reduces the confounding (or possibly the dominating) effects of profit-making motives on organizational behavior and performance.

The third modification (and motivation) of our study is based on Eisenbeiss et al.'s (2015) statement that there is limited research into what they call the "intervening process" that links top managers' values to organizational performance. We seek to address this gap by investigating the linking mechanism between other-regarding values and SBP. We use stakeholder culture as the mediating variable to explain how CEO values are embedded in an organization's ethical culture and how culture, as a formal and informal control mechanism, affects organizational performance. Stakeholder culture is defined by Jones, Felps, and Bigley (2007: 137) as "the aspects of organizational culture consisting of the beliefs, values, and practices that have evolved for solving problems and otherwise managing stakeholder relationships." It is described by Chen (2015) as one of the most recent developments in the organizational ethics literature.

Jones et al. (2007) argued that stakeholder culture is related to, but differs from, Victor and Cullen's (1988) and Treviño's (1990) constructs of ethical climate and ethical culture for two reasons. First, stakeholder culture focuses on "what matters to… stakeholders—whether or not the firm (or entity) takes their interests into account—rather than trying to separate out the precise ethical foundation of that concern"; and second, stakeholder culture "represents a clearly defined continuum of concern for stakeholder interests" (Jones et al., 2007: 44). Therefore, stakeholder culture reflects the degree to which organizations are "other-regarding" in their concern towards stakeholders, and the continuum of concern is "punctuated" into discrete cultural classifications (Jones et al., 2007: 144), ranging from the corporate egoist culture (the least other-regarding) to the altruist culture (the most other-regarding). We focus on the altruist stakeholder culture and on how an altruist culture acts as a control mechanism to ensure CEO other-regarding values are embedded in the process of wider stakeholder value creation. An altruist stakeholder culture prioritizes the interests of legitimate stakeholders and is especially suitable in our context of the NFP sector as the decision criterion of an altruist culture is based on morality rather than economic interest.

In the next section, we review the relevant literatures and develop hypotheses for the association between CEO values and SBP, and for the mediating effect of stakeholder culture on that association. We then describe the data and our research method, followed by presentation of the results. The final section of the paper presents conclusions and discusses the contributions and implications of our results, as well as limitations and suggestions for future research.

Literature review and hypotheses development

CEO values

Schwartz and Bilsky (1987: 551) defined values as "(a) concepts or beliefs, (b) about desirable end states or behaviors, (c) that transcend specific situations, (d) guide selection or evaluation of behavior and events, and (e) are ordered by relative importance." Applied to the individual manager in an organizational decision-making context, this implies that managerial decision-making reflects managers' personal values and preferences through the exercise of discretion while observing organizational-level objectives (Hemingway & Maclagan, 2004). This is consistent with the upper echelon perspective that strategic choices reflect managers' psychological and cognitive attributes including values (Hambrick & Mason, 1984).

Agle et al. (1999: 510-511) argued that top managers are at the centre of the firm-stakeholder nexus, and that "it is the firm's management (especially the CEO) which determines which stakeholders are salient and therefore will receive management attention." As noted earlier, Agle et al. (1999) hypothesized that CEOs' value orientation affects organizational performance and found some evidence that value orientation affected organizations' social performance. Agle et al. (1999: 510) focused on the self-interest versus other-regarding dimension of human values, which is a key value dimension that has "prompted the development of entire streams of organizational theory, such as agency theory, to explain its impacts." CEOs' personal values may be either self-interest oriented or other-regarding oriented in managing firm-stakeholder relationships, a distinction consistent with Wood's (1994) firm-centric versus system-centric view. Agle et al. (1999) argued that self-interest and firm-centric CEO values prioritize profit maximization and shareholder interests, while other-regarding and system-centric values consider the rights and claims of non-shareholder stakeholders (in their case, employees, customers, government, and the community).

Stakeholder-based performance (SBP)

Stakeholder value is defined as "the total value created by the firm through its activities, which is the sum of the utility created for each of a firm's legitimate stakeholders"

(Harrison & Wicks, 2013: 102). Legitimate stakeholders are "those groups to whom the firm owes an obligation based on their participation in the cooperative scheme that constitutes the organization and makes it a going concern" (Harrison & Wicks, 2013: 102). A stakeholder-based perspective on firm performance serves as a contrast to a shareholder perspective that is concerned with economic-based performance measures, and invites managers to consider more broadly how organizations create and distribute value for their multiple stakeholders. The relevance of stakeholder-based performance (SBP) in our context of NFPs lies in its connotation of value creation for legitimate stakeholders (such as clients/beneficiaries or members), who depend on NFPs for their well-being (Cordery & Baskerville, 2011).

Harrison and Wicks (2013) constructed SBP as a four-component model that captures important aspects of stakeholder value creation and distribution as perceived by stakeholders. The model posits that value (or utility) can be generated from quality of goods and services, organizational justice, affiliation, and opportunity cost. First, Harrison and Wicks (2013) argued that stakeholders perceive utility from the quality of goods and services provided. For example, in the NFP context, members of a professional accounting association perceive utility from the professional services provided, such as training and networking opportunities. Clients/beneficiaries of welfare, health, and educational organizations perceive utility from the quality of counseling, medical and educational services provided. NFPs are established to fulfil a social/public purpose or mission (Dhanani & Connolly, 2012) such that, for many NFPs, the provision of quality goods and services is a critical part of fulfilling their social mission. The quality of goods and services, and the associated fulfilment of social mission, comprise the first of Harrison and Wicks' (2013) four-component model in our NFP context.

With respect to organizational justice, Harrison and Wicks (2013) argued that people (stakeholders) in an exchange situation with an organization derive utility and value if: (1) the material outcomes received are perceived as fair (distributive justice), (2) the rules and procedures used in the exchange are perceived as fair (procedural justice), and (3) they (stakeholders) are treated fairly in repeated interactions with the organization (interactional justice). However, stakeholder perceptions of fairness in these three manifestations of organizational justice are not directly observable. In this respect, Jones' (1995) discussion of corporate morality offers a solution. Jones (1995) argued that corporate morality, as contained in an organization's policies, procedures and direct dealings with stakeholders, is reflected in the organization's reputation and image. Based on this premise, we measure organizational justice using organizational reputation and image.

Third, Harrison and Wicks (2013) contended that stakeholders derive utility from their perceptions of affiliation with the organization; specifically where stakeholders identify with the organization because they perceive the organization to exhibit moral values and ethical attributes consistent with their own values and attributes. This argument is consistent with social identity theory (Ashforth & Mael, 1989). While there may be a variety of ways through which stakeholders sense alignment of moral values and ethical attributes, the strongest non-rhetorical way is likely to be stakeholders' experience with the organization through repeated interactions. Through repeated interactions, stakeholders learn whether and how an NFP distributes value in an equitable manner, and whether and how organizational policies and procedures are effected in a fair and just way. If stakeholders perceive alignment of the organization's moral values with their own, they are likely to attain or retain affiliation with the organization and importantly, and by extension, advocate affiliation with the NFP to their immediate circle of associates and to the wider community. As a result, more stakeholders are likely to be attracted to the NFP, enlarging the NFP's client base. Therefore, growth in the client base reflects the degree to which stakeholders affiliate with the organization and forms a third component of SBP.

The fourth component of Harrison and Wick's (Harrison & Wicks, 2013) model is the concept of opportunity cost. Harrison and Wicks (2013) argued that stakeholders perceive utility from comparing the value they receive from different alternative providers. They further argued that opportunity cost is embedded in each of the other three components. This is because stakeholder perceptions of the utilities received from the quality of goods and services, fair and just treatment, and affiliation are determined based on comparisons of the utilities received from one organization with those expected from other organizations. Harrison and Wicks (2013) also argued that the three components are, themselves, interconnected; that is, stakeholders' perceptions of the utility derived from the quality of goods and services affect how they perceive fairness and justice in exchanges with an organization which, in turn, affects whether they are likely to perceive utility from affiliation with the organization. The interconnectedness among the four components provides the theoretical basis of measuring SBP as a composite construct, which we discuss in the "Methods" section of this paper.

CEO other-regarding values and stakeholder-based performance

Based on our review of the literature on CEO values, particularly the other-regarding value orientation, and on SBP, we hypothesize that the extent to which CEOs hold other-regarding values affects CEOs' ethical decision-making and, hence, SBP. This hypothesis is built upon Harrison et al.'s (2010) notion of "managing for stakeholders," which guides managers in allocating value and decision-making attention across stakeholders. Harrison et al. (2010) contended that "managing for stakeholders" requires an intentional allocation of value to stakeholders greater than an arms-length (i.e., market) transaction would otherwise require. While this intentionality in value allocation may result in "over-investment" in stakeholder relationships, it is seen as necessary in order to foster trust between the organization and its stakeholders.

Trust is argued by Mayer, Davis, and Schoorman (1995) and Harrison et al. (2010: 59) to be the basis on which stakeholders may "reveal sensitive or private information (that) can be used to create value." That is, trust, created through intentional value allocation, potentially allows an organization to "unlock" (using Harrison et al.'s [2010: 59] term) the content of perceived stakeholder utility and informs organizations' managers about stakeholder preferences for tangible (e.g., goods and services) and intangible (e.g., fairness, justice, affiliation) outcomes (Harrison et al., 2010). Managers can use knowledge of stakeholder utility preferences to enhance efficiency and effectiveness, to improve innovation, to better cope with uncertainty, and generally to achieve sustainable competitive advantage (Harrison et al., 2010).

The notion of "managing for stakeholders" offers explanation of how over-investment in stakeholder relationships may elicit stakeholder trust and, consequently, lead to stakeholders revealing their utility preferences to organizational managers.

However, it does not encompass the antecedent factors explaining over-investment. We draw on the literature on behavioral ethics (e.g., O'Fallon & Butterfield, 2005; Rest, 1986; Treviño, Weaver, & Reynolds, 2006) to argue that the extent to which CEOs hold other-regarding values determines their motivation to over-invest. The behavioral ethics literature implies that top managers' (CEOs') value orientation, as a psychological and cognitive construct, permeates the decision-making process through each of Rest's (1986) three dimensions (moral awareness, moral judgment, and moral intention/motivation) of the ethical decision-making model. That is, CEOs' value orientation determines their moral awareness (sensitivity to the importance of ethics and the ability to identify moral situations), moral judgment (ability to morally reason an ethical course of action) and moral intention/motivation (commitment to a moral course of action). Specifically, the greater the extent to which CEOs hold other-regarding values, the greater their sensitivity to stakeholder needs (i.e., moral awareness), and the more likely they are to prioritize stakeholder interests (i.e., moral judgement) and to motivate and commit to act in those interests (i.e., moral intention), including, in the context of our research, potential over-investment in stakeholder relationships.

On these premises, we hypothesize that the greater the extent of CEO other-regarding values, the more likely stakeholder needs are addressed through decisions to over-invest in stakeholder relationships. Based on Harrison et al. (2010), such over-investment leads to stakeholder trust and the potential of trust to "unlock" stakeholders' utility preferences to managers, which, in turn, leads to the creation of greater stakeholder value and thus a higher level of stakeholder-based performance (SBP).

Hypothesis 1 The extent to which CEOs hold other-regarding values is positively associated with stakeholder-based performance.

The mediating effect of an altruist stakeholder culture

Although top managers' decision-making is inevitably influenced by their personal value orientation, how those decisions are effected is determined to a large extent by the organization's culture. Hofstede (2001: 408) noted that "top management's role (in an organization) is to translate objectives into strategies" and that strategies "are carried out via the existing structure and control system and their outcome is modified by the organization's culture." If the objective of the organization is to create value for stakeholders, stakeholder culture is a suitable medium to ensure management decisions are translated into appropriate actions for stakeholder value creation. As noted earlier, stakeholder culture directly addresses how organizations behave towards stakeholders and embodies key beliefs, values and practices that can be used to solve stakeholder-related problems and manage stakeholder relationships (Jones et al., 2007). As such, stakeholder culture influences practices and behaviors at the organizational level, directing and regulating organizational members' interactions with stakeholders.

As noted earlier, our focus is on the altruist stakeholder culture, as the most other-regarding stakeholder culture. The altruist culture stands in contrast with the other stakeholder culture types of corporate egoist, instrumentalist and moralist (Jones et al., 2007). The altruist culture reflects the highest moral regard for normative stakeholders (stakeholders that have intrinsic moral claims on an organization, e.g., clients/

beneficiaries in the NFP context), whereas the corporate egoist culture cares about shareholders/resource providers only, and the instrumentalist culture considers the interests of non-shareholder stakeholders if they are instrumentally useful. While the moralist culture is generally other-regarding toward all stakeholders, similar to the altruist culture, it has a "morally based regard for normative stakeholders" and a "pragmatic regard for derivative stakeholders" (Jones et al., 2007: 145); that is, it will subjugate the interests of normative stakeholders to those of derivative stakeholders (stakeholders that have power over the organization, but no moral claims, e.g., regulators and fund providers) when faced with financial threat.

The altruist culture has a strong adherence to moral principles and a pure intrinsic morality towards normative stakeholders (Jones et al., 2007) and is particularly relevant in the NFP context of our study (Dhanani & Connolly, 2012). On the one hand, this is because an NFP is set up as a vehicle to create value for its normative stakeholders, whose well-being can be significantly affected by the quality of goods and services provided and whether or not the stakeholders are treated fairly when interacting with the NFP. For instance, a patient's well-being/utility from an NFP hospital is largely determined by the treatment received (i.e., services provided) and how the treatment is provided. On the other hand, the well-being of derivative stakeholders (e.g., funders) is largely unaffected by NFPs' actions. An altruist stakeholder culture characterised by moral values of benevolence and selflessness (Jones et al., 2007) underlies an NFP's moral obligations and social mission.

We hypothesize that an altruist stakeholder culture mediates the relation between CEO other-regarding values and SBP. This hypothesis is based on theory linking CEO other-regarding values with an altruist stakeholder culture and theory linking an altruist stakeholder culture with SBP.

With respect to the first linkage, top managers require mechanisms to communicate their values to lower-level managers and front-line operatives to promote organizational behavior consistent with those values. This is because direct interaction between top managers and other organizational members and stakeholders is likely to be limited, especially in large organizations (Eisenbeiss et al., 2015). CEOs are powerful institutional enablers (Scott, 1995) who contribute to, and significantly influence, organizational culture and employee attitudes and behavior (Eisenbeiss et al., 2015; Schein, 2004; Shin et al., 2015). Organizational members learn through observing and emulating role models (Bandura, 1977) and CEOs, given their organizational status and authority, are dominant role models (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009).

CEOs with strong other-regarding values of fairness, equality and benevolence influence informal behavioral control mechanisms through communicating and advocating those values, and establishing expectations and boundaries for ethically acceptable stakeholder behavior among organizational members (Wu et al., 2015). Top managers' other-regarding values can be further embedded and reinforced through codes of ethics, training, and performance evaluation and reward systems. These mechanisms help to develop organizationally shared perceptions of an altruist stakeholder culture, and, through the attraction-selection-attrition process, serve to attract new organizational members with similar values and/or to motivate existing members to self-select in or out of the organization depending on the alignment of the organizational cultural norms and their personal values.

With respect to the second linkage (between an altruist stakeholder culture and SBP), extant literature suggests a general positive link between an organization's culture and organizational performance through providing a sense of ownership, enhancing teamwork and team effectiveness (Fey & Denison, 2003), promoting good organizational citizenship behavior (McNeely & Meglino, 1994), and enhancing overall productivity and efficiency (Podsakoff, Whiting, Podsakoff, & Blume, 2009).

We hypothesize that an altruist stakeholder culture positively affects each of the dimensions of SBP, because the altruist culture helps establish and enhance organizational behaviors of producing quality goods and services, dealing with stakeholders in a fair and just manner, and improving stakeholder affiliation with the organization. Repeated interactions between stakeholders and an NFP manifesting this culture are likely to enhance the organization's reputation and image which, in turn, attracts new stakeholders and grows the NFP's client base. Reputation and image also provide a reference point for the opportunity cost component of SBP. That is, the better the reputation and image of the NFP relative to alternative NFPs, the more likely it is that stakeholders will perceive utilities from the provision of goods and services, and from their treatment by, and affiliation with, the NFP.

Hypothesis 2 An altruist stakeholder culture mediates the relation between CEO other-regarding values and stakeholder-based performance.

Methods

Data

Data were collected by a mail-based survey sent to the CEOs (or equivalent) of 874 NFPs in Australia. With one follow-up mailing, a high response rate (71.1%, 621 responses) was achieved due to: (1) prior validation and personalization of the top managers' details using NFP websites and individual telephone calls, (2) use of Dillman, Smyth, and Christian's (2008) tailored design method for survey design and administration, (3) pre-testing the survey with academic colleagues and NFP executives, and (4) assurance of anonymity and confidentiality of survey responses.

The organizations that responded were from various NFP service categories including education and research (25%), health (17%), social services (16.6%), culture and recreation (9.5%), and business and professional associations (8.7%). Of the respondents, 58% were male and 42% were female. The average age of the respondents was 49.5 and their education levels were mainly Bachelor and Master degrees.

To test non-response bias, we conducted *t*-tests on the mean values of key variables between early and late respondents (Armstrong & Overton, 1977). No significant differences were found. Coupled with a high response rate and the relatively large sample size, non-response bias is unlikely to be a problem (Van der Stede, Young, & Chen, 2005). The assurance of anonymity and confidentiality of responses served to mitigate common method bias (Bai & Chang, 2015). Additionally, common method bias was tested using Harman's (1967) single-factor test, which showed that the highest variance explained by a single factor was 25.6%, well below the 50% threshold suggested by Podsakoff, MacKenzie, Lee, and Podsakoff (2003), indicating that common method bias is not a concern.

Measures

The dependent variable, stakeholder-based performance (SBP), was measured using the proxies for Harrison and Wicks' (2013) four-component model discussed earlier, specifically quality of goods and services and fulfilment of social mission (proxying for quality of goods and services), public image and reputation (for organizational justice), and client base growth (for affiliation). As noted earlier, the fourth component, opportunity cost, is not measurable as it is reflected in the other three components. CEOs were asked to rate how well their organization performed in each of these four performance areas in the last 12 months on a seven-point Likert-type scale ranging from "1 = Extremely poorly" to "7 = Extremely well."

We use CEO self-reported ratings for two reasons. Pragmatically, the maintenance of respondent anonymity meant that matching survey data with objective data and/or data sourced from stakeholders themselves was not possible. Second, and more importantly, ratings for each of the performance areas were required at an organizational level and in aggregate across all stakeholders. Prior studies with this requirement have typically used self-reported ratings by senior managers to proxy for stakeholder perceptions of organizational performance and attributes.

Recent examples include Zhu, Sun, and Leung (2014) who used general managers in tourism firms in China to rate their firms' reputation, based on their ratings of, *inter alia*, their community and environmental responsibility and the quality of their goods and services. Bai and Chang (2015) used senior managers in Chinese manufacturing firms to rate their firms' performance on three stakeholder-based components, customer satisfaction, customer benefit and brand image in the marketplace. Similarly, Galbreath and Shum (2012) used managing directors in Australian manufacturing and service firms to rate their firms' performance in terms of reputation, quality of products/services and customer satisfaction.

These papers argue that senior managers' self-reported ratings are effective representations of stakeholder-based performance at the organizational level because these managers take responsibility for, and have the best breadth of knowledge of, their organizations' overall performance in these areas, and, hence, are in a position to provide an aggregate assessment of that performance (Galbreath & Shum, 2012; Zhu et al., 2014). Bai and Chang (2015) reinforced their use of self-reported data through a pilot test that demonstrated the ability of the senior managers in their study to provide representative proxy ratings of their organizations' customer-based performance attributes of satisfaction, benefit and image. And, in addressing the issue of self-reported ratings in their studies of assessments of service quality, Parasuraman, Berry, and Zeithaml (1991) directly tested what they called the *marketing information gap*; that is, the gap in service quality as perceived by senior managers compared to perceptions of customers. They found that the gap was "consistently small," implying that managers had "a generally accurate understanding" of customer expectation and performance levels for service quality (Parasuraman et al., 1991: 346).

The independent variable, CEO other-regarding values, was measured by four items originating from the Rokeach Value Survey (Rokeach, 1972, 1973), which Agle et al. (1999) adopted in examining the relation between CEO values and corporate performance. Rokeach is regarded as "one of the most prolific researchers into human values" (Shaw, Grehan, Shiu, Hassan, & Thomson, 2005: 186) and "the seminal contributor to the modern study of values" (Lyons, Duxbury, & Higgins, 2006: 606). The Rokeach Value Survey has been widely used and well established in the values literature (Agle et al., 1999; De Pelsmacker, Driesen, & Rayp, 2005; Vauclair, Hanke, Fischer, & Fontaine, 2011). In accordance with Agle et al. (1999), we used four items to measure other-regarding values: (1) Being helpful (Working for the welfare of others), (2) Compassion (Feeling empathy for others), (3) Equality (Brotherhood, equal opportunity for all), and (4) Loving (Being affectionate, tender). Respondents were asked to indicate the importance to them of the other-regarding values as guiding principles in their life as an individual. A seven-point Likert-type scale ranging from "1 = Least important" to "7 = Most important" was used.

The mediating variable, altruist stakeholder culture, was measured using the nine-item scale of Chen (2015). This scale was developed based on Jones et al.'s (2007) theoretical typology of stakeholder culture and Victor and Cullen's (1988) Ethical Climate Questionnaire. The scale has been validated for the NFP context with good psychometric properties of internal consistency (both Cronbach's alpha and composite reliability) and validity (across convergent, discriminant and predictive validity) (Chen, 2015). Sample items are "Decisions made here are always based on the interests of all affected stakeholders" and "Our organization always does what is right for its clients." Respondents were asked to indicate the extent to which each item was true or false about their organization on a six-point Likert-type scale ranging from "1 = Completely false" to "6 = Completely true."

Organizational size and age were controlled. Prior studies of ethical characteristics and leadership behavior affecting organizational performance, both generally and specifically in *Asia Pacific Journal of Management*, have typically controlled for these two variables and for organizational ownership type (e.g., Bai & Chang, 2015; Ju & Zhao, 2009; Lin, Dang, & Liu, 2016; Ling, 2013; Xu, Yang, Quan, & Lu, 2015; Zhu et al., 2014). Bai and Chang (2015) justified their choice of these three control variables specifically (and only) because of their potential to influence organizational performance, and because of their prior use in multiple studies across a variety of countries. As such, they are the most relevant and most common controls used in comparable prior studies. Ownership type is not relevant to our context of NFP organizations in Australia and, hence, following these studies, we control for organizational size and age.[1]

Organizational size was measured by four categories of an organization's total revenue (in Australian dollars) in the previous financial year (less than $250,000, $250,000 to $1,000,000, $1,000,000 to $50,000,000, and over $50,000,000), in accordance with the classification of the Australian Securities & Investments Commission and the Australian Charities and Not-for-Profits Commission. Size proxies the total resource base of an organization and is expected to positively affect SBP. According to Barney's (1991) resource-based view, an organization's resource level affects its capability of taking new initiatives and carrying out value-adding activities for stakeholders. Also, studies in the corporate social responsibility/performance literature suggest that larger organizations, due to visibility, access to resources, and scale of

[1] While organizational size and age are the most common controls across all studies cited, some studies control for specific additional variables unique to the context of their study. For example, Lin et al. (2016) controlled for additional variables related to the characteristics of the CEO because their study was focused on CEOs and CEOs' transformational leadership and, hence these further controls were relevant in their specific case, but not more generally.

operations, are subject to more pressure and scrutiny from stakeholders, driving the organizations to be more sensitive to stakeholder needs and to engage more in social performance initiatives (Brower & Mahajan, 2013; Gupta, Briscoe, & Hambrick, 2016; Ho, Wang, & Vitell, 2012).

Organizational age was measured using five age categories (less than 3 years, 3–10 years, 11–25 years, 26–50 years, and over 50 years), in line with Lin (2010). Organizational age is expected to affect SBP, as the longer the organization has been in existence, the more experience and established operating routines it would have in dealing with stakeholders (Zollo & Winter, 2002).

Results

Structural equation modeling (SEM) using the partial least squares (PLS) method was used to test the hypotheses. PLS-SEM is a robust statistical method which does not require the strict assumptions of variable distribution (Bucic, Ngo, & Sinha, 2016; Henseler, Ringle, & Sinkovics, 2009). The method is ideally placed to test mediating effects by allowing comparisons between a direct effects model and mediated models to determine (1) if there are mediation effects and (2) the strength of the mediators (Chin, 1998; Ngo & O'Cass, 2012). Smart PLS 3.0 was used to estimate the measurement model and the structural model.

Measurement model

We specified the measurement model as follows (refer to Table 1 for detailed results). First, CEO other-regarding value orientation was measured by the four-item scale used in Agle et al. (1999). A scree test showed that the four items formed one factor only, with the eigenvalue exceeding 1. Supporting individual reliability, factor loadings are all higher than the minimum threshold of .55 (Falk & Miller, 1992). Construct reliability is supported by composite reliability (CR) higher than .8 (Werts, Linn, & Jöreskog, 1974) and Cronbach's α exceeding .7 (Nunnally, 1978). Convergent validity and discriminant validity are supported by average variance extracted (AVE) exceeding .5 (see Table 1) and the square root of the AVE being larger than the correlations (see Table 2) (Henseler et al., 2009).

Second, altruist stakeholder culture was measured using the nine-item scale in Chen (2015). A scree test showed two distinct factors with eigenvalues larger than 1. Consistent with Chen (2015), we termed the two altruist cultures Altruist_general (caring for all affected stakeholders) and Altruist_client (emphasizing clients/beneficiaries). One item for Altruist_general was deleted to enhance construct validity while no deletion was required for Altruist_client. The factor loadings are all larger than the threshold of .55, supporting individual reliability. Construct reliability (CR), convergent validity (see Table 1) and discriminant validity (see Table 2) are all supported, since CRs are higher than .8, Cronbach's αs exceed .7, AVEs are larger than .5, and the square roots of the AVEs are larger than the correlations.

Third, SBP was measured using the four items developed from Harrison and Wicks (2013). A scree test showed that the four items formed one factor whose eigenvalue was larger than 1. Statistics for individual reliability, construct reliability, convergent

Table 1 Measurement model: Item loading, composite reliability (CR), average variance extracted (AVE), and Cronbach's α

Constructs and item descriptions	Loading	CR	AVE	Cronbach's α
CEO other-regarding values		.847	.583	.761
Helpful	.799			
Compassion	.863			
Equality	.673			
Loving	.704			
Altruist_general		.825	.542	.719
Decisions based on interests of all affected stakeholders	.707			
Legitimate stakeholders' welfare is always primary	.691			
Never compromises pursuit of mission	.761			
Moral beliefs are always most important in stakeholder-related decisions	.782			
Altruist_client		.859	.606	.784
Actively concerned about the interests of clients	.673			
Effects of decisions on clients are a primary concern	.825			
Always does what is right for clients	.781			
A strong sense of responsibility to clients	.824			
Stakeholder-based performance		.847	.583	.761
Quality of goods and services	.779			
Fulfilment of social mission	.819			
Public image and reputation	.781			
Client base growth	.666			

validity and discriminant validity are all above the recommended thresholds, as shown in Tables 1 and 2. This result confirms Harrison and Wicks' (2013) proposition that the components are inter-connected; that is, the utility derived from the quality of goods and services affects, and is entangled with, the utility derived from fairness and justice, which, in turn, affects and is entangled with, the utility derived from affiliation with the organization.

Table 2 Means, standard deviations (SD), correlation matrix, and discriminant validity

	Mean	SD	1	2	3	4	5
1. Organizational age	3.54	1.02					
2. Altruist_client	5.32	.59	.016	**.778**			
3. Altruist_general	4.79	.73	$.093^{*}$	$.54^{***}$	**.736**		
4. Other-regarding value	5.76	.86	.031	$.339^{***}$	$.295^{***}$	**.763**	
5. Stakeholder-based performance	5.58	.81	.016	$.438^{***}$	$.366^{***}$	$.246^{***}$	**.763**
6. Organizational size	2.61	.74	$.233^{***}$	−.053	$-.094^{*}$	$-.069^{\dagger}$	$.122^{**}$

† $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$. The square roots of the average variance extracted (AVE) are shown as bold figures on the diagonal and correlations are shown off-diagonal

Structural model

The structural model investigates the direct effect of the main relation between CEO other-regarding values and SBP (H1) and also the mediating effect of altruist stakeholder culture (H2). Given the altruist culture items were split into two sub-factors, we entered the Altruist_general and Altruist_client stakeholder cultures separately into the mediated models. The standard errors and *p*-values for the path coefficients, and the direct and indirect effects were obtained from 5000 bootstrapping runs (Preacher & Hayes, 2008).

Table 3 shows the results for the hypotheses. H1 is supported as CEO other-regarding values is positively and significantly associated with SBP (β = .157, $p < .001$ for Altruist_general and $\beta = .119$, $p < .001$ for Altruist_client). To demonstrate the mediated effects on the main relation (H2), Preacher and Hayes (2008) suggested that a significant indirect effect between the independent and dependent variables indicates the mediated effect. Our results show positive and significant indirect effects of both Altruist_general (β = .103, p < .001) and Altruist_client (β = .138, p < .001) stakeholder cultures on the relation between CEO other-regarding values and SBP.

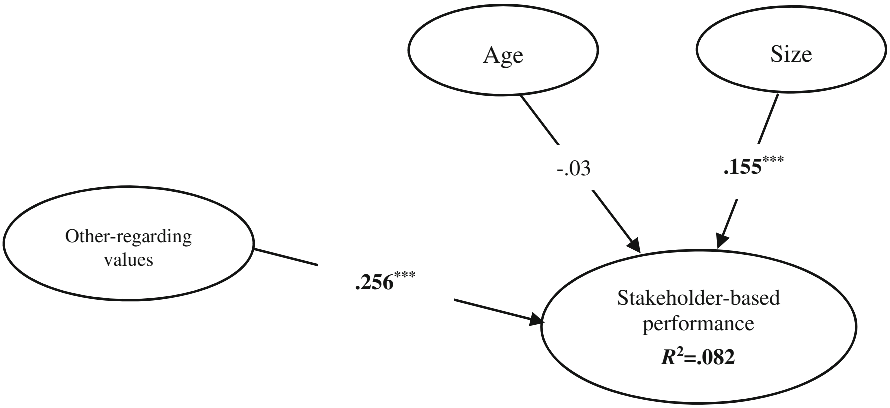
To further examine the mediating effects, we implemented Tippins and Sohi's (2003) four-step procedures, which are demonstrated by Figs. 1, 2 and 3. Step one requires that the main relation is significant, which is supported by the results for H1. Step two requires that the mediators are significantly associated with the dependent variable. Figures 2 and 3 show that both the Altruist_general (β = .346, p < .001) and Altruist_client (β = .403, p < .001) stakeholder cultures are positively and significantly associated with SBP. Step three specifies that, for a mediating effect to exist, the magnitude of the direct effect is reduced when the mediators are included in the analysis. This is evident by the three figures. As indicated by Fig. 1, the direct effect (without mediators) between CEO other-regarding values and SBP is .256. The inclusion of Altruist_general and Altruist_client reduces the direct effect to .157 (Fig. 2) and .119 (Fig. 3) respectively.

Step four requires that the mediated models account for more variance in the dependent variable than the direct model. As reflected by the figures, the variance

Table 3 Direct, indirect, and total effects

Effects on dependent variable	Direct effects	Indirect effects	Total effects
Stakeholder-based performance (R^2 = .187)			
Altruist_general	.346***	–	.346***
Other-regarding values	.157***	.103***	.261***
Stakeholder-based performance (R^2 = .224)			
Altruist_client	.403***	–	.403***
Other-regarding values	.119***	.138***	.257***

*** $p < .001$. All coefficients are bootstrapped up to 5000 times (Preacher & Hayes, 2008). Control variables: organizational size is significant at $p < .001$ and organizational age is not significant at $p < .05$

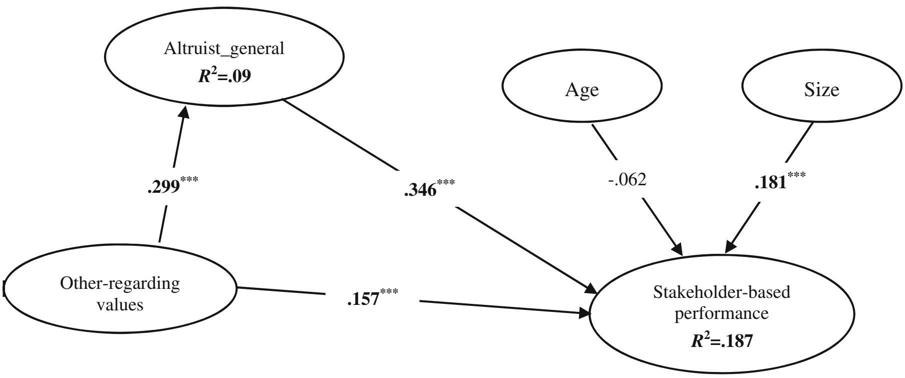


***$p < .01$. All coefficients are bootstrapped up to 5,000 times (Preacher & Hayes, 2008).

Fig. 1 Direct model

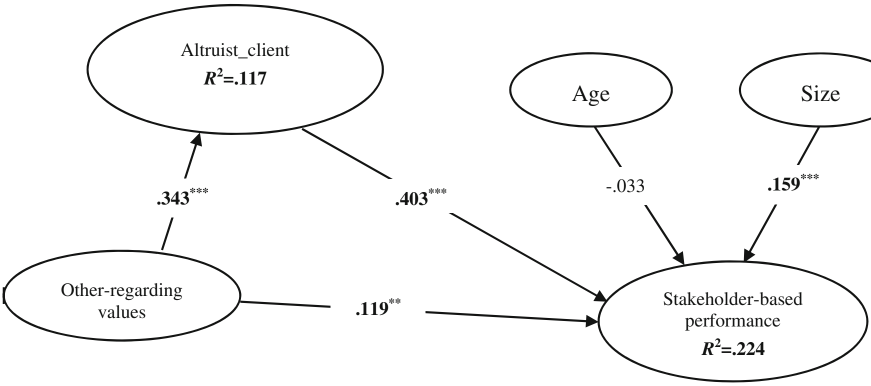
explained in the direct model (R^2 = .082, Fig. 1) is less than the variance explained when Altruist_general (R^2 = .187, Fig. 2) and Altruist_client (R^2 = .224, Fig. 3) were included as mediators. In sum, H2 is supported, since both Altruist_general and Altruist_client cultures positively mediate the relation between CEO other-regarding values and SBP.

Figures 1, 2 and 3 also show the results for the control variables. Contrary to expectation, organizational age is not significantly associated with SBP. On the other hand, organizational size is positively and significantly associated with SBP (p < .001), in accordance with our prediction. The significance of organizational size supports the argument that larger organizations are more likely to have better SBP, due to a larger pool of resources, higher visibility, and higher stakeholder pressure and scrutiny that the organizations face (Brower & Mahajan, 2013; Gupta et al., 2016; Ho et al., 2012)



***$p < .01$. All coefficients are bootstrapped up to 5,000 times (Preacher & Hayes, 2008).

Fig. 2 Mediated model: Altruist_general



**$p < .01$, ***$p < .01$. All coefficients are bootstrapped up to 5,000 times (Preacher & Hayes, 2008).

Fig. 3 Mediated model: Altruist_client

Additional analysis

A comparison between the magnitudes of the mediation effects of Altruist_general and Altruist_client (in Table 3) showed that the client-focused altruist stakeholder culture appeared to have a stronger mediating effect reflected as the indirect effect (.138) on SBP compared to that of the general altruist culture (.103). This prompted us to perform additional analysis to ascertain the strength of the mediation effects of the two altruist cultures. Following Chin (1998), we calculated the effect sizes of the mediators as the change in variance between the mediated and direct model divided by the residual variance of the mediated model (i.e., 1 minus the explained variance). The results are shown in Table 4, which indicates that Altruist_general is a weak mediator with an effect size of .129, while the effect size of Altruist_client is larger at .183, suggesting, according to Chin (1998), a moderate mediating effect. In sum, we found evidence of a conforming mediation effect, that is, both altruist cultures mediate the main relationship in the same direction. Also, based on our additional analysis, we found a divergent effect in terms of their magnitudes of mediation, that is, Altruist_client is a stronger mediator than Altruist_general.

Table 4 Comparisons of direct and mediated models

Dependent variable explained	Variance explained			
	Direct model	Mediated model	Δ variance explained	Strength of the mediation effect (f^2)
Stakeholder-based performance mediated by Altruist_general	.082	.187	.105	.129 (weak)[a]
Stakeholder-based performance mediated by Altruist_client	.082	.224	.142	.183 (moderate)[a]

[a] Weak effect is between .02 and .15 and moderate effect is between .15 and .35 (Chin, 1998)

Discussion

Contributions and implications

Our study contributes to the business ethics and strategic management literatures that have been concerned with how ethical characteristics of top managers affect organizational performance, and has implications for the research literature and for practice. With respect to contributions to the literature of business ethics, our study provides support that top managers' moral values have important impacts on ethical decision-making and associated actions that demonstrate organizational responsibility to stakeholders, particularly non-shareholder stakeholders (Agle et al., 1999; Harrison et al., 2010; Hemingway & Maclagan, 2004). Also, we contribute to the literature of strategic management in two ways. First, we advocated a value-based performance measure from a wider stakeholder perspective instead of financial measures largely from the perspective of shareholders. We drew on Harrison and Wicks' (2013) four-component model and proposed four items to measure SBP as an aggregated construct. Our results support Harrison and Wicks' (2013) theoretical contention of the inter-connectedness of the four performance components with good individual and construct reliability and convergent and discriminant validity. Consistent with Harrison and Wicks (2013), our results suggest that SBP has a broader focus and is important as it may help to explain why some organizations succeed or fail over time, and why stakeholders are attracted to, or away from, organizations. This is potentially due to differentiated organizational strategies designed to create stakeholder value and enhance SBP.

Second, our study highlighted the importance of stakeholder culture as the linking mechanism between CEO values and SBP. This is one of the first empirical studies examining the effect of stakeholder culture on organizational behavior and outcomes. We theorized and demonstrated how stakeholder culture, specifically an altruist culture, is an embodiment of formal and informal control mechanisms through which top managers' ethical principles and associated strategic choices for stakeholder relationships are carried out, and adhered to, by organizational members.

Our study also has implications for practice. First, our finding that Harrison and Wicks's (2013) four performance components are inter-connected and form an aggregated construct of SBP is important to top-level managers in NFPs, and potentially more generally, because it is directly relevant to those managers' strategic investments in stakeholder value creation. For example, major investment by an NFP in the quality of goods and services, without considering how the distribution of those goods and services is perceived by stakeholders in terms of fairness and justice, may dissipate positive stakeholder perceptions of one source of stakeholder utility (quality of goods and services) because of the negative perceptions of another (distributive justice). Depending on how inequitable the distribution is perceived, the utility derived from quality goods and services may be outweighed by the disutility from distributive justice, potentially resulting in an overall decrease in perceived stakeholder value.

By contrast, an NFP that makes significant investment in policies and procedures designed to enhance stakeholder perceptions of their treatment by the NFP, but fails to complement this with quality goods and services, may create a decoupling in perceptions between the two sources of stakeholder utility and prejudice the NFP's reputation and image. Therefore, although the individual items comprising SBP are important elements for managers to consider in their own right, our findings suggest that it is more important for managers to balance attention across different aspects of SBP, and to seek out and remedy disconnections or lack of complementarity among the items that may prejudice stakeholder perceptions of utility and, ultimately, prejudice SBP.

A second implication for practice is that top-level managers in NFPS, and in organizations more generally, are leaders whose values, attitudes and behaviors play a critical role in determining the ethical behavior of other organizational members and, by extension, the organization itself (Demirtas & Akdogan, 2015). As noted at the beginning of this paper, strong ethical leadership by top managers is crucial in avoiding the organizational failures and scandals that have occurred in both the for-profit and NFP sectors in recent years and that have been attributable to organizational wrong-doing and moral lapses (Harrison et al., 2010; Ruiz-Palomino et al., 2013). A recent example in the NFP sector is that of Kids Company in the UK, a high-profile charity founded in 1996 to assist deprived and vulnerable children and youths. Kids Company collapsed in 2015 amid allegations and police investigations of mismanagement of funds and child abuse, closing thirteen centers, throwing 600 employees out of work and squandering millions of pounds of government and private donor funding (BBC, 2016). By contrast, and on the positive side, our results have also shown that strong ethical leadership, reflected in top manager other-regarding values, creates stakeholder value across a range of stakeholder-desired utilities and returns (over and above those that are purely financial) which, in turn, is likely to prove critical in attaining and sustaining competitive advantage and organizational performance and success in the long-term.

Top managers, therefore, need to recognize the importance of their role as ethical leaders and to ensure that they act in ethically responsible ways with respect to stakeholders generally. Additionally, governing boards (whether in the NFP or for-profit sector) need to prioritize ethical values in both the selection of top managers and the subsequent oversight and monitoring of their behavior. The role (and legal obligation) of governing boards is to oversee the management of their organization and to ensure that the organization fulfils its mission. Our results have direct implications for such governing boards which, in the conduct of their oversight and monitoring activities, need to encourage and support top managers to bring their ethical values to strategic stakeholder decision-making, and to minimize constraints on the exercise of those values.

A third practical implication of our study is the importance of an altruist stakeholder culture as a means by which top managers' values are communicated to lower-level managers and front-line operatives to promote organizational behavior consistent with those values. Top-level managers who have strong other-regarding values of fairness, equality and benevolence, and who have regard for organizational stakeholders generally, rather than for shareholder stakeholders only, are dominant and authoritative role models whose ethical values and behaviors will be observed and emulated by organizational members. However, as direct interaction between top managers and other employees is likely to be limited, particularly in large organizations, an altruist stakeholder culture may be reinforced and embedded into the organization through culture-enabling mechanisms such as organizational myths and artefacts, codes of ethics, training, and formal performance evaluation and reward systems

(Chenhall, Hall, & Smith, 2015; Schraeder, Tears, & Jordan, 2005). Our findings are, therefore, of direct practical importance to top managers in NFPs (and in organizations more generally) by demonstrating that, in order to inculcate an ethical altruist stakeholder culture within their organizations, top managers must not only exhibit their own ethical behavior but also develop and utilize these culture-enabling mechanisms to support such ethical behavior throughout the organization. Employee selection processes will also be important in ensuring a good fit between the personal values of employees attracted to or selected by the organization and the organization's stakeholder culture.

A final implication for practice is our finding of a stronger mediating effect of a client-focused altruist stakeholder culture on the relation between CEO other-regarding values and SBP compared to a general altruist culture (oriented toward all stakeholders). A potential explanation for this finding may lie in Harrison and Wicks' (2013) argument that legitimate stakeholders have customer-like power over an organization; specifically the power to engage or not engage with the organization. The amount of utility these stakeholders derive from the organization reflects the organization's ability and effort to create and distribute value sufficient to retain engagement. In the NFP context, clients may have similar customer-like power (Saxton, 2005). For example, parents seeking schooling services for their children may choose among several competing schools providing the required services. The choice of engagement (i.e., enrolment) by the parents (as the key stakeholder group) may be made on the extent to which the schools are considerate in terms of meeting parents'/children's needs. We argue that a client-focused altruist culture (one that emphasizes clients' needs) acts as a control mechanism that offers clarity and commonality of mission, and directs resource allocation and management in implementing organizational strategies that enhance SBP.

On this basis, a client-focused altruist culture may be seen to echo Barney's (1986) and Saffold's (1988) well-established theoretical expositions of how organizational culture can be a source of competitive advantage. Barney (1986) and Saffold (1988) argued that organizational culture with a defining and differentiating trait such as a participative culture, serves as a competitive advantage. A client-focused stakeholder culture is also a defining cultural trait that may differentiate an NFP from competitors, who may have a broader general focus.

Clearly, developing a client-focused stakeholder culture does not mean that NFPs should lose sight of other stakeholder groups such as employees and volunteers. Rather, it may mean that NFPs should have client value creation as the primary social objective, while aligning other stakeholders' interests to the same social objective. Strategies to align employees' and clients' interests might include mechanisms similar to those discussed above for stakeholder culture creation. Specific examples include (1) top manager communication and advocacy to employees of the importance of ethical dealings with clients, (2) formal organizational support systems, such as codes of ethics, training programs, and incentive programs, and (3) informal initiatives, such as promoting client-focused ethical norms, recognition of quality client services, and encouraging peer interaction and sharing of experiences among organizational members.

Limitations and suggestions for future research

The study is subject to the limitation that all data were gathered through a single survey. While efforts were made in survey design and implementation to minimize common method bias, and Harman's (1967) single-factor test suggested the potential for such bias was low, we cannot completely rule out the potential influence on our results of using a single respondent survey.

A second limitation of our study is that stakeholder-based performance (SBP) was measured by CEO self-reported ratings of the SBP components of quality of goods and services and fulfilment of social mission, public image and reputation, and client base growth. We justified this measure for two reasons. The first was pragmatic as the maintenance of respondent anonymity meant that matching survey data with objective data and/or data sourced from stakeholders themselves was not possible. The second, however, was that prior research has both argued and demonstrated that senior managers are able to provide representative and accurate proxy ratings of their organizations' stakeholder-based performance.

Nonetheless, self-reported data remains a limitation of our study, and future research may benefit from seeking innovative ways of measuring SBP more objectively and/or from stakeholder sources more directly. This will be challenging as the measure required needs to be at the organizational level; that is, it needs to include all stakeholders such that an overall assessment of organizational performance across stakeholders is produced and not an assessment potentially biased by individual or sectoral stakeholders with specific interests. This will be particularly challenging for NFPs that typically have multiple stakeholders. On the one hand, this lends further support for CEO self-reported assessment data as CEOs are likely to be exposed to, and cognizant of, positive and negative manifestation of SBP across multiple stakeholders and, therefore, able to form an overall assessment (Bai & Chang, 2015; Galbreath & Shum, 2012; Zhu et al., 2014).

On the other hand, researchers may be able to search or construct measures of overall SBP from a variety of external, objective sources. For example, depending on the sample and purpose of the study, objective data may be available from sources such as *Fortune*'s annual survey and ranking of US and non-US companies on reputation (including criteria of quality of products and services, and community responsibility) (e.g., Zhu et al., 2014); or from the KLD Stats ratings of large US companies on environmental, social and governance performance, including product quality (RiskMetrics Group, 2017).

Where such rankings and ratings are not available for the entities in the research sample, an innovative approach is to use media coverage, where databases such as Factiva and ProQuest allow searches of media coverage for sample entities across all forms of media and extensive international sources. Searches may be constructed for the sample entities with respect to SBP components such as reputation, quality of goods and services, and public image. Another objective source of data for SBP are annual reports (such as Form 10-K required by the US Securities and Exchange Commission, or, in our sample of Australian NFP organizations, the annual reports required of the sample organizations by the Australian Securities & Investments Commission or the Australian Charities and Not-for-profits Commission). In particular, these reports will provide objective data on the SBP component of client base growth. Finally, researchers may seek to identify a representative sample of stakeholders for the entities in their sample and conduct interviews with those stakeholders to obtain direct perceptual assessment of SBP and its components. In all these cases, however, the use of external, objective sources of data, and/or the use of stakeholder interviews, would require the ability to match these data with survey responses and, hence, mean that anonymity of survey responses would need to be replaced by confidentiality.

Another avenue for future research arises from our ex-post finding that a client-focused altruist stakeholder culture had a stronger mediating effect on the relation between CEO values and SBP compared to a general altruist culture. This raises the question of how an NFP with a general altruist culture can transition to a more client-focused culture. Research examining this question, theoretically or empirically, will be important to NFPs seeking to create greater stakeholder value and to enhance SBP.

Also important to future research is the choice of control variables. We controlled for organizational size and age because these are the most relevant and most common control variables across prior studies of ethical characteristics and leadership behavior affecting organizational performance. However, future research needs to take account of the specific context of the research and include additional control variables to the extent that they are directly relevant to the context.

Conclusion

The purpose of this paper was to examine empirically the effect of top managers' ethical and moral values (specifically, other-regarding values) on organizational performance (specifically, stakeholder-based performance [SBP]). We based our investigation on Agle et al. (1999) but made important extensions and modifications. Our study was motivated by the theorized importance of the cognitive and psychological attributes of top managers, specifically their moral values, in managing stakeholder relationships and affecting organizational performance (Eisenbeiss et al., 2015; Hemingway & Maclagan, 2004). Building on the literature of behavioral ethics, we contended that other-regarding values influence top managers' moral awareness and judgement that motivate them to identify stakeholder needs, and that lead and commit them to the ethical course of action of over-investing in stakeholder relationships. Then, based on the "managing for stakeholder" orientation of Harrison et al. (2010), we reasoned that over-investment in stakeholders leads to trust, which subsequently provides an organization with additional information on stakeholder utility preferences. With this additional information, the organization can improve its efficiency and innovative capability to create value for stakeholders. In addition, we argued that the value-performance relationship is indirect, and examined stakeholder altruist culture as the linking mechanism through which CEO other-regarding values affect SBP.

Consistent with the hypotheses, our empirical results showed that CEOs' other-regarding value orientation was positively associated with SBP, and that stakeholder culture (specifically, the general altruist culture and client-focused altruist culture) mediated that association. The additional analysis performed revealed that a client-focused altruist stakeholder culture provided stronger mediation compared to a general altruist stakeholder culture.

Acknowledgements We would like to gratefully acknowledge the insightful feedback and kind assistance that was received from Professor Seung-Hyun Lee and the two anonymous reviewers for this paper.

References

Agle, B. R., Mitchell, R. K., & Sonnenfeld, J. A. 1999. Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal*, 42(5): 507–525.

Armstrong, J. S., & Overton, T. S. 1977. Estimating nonresponse bias in mail surveys. *Journal of Marketing Research*, 14: 396–402.

Ashforth, B. E., & Mael, F. 1989. Social identity theory and the organization. *Academy of Management Review*, 14(1): 20–39.

Bai, X., & Chang, J. 2015. Corporate social responsibility and firm performance: The mediating role of marketing competence and the moderating role of market environment. *Asia Pacific Journal of Management*, 32(2): 505–530.

Bandura, A. 1977. *Social learning theory*. Englewood Cliffs: Prentice Hall.

Barney, J. B. 1986. Organizational culture: Can it be a source of sustained competitive advantage?. *Academy of Management Review*, 11(3): 656–665.

Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17(1): 99–120.

BBC. 2016. Kids company closure: What went wrong?. *BBC News*: Feb. 1, 2016. http://www.bbc.com/news/uk-33788415 , Accessed Nov. 22, 2016.

Bosse, D. A., Phillips, R. A., & Harrison, J. S. 2009. Stakeholders, reciprocity, and firm performance. *Strategic Management Journal*, 30(4): 447–456.

Brower, J., & Mahajan, V. 2013. Driven to be good: A stakeholder theory perspective on the drivers of corporate social performance. *Journal of Business Ethics*, 117(2): 313–331.

Bucic, T., Ngo, L. V., & Sinha, A. 2016. Improving the effectiveness of market-oriented organisation: Empirical evidence from an emerging economy. *Australian Journal of Management*. doi:10.1177/0312896215611189.

Chan, S. C., & Mak, W. M. 2012. Benevolent leadership and follower performance: The mediating role of leader–member exchange (LMX). *Asia Pacific Journal of Management*, 29(2): 285–301.

Chen, J. 2015. Developing and validating a measure of stakeholder culture for the not-for-profit sector. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 26(4): 1189–1218.

Chenhall, R. H., Hall, M., & Smith, D. 2015. Managing identity conflicts in public sector organizations: A case study of one welfare non-profit. *Nonprofit and Voluntary Sector Quarterly*, 45(4): 669–687.

Chin, W. W. 1998. The partial least squares approach to structural equation modeling. *Modern Methods for Business Research*, 295(2): 295–336.

Cordery, C. J., & Baskerville, R. F. 2011. Charity transgressions, trust and accountability. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 22(2): 197–213.

Costa, E., Ramus, T., & Andreaus, M. 2011. Accountability as a managerial tool in non-profit organizations: Evidence from Italian CSVs. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 22(3): 470–493.

De Pelsmacker, P., Driesen, L., & Rayp, G. 2005. Do consumers care about ethics? Willingness to pay for fair-trade coffee. *Journal of Consumer Affairs*, 39(2): 363–385.

Demirtas, O., & Akdogan, A. A. 2015. The effect of ethical leadership behavior on ethical climate, turnover intention, and affective commitment. *Journal of Business Ethics*, 130(1): 59–67.

Dhanani, A., & Connolly, C. 2012. Discharging not-for-profit accountability: UK charities and public discourse. *Accounting, Auditing & Accountability Journal*, 25(7): 1140–1169.

Dillman, D. A., Smyth, J. D., & Christian, L. M. 2008. *Internet, mail and mixed-mode surveys: The tailored design method*. Hoboken: Wiley.

Eisenbeiss, S. A., Van Knippenberg, D., & Fahrbach, C. M. 2015. Doing well by doing good? Analyzing the relationship between CEO ethical leadership and firm performance. *Journal of Business Ethics*, 128(3): 635–651.

Falk, R. F., & Miller, N. B. 1992. *A primer for soft modeling*. Akron: University of Akron Press.

Fey, C. F., & Denison, D. R. 2003. Organizational culture and effectiveness: Can American theory be applied in Russia?. *Organization Science*, 14(6): 686–706.

Galbreath, J., & Shum, P. 2012. Do customer satisfaction and reputation mediate the CSR-FP link? Evidence from Australia. *Australian Journal of Management*, 37(2): 211–229.

Gupta, A., Briscoe, F., & Hambrick, D. C. 2016. Red, blue, and purple firms: Organizational political ideology and corporate social responsibility. *Strategic Management Journal*. doi:10.1002/smj.2550.

Hambrick, D. C., & Mason, P. A. 1984. Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2): 193–206.

Harman, H. H. 1967. *Modern factor analysis*. Chicago: University of Chicago Press.

Harrison, J. S., Bosse, D. A., & Phillips, R. A. 2010. Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal*, 31(1): 58–74.Harrison, J. S., & Wicks, A. C. 2013. Stakeholder theory, value, and firm performance. *Business Ethics Quarterly*, 23(1): 97–124.

Hemingway, C. A., & Maclagan, P. W. 2004. Managers' personal values as drivers of corporate social responsibility. *Journal of Business Ethics*, 50(1): 33–44.

Henseler, J., Ringle, C. M., & Sinkovics, R. R. 2009. The use of partial least squares path modeling in international marketing. *Advances in International Marketing*, 20(1): 277–319.

Ho, F. N., Wang, H. M. D., & Vitell, S. J. 2012. A global analysis of corporate social performance: The effects of cultural and geographic environments. *Journal of Business Ethics*, 107(4): 423–433.

Hofstede, G. 2001. *Culture's consequences*, 2nd ed. Thousand Oaks: Sage.

Jones, T. M. 1995. Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review*, 20(2): 404–437.

Jones, T. M., Felps, W., & Bigley, G. A. 2007. Ethical theory and stakeholder-related decisions: The role of stakeholder culture. *Academy of Management Review*, 32(1): 137–155.

Ju, M., & Zhao, H. 2009. Behind organizational slack and firm performance in China: The moderating roles of ownership and competitive intensity. *Asia Pacific Journal of Management*, 26(4): 701–717.

Lam, L. W., Huang, X., & Lau, D. C. 2012. Leadership research in Asia: Taking the road less traveled?. *Asia Pacific Journal of Management*, 29(2): 195–204.

Lin, H.-C., Dang, T. T. H., & Liu, Y.-S. 2016. CEO transformational leadership and firm performance: A moderated mediation model of TMT trust climate and environmental dynamism. *Asia Pacific Journal of Management*, 33(4): 981–1008.Lin, W. 2010. Nonprofit revenue diversification and organizational performance: An empirical study of New Jersey human services and community improvement organizations. Unpublished Doctoral dissertation, The State University of New Jersey, Newark.

Lin, X. W., Che, H. S., & Leung, K. 2009. The role of leader morality in the interaction effect of procedural justice and outcome favorability. *Journal of Applied Social Psychology*, 39(7): 1536–1561.

Ling, Y. H. 2013. The influence of intellectual capital on organizational performance—knowledge management as moderator. *Asia Pacific Journal of Management*, 30(3): 937–964.

Lyons, S. T., Duxbury, L. E., & Higgins, C. A. 2006. A comparison of the values and commitment of private sector, public sector, and parapublic sector employees. *Public Administration Review*, 66(4): 605–618.

Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, R. B. 2009. How low does ethical leadership flow? Test of a trickle-down model. *Organizational Behavior and Human Decision Processes*, 108(1): 1–13.Mayer, R. C., Davis, J. H., & Schoorman, F. D. 1995. An integrative model of organizational trust. *Academy of Management Review*, 20(3): 709–734.

McNeely, B. L., & Meglino, B. M. 1994. The role of dispositional and situational antecedents in prosocial organizational behavior: An examination of the intended beneficiaries of prosocial behavior. *Journal of Applied Psychology*, 79(6): 836–844.

Murtaza, N. 2012. Putting the lasts first: The case for community-focused and peer-managed NGO accountability mechanisms. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 23(1): 109–125.

Ngo, L. V., & O'Cass, A. 2012. In search of innovation and customer-related performance superiority: The role of market orientation, marketing capability, and innovation capability interactions. *Journal of Product Innovation Management*, 29(5): 861–877.

Nunnally, J. 1978. *Psychometric theory*, 2nd ed. New York: McGraw-Hill.

O'Fallon, M. J., & Butterfield, K. D. 2005. A review of the empirical ethical decision-making literature: 1996–2003. *Journal of Business Ethics*, 59(4): 375–413.

Parasuraman, A., Berry, L. L., & Zeithaml, V. A. 1991. Perceived service quality as a customer-based performance measure: An empirical examination of organizational barriers using an extended service quality model. *Human Resource Management*, 30(3): 335–364.

Podsakoff, N. P., Whiting, S. W., Podsakoff, P. M., & Blume, B. D. 2009. Individual-and organizational-level consequences of organizational citizenship behaviors: A meta-analysis. *Journal of Applied Psychology*, 94(1): 122–141.Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. 2003. Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5): 879–903.

Preacher, K. J., & Hayes, A. F. 2008. Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models. *Behavior Research Methods*, 40(3): 879–891.

Rest, J. R. 1986. *Moral development: Advances in research and theory*. Santa Barbara: Praeger.

RiskMetrics Group 2017. How to use KLD stats & ESG ratings definition. http://cdnete.lib.ncku.edu.tw/93cdnet/english/lib/Getting_Started_With_KLD_STATS.pdf, Accessed Jan. 18, 2017.

Rokeach, M. 1972. *Beliefs, attitudes, and values: A theory of organization and change*. San Francisco: Jossey-Bass.

Rokeach, M. 1973. *The nature of human values*. New York: Free Press.

Ruiz-Palomino, P., Martínez-Cañas, R., & Fontrodona, J. 2013. Ethical culture and employee outcomes: The mediating role of person-organization fit. *Journal of Business Ethics*, 116(1): 173–188.

Saffold, G. S. 1988. Culture traits, strength, and organizational performance: Moving beyond "strong" culture. *Academy of Management Review*, 13(4): 546–558.

Saxton, G. D. 2005. The participatory revolution in nonprofit management. *Public Manager*, 34: 34–39.

Schein, E. 2004. *Organizational culture and leadership*, 3rd ed. San Francisco: Jossey-Bass.

Schraeder, M., Tears, R. S., & Jordan, M. H. 2005. Organizational culture in public sector organizations: Promoting change through training and leading by example. *Leadership and Organization Development Journal*, 26(6): 492–502.

Schwartz, S. H., & Bilsky, W. 1987. Toward a universal psychological structure of human values. *Journal of Personality and Social Psychology*, 53(3): 550–562.

Scott, W. R. 1995. *Institutions and organizations*. Thousand Oaks: Sage.

Shaw, D., Grehan, E., Shiu, E., Hassan, L., & Thomson, J. 2005. An exploration of values in ethical consumer decision making. *Journal of Consumer Behaviour*, 4(3): 185–200.

Shin, Y., Sung, S. Y., Choi, J. N., & Kim, M. S. 2015. Top management ethical leadership and firm performance: Mediating role of ethical and procedural justice climate. *Journal of Business Ethics*, 129(1): 43–57.

Tippins, M. J., & Sohi, R. S. 2003. IT competency and firm performance: Is organizational learning a missing link?. *Strategic Management Journal*, 24(8): 745–761.

Treviño, L. K. 1990. A cultural perspective on changing and developing organizational ethics. In R. Woodman, & W. Passmore (Eds.). *Research in organizational change and development*: 195–230. Greenwich: JAI.

Treviño, L. K., Weaver, G. R., & Reynolds, S. J. 2006. Behavioral ethics in organizations: A review. *Journal of Management*, 32(6): 951–990.

Van der Stede, W. A., Young, S. M., & Chen, C. X. 2005. Assessing the quality of evidence in empirical management accounting research: The case of survey studies. *Accounting, Organizations and Society*, 30(7–8): 655–684.

Vauclair, C. M., Hanke, K., Fischer, R., & Fontaine, J. 2011. The structure of human values at the culture level: A meta-analytical replication of Schwartz's value orientations using the Rokeach value survey. *Journal of Cross-Cultural Psychology*, 42(2): 186–205.

Victor, B., & Cullen, J. B. 1988. The organizational bases of ethical work climates. *Administrative Science Quarterly*, 33: 101–125.

Werts, C. E., Linn, R. L., & Jöreskog, K. G. 1974. Intraclass reliability estimates: Testing structural assumptions. *Educational and Psychological Measurement*, 34(1): 25–33.

Wood, D. J. 1994. Essays in "the Toronto conference: Reflections on stakeholder theory" (T. Jones, Ed.). *Business & Society*, 33(1): 101–105.

Wu, L. Z., Kwan, H. K., Yim, F. H. K., Chiu, R. K., & He, X. 2015. CEO ethical leadership and corporate social responsibility: A moderated mediation model. *Journal of Business Ethics*, 130(4): 819–831.

Xu, E., Yang, H., Quan, J. M., & Lu, Y. 2015. Organizational slack and corporate social performance: Empirical evidence from China's public firms. *Asia Pacific Journal of Management*, 32(1): 181–198.

Zhu, Y., Sun, L. Y., & Leung, A. S. 2014. Corporate social responsibility, firm reputation, and firm performance: The role of ethical leadership. *Asia Pacific Journal of Management*, 31(4): 925–947.

Zollo, M., & Winter, S. G. 2002. Deliberate learning and the evolution of dynamic capabilities. *Organization Science*, 13(3): 339–351.

Lu Jiao (BCom, Macquarie University) is a PhD candidate at Macquarie University. Prior to his PhD candidature, Lu worked as an audit manager in professional accounting firms. His current research interests are leadership, business ethics, organizational learning, and stakeholder management.

Graeme Harrison (PhD, Macquarie University) is Emeritus Professor of Accounting in the Department of Accounting and Corporate Governance at Macquarie University. Graeme's research interests are in the areas of management accounting, international accounting, audit, and, more recently, stakeholder management and business ethics.

Maria Cadiz Dyball (PhD, The University of New South Wales) is an Associate Professor in Accounting at The University of Sydney, having previously worked at The University of New South Wales and Macquarie University. Maria's research is interdisciplinary and collaborative in nature, and, published in leading international journals. Her current research interests include management control systems, professional scepticism, and not-for-profit accountability.

Jinhua Chen (PhD, Macquarie University) is a Lecturer in Accounting at Macquarie University. Her main research interests are in the areas of stakeholder management, business ethics, organizational culture, and not-for-profit accountability.