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## RESEARCH ARTICLE

# Do foreign chief executive officers spend more on corporate social responsibility in Vietnam?

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## Abstract

Despite the burgeoning studies on corporate social responsibility, little is known about the influence of chief executive officer (CEO) foreignness on a firm's corporate social responsibility (CSR) expenditure. This study investigated the effect of foreign CEOs on CSR expenditure of local firms in Vietnam. In addition, we examined the moderating roles of firm reputation and customer demandingness on foreign CEO-CSR expenditure relationship. Results from data collected from 167 local firms in Vietnam indicate that CEO foreignness positively influences CSR expenditure. The results also revealed that greater levels of firm reputation and demanding customers moderate the effect of CEO foreignness and CSR expenditure. Implications for CSR scholarship and practice are discussed.

## KEYWORDS

CSR, customer demandingness, foreign CEO, local firms, reputation

## 1 | INTRODUCTION

Corporate responsiveness to sustainable development issues such as climate change, energy consumption, waste production, management of natural resources, loss of biodiversity, and land use continue to dominate the academic literature and the popular business press. For example, regulatory pressure, and increasing stakeholder activism continue to prompt many organizations to balance their economic performance with social and environmental practices (Melnyk et al., 2003). This makes corporate social responsibility (CSR) an essential obligation for firms.

Instructively, firms are motivated to proactively integrate CSR into strategy as CSR is considered a precursor for corporate growth (Adomako, 2020; Lartey et al., 2020). This development has prompted corporate organizations to pay attention to non-economic activities such as environmental, and social aspects of CSR improve their social standing (Danso et al., 2019; Danso et al., 2020). For example, firms attract customers and investors by increasingly utilizing their CSR matrix as a tool to show their moral behavior (Boso et al., 2017; Brown et al., 2006).

Indeed, firms across the globe are awash with increasing pressure from stakeholders to reconfigure their strategic orientation in response into their CSR agenda. This development has increasingly prompted firms to assess their overall proactive strategic stance toward the integration of social concerns into their strategic, tactical, and operational activities. It is the case that firms with stronger CSR orientation consider their overall strategies structures, processes and activities and tend to adopt a wide range of measures designed to reduce their negative impact on the natural environment (Branzei & Vertinsky, 2002; Kuckertz & Wagner, 2010; Miles & Munilla, 1993).

Theoretically, firms' effort to boost their social footprints have been associated with corporate sustainability performance (Wijethilake, 2017), through efficient use of resources, reduction of waste, and promotion of social reputation (Bhupendra and Sangle, 2015). Within the realm of the CSR literature, researchers have predicted that factors that improve a firm's corporate social performance. These include financial slack (Boso et al., 2017; Julian & Ofori-Dankwa, 2013), managerial attitudes (Adomako & Amankwah-Amoah, 2021; Roxas & Coetzer, 2012), managerial characteristics

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(Oware & Awunyo-Vitor, 2021; Walls & Berrone, 2017), and stakeholder pressure (Adomako & Tran, 2022; Nguyen & Adomako, 2021). In addition, the upper echelons theory suggests that top management (e.g., chief executive officers) plays an important role in the decision-making process which ultimately affects the performance of the firm (Hambrick, 2007; Hambrick & Mason, 1984). Yet, the CSR literature is relatively silent about the effects of CEO foreignness. Particularly, our understanding of how local firms led by foreign CEOs improve CSR practices is less understood. Thus, the main aim of the study is to explore the influence of foreign CEOs on local firms' CSR expenditure. In addition, we investigate the conditions under which CEO foreignness improves a firm's CSR expenditure. We test our research model utilizing data from 167 local firms in Vietnam.

Our study contributes to the CSR literature in two specific ways. First, by highlighting that foreign CEOs suffer from liability of foreignness, this paper extends our knowledge of the implications of CEO foreignness. While the extant literature shows that foreign firms face severe disadvantages relative to local firms (Zaheer, 1995), the effect of existence of such a liability at the individual level in predicting CSR expenditure is lacking. Specifically, our understanding of the effect of foreignness of individuals (e.g., CEOs) on the local firms' CSR expenditure is less understood. By extension, we close this gap by integrating the upper-echelons and CSR literature to demonstrate that CEOs are vitally important for firm outcomes (Bertrand et al., 2021). We contend that foreign CEOs in local firms have the potential to perceive and align the firm's strategic goals and targets in compliance with the institutionally directed sustainable and environmental regulations. Second, we add to the upper echelons literature by highlighting two conditions under which CEO foreign improves local firms' CSR expenditure. Our analysis shows that firm reputation and customer demand-iness are major boundary conditions of CEO foreignness. Thus, our study extends the CSR literature by considering their impacts on firm-level and industry conditions of the link between CEO foreignness and CSR expenditure.

## 2 | THEORETICAL BACKGROUND AND HYPOTHESES

### 2.1 | CSR and sustainable development

CSR is considered a hot topic in management research (Mittelstaedt et al., 2014). As such, there has been an increasing pressure on developing country firms to publish their CSR footprints due to increasing cases of environmental disasters, including the gold mine explosion in Bogoso in Ghana, Bhopal gas explosion in India, and environmental degradation in the Niger Delta. These developments have prompted many developing countries to sign up to the UN's Global Impact. This global impact requirement holds firms accountable social and environmental problems.

Sustainable development is considered as the firm's at "meeting the need of the future without compromising its ability to meet the needs of future stakeholders" (Brundtland, 1987, p. 12). Instructively,

economic, environmental and social domains constitute the three pillars of sustainable development (Dhahri & Omri, 2018; Hansmann et al., 2012). These are collectively labeled as the triple bottom line (TBL). The TBL has been described as a sustainable perspective that seeks to balance economic, social, and environmental performance of firms. A firm's ability to collectively improve its TBL has found to create value for profits, planet, and people (Elkington, 1997). It has been established that sustainable development is critical for creating long-term benefits for organizations (Guerrero-Villegas et al., 2018; Gupta & Gupta, 2020).

By integrating CSR concerns into the business processes firms could reduce their environmental problems on the natural environment (Burke & Logsdon, 1996; Hall & Wagner, 2012). Firms can voluntarily integrate environmental, and social programs that extend the minimum legal requirements. For example, business survival cannot only be derived from economic benefits but it also depends on environmental and social impacts (Adomako, 2020; Wichaisri & Sopadang, 2018). This suggests that business sustainability is derived from economic value, environmental and stakeholder engagement. Concerns related to environmental regulations reflect the control of environmental management to reduce the firm's impact on the environment (Hills, 2002). As such, firms tend to link regulatory policy to their environmental strategy (Lloret, 2016; Wichaisri & Sopadang, 2018). Relatedly, the social dimension of the TBL reflects a complex action related to several criteria of hum activity. These include moral, ethical, and political activities that could be used to measure CSR at the corporate level (Dillard et al., 2008; Santiteerakul et al., 2015).

### 2.2 | CEO foreignness and CSR

The upper echelons theory suggests that top management characteristics significantly influence a firm's decisions (Hambrick & Mason, 1984). Relatedly, the top management teams are often influential in fostering firms' environmental activism (Sharma, 2000; Zhang et al., 2020). Thus, the extent to which a firm invests in CSR is heavily dependent on CEOs' attitudes toward environmental issues (Aragón-Correa, 1998). Accordingly, we contend that a clearer understanding of a firm's CSR expenditure can be obtained by highlighting the role of CEO foreignness. Foreign CEOs are typically considered as out-group leaders relative to local CEOs. To overcome this and to collaborate successfully with stakeholders, foreign CEOs must do more to be appreciated in the society in which their firms operates (Hogg et al., 2012). Foreign CEOs can overcome their out-group character and improve their trustworthiness by demonstrating their benevolence (Mayer et al., 1995). The social identity literature argues that information about morality is sought when trustworthiness of out-group members is being assessed (Brambilla et al., 2011; Wojciszke et al., 1998).

In this study, we argue that local firms with foreign CEOs can overcome the intergroup bias though CSR practices. Improving the firm's CSR footprint can help influence stakeholders' judgment in

unsustainable related domains. By increasing its CSR practices which signifies a higher level of social performance, firms contribute to society (Bapuji et al., 2018). Moreover, CEOs with foreign exposure can aid the adoption of similar CSR practices in local firms. Prior studies show that distinct attributes of top executives (e.g., foreign exposure) can help in effectively enhancing firms' organizational outcomes (Giannetti et al., 2015; Sarfraz et al., 2020). Thus, we expect that local firms led by foreign CEOs will allocate much resources to CSE practices. Therefore, we suggest that:

**H1.** : *CEO foreignness is positively associated with CSR expenditure.*

## 2.3 | The moderating role of firm reputation

In addition to H1, we argue that good firm reputation moderates the impact of CEO foreignness on CSR expenditure. Given that foreign CEOs must overcome out-group bias associated with being a foreigner (Bertrand et al., 2021; Brewer, 1999), they are likely to use their firms' reputation to collaborate with stakeholders through environmental activities. This is because good firm reputation has positive impact on range of stakeholders. First, good firm reputation tends to elicit positive response from customers who patronize the firm's products and services. For foreign CEOs to overcome their liability of foreignness, they need to portray that quality and value of a firm's offerings by spending on CSR practices (Carter et al., 2021). Second, the positive perception of economic value of the firm's products and services is reflected in the identity of the customer's CSR actions (Godfrey et al., 2009; Hansen et al., 2008). Good firm reputation improves is likely to improve foreign CEOs' relationship with stakeholders such as customers and community leaders. For example, good reputation can help in attracting and retaining customers (Roberts and Dowling, 2002) who cherish sustainable products. In addition, consumers only value authentic CSR activities (Chernev & Blair, 2015). Firm reputation in connection with CEOs' foreign exposure could factor into consumer considerations of the firm's sustainable products. Third, firm reputation may explain the integrity of CEOs actions such as CSR practices. It is the case that foreign CEOs leading reputable firms will engage in CSR initiatives, including CSR reporting, to strengthen their legitimacy (Alon & Vidovic, 2015; Carroll & Shabana, 2010). For example, the signaling theory suggests that stakeholders are mostly exposed to the firm's signals and these signals signify the extent of effectiveness of the firm paying attention to stakeholder concerns such as environmental problems (Lourenço et al., 2014). With good reputation, the firm's foreign CEO is likely to pay attention to CSR issues as way to protect the good reputation of the firms and also to satisfy external stakeholders recognize the firm's substantive commitment to CSR. Thus, we predict that:

**H2.** : *The higher the firm reputation, the stronger the effect of CEO foreignness will be on CSR expenditure.*

## 2.4 | The moderating role of customer demandingness

Customer demandingness signifies the degree to which customers require superior product or service performance (Zhou et al., 2007). To extend existing knowledge on the CEO foreignness -CSR expenditure relationship, we claim that under conditions of high customer demandingness, CEO foreignness would be positively related to CSR expenditure. In other words, we assert that increases in CEO foreignness is associated with increases in CSR expenditure to the extent that the relationship is more positive when customer demandingness is high. In such a market, it the case that firms should develop a solid understanding of its target customers to deliver superior value to them (Adomako et al., 2019; Zhou et al., 2007).

Whether a firm is operating in developed or developing economy setting, the impact of CEO foreignness on CSR expenditure may be positive when there is an increased demand from customers on firms to spend more on sustainability (Adomako et al., 2021). To the extent that when pressure coming from customers increases, this presents another form of market vitality to firms, such that accumulating foreign experience by leaders allows them to radically pursue CSR activities. This is because pressure from immediate market stakeholders such as customers can prompt foreign CEOs to spend on CSR issues. Our contention is that in an environment characterized by higher customer demandingness, a firm has limited options to ignore greater expenditure on CSR. In addition, when customers increasingly demand for sustainable production of products and services, foreign CEOs of a firm may be better served by committing more financial resources to CSR activities. Thus, we argue that when customers demand greater firm involvement in CSR activities, it may then become the case that the basis for sustaining superior competitive advantage may be predicated on firms' level of expenditure on CSR causes. Accordingly, we posit that:

**H3.** : *The more demanding the customers, the stronger the effect of CEO foreignness will be on CSR expenditure.*

## 3 | METHOD

### 3.1 | Sample and data collection

The data were derived from the Vietnam "Yellow Pages" database. The database contained up to date information of firms in Vietnam. The data were collected from senior executives (i.e., chief executive officers [CEOs], and heads of finance). Specifically, CEOs answered questions on CEO foreignness, corporate reputation, customer demandingness and the control variables in time 1 (T1, June 2020). In time 2 (T2, December, 2020) finance managers responded to CSR expenditure questions. The sample consisted of 500 medium-to-large firms which were purposely selected and contacted via telephone to elicit their participation in the study.

**TABLE 1** Constructs, measurement items and reliability and validity tests

Description of items	Loadings (t-values)
<b>Corporate reputation:</b> $\alpha = 0.90$ ; $CR = 0.91$ ; AVE = 0.65	
In general, our organization has a good reputation	0.76 (1.00)
We are widely acknowledged as a trustworthy organization	0.78 (11.88)
This organization has a reputation for selling high-quality products and services	0.90 (14.77)
Our company has a reputation for complying with all laws on the hiring of employees and administration of benefits	0.85 (13.89)
Our employees have the reputation of providing full and accurate information to all customers	0.79 (12.35)
Our company is known for giving active support to programs working in good social causes	0.77 (10.23)
<b>Customer demandingness:</b> $\alpha = 0.92$ ; $CR = 0.93$ ; AVE = 0.80	
Our customers belong to a very exclusive class whose needs are unique	0.90 (1.00)
Our customers are very particular about the product they buy	0.95 (24.05)
We would not succeed in this market without providing excellent products	0.83 (18.70)
<b>CSR expenditure:</b> $\alpha = 0.89$ ; $CR = 0.90$ ; AVE = 0.75	
Percentage of return on investment spent on social responsibility activities	0.87 (1.00)
Percentage of total annual profits spent on social responsibility activities	0.86 (16.90)
Percentage of annual sales spent on social responsibility activities	0.88 (17.87)
<b>Financial performance:</b> $\alpha = 0.86$ ; $CR = 0.87$ ; AVE = 0.68	
Return on assets	0.81 (1.00)
Return on investment	0.87 (19.60)
Return on sales	0.80 (17.86)

The CEOs of the 500 firms operating in the manufacturing industry were contacted with a letter explaining the purposes of the study and requesting them to participate in the study. The CEOs were promised that all information would be kept in confidence. One month after the letter had been sent, the questionnaires were distributed to the CEOs of the selected firms and agreed on the date for collecting the completed survey. The data were collected by going door-to-door with a questionnaire delivered in person. In T1, 250 responses were obtained with 175 being useable. This represents a 35% response rate. To attenuate potential multicollinearity associated with single-source surveys (Podsakoff et al., 2003), finance managers of the 175 firms were approached with a questionnaire in person to capture CSR expenditure measures in T2. All the 175 firms participated in the second survey in T2 but only

167 firms in T2 were useable. Thus, the final matched sample of 167 (33.40%), were used for the analysis.

## 3.2 | Measures

Unless otherwise clarified, all the measures were derived from prior studies and were capture on a seven-point Likert scale ranging from 1 = “strongly disagree” to 7 = “strongly agree.” Table 1 presents the specific items used to measure the constructs.

### 3.2.1 | CEO foreignness

We measured CEO foreignness by using a dummy variable which was coded as follows: 1 = if the CEO was born in a country other than the context of the study (i.e., Vietnam), and 0 otherwise. This approach is consistent with previous studies (e.g., Bertrand et al., 2021).

### 3.2.2 | Corporate reputation

We capture corporate reputation with six items from previous studies (Fombrun et al., 2000; Rettab et al., 2009).

### 3.2.3 | Customer demandingness

Previous studies define customer demandingness as the extent to which customers require superior product or service performance (Li & Calantone, 1998; Zhou et al., 2007). Accordingly, three items from Zhou et al. (2007) were used to measure customer demandingness.

### 3.2.4 | CSR expenditure

We followed previous Boso et al. (2017) to capture firms' expenditure on CSR issues. Specifically, we asked finance managers to indicate the percentage of (1) return on investment, (2) total annual profits, and (3) annual sales spent on social responsibility activities.

### 3.2.5 | Controls

Several variables were controlled for to attenuate their influence on the research model. These are industry type (dummy for high technology = 0; low technology = 1), firm size (i.e., measured as the logarithm transformation of the total full-time employees), firm age (measured as the logarithm transformation of the number of years since the company was inception), and financial slack (measured as an average of previous year return on sales and return on equity and net profit). Finally, we controlled for CEO age and financial performance (i.e., return on assets, return on investment, and return on sales).

**TABLE 2** Descriptive statistics and correlations

Variables	1	2	3	4	5	6	7	8	9	10
Firm size (log)										
Firm age (log)	−0.09									
Industry	−0.03	−0.08								
Financial slack	0.01	0.01	0.00							
Financial performance	0.22**	0.28**	0.16*	0.32**						
CEO age	−0.03	−0.04	−0.05	−0.03	−0.06					
CEO foreignness	0.14	−0.04	0.14*	0.22**	0.19**	−0.03				
Corporate reputation	−0.12	−0.09	0.03	0.11	0.23**	0.22***	0.27**			
Customer demandingness	−0.04	−0.14*	0.22**	−0.11	−0.13	−0.05	−0.03	0.28**		
CSR expenditure	0.04	0.03	0.16*	0.44**	0.33**	−0.17*	0.15*	0.14*	0.19**	
Mean	5.33	3.56	0.39	3.46	4.77	51.86	0.41	4.66	4.45	3.47
SD	0.99	0.79	0.49	0.93	0.42	9.14	0.51	0.37	0.41	1.21

Note: Industry: 1 = High technology manufacturing, 0 = low technology manufacturing.

\* $p < 0.05$ , \*\* $p < 0.01$ .

### 3.3 | Common method bias, validity, and reliability assessment

In this study, potential threat of common method variance influencing our data were assessed by employing two main procedures. First, the procedure suggested by Lindell and Whitney (2001) was followed. Accordingly, an item that has no conceptual ties with any of the constructs used in our study was identified (i.e., “I like the color green”). Insignificant correlations ranging from  $-0.01$  to  $0.04$  were recorded. Second, following Podsakoff et al. (2003), a single common latent factor was included in the model. The results show that the path coefficient of the main model did not change after the inclusion of the model without common method factor. The model without common method factor yielded the following results:  $\chi^2/df = 4.33$ , CFI = 0.96, RMSEA = 0.05, Tucker-Lewis index (TLI) = 0.94 whilst the model with common method factor produced the following results:  $\chi^2/df = 4.19$ , CFI = 0.95, RMSEA = 0.03, TLI = 0.98. In addition, the items loaded more strongly on their respective constructs than on the latent common method factor. Overall, the results of both tests show that common method bias does not substantially affect the results of the study.

Subsequently, a confirmatory factor analysis (CFA) with LISREL 9.31 was performed to detect any problematic items the constructs. Table 1 presents the final list of items, their sources, their respective standardized factor loadings and t-values and results of reliability and validity tests. The results show a good fit to the data:  $\chi^2/df = 3.15$ ; RMSEA = 0.03; NNFI = 0.95; TLI = 0.98 and CFI = 0.99. Next, the reliability and validity of the measures were assessed with Cronbach alpha, average variance extracted (AVE), and composite reliability (CR). As reported earlier, the Cronbach's alpha values were greater than the suggested cut-off value 0.70 for all measures (Fornell & Larcker, 1981). All values for CR were significantly larger than 0.60, the level considered as evidence for convergent validity (Bagozzi & Yi, 2012).

The discriminant validity was assessed by running a series of comparison tests to investigate differences in chi-square of the main model against a series of restricted models. The results confirmed that each model is distinct. In addition, we utilized the approach suggested by Fornell and Larcker (1981) to assess discriminant validity. Thus, we inspected whether AVE was larger than the highest shared variance (HSV) for each pair of constructs. Results show that for each construct, the AVE exceeded the HSV between each pair of constructs, suggesting discriminant validity for our constructs.

## 4 | MODEL ESTIMATION AND RESULTS

The moderated hierarchical regression analysis was used as the main estimation procedure in testing the hypotheses. Prior to the min regression analyses, we assessed normality using a Kolmogorov-Smirnov test. The result of our normality test supports the assumption of univariate normality. All the continuous variables were mean before creating the interaction terms. Post regression analyses show that multicollinearity has no influence on our findings as the largest variance inflation factor (VIF) is 3.17, which is well below the suggested cut-off value of 10 (Neter et al., 1990).

The means, SD, and correlations for the model variables are presented in Table 2. Table 3 provides the results of the hierarchical regression models for CSR expenditure. The interactions are graphed in Figures 1–3. The results are presented in relation to the individual hypotheses. Model 1 contains the control variables. Model 2 presents the main effects variables. Hypothesis 1 argued that CEO foreignness would be positively related to CSR expenditure. The results in Table 3 indicate that H1 ( $\beta = 0.14$ ,  $p < 0.05$ , Model 2) received support. Hypothesis 2 proposed that firm reputation moderates the relation between CEO foreignness and CSR expenditure such that the relationship is strengthened at greater levels of firm reputation. The results in Table 3 show that H2 ( $\beta = 0.32$ ,  $p < 0.01$ , Model 4) is



supported. Hypothesis 3 argued that the effect of CEO foreignness on CSR expenditure performance is moderated by customer demandingness such that the relationship is amplified (i.e. more positive) when customer demandingness is greater. The results in Model 4 show that H3 is supported ( $\beta = 0.35, p < 0.01$ ). To facilitate interpretation of our results, we also plotted the interactions at  $\pm 1$  SD using the mean-centered values (Cohen et al., 2003). The graphical representation of the interaction in Figure 1 indicates that the positive effect CEO foreignness on CSR expenditure is higher when firm reputation is greater. This confirms Hypothesis 2. In addition, Figure 2 also shows that the positive effect of CEO foreignness on CSR expenditure is stronger when customer demandingness is greater. This provides additional support for Hypothesis 3.

#### 4.1 | Robustness tests

to substantiate the robustness of the findings, alternative regression models were estimated using environmental performance (Russo & Fouts, 1997) as a dependent variable. Findings remain largely same. Specifically, CEO foreignness was positively related to environmental performance ( $\beta = 0.19, p < 0.01$ ). The moderating effect of firm reputation on environmental performance was as hypothesized ( $\beta = 0.30,$

$p < 0.01$ ). In addition, the results show that customer demandingness positively moderates the relationship between CEO foreignness and environmental ( $\beta = 0.29, p < 0.01$ ). Thus, the findings of the moderating hypotheses compared to the main regression models remained stable in terms of magnitude, direction, and significance.

Finally, we followed Zafarian et al. (2017) and employed a two-stage least squares (2SLS) estimation approach to account for endogeneity in the data. First, CEO foreignness was regressed on CSR expenditure and the unstandardized residuals were saved. Second, we used the residuals as the independent variable relative to CEO foreignness. The results show that the effect of CEO foreignness<sub>residual</sub> on CSR expenditure is not significantly different from our initial results (Table 3), suggesting that endogeneity between passion and firm profit is unlikely (Hamilton et al., 2003).

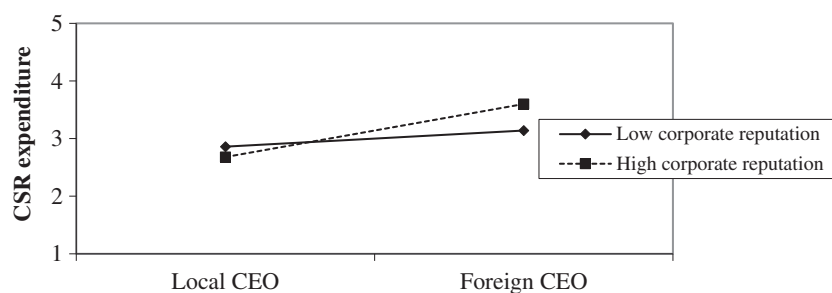
In Model 5, the effect of a three-way interaction between CEO foreignness, firm reputation, and customer demandingness on CSR expenditure was estimated. The findings show that the coefficient of the three-way interaction term is positive and significant ( $\beta = 0.44, < 0.01$ ). The significant change in  $R^2$  shows a significant improvement in model fit from Model 4 to Model 5. This suggests that the three-way interaction term provides an additional explanation of the variation in CSR expenditure. Due to the difficulty associated with interpreting a three-way interaction based solely on the

**TABLE 3** Regression results for hypotheses tests

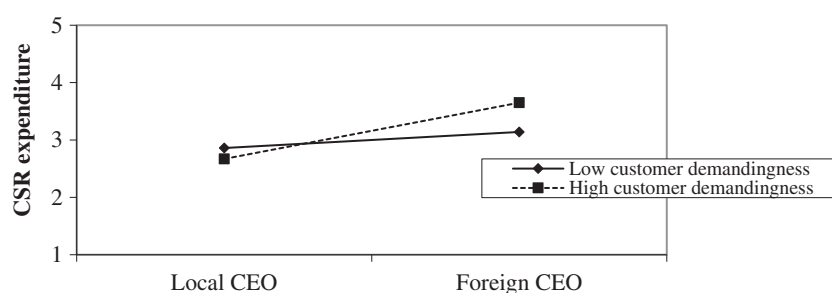
Independent variables	Dependent variable: CSR expenditure (N = 167)					Results summary
	Model 1	Model 2	Model 3	Model 4	Model 5	
Firm size (log)	0.03	0.04	0.05	0.03	0.03	
Firm age (log)	0.04	0.03	0.03	0.05	0.01	
Industry	0.14**	0.14**	0.15***	0.15***	0.17***	
Financial slack	0.39***	0.36***	0.35**	0.34**	0.33***	
Financial performance	0.22***	0.21***	0.19***	0.19***	0.14**	
CEO age	−0.05	−0.04	−0.04	−0.04	−0.03	
<i>Direct effects</i>						
H1: CEO foreignness		0.14**	0.14**	0.13**	0.15***	Supported
Corporate reputation (CR)			0.14**	0.12*	0.13**	
Customer demandingness (CD)			0.16***	0.17***	0.18***	
<i>Two-way interaction effects</i>						
CR x CD				0.18***	0.16***	
H2: CEO foreignness * CR				0.32***	0.29***	Supported
H3: CEO foreignness * CD				0.35***	0.33***	Supported
<i>Three-way interaction effect</i>						
CEO foreignness * CR * CD					0.44***	
<i>Model fit statistics</i>						
F-value	1.11*	2.91**	6.29***	8.76***	9.67***	
$R^2$	0.09	0.13	0.16	0.19	0.24	
$\Delta R^2$	-	0.04	0.03	0.03	0.05	
Largest VIF	1.60	1.67	2.09	2.11	3.17	

\* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ , standardized coefficients are shown.

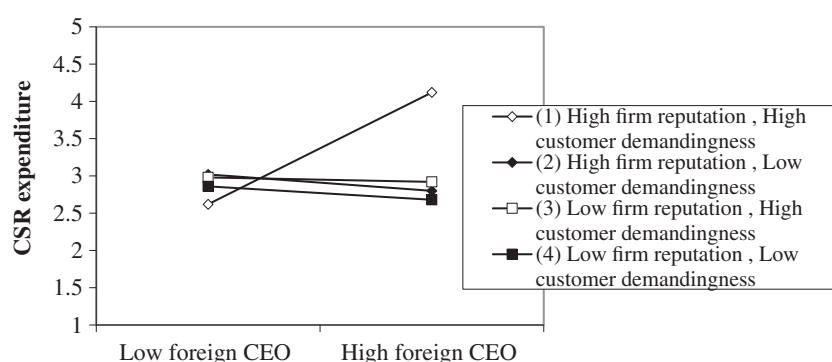
**FIGURE 1** Interaction effect of CEO foreignness with firm reputation on CSR expenditure



**FIGURE 2** Interaction effect of CEO foreignness with customer demandingness on CSR expenditure



**FIGURE 3** Interaction effect of CEO foreignness, firm reputation, and customer demandingness on CSR expenditure



coefficient value, the three-way interaction was plotted in Figure 3, again utilizing the approach advanced by Cohen et al. (2003). Findings indicate that CSR expenditure is amplified significantly at greater levels of CEO foreignness, firm reputation, and customer demandingness. On the contrary, under conditions of low CEO foreignness, low firm reputation and low customer demandingness, CSR expenditure is significantly reduced.

## 5 | DISCUSSION AND CONCLUSION

This article was designed to investigate the impact of foreign CEOs on CSR of local firms in a developing country context. It also explored the moderating role of firm reputation and customer demandingness on the relationship between CEO foreignness and CSR expenditure. Results from a sample of 167 local firms operating in Vietnam shows that all our hypotheses are supported. Specifically, CEO foreignness improves CSR expenditure of local firms and this relationship is bolstered when firm reputation is high. In addition, at greater of customer demandingness, the impact of CEO foreignness on firms' CSR is

greater. These findings contribute to the CSR literature in several ways.

### 5.1 | Theoretical implications

First, our finding that CEO foreignness improves CSR expenditure of local firms extends our understanding of the role of CEOs in the CSR literature (e.g., Khan et al., 2021; Sarfraz et al., 2020). Previous research shows that CEOs have a significant impact on CSR activities (Bertrand et al., 2021; Huang, 2013) and corporate social performance (Bernard et al., 2018; Hrazdil et al., 2021). For example, Bernard et al. (2018) show that CEO tenure improves CSR activities. In spite this contribution, we know little about the impact of foreign CEOs on CSR expenditure in developing countries. Our study contributes to filling this gap in the CSR literature. By extension, we investigate the implications of CEO foreignness for a firm's CSR activities. In doing so, we respond to the call for more research on the predictors of CSR expenditure (Young & Makhija, 2014). This response adds to the recent studies on CSR (Bertrand et al., 2021; Pisani et al., 2017). Our second





contribution stems from the examination of the conditions under which CEO foreignness is more or less pronounced in CSR expenses. While it can be argued that the direct of CEO foreignness on CSR expenses holds in Hypothesis 1, there might be some factors that could improve or attenuate this linkage. In this study, we show that firm reputation and customer demandingness are boundary conditions of CEO foreignness. These findings extend the upper echelon literature (Hambrick & Mason, 1984; Yamak et al., 2013) by highlighting a firm-level (firm reputation) conditions under which CEOs foreignness enhances a firm's level of CSE expenditure. Finally, research studies investigating the role of industry environment in explaining the influence of upper echelon is still nascent (Yamak et al., 2014). By investigating the moderating impact of customer demandingness, we contribute to a more fine-grained understanding of how the industry environment in which the local firm and its CEO are embedded influence CSR expenditure.

## 5.2 | Practical implications

Apart from the theoretical implications, our findings have practical implications that are useful to managers and policymakers. First, the finding that foreign CEOs are better in addressing CSR issues should be important for stakeholders of firms. In particular stakeholders could consider that the effect of CEOs on CSR practices to judge which CEO is doing well or nor. In addition, stakeholder can build more harmonious relationships with their CEOs and the upper echelon through collaboration and cohesion. Second, our results showed that firm reputation matters in the CEO foreignness- CSR relationship. The implication is that for CEOs to perform better in CSR activities, the firm's reputation counts. Hence, firms that cultivate strong reputation to help foreign CEO improve the firm's CSR footprint. Finally, these findings are particularly important for local firms operating in developing countries that are looking to improve their CSR footprints. The implication is that apart from resources that can improve CSR efforts of firms (e.g., Boso et al., 2017; Knight et al., 2019), CEOs are equally important when customer demandingness is higher in the environment in which the business operates. This is particularly relevant for firms operating in less developed countries to enhance CSR performance. The implication is that firm owners who are particularly interested in improving CSR should pay attention foreign CEOs when deciding on the type of CEO to appoint.

## 6 | LIMITATIONS AND FUTURE RESEARCH DIRECTION

This paper has some limitations that should be taken into consideration when interpreting the results. First, a cross-sectional data was used for the analyses and this made it impossible to make causal claims. Although, the hypotheses were derived based on extant theory, future studies should use longitudinal design to be able to make causal effects with confidence. Second, this study focuses on medium

to large firms. However, since larger firms are more resourceful, their CEOs can spend more on CSR. As such, future research should investigate the influence of a CEO foreignness on CSR expenditure in small firms. Third, the effects of psychological variables such as tolerance for risk, and regulatory focus of CEOs were not controlled for in this study. These variables may affect a firm's degree of CSR expenditure. To improve the internal validity of future research, these variables should be controlled for. Third, we did not address the extent to which foreign firms' CEOs enhance CSR expenditure. In addition, our understanding of the contingent role of dynamic capabilities on the relationship between CEO foreignness and CSR expenditure is limited. Future studies may draw on the dynamic capabilities framework to explain the moderating role firm-level capabilities on the CEO foreignness-CSR expenditure linkage.

In spite of these limitations, this study provides empirical evidence that shows that foreign CEOs tend to spend more on CSR issues in developing country context compared with their local counterparts. Our results also indicate that firm reputation and customer demandingness are important moderators that condition the effect of CEO foreignness on firms' CSR expenditure in developing countries. Overall, the outcomes from this study extend the environmental CSR literature in several ways. Particularly, our findings contribute to CSR research by explaining how and when foreign CEOs improve CSR in developing countries.

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