THE EFFECT OF CEO TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL ETHICAL CULTURE ON CORPORATE SUSTAINABILITY PRACTICE OF FIRMS IN THAILAND

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ABSTRACT

Title of Dissertation	THE EFFECT OF CEO TRANSFORMATIONAL LEADERSHIP AND ORGANIZATIONAL ETHICAL CULTURE ON CORPORATE SUSTAINABILITY PRACTICE OF FIRMS IN THAILAND
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Modern academics and practitioners view corporate sustainability as a new benchmark in the business world that companies should adopt. However, many companies are reluctant to practice corporate sustainability seriously due to the high costs that may not justify business goals. Thus, this research hopes to investigate the determinant of corporate sustainability practices and the benefits that firms can gain from such practices. A number of past studies have been conducted in relation to sustainability considerations. Nonetheless, many of these studies focused on a single dimension of sustainability, usually either the social dimension or environmental dimension. Similar and overlapping concepts such as CSR and environmental management have also been studied extensively, but there is a limited number of existing researches that focus on the concept of "sustainability". To fill these gaps, the framework of the Triple Bottom Line is adopted as a basis in this study to conceptualize sustainability into three dimensions: environmental, social, and economic. This research studies the role of CEO transformational leadership and organizational ethical culture as a determinant of corporate sustainability practices of companies in Thailand. Particularly, the mediating effect of organizational ethical culture is examined on the relationship between CEO transformational leadership and corporate sustainability practices. Moreover, this research also analyzes the contribution of corporate sustainability practice on corporate reputation and firm performance. The Upper Echelons is employed as a key theory of this research to explain the role of top management on firm outcomes. The data were obtained from a total of 200 firms through online questionnaires surveys. Partial least squares structural equation modeling was used for the data analysis. The research has provided the following findings. First, the result confirms that CEO transformational leadership and organizational ethical culture positively and significantly determine all the three dimensions of corporate sustainability practices. Second, the result reveals that organizational ethical culture mediates the relationship between CEO transformational leadership and all three dimensions of corporate sustainability. Third, the result shows that all three dimensions of corporate sustainability positively and significantly determine corporate reputation. Fourth, corporate reputation positively and significantly determines firm performance. Lastly, corporate reputation is also found to mediate the linkage between all three dimensions of corporate sustainability practice and firm performance. The main managerial implication drawn from this research is that the top management should consider sustainability practices as part of key strategic initiatives of their firm. Corporate sustainability practices do not only help reducing the world's sustainability problems but can also be perceived as an important driver of business performance. Furthermore, this research suggests that top management can promote the success of sustainability implementation by enhancing transformational leadership characteristics of the top management members and by facilitating an organizational culture that foster employees' perception towards ethics and the importance of acting responsibly with firm's stakeholders.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The concept of sustainability has been gaining more and more attention from the modern academics and practitioners around the globe, including the governments, researchers, policy makers, companies, media, and consumers (Kumar & Christodoulopoulou, 2014; Martínez & Rodríguez del Bosque, 2014). Especially in the business sector, globalization has impelled a growing number of companies to adopt sustainability practices as a competitive advantage and as a mean for securing future of the business (C. Adams & Zutshi, 2004; Cronin, Smith, Gleim, Ramirez, & Martinez, 2011; S. Gupta & Kumar, 2013; King, 2002; López, Garcia, & Rodriguez, 2007; Lubin & Esty, 2010; Martínez & Rodríguez del Bosque, 2014; Waldman, De Luque, et al., 2006). Whilst the orthodox paradigm of business operation would use resources purely for profitability, contemporary management has raised concern over the balance consumption of resource (Kumar & Christodoulopoulou, 2014). Firms that seek primarily to maximize its profits will not be able to survive in the long run, and that profit and purpose to give value to the society will need to coexist for firm's continual prosperity (Govindarajan & Srinivas, December 28, 2012; Kumar & Christodoulopoulou, 2014). This shifted paradigm has driven expectation and transformation in the company level and industry level toward the sustainability initiatives.

Some major institution that provides support in sustainability practice is the Global Reporting Initiatives (GRI), which work with companies around the world to produce sustainability performance report aiming to encourage positive impact to the global resources and community (GRI, 2016; Martínez & Rodríguez del Bosque, 2014). Another institution is the Sustainability Consortium, which is a non-profit organization that provides support to companies in the consumer goods sector to enhance sustainability of the production process and output (C. Adams & Zutshi, 2004; Martínez & Rodríguez del Bosque, 2014). The MIT Sloan Management Review also gives a section of its magazine to sustainability topic (Martínez & Rodríguez del Bosque, 2014). Additionally, there has been an emergence of sustainability indexes in financial markets such as the launch of Dow Jones Sustainability (DJSI) Indices in 1999, which is the most well-known global sustainability benchmarks often used as a reference for investors who seek sustainability investing (SAM, 2019). Other countries around the world are also adapting themselves towards the trend such as the launch of Thailand Sustainability Investment (THSI) index by the Stock Exchange of Thailand in 2015 (The Stock Exchange of Thailand, 2020b). In terms of sustainability standards, there has been a release of International Organizations of Standards (ISO) 26000 series for social responsibility which guides how organization can operate in an ethical way that enhance the health and welfare of the society (Sroufe & Gopalakrishna-Remani, 2019). There is also a de facto standard called GRI standards that guides best practice for corporation to measure and report sustainability practices, with currently more than 10,000 companies are adopting GRI (Sroufe & Gopalakrishna-Remani, 2019). More than ever, sustainability has been seen as one of the key business strategies that firms must adapt and adopt (López et al., 2007; M. E. Porter & Kramer, 2006). In brief, the core of sustainability in modern management emphasizes on taking responsibilities towards the environment and the society, in addition to the responsibility towards the shareholders (Kumar & Christodoulopoulou, 2014).

The foundation principle behind sustainability concept is that, as the world population is growing, the total consumption on the global finite resources is increasing significantly (Baldassarre, Calabretta, Bocken, & Jaskiewicz, 2017). The rate of consumption and the rate of production are imbalance, which is regarded as unsustainable. This results in the negative impacts to the environment, such as scarce resources and climate change, as well as to the society, such as the global income inequality and human rights issues (Baldassarre et al., 2017; Rodriguez, Ricart, & Sanchez, 2002). Companies have been receiving a vast attention in sustainability topic because they are considered as the major contributors to the adverse and irreversible impacts on ecological environment and societies (Cannon, 1994; Dunphy, Griffiths, & Benn, 2003; Elkington, 2002; Hart, 1997; Weerts, Vermeulen, & Witjes, 2018). Even among consumers, there has been an increasing realization regarding how businesses are taking such responsible actions (Barkley and FutureCast, 2017; Barton, Ishikawa, Quiring, & Theofilou, 2018; S. Gupta & Kumar, 2013; Rondinelli & Berry, 2000). According to Nielsen (2018), the conference board global consumer confidence survey of quarter 2 in 2017 has revealed that 81% of the global respondents stated that it is very important for companies to help improve the environment. A survey from Barton et al. (2018) showed that if the positioning of companies toward environmental and social issues do not match consumer expectations, 42% of the consumers will walk away from the brand and 21% will likely never return. A survey by Barkley and FutureCast (2017) also illustrated that consumers care about how companies are positively impacting the broader community, including employee wages and policies, community support, manufacturing statements and more. As a consequence, many companies (such as Starbucks, Nokia, Johnson & Johnson, and Walmart) have initiated sustainability implementations into their organizations by means such as establishing policies, procedures, and processes to consume less resource, reduce pollution, and engage more with social relation activities (A. Crane, 2000; Kumar & Christodoulopoulou, 2014; Linnenluecke & Griffiths, 2010). Nonetheless, even though many companies are embracing sustainability practice into their business and organization, there are still a great deal of social and environmental problems that need to be solved (Kumar & Christodoulopoulou, 2014) and some scholars also insist that the initiatives are not adequately effective for a truly sustainable industry (Hart & Milstein, 1999; Linnenluecke & Griffiths, 2010; Senge, Carstedt, & Porter, Winter, 2001).

According to IRP (2017), it is expected that the consumption of material resource, which was expected to reach 89 billion tons in 2017, may be more than double between 2015 and 2050. Even if products have been designed to become more recyclable and environmental-friendly, the recycling rate occurs is still relatively minimal (Kumar & Christodoulopoulou, 2014). According to Geyer, Jambeck, and Law (2017), around 6,300 Mt (Megaton) of plastic waste were generated between 1950 and 2015, which only 10% of the waste have been recycled. In addition, the growth of the economy along with the use of product packaging in trading and marketing have also been directly proportional to the rise of plastics waste amount accumulated in landfills, seas, and oceans (Kamperman Sanders et al., 2018). These wastes could lead to land, air, and water pollution, human health problems, and many environmental issues such as the disruption on wildlife species, the hosting of microbial communities, and the transportation of non-native specifies (Geyer et al., 2017; Kamperman Sanders et al., 2018; Verma, Vinoda, Papireddy, & Gowda, 2016).

Nonetheless, not just the environmental aspect that must be concerned, the unsustainable actions have also been affecting the society and the economics. According to Shorrocks, Davies, and Lluberas (2018), the reported statistics illustrated a huge wealth gap between the rich people and the poor people. The report stated that 47% of the total household wealth in the world belonged to the riches 1% of the world's adult population, whereas only 1.9% of the wealth are owned by the bottom 64% of the population. Credit Suisse defines 'wealth' as the sum of household's financial assets & real assets subtracting the debts, defines the richest 1 percent as adults who hold more than 1 million dollars of wealth, and classifies the bottom 64% as those who have less than 10,000 dollars wealth. Moreover, the IRP (2017) predicted that the global population would reach 9.8 billion by year 2050, whereas the figure in 2019 was at 7.7 billion and in 2017 was at 7.53 billion (The World Bank, 2019). The population trend will be moving towards the aging population, where the number of persons who are over 80 years old is forecasted to be 425 million in 2050, tripling the figure in 2017 (IRP, 2017). According to Kamperman Sanders et al. (2018), this prediction implies that the world would require a stable global economy and productive young workers to effectively support the ageing population in the future.

The business sectors and companies must realize that what they do have critical impact on the global resources in the future. The key challenge is how these companies can manage to keep well balance among the three dimensions, that is to still gain financial strength, while doing their best to protect and enhance the environment and social welfare in the long run in order to secure the future of the latter generations (Azevedo, Carvalho, Duarte, & Cruz-Machado, 2012; Bansal &

Roth, 2000; S. Gupta & Kumar, 2013; Linnenluecke & Griffiths, 2010; Sharma, 2002; Székely & Knirsch, 2005; Z. H. Zhang, Shen, Love, & Treloar, 2000).

In fact, the adoption of sustainability practices could literally be beneficial to the company itself. Many scholars stated that such changes and initiatives would help companies acquired activities that are unique and difficult to be substituted by competitors (C. Adams & Zutshi, 2004; King, 2002; López et al., 2007; Rodriguez et al., 2002). For example, Rodriguez et al. (2002) reviewed past literatures and proposed that sustainability practice influences the way that firms develop their resources and capabilities, which promote continuous competitive advantages based on knowledge and innovation. Orlitzky, Schmidt, and Rynes (2003) stated that good corporate social responsibility (CSR) strategy should lead to better corporate management and performance. C. A. Adams (2002) Also stated that firm disclosure on sustainability practices information should strengthen internal control, enhance decision making, and reduce cost. With these advantages, it should enable firms to gain acceptable profitability and economic equilibrium, hence providing competitive strengths in the long run (Chabowski, Mena, & Gonzalez-Padron, 2011; S. Gupta & Kumar, 2013; López et al., 2007).

1.2 Prior Research on Sustainability Practices

There have been an extensive and broad range of academic research towards sustainability and business in the field of management, operations, governance, and marketing (Aras & Crowther, 2008; Kocmanová, Hřebíček, & Dočekalová, 2011; Kumar & Christodoulopoulou, 2014). In the past, it was believed that effort spent on improving environmental performance would incur penalties to firms, such as higher costs and less quality, that could lead to less profits and returns to the shareholders (Sroufe & Gopalakrishna-Remani, 2019; Walley & Whitehead, 1994). Nonetheless, this belief has gradually changed, which one of the early key challengers is Michael Porter of Harvard who raised an argument that profitability and environmental management were not mutually exclusive goals (M. E. Porter, 1991; Sroufe & Gopalakrishna-Remani, 2019). This has caused a shift in the attitude towards the practicality of sustainability in business management paradigm and ultimately extended the concept domain to cover the social dimension as well (Sroufe & Gopalakrishna-Remani, 2019).

According to Sroufe and Gopalakrishna-Remani (2019), recent business studies have been trying to understand the relationship between sustainability performance and firm's economic performance, as well as the underpinning factors that influence the relationship. As there are multiple frameworks existed around sustainability concept, these affected previous studies to be conducted on various aspects (Sroufe & Gopalakrishna-Remani, 2019). A large body of literatures have focused on the area of either environmental management (Kumar & Christodoulopoulou, 2014) or CSR (Baumgartner, 2014). Environmental aspect of sustainability has been regarded as a primary concern by many modern companies (Hoffman & Woody, 2008; Martínez & Rodríguez del Bosque, 2014), hence a great amount of effort is spent on studying the actions that firms can take to minimize their adverse impact on the environment, as well as the determinants of such actions and their relationship to firm performance (Kumar & Christodoulopoulou, 2014). In fact, practicing environmental sustainability can be beneficial to firms in many ways (Kumar & Christodoulopoulou, 2014). For example, M. Porter and Van der Linde (1995) found that environmental practices can help firms to promote innovation and increase resource productivity, which lead to greater competitive advantage. Bansal and Clelland (2004) showed that firms with higher environmental legitimacy are exposed to less unsystematic risk. Russo and Fouts (1997) found that firms with high environmental performance are likely to be more profitable through higher return on assets, especially for those operating in fast growing industries. For CSR, it has been perceived as one terminology that represents sustainability but weighs more towards the social dimension than the environmental dimension (Kumar & Christodoulopoulou, 2014). According to Hsu and Cheng (2012), adopting CSR practices has become popular among firms, even for SMEs, because they are assumed to be related with firm performances. Many studies have also shown that CSR has a positive relationship with financial performance (Flammer, 2015; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015; Simionescu & Dumitrescu, 2018).

Moreover, sustainability has been studied in the field of marketing as it is believed to help securing external support, especially from customers and relevant stakeholders (Kumar & Christodoulopoulou, 2014). Many literatures attempted to relate sustainability to stakeholders' perceptions toward the firm such as image (Martínez & Rodríguez del Bosque, 2014; Pfau, Haigh, Sims, & Wigley, 2008), reputation (Martínez & Rodríguez del Bosque, 2014; Pfau et al., 2008; Sroufe & Gopalakrishna-Remani, 2019), credibility (Pfau et al., 2008), and customer satisfaction (Luo & Bhattacharya, 2006). For example, research by Sen, Bhattacharya, and Korschun (2006) has shown that CSR will lead to an enhanced willingness to buy from, work for, and invest in the firm. Martínez and Rodríguez del Bosque (2014) conducted a study on Spanish hotel customers and found that social, environmental, and economic domain of sustainability are positively related to corporate image and reputation. Pfau et al. (2008) also studied the impact of CSR campaigns on public opinion by conducting a survey on 94 students from communication classes at midwestern universities in the US and found that the campaigns were positively related to people's perceptions of sponsors' image, reputation and credibility. Despite these existing marketing literatures, some previous research approaches and measures appeared to have a considerable extent of weaknesses which making it unclear on how sustainability and its components are related to corporate image and reputation (Martínez & Rodríguez del Bosque, 2014; Rowley & Berman, 2000; Waldman, De Luque, et al., 2006).

Additionally, as sustainability has been adopted by some modern firms as a strategic move, some academics and practitioners have become particularly interested in the area of leadership since CEO and top management are believed to be the key factor in driving these activities (B. C. Brown, 2011; Petrini & Pozzebon, 2010; Waldman, Siegel, & Javidan, 2006). Different types of leadership theories relating to sustainability have been studied, including adaptive leadership, ethical leadership, and servant leadership (B. C. Brown, 2011). According to Lewis, Walls, and Dowell (2014), they found that certain CEO characteristics, such as education and tenure, will impact the likelihood of firms to disclose environmental information voluntarily, which this provides implication that these firms are acting strategically in response to institutional pressure and corporate environmental performance. According to

Waldman, Siegel, et al. (2006), CEO who exhibits intellection stimulation aspect of transformational leadership is significantly related to the likelihood of the firm to engage in strategic CSR activities. Waldman, De Luque, et al. (2006) also found that, based on the neo-charismatic leadership paradigm, the vision and integrity of a leader is likely to influence and enhance follower’s perceptions on social responsibility values. Nevertheless, some academics still stated that empirical research in the field of sustainability has still inadequately paid attention to the role of corporate leader (B. C. Brown, 2011; Huang, 2013; Khan, Ali, Olya, Zulqarnain, & Khan, 2018; Quinn & Dalton, 2009; Ullah, ur Rehman, Hameed, & Kayani, 2017; Waldman & Siegel, 2008).

1.3 Researh Gaps

Despite the growing prevalence of sustainability practices, in overall, the academic evidences in explaining the relationship of sustainability constructs towards its benefits and antecedents are still equivocal (Martínez & Rodríguez del Bosque, 2014; Pfau et al., 2008). There are some research gaps that need to be further explored. First, a great number of literatures revolve just around a specific dimension of sustainability, which usually pertaining to either the social dimension or the environmental dimension (Kumar & Christodoulopoulou, 2014). As sustainability has been studied through various business disciplines, the concept lacks consensus meaning (Faber, Jorna, & van Engelen, 2005) and multiple terms have been emerged to explain overlapping sustainability-related definitions such as sustainable development, corporate sustainability, corporate social responsibility, green business, triple bottom line, environmental management, and corporate citizenship (Kumar & Christodoulopoulou, 2014). These multiple terminologies are the result of what perspective of sustainability is being considered, whether it is concerning the natural resources or the well-being of the society, and whether it is taking into account the financial performance of the business (Dunphy et al., 2003; Dyllick & Hockerts, 2002; Linnenluecke & Griffiths, 2010; van Marrewijk, 2003). As a result, sustainability paradigm may cover a relatively broad domain and the way one interprets can differ, hence causing the field of study to have grown in few directions (Faber et al., 2005; Linnenluecke & Griffiths, 2010).

Secondly, there is a limited number of past researches that focus on adopting the concept of 'sustainability' as the center of the study, plus many were not done in an empirical way (Baumgartner, 2014; B. C. Brown, 2011; Linnenluecke & Griffiths, 2010; Martínez & Rodríguez del Bosque, 2014). For example, CSR has been studied extensively in many literatures, still those studies were not dedicated to the 'sustainability' terminology (Martínez & Rodríguez del Bosque, 2014). Although both terms share similar components, they do not present the exact same definitions (Martínez & Rodríguez del Bosque, 2014). Moreover, due to the complexity of sustainability concept, many researchers followed qualitative, conceptual, exploratory, or case study base approach (B. C. Brown, 2011; Kakabadse & Kakabadse, 2007). Even though this approach may be appropriate for the given context, the lack of strong empirical evidence makes it difficult to advance the knowledge of corporate sustainability domain (B. C. Brown, 2011; Martínez & Rodríguez del Bosque, 2014).

Thirdly, organizational factors and leadership factors have not been adequately studied as an antecedent of sustainability practice (B. C. Brown, 2011; Waldman & Siegel, 2008). There are extensive literatures on leadership and organizational factors in business management literatures, however the research on its intersection to sustainability field is relatively in an early stage with limited empirical evidences (B. C. Brown, 2011; Cox, 2005; Gustafson, 2004; Quinn & Dalton, 2009). Moreover, although some evidence was found regarding the role of organizational factors and leadership factors, the role of organizational factors and leadership factors were analyzed independently. Lack of research has explored how the organizational factors and leadership factors can be linked together to explain sustainability practice of the companies. In particular, previous studies were unclear about the mechanism by which the effect of leadership on sustainability practice can be mediated by organizational factors.

Fourthly, from what the author has reviewed, past sustainability studies were conducted mostly in limited number of developed countries or to target sampling firms which are multinational or global companies (B. C. Brown, 2011; Goyal, Rahman, & Kazmi, 2013; Martínez & Rodríguez del Bosque, 2014). Firms operating in developed countries and developing countries are facing different kinds of environments and constraints such as law & regulations, consumer trends, and knowledge of the personnel, hence research should be expanded to explore the context of developing countries whether sustainability practice can also be applied and effective.

With these stated reasons, contradictory research findings have occurred in the field of sustainability (Linnenluecke & Griffiths, 2010; Martínez & Rodríguez del Bosque, 2014). This places doubts to the validity of previous results and causes the field academic progress to be sluggish (Faber et al., 2005; Kumar & Christodoulopoulou, 2014; Linnenluecke & Griffiths, 2010; Rowley & Berman, 2000; Waldman, De Luque, et al., 2006). Therefore, the theoretical progression should still be continuously developed to strengthen the knowledge and understanding towards the field, which could lead to an increasing practical adoption and effectiveness among firms.

1.4 Research Objectives

This research seeks to remediate the stated gaps with the following objectives. First, the definition of corporate sustainability is adopted according to the 'Triple Bottom Line' or TBL framework, which originated by Elkington (1998). Recent scholars have viewed TBL as being able to well represent a comprehensive scope of sustainability in the context of firms as it identifies three sustainability dimensions including environmental, social, and economic (S. Choi & Ng, 2011; Sheth, Sethia, & Srinivas, 2011). Second, this research examines the effect of sustainability practices on corporate reputation and firm performance of firms in Thailand. By using the data collected from firms in Thailand, this research will expand the knowledge whether sustainability practices could contribute to performance of firm in the developing country like in Thailand. Third, this research examines the role of transformational leadership and organizational ethical culture as the antecedent variables that might affect sustainability practices. Transformational leadership has been studied extensively in management literatures and used to explain strategic practices of organizations. The role of transformational leader is considered because certain attributes of transformational leader could motivate the management to support sustainability policy. Although the prior research of Waldman, Siegel, et al. (2006) provided some evidence about the role of transformational leadership in CSR practice, their research only explored two dimensions of transformational leadership (which are idealized influence and intellectual stimulation). Thus, it is important to verify whether the holistic conceptualization of transformational leadership might contribute to corporate sustainability practice. Moreover, as corporate sustainability practice involves the overall organization, organizational ethical culture may play a role for leader to gain cooperation from organization's members in supporting sustainability practice. Hence, this study will add knowledge to existing research by analyzing whether organizational ethical culture could mediate the relationship between CEO transformational leadership and corporate sustainability practice. From the theoretical point of view, the Upper Echelons theory (Hambrick & Mason, 1984) will be used as the key basis in this study to explain the effect of CEO transformational leadership on corporate sustainability practice and associated factors.

1.5 Research Contribution

In terms of the academic contributions of this research, the author expects to provide more evidence to support the contribution of sustainability practices of firms in an emerging country, i.e. Thailand, which currently still lacks solid empirical evidence in research. Moreover, to extend the research boundary of sustainability topic, the author expects to add more knowledge to existing literatures about the role of leadership and organizational culture as a determinant of corporate sustainability practices. In terms of practical contributions, as corporate sustainability actions are usually initiated for compliance reasons (Hoffman & Bazerman, 2006; Hoffman & Woody, 2008; Martínez & Rodríguez del Bosque, 2014), this study may help pointing out the business benefits that can be achieved from corporate sustainability. As the objectives of sustainability-related initiatives are generally related to satisfying stakeholders' expectation (Miles & Covin, 2000), when these expectations are met, these may lead to superior firm outcomes such as improved customer satisfaction, enhanced firm value, and increased marketing performance and financial performance (Artiach, Lee, Nelson, & Walker, 2010; Kumar & Christodoulopoulou, 2014; Luo & Bhattacharya, 2006). Therefore, this may help encourage firms to commit more into actions.

CHAPTER 2

LITERATURE REVIEW

2.1 The Concept of Sustainability

When it comes to sustainability concept that is incorporated into business and organizations, it can be broadly referred to as corporate sustainability (Marrewijk & Werre, 2003). It should be noted that other similar terms such as corporate social responsibility (CSR), sustainable development, environmental management, green, corporate citizenship, and corporate ethics have also been used interchangeably due to the multidisciplinary foundations of sustainability (Kumar & Christodoulopoulou, 2014; Linnenluecke & Griffiths, 2010). Because sustainability has been studied by the academics in various business fields including marketing, business management, and operations, various and overlapping definitions regarding the concept have been emerged in the academic literatures (Linnenluecke & Griffiths, 2010; Martínez & Rodríguez del Bosque, 2014; Sheth et al., 2011).

The call for attention in the concept has emerged due to the global economic circumstance and the demands from consumers that force business organizations to strive for optimal financial performance in delivering better products and services quality, while preserving the environment, enhancing the society and being compliance with the applicable laws and regulations (Miles & Covin, 2000). Corporate sustainability has been shaped and influenced by the broader concept of sustainability development that originally became globally known in the Our Common Future report by the World Commission on Environment and Development (World Commission on Environment and Development, 1987), whom defined sustainable development as development "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment Development, 1987, p. 8). The main essence of sustainability is that future generations must be able to gain access to resources at the same or better level when comparing to the current generation (World Commission on Environment and Development, 1987). According to Balachandran and Chandrasekaran (2011), corporate sustainability involves firms' strategies and implementations that align with the needs of present stakeholders, while also protecting, improving, and supporting future needs of ecological and human resources. Ever since the mentioning of the term sustainability by WCED in 1987, sustainability has been popularly studied in various journals (Kumar & Christodoulopoulou, 2014; Montiel, 2008; Sroufe & Gopalakrishna-Remani, 2019).

Modern literatures often describe sustainability based on the 'Triple Bottom Line' (TBL) theory by Elkington (1998), which identifies three sustainability dimensions including social, environmental, and economic. This TBL-based definition of sustainability has been widely recognized by many academics and practitioners because it is believed that the TBL framework represents comprehensive perspectives of corporate sustainability practices in business, and that it should be incorporated into business goals and metrics as part of business performance assessment (Elkington, 1998; S. Gupta & Kumar, 2013; Kumar & Christodoulopoulou, 2014; Martínez & Rodríguez del Bosque, 2014; Sheth et al., 2011).

When reviewing past literatures, if we focus on ones which adopted exactly the term "sustainability", such literatures have begun appearing in business journals since around 1990s (Montiel, 2008). However, it should be noted that despite the term sustainability has been adopted as the focus of many studies, there is a paucity of those that explored all three TBL dimensions (Jollands, 2006; Morse, 2008; Venkatraman & Nayak, 2015; Willard, 2002). When looking into each dimension of the TBL components, it is found that these distributed parts of the sustainability concept have been studied since around the 1970s (Montiel, 2008) . The revision of previous literatures has led us to believe that, historically, the field of sustainability research originated from two main roots of concern, which are environmental concern and social concern (Montiel, 2008). Early articles started appearing in 1970s, which mostly revolved on the term 'CSR' that focused on social issues (Montiel, 2008). It should be noted that when referring to CSR, the description of its constructs may differ in various articles. Originally scholars tended to relate CSR concept to social issues, but later on some argued that environmental issues should also be considered as a subset of social issues (Montiel, 2008). Nevertheless, it is still widely understood that CSR articles are weighing itself more towards the social dimension of sustainability (Kumar & Christodoulopoulou, 2014). Later around 1980s, another concept called 'CSP' or 'corporate social performance' has also gained its popularity in academic studies to study social issues (Montiel, 2008). For studies relating to environmental concern, the term 'Environmental Management' was one popular concept which has been studied vastly since around 1980s (Montiel, 2008).

2.1.1 The Dimensions of Sustainability

The sustainability concept that is based on the Triple Bottom Line (TBL) framework by Elkington (1998) describes three sustainability dimensions including social, environmental and economic. According to B. J. Brown, Hanson, Liverman, and Merideth (1987), the 'environmental' dimension concerns about the continued availability and functioning of ecosystem, the protection of biological diversity, and the conservation of genetic resources, the 'social' dimension refers to the ongoing capability to fulfill basic human needs, and the 'economic' dimension is about solving and minimizing the limitations placed on economic growth by the sustainable society (Seghezzo, 2009). The essence of TBL is that it takes into account the business economic goals such as ROI, profits, and other financial indicators (Kumar & Christodoulopoulou, 2014; Slaper & Hall, 2011). TBL suggests that firms should run their business in a way that they protect and enhance the environment and the society, while still achieving its economic performance (Elkington, 1998; Kumar & Christodoulopoulou, 2014; Martínez & Rodríguez del Bosque, 2014; Sheth et al., 2011). The following section will describe the three dimensions of sustainability in more details.

2.1.1.1 Environmental Dimension of Sustainability

Environmental dimension of sustainability has been considered as obtaining the most attention among the three dimensions (Sheth et al., 2011). This dimension concerns about what business can do to minimize its negative impact to the environment, while maintaining the natural capital (Goodland, 1995; Kumar &

Christodoulopoulou, 2014). Examples of environmental variables include water quality, air quality, pollution and toxic waste, natural resources, land use, and energy consumption (Slaper & Hall, 2011). There is also a similar concept called “green” which is a marketing notion often referred in marketing topics such as consumer behavior, advertising, promotion, and marketing strategy (S. Choi & Ng, 2011). The main assumption of environmental dimension describes that the imbalance rate of consumption to natural resources causes environmental damages, which consequently threatens human health and well-being (Baldassarre et al., 2017; Stern, 1997). These possible damages are twofold: ecosystem resource constraints and environmental degradation (Martínez & Rodríguez del Bosque, 2014). Ecosystem resource constraints refer to the fact that the earth will not be able support an unlimited consumption growth (Martínez & Rodríguez del Bosque, 2014; Speth, 2008). Environmental degradation refers to the reduction of environmental capacity to meet the ecological and social demand, which could diminish the effectiveness of essential ecosystems and their associated benefits (United Nations Office for Disaster Risk Reduction, 2009a, 2009b). Environmental degradation can be the cause and the consequence of disaster such as pollution to water, deforestation, soil erosion, and biodiversity loss (Sheth et al., 2011). As a result, the key essence of environmental dimension of sustainability aims to promote the balance of human activities that will not exceed nor diminish the capacity of the earth ecosystem (Orlitzky, Siegel, & Waldman, 2011).

2.1.1.2 Social Dimension of Sustainability

The social dimension of sustainability concerns about the nonfinancial aspects of wealth of people, public, communities, and society (S. Choi & Ng, 2011). In the book of Polèse and Stren (2000), social sustainability is defined as:

The development (and/or growth) that is compatible with harmonious evolution of civil society, fostering an environment conducive to the compatible cohabitation of culturally and socially diverse groups while at the same time encouraging social integration, with improvements in the quality of life for all segments of the population. (pp.15-16)

Social sustainability can be reflected by various indicators such as citizenship, employment compensation, health and safety quality, social capital, legislative issues, philanthropy, access to social resources, human rights, labor rights, social equity, education, and well-being of people at the community level (Archie B. Carroll, 1994; A. B. Carroll, 1998, 1999; S. Choi & Ng, 2011; Kleindorfer, Singhal, & van Wassenhove, 2005; Rajak & Vinodh, 2015; Seuring, 2004; Sheth et al., 2011; Slaper & Hall, 2011; Sroufe & Gopalakrishna-Remani, 2019). The social dimension has also gained significant attention from the academics and practitioners in recent decade as there has been an increased scandals regarding public distrust towards firms operations, as well as an increased public demand for firms to take responsibilities for social well-being (S. Choi & Ng, 2011; Martínez & Rodríguez del Bosque, 2014; Mohr & Webb, 2005; Waldman, De Luque, et al., 2006). This can be supported by the rising number of business activities that take the form of discretionary projects, which is usually referred to as CSR (Martínez & Rodríguez del Bosque, 2014). Research regarding CSR has also been conducted extensively, which the concept has adopted definition that shares similar considerations to sustainability but places more focus on social dimension rather than the environmental dimension (Kumar & Christodoulopoulou, 2014).

2.1.1.3 Economic Dimension of Sustainability

According to the GRI standards (Dahlsrud, 2008), the economic dimension of sustainability considers firm's impact on the economic and financial performance of stakeholders, as well as on economic system at local, national, and global levels. With the enduring economic crisis, this brought the society attention towards the economic sustainability consideration (S. Choi & Ng, 2011). One good example was the collapse of Wall Street financial institutions in 2008, which caused the fear of job losses (S. Choi & Ng, 2011). Some researchers perceive economic dimension as the most desirable dimension by business organizations since it helps businesses achieve financial strength and protect themselves from going bankrupt (Bansal & Roth, 2000; S. Gupta & Kumar, 2013; Székely & Knirsch, 2005). Sheth et al. (2011) identifies two aspects of economic dimension: the first aspect considers financial performance of the firm (e.g. profit, cost reduction), and the second considers the economic performance and standard of living of external stakeholders (e.g. debt burden, personal income pressure, work-life balance, job growth, and standard of living of the consumers, suppliers, and communities) (S. Choi & Ng, 2011; Dahlsrud, 2008; Daub & Ergenzinger, 2005; Jackson, 2009; Martínez & Rodríguez del Bosque, 2014; Slaper & Hall, 2011). It is important to note that the economic dimension does not focus solely on an individual firm, but also the financial performance of its related stakeholders and communities (S. Choi & Ng, 2011).

2.1.2 Interrelationships among the Three Sustainability Dimensions

Some early studies that were conducted on firms trying to embrace sustainability have stated that TBL sustainability components cannot be addressed individually because they are related to each other (Balabanis, Phillips, & Lyall, 1998; Hillman & Keim, 2001; Waddock & Graves, 1997). Later, there were more studies conducted to understand the TBL components relationship (Venkatraman & Nayak, 2015). Rather than attempting to relate all the three dimensions, most studies focused on each pair of the dimensions (Connelly & Limpaphayom, 2004; Menguc & Ozanne, 2005; Rennings, Schröder, & Ziegler, 2003). Finding explanations of previous studies have been summarized according to each pair of the relationship as follows.

2.1.2.1 Relation between Social Performance and Economic Performance

Regarding the relationship between social dimension and economic dimension of sustainability, there have been some differences of research results. Many literatures from early studies have claimed negative association between social and economic performance. For example, Aupperle, Carroll, and Hatfield (1985) argued that firms engaging in social responsibility activities incur a competitive disadvantage because they need to absorb costs that could be avoided or handled by other parties such as government or individuals. Examples of such costs are pollution control equipment, charitable donations, improved employee conditions, and community development activities, which its competitors may not be investing in (Artiach et al., 2010; Aupperle et al., 1985). Friedman (September, 1970) also provided similar claims that corporate social activities exert great costs to firms and that there is a lack of measurable economic benefits from such activities. He further noted that these costs would result in lower profits and shareholder wealth. Rennings et al. (2003) also tried to study the relationship between social performance and stock market valuation. From the result, they found that firms with higher social sector performance is negatively related to the average monthly stock returns (Rennings et al., 2003).

For the second perspective, there were studies which claimed that there is a positive association between social performance and economic performance. Examples of the studies include the work of Waddock and Graves (1997), who found that corporate social performance (CSP) is positively related to corporate financial performance in two ways. According to Turban and Greening (1997), CSP construct represents firm's responsibilities to stakeholders, on top of its responsibility to shareholders. Waddock and Graves (1997) found that, first, financial performance is an antecedent of CSP due to slack resource availability. This means that better financial performance would potentially result in the higher availability of slack resources, i.e. financial and other type of resources, which then grant an opportunity for firms to invest in activities that would enhance social performance such as community relations (Waddock & Graves, 1997). Second, they found that CSP is also a predictor of future financial performance (Waddock & Graves, 1997). This argument is attributed to good stakeholder management theory, which asserting that attention to CSP enhances relationship with key stakeholders that leads to an overall improvement of firm performance (Freeman, 1984; Waddock & Graves, 1997). Financial investment made for managing stakeholders may eventually provide benefits that exceed the costs, hence reflecting in firm's financial performance (Venkatraman & Nayak, 2015). Hillman and Keim (2001) also studied the relationship between stakeholder management and profitability, and found out that stakeholder engagement activities, including employees, would lead to better financial outcomes.

For the last perspective, some scholars have asserted that there is neutral association or no relationship between social performance and financial performance. The main argument of this reasoning is that there are too many factors influencing the relationship between social and financial performance, hence there is no strong logical explanation to support it (Ullman, 1985). This argument is also supported by Venkatraman and Nayak (2015) recent study who stated that there is a weak positive link between social sustainability and economic sustainability, thereby concluding that their study does not support such relationship.

2.1.2.2 Relation between Environmental Performance and Economic Performance

Scholars have also been trying to understand the linkage between environmental performance and economic performance. Previous researches have indicated that there were contradicting results (Connelly & Limpaphayom, 2004). Some early studies suggested that environmentally responsible initiatives are costly, in which these investments would lower firm profits (Connelly & Limpaphayom, 2004). Additionally, Mathur and Mathur (2000) conducted a study to analyze stock price reactions to green marketing strategies and found a negative reaction to the announcement of green marketing strategies. They explained that customers are usually confused with firms' promotional efforts, thus causing a negative impact on stock prices.

Nevertheless, the debate towards firm environmental compliance costs versus benefits has later changed gradually (Cohen, Fenn, & Konar, 1997; Connelly & Limpaphayom, 2004). As noted by Cohen et al. (1997), firms that address green investing may be more efficient in the production process, hence having a cost advantage in relative to their competitors and thereby gaining more profits. Supporting examples have been provided by authors such as Shrivastava (1995) who cited 3M Corporate and claimed that environmental technologies grant opportunities for firms to reduce waste, increase productivity, develop innovation, gain access to new markets, and eventually lead to better economic performance. A seminal paper by M. Porter and Van der Linde (1995) suggested that deliberate design of environmental regulations can lead to enhanced innovation and research productivity, which these improve firm competitiveness. Such positive relationship argument has also been supported by studies from scholars such as M. Wilson (2003) and Menguc and Ozanne (2005). In addition, there has been an attempt to explain how organizations embracing environmentally responsible behaviors can benefit from high stock market valuation. A study by Connelly and Limpaphayom (2004) revealed that there is a significant positive relation between environmental reporting and market valuation. They also noted in their finding that "reporting of good environmental policies affects long-term performance, but the marginal positive effect on firm value declines at high levels, indicating an optimal level of environmental reporting". A study by Rennings et al. (2003) also found that firms with higher environmental sector performance is positively related to shareholder value. Green business supporters have insisted that if firms can effectively communicate business activities impact on the environment, this would contribute to better reputation (Venkatraman & Nayak, 2015). By adopting green approach and using renewable resources, firms may reduce cost and increase its reputation (Venkatraman & Nayak, 2015). Firms that embrace environmentally responsible strategies are well regarded by investors, and this would have a positive effect on future perceived financial performance such as a higher valuation of stocks (Venkatraman & Nayak, 2015).

2.1.2.3 Relation between Social Performance and Environmental Performance

According to Sharma, Starik, and Husted (2007), they put an assumption that conceptually there are connections between environmental dimension and social dimension in many ways, such that human survival relies on the continual functioning of ecological resources and that humans are constituent parts of the ecological environments. Nevertheless, by reviewing past literatures, there was a limited number of studies conducted to understand the relationship between the two variables, hence making it difficult to conclude the current knowledge (Venkatraman & Nayak, 2015). A study by Venkatraman and Nayak (2015) reported a weak but positive relationship between corporate environmental performance outcome and social performance outcome. For most literatures that did mention both social sustainability and environmental sustainability, those studies were usually conducted to understand the impact of the two variables on firm performance (Chan & Hsu, 2016; Strouhal, Gurvits, Nikitina-Kalamäe, & Startseva, 2015; Unerman & Bennett, 2004; Valentin, 2018). Example of the study is a work by Menguc and Ozanne (2005) who demonstrated that natural environmental orientation, CSR, and commitment to ecological environment are positively related to market share and profit after tax in Australian manufacturing sector. Strouhal et al. (2015) also claimed that both CSR and environmental management are contributed to the increase or decrease of firm profits.

2.1.3 Antecedents Associated with Sustainability and Its Formation

Various studies have been conducted to identify determinants of corporate sustainability implementation. Such determinants mentioned in previous literatures include variables such as leadership, top management support, organizational culture, reward system, and staff turnover (Daily & Huang, 2001; Linnenluecke & Griffiths, 2010; Waldman, De Luque, et al., 2006; Waldman, Siegel, et al., 2006; Wilkinson, Hill, & Gollan, 2001). According to Lozano (2015), corporate sustainability determinants can usually be grouped into 2 types which are external drivers and internal drivers.

Regarding the external drivers, national policies and regulations are regarded as important factors that drive corporate sustainability (Lozano, 2015). For example, in France, the government mandates that every companies listed on the French Stock Exchange must report sustainability issues (Macleod & Lewis, 2004). In Japan, corporate sustainability is enforced by an administrative guidance called 'Gyosei-shido'. This is widely enforced among Japanese society including business governance, government, and universities (Fukukawa & Moon, 2004). Other external drivers that have been mentioned include NGOs, stakeholder pressure, government, market expectations, regulatory pressures, competitor benchmarking, geographical location, industrial sector, improved access to markets, and customer satisfaction (Fernández, Junquera, & Ordiz, 2006; Frehs, 2003; González-Benito & González-Benito, 2005; González-Benito & González-Benito, 2006; Lozano, 2015; Zadek, Summer, 1999). Nevertheless, scholars such as Jensen and Meckling (1976) noted that these types of external drivers has limitation because firms are viewed as 'black box', meaning that internal operations and processes are not clearly understood. DeSimone and Popoff (2000) further stated that external drivers are likely to influence reactive measures but would not have adequate impact on the implementation of firms' strategic actions of sustainability.

For internal drivers of corporate sustainability, one popular driver that has been mentioned in various literatures is leadership (Lozano, 2015). Ethical leadership is a type of leadership that has been studied by some authors and is believed to be related to successful implementation of organizational change including corporate sustainability (Dawson, 1994; DeSimone & Popoff, 2000; Doppelt, 2003; Gill, 2003;

Kotter, 1996; Lozano, 2015). According to Y. Zhu, Sun, and Leung (2014), the authors stated that ethical leadership has a positive effect on firm reputation, but this is an indirect effect through CSR activities when ethical leadership was strong. Yet, this should be noted that the sample size of this study was limited to 199 samples from tourist industry solely. Nonetheless, some scholars such as Fullan (2002) and Kotter (1996) pointed out that firms cannot change or grow based only on leadership variable. Other internal drivers that have been mentioned include size, potential for growth, profitability (Artiach et al., 2010), risk management purpose especially for protecting business reputation (Ditlev-Simonsen & Midttun, 2011; Lantos, 2001), improving economic values purpose (A. B. Carroll, 1999; Lantos, 2001; Lozano, 2015), improving corporate image purpose (Frehs, 2003), enhancing innovation (Lozano, 2015), and employees' shared values (Lozano, 2015).

Additionally, there have been studies which tried to examine antecedents to sustainability components, especially the environmental dimension and the social dimension. For environmental dimension of sustainability, example of such research is a work by González-Benito and González-Benito (2005). The authors have found that determinants of environmental sustainability initiatives are ethical motivations and competitive motivations, but not relational motivations (González-Benito & González-Benito, 2005). Similarly, a study by Bansal and Roth (2000) presented that competitiveness, legitimation, and ecological responsibility are drivers to firm environmental sustainability responsiveness. Additionally, González-Benito and González-Benito (2006) also stated that conducting practices in three main areas of an organization, i.e. the management area, the operational area, and the communicational area play a crucial role in successful implementation of environmental sustainability. Studies by Singh, Jain, and Sharma (2014) and Hofer, Cantor, and Dai (2012) demonstrated that firms' characteristics such as size, profitability, and market leadership significantly predicts firm's environmental management activities. Singh et al. (2014) further revealed from their finding that firms operating in manufacturing, chemical and agricultural sectors are more likely to establish comprehensive environmental management practices when comparing to service sector. Other internal factors such as internationalization (Christmann & Taylor, 2001; Kennelly & Lewis, 2002), position in value chain (R. C. Wilson, 2000), managerial attitude and motivations (Berry & Rondinelli, 1998; C. B. Hunt & Auster, 1990; Quazi, Khoo, Tan, & Wong, 2001), and strategic attitude (Aragón-Correa, 1998) have also been studied in previous research. For social dimension of sustainability, Waldman, Siegel, et al. (2006) have found that CEO intellectual stimulation component of transformational leadership theory is significantly related to the propensity of firms to engage in strategic CSR. Reverte (2009) suggested that firms which are in larger size, exposed to higher media, and operate in greater environmentally sensitive industries are likely to engage in CSR disclosure practices. R. W. Roberts (1992) found that stakeholder power, strategic posture, and economic performance of firms are significantly associated to the level or corporate social disclosure. Wu, Kwan, Yim, Chiu, and He (2015) found that CEO ethical leadership is positively related to CSR practices, with organizational ethical culture acting as the mediator. Some scholars also conducted studies on small and medium enterprises (SMEs) regarding CSR influencing factors such as accountability, commitment, transparency, competitiveness and responsibility (C. H. Chen & Wongsurawat, 2011; Feltus & Petit, 2009; Venkatraman & Nayak, 2015). The summary of prior research findings regarding antecedents of corporate sustainability is reported in Table 2.1.

Table 2.1 Antecedents Associated with Corporate Sustainability

Author (Year)	**Research Contexts**	**Findings**
Example of Research on Internal Drivers:		
Waldman, Siegel, et al. (2006)	US and Canadian firms.	1) CEO intellectual stimulation component of transformational leadership is significantly related to the propensity of firms to engage in strategic CSR. 2) Empirical evidence does not support the relationship between CEO charismatic leadership component of transformational leadership and firms'

Author (Year)	Research Contexts	Findings
		propensity to engage in strategic or social CSR.
Crifo, Escrig-Olmedo, and Mottis (2019)	120 biggest French listed companies listed on the French SBF120 index for the year 2013.	1) Corporate governance has an ambiguous impact on corporate sustainability due to opposing forces which are internal, external and intermediate. 2) Internal forces from the inside directors of companies' governance structure is positively related to corporate sustainability. 3) Outside forces (general expert directors and investors activist engagement) is negatively related to corporate sustainability.
Wu et al. (2015)	Domestic Chinese firms	1) CEO ethical leadership has a positive impact on CSR via the mediating role of organizational ethical culture. 2) For the moderating role of managerial discretion, CEO founder status strengthens while firm size weakens the direct effect of CEO ethical leadership on ethical culture and its indirect effect on CSR.
Pedersen, Gwozdz, and Hvass (2018)	Managers (Marketing manager, financial manager, logistics	1) Firms demonstrating high levels of business model innovation is positively related to the level of corporate

Author (Year)	Research Contexts	Findings
	manager, or other) working in the Swedish fashion industry.	sustainability demonstrated.
		2) Firms with organizational values characterized by flexibility and discretion are more likely to demonstrate high levels of business model innovation and corporate sustainability (as compared to organizations characterized by stability and control). 3) The relationship between the level of business model innovation, sustainability performance, and financial performance is partially supported by the empirical evidence. This implies that innovative organizations are not always rewarded by the markets.
Hussain and Attiq (2017)	Employees of banks and offices of cement factories in Islamabad and Rawalpindi cities of Pakistan.	1) Ethical leadership is positively related to CSR. 2) Ethical climate moderates the relationship between ethical leadership and CSR.
Y. Zhu et al. (2014)	Tourism firms (Hotels and travel agencies) in Southeast China.	1) Ethical leadership moderates its own indirect effect on firm reputation via perceived CSR, which the effect occurs when leaders demonstrate strong (but not weak) ethical leadership.

Author (Year)	Research Contexts	Findings
		2) Ethical leadership moderates the indirect effect of perceived CSR on firm performance via firm reputation, which the effect occurs when leaders demonstrate strong (but not weak) ethical leadership.
Artiach et al. (2010)	Leading sustainability firms which are US Firms listed in the Dow Jones Sustainability Index (DJSI) every year during 2002-2006.	1) Firms of larger size have higher potential for growth, and have higher return on equity have greater corporate sustainability performance.
Singh et al. (2014)	Indian firms.	1) Internal pressures (from holder ship and employees) are significant drivers of firm's proactive environmental management practices. 2) Market pressures (from commercial buyers and from suppliers) are significant drivers of firm's proactive environmental management practices. 3) Empirical evidence does not support that external pressures from regulatory and societal stakeholder are significant drivers of firm's proactive. environmental management practices. 4) Firms operating in chemical, manufacturing, and agricultural sectors are more likely to adopt comprehensive environmental management practices.

Author (Year)	Research Contexts	Findings
Singh, Jain, and Sharma (2015)	Indian firms.	1) Relational motivation (which refers to firm's perception that environmental practice helps improve the relationship with stakeholders) is a significant driver of firm's environmental management system practices. 2) Firms of larger size are more likely to adopt comprehensive environmental management system practices compared to SMEs. 3) Empirical evidence does not support that innovation and cost savings are significant driver of firm's environmental management system practices.
Example of Research on External Drivers:		
Blum-Kusterer and Hussain (2001)	German and UK pharmaceutical firms.	1) Regulation is the main driver for sustainability improvements. 2) New technology is the second most important driver for sustainability improvements.
González-Benito and González-Benito (2005)	Spanish manufacturers from three industrial sectors: electronic equipment industry, furniture and fixtures	1) Ethical motivation is positively related to firms' decision to pursue environmental management certification (ISO14001).

Author (Year)	Research Contexts	Findings
	industry, and chemical industry.	2) Competitive motivation is positively related firms' decision to pursue environmental management certification (ISO14001). 3) There is no significant positive relationship found between relational motivations and firm's decision to pursue environmental management certification (ISO14001).
Qi, Zeng, Yin, and Lin (2013)	Industrial enterprises in China.	1) Three factors of stakeholder influence which are being foreign invested, being publicly listed, and locating in relatively wealthy neighboring community are significant drivers of corporate decision on ISO 14001 (environmental management) certification. 2) Two factors of stakeholder influence which are having foreign customers (export-oriented) and locating in relatively wealthy neighboring community are significant drivers of corporate decision on ISO 9001 (quality management system) certification. 3) Being publicly listed is the only component found to have a significant influence on OHSAS 18001 (occupational health safety system) certification decision.

Author (Year)	Research Contexts	Findings
S.-H. Yu and Liang (2020)	Publicly listed firms in Taiwan.	1) Corporate reputation has a significant impact on the level of firm's strategic CSR. 2) Customer awareness has a significant positive impact on the level of firm's strategic CSR. 3) Product market competition is not empirically found to have an influence on the level of firm's strategic CSR.

2.1.4 Outcomes Associated with Sustainability and Its Formation

There has been a number of researches conducted to understand the relationship between corporate sustainability and firm’s outcomes. Such outcomes that have been explored are from various business areas including financial performance (Artiach et al., 2010), marketing performance (Kumar & Christodoulopoulou, 2014), innovation (Kumar & Christodoulopoulou, 2014), consumer purchase intention (Kotler, 2011), and employee morale (Artiach et al., 2010). It should be noted that these studies have explored at different level of sustainability concept. Where some studies examined the overall construct of corporate sustainability, some focused on individual dimension of sustainability. In the next paragraphs, reviews of past literatures are described in the following orders: outcomes associated with environmental dimension of sustainability, outcomes associated with social dimension of sustainability, outcomes associated with economic dimension of sustainability, and outcomes associated with the overall construct of corporate sustainability.

For outcomes associated to environmental dimension, many academics attempted to relate it to firm performance (Russo & Fouts, 1997). Russo and Fouts (1997) found that firms demonstrating higher environmental performance are positively related to a better financial performance, with the rate of industry growth moderating the relationship. Similarly, Jacobs, Singhal, and Subramanian (2010) reported that a greater environmental performance has a positive impact on firm value. They also further stated that the stock market reacts in various degrees towards the announcement of firm environmental activities, i.e. self-report and environmental awards given by third parties (Jacobs et al., 2010). According to Bansal and Clelland (2004), firm exhibiting environmental performance that aligns with stakeholders' expectations are subjected to less unsystematic risk. Moreover, M. Porter and Van der Linde (1995) pointed out firm's environmental practice benefits which are enhanced innovation, improved resource productivity, and thus increased firm's competitiveness.

For social dimension of sustainability, first of all it should be noted that cumulated knowledge towards the field up until today has been vastly from studies regarding corporate social responsibility (CSR) domain. Research around CSR has been regarded as weighing towards social sustainability considerations because both concepts center around stakeholders' needs (Kumar & Christodoulopoulou, 2014). Adopting CSR and social responsibility initiatives have becoming more common among firms and SMEs, because it is believed to bring positive outcomes (Hsu & Cheng, 2012). Various literatures have found that firms demonstrating higher social performance would gain superior competitive advantage and obtain a favorable image among key stakeholders (Barney, 1991; McWilliams & Siegel, 2001; McWilliams, Siegel, & Wright, 2006; Orlitzky et al., 2011; Waldman, Siegel, et al., 2006). Sen et al. (2006) has found that CSR is positively related to an enhanced willingness to purchase from, work for, and invest in the firm. CSR has also been studied extensively in modern marketing literatures, especially as it attempts to understand the relation to corporate reputation (Martínez & Rodríguez del Bosque, 2014; Sroufe & Gopalakrishna-Remani, 2019). For example, Lai, Chiu, Yang, and Pai (2010) empirically found that buyers' perceptions on supplier's CSR activities has a positive impact on the supplier's reputation. Y. Zhu et al. (2014) found that ethical leadership moderates the relationship between CSR and firm reputation, implying that CSR has a positive effect on firm reputation when ethical leadership was strong but not when it was weak. Stanaland, Lwin, and Murphy (2011) also found that consumer perception of firm's CSR is positively associated to corporate reputation, consumer trust, and consumer loyalty. Additionally, CSR has been explained to be related to firm financial performances. For example, Pätäri, Jantunen, Kyläheiko, and Sandström (2012) found that firm's sustainability efforts are related to positive financial performance, particularly the market capitalization value. Reverte (2012) found that higher quality of CSR report will lead to lower cost of equity capital, and this effect is stronger for firms under industries that are highly subjected to environmental issues. Moreover, Luo and Bhattacharya (2009) found that firms demonstrating higher corporate social performance (CSP) will face lower firm-idiosyncratic risk. CSP represents firm performance on its social responsibility principles, social responsiveness, and outcomes in relation to its societal positioning (Wood, 1991). In summary, numerous research results indicated that the higher demonstration of social and CSR performance can be beneficial to firm through the lowering of risk related to perception from stakeholder community (Kumar & Christodoulopoulou, 2014).

For economic dimension, to date, a considerable number of sustainability studies focus on environmental dimension and social dimension. A limited number of empirical research exists to clarify the issue of economic dimension (S. Choi & Ng, 2011). Yet, the author found one research by S. Choi and Ng (2011) which shows that the economic dimension and the environmental dimension of sustainability have positive impact on consumer evaluations of the company and the purchase intent.

For the studies conducted on the high-level concept of corporate sustainability which covers the three dimensions, there have been scholars who tried to understand the relationship of corporate sustainability implementation to firm performance such as economic performance, firm reputation, and risk management performance. For example, Unerman and Bennett (2004) suggested that firms which manage to align corporate environmental, social, and economic performance according to stakeholder's expectation would gain superior stakeholder satisfactions and ultimately develop greater firm's legitimacy. C. A. Adams and Larrinaga-González (2007) and Keller and Aaker (1998) also proposed that the implementation of corporate social and environmental practices would help with the communication to firm's stakeholders, and thus impact their perceptions. Some authors have found that sustainability-related initiatives are related to marketing capabilities such as marketing assets (Chabowski et al., 2011), customer satisfaction (Luo & Bhattacharya, 2006), consumer responses and firm value (Kumar &

Christodoulopoulou, 2014). There have also been statements in various literatures which mentioned that corporate sustainability is related to corporate image and reputation (Fombrun, 2005; Hillenbrand & Money, 2007; Martínez & Rodríguez del Bosque, 2014; Pfau et al., 2008). Nevertheless, in terms of sustainability relationship to firm financial performance, there have been contradicting results among past research which result in three types of findings (Artiach et al., 2010). One type of findings presented that corporate sustainability has a negative impact on firm financial performance because investing in sustainability initiatives is expensive (Alexander & Buchholz, 1978; Artiach et al., 2010; Becchetti, Di Giacomo, & Pinnacchio, 2008). These investments, whether it is about implementing green practices, improving local community conditions, giving charity, or taking actions to enhance employee conditions, would eventually lower firm opportunity cost to conduct socially responsible investment for its key stakeholders (Artiach et al., 2010; Aupperle et al., 1985; Barnett, 2007; McGuire, Sundgren, & Schneeweis, 1988). The second type of findings suggest that there is no direct relationship between corporate sustainability and financial performance (Artiach et al., 2010). Author such as Ullman (1985) supported this perspective by stating that there could be many uncontrollable intervening factors that impact the relationship of corporate sustainability and financial performance, which causing insufficient theoretical support of such relationship. The last type of finding claims that corporate sustainability has a positive association with financial performance. Academics such as McGuire et al. (1988), Barnett (2007), and Artiach et al. (2010) stated that corporate sustainability would result in enhanced employee morale and improved relationship to stakeholders such as investors and government, which would improve firms' capabilities to access resources and eventually lead to better financial performance (Alexander & Buchholz, 1978; Artiach et al., 2010; Clarkson, Li, Richardson, & Vasvari, 2011; Waddock & Graves, 1997). The summary of prior research findings regarding outcomes of corporate sustainability is reported in Table 2.2.

Table 2.2 Research Outcomes Associated with Corporate Sustainability

Author (Year)	**Research Context**	**Findings**
Robinson, Kleffner, and Bertels (2011)	North American companies which were added to or removed from the Dow Jones Sustainability World Index (DJSI) during 2003-2007.	1) Announcement of stocks being added to the DJSI is positively related to firm share price following the effective date of their addition to the DJSI.
Martínez and Rodríguez del Bosque (2014)	Hotel customers in Spain.	1) All three dimensions of sustainability (economic, social, and environmental) are positively related to corporate image. 2) All three dimensions of sustainability (economic, social, and environmental) are positively related to corporate reputation. 3) Corporate image has a positive effect on corporate reputation.
Simionescu and Dumitrescu (2018)	Firms listed on the Bucharest Stock Exchange (BSE).	1) CSR practices related to employees, environmental protection, and ethics have a significantly positive impact on firm financial performance. 2) CSR practices related to employee, client, environmental protection, education, and healthcare have a positive on ROA aspect of financial performance. 3) CSR practices related to employee, environmental protection, education, and

Author (Year)	Research Context	Findings
		healthcare have a positive on ROE aspect of financial performance. 4) Firms implementing international standards as CSR practices regarding to products quality, environmental protection, and employee safety has a positive influence on firm financial performance.
Ali, Rehman, Ali, Yousaf, and Zia (2010)	Employees working in firms of different sectors in Pakistan.	1) Level of CSR actions has a significantly positive influence on employee organizational commitment. 2) Level of CSR actions has a significantly positive impact on organizational performance. 3) Employee organizational commitment is positively related to organizational performance.
De Roeck and Delobbe (2012)	Employees who work at the European headquarters of the petrochemical division of international companies operating in oil industry sector.	1) Perceived environmental CSR is positively related to employees' organizational identification. 2) Organizational trust is found to mediate the relationship between perceived environmental CSR and employees' organizational identification.

Author (Year)	Research Context	Findings
Park, Lee, and Kim (2014)	South Korean consumers' perspectives.	1) Firm's fulfillments of economic-category of CSR initiatives and legal-category of CSR initiatives are positively related to corporate reputation. 2) Firm's fulfillment of ethical-category of CSR initiatives and philanthropic-category of CSR initiatives do not have a significant positively effect on corporate reputation.
Chung, Yu, Choi, and Shin (2015)	Chinese consumers in Liaoning, Shandong, Beijing, Shanghai, Guangdong and Jilin; whose occupations are students, company employees, government official, and others.	1) Customer perception of CSR is positively related to customer satisfaction. 2) Customer perception of CSR is positively related to customer loyalty. 3) Customer satisfaction is positively related to customer loyalty. 4) Corporate image has a moderating effect on the relationship between customer perception of CSR and customer satisfaction.
Jacobs et al. (2010)	Firms' announcements of environmental initiatives, awards, and certifications in the three major business wire	1) Announcement of philanthropic gifts for environmental causes (a subcategory of CEI) is positively related to stock market reaction.

Author (Year)	Research Context	Findings
	services, the top ten US daily newspaper, and the leading European business daily during the year 2004-2006.	2) Announcement of voluntary emissions reductions (a subcategory of CEI) is negatively related to stock market reaction. 3) Attainment of ISO 14001 certification is positively related to stock market reaction
Weber (2017)	Chinese financial institutions that are members of the China Banking Association during 2009 – 2013.	1) Sustainability performance of Chinese banks is positively related to financial performance. 2) Bi-directional causality between sustainability performance and financial performance is found.
Ameer and Othman (2012)	Top 100 sustainable global companies in 2008 available in the website www.global100.org.	1) Companies listed in the Global 100 most sustainable companies operating in the Industrial sector have significantly higher sales/revenue growth compared to control sample companies in the same sector. 2) Companies listed in the Global 100 most sustainable companies operating in the Consumer Discretionary and Telecommunication service sectors have significantly higher ROA compared to control sample companies in the same sector.

Author (Year)	Research Context	Findings
		3) Companies listed in the Global 100 most sustainable companies operating in the Consumer Discretionary, Industrials, Consumer Staples, and Telecommunication service sectors have significantly higher PBT and CFO compared to control sample companies in the same sector.
López et al. (2007)	One group of European firms listed in the Dow Jones Sustainability Index (DJSI) and another group of European firms quoted on the Dow Jones Global Index (DJGI).	1) CSR practices have a negative impact on short-term financial performance (short-term in this study refers to the first year in which CSR practices are applied).
S. Brammer, Millington, and Rayton (2007)	Employees of a financial services company in UK.	1) Employee perception of CSR is positively related to employee organizational commitment.

2.2 The Concept of Transformational Leadership

The concept of transformational leadership was originated by Burns (1978) and further improved by Bass and other scholars who involved in leadership research (B. M. Bass, 1985; B. M. Bass & Avolio, 1990a, 1990b, 1994a, 1994b; B. M. Bass, Avolio, Jung, & Berson, 2003; Bernard M. Bass & Riggio, 2006; B. M. Bass, Waldman, Avolio, & Bebb, 1987). According to Burns (1978), transformational leadership is an approach which leaders and followers help one another to achieve a greater level of morale and motivations. Burns (1978) raised a concern at the time that it was difficult to distinguish between leadership and management, which he eventually suggested that the main differences are characteristics and behaviors. Hence, he developed two concepts called “transformational leadership” and “transactional leadership”. Burns (1978) stated that transactional leadership approach is based on the exchange that takes place between leaders and followers. Such exchange will happen when followers are able to fulfill leaders’ requirements, and the rewards will be given by the leaders upon the fulfillment (Bernard M. Bass & Riggio, 2006). On the other hand, Burns (1978) further explained that transformational leadership is another different approach which causes significant change to organization and people by changing employees’ perceptions, values, expectations, and aspirations.

The original research of Burns (1978) was then advanced by B. M. Bass (1985), who attempted to understand the psychology behind transformational and transactional leadership concepts. B. M. Bass (1985) has contributed to add value to Burn’s initial work by explaining how to measure the degree of transformational leadership and how this leadership attribute can affect performance of followers. B. M. Bass (1985) stated that to measure a leader’s extent of being a transformational leadership, firstly is to observe the degree of trust, loyalty, admiration, and respect that the followers have toward the leader as these are related to follower’s willingness to work beyond their regular efforts. B. M. Bass (1985) theorized that such outcome of follower’s extra work effort can occur because transformational leader gives followers vision, inspiration, and identity which are beyond physical gains that transactional leader would offer. The work of B. M. Bass and Avolio (1994a) has summarized that transformational leadership can be recognized when leaders encourage followers and associates to look from a new perspective towards their work, communicate the awareness of group's vision and mission, help developing follower's potential and capabilities to another level, and inspire followers to look beyond self-interest but for the group's benefits.

Transformational leadership can be perceived as a greater level of leadership that emphasizes on moral value, where leaders influence followers to alter their value perspectives by means of communicating the importance of the desired outcomes, developing a collective purpose, and motivating followers to think beyond self-interest, which will result in a strengthened ethical climate throughout the team, organization, and community (Avolio, Bass, & Jung, 1999; B. M. Bass & Avolio, 1993a; Van Aswegen & Engelbrecht, 2009; Veríssimo & Lacerda, 2015). Transformational leadership is special because the positive transformation of follower's attitudes and behaviors happens through leader's characteristics, personalities, and traits (Bernard M. Bass & Riggio, 2006; Podsakoff, MacKenzie, Moorman, & Fetter, 1990). B. M. Bass (1985) and B. M. Bass and Avolio (1993a) have raised the key difference between the two types of leadership approach as that transformational leaders would aim to change or improve culture in the organization with the revision of vision and values, while transactional leaders would work in the existing organizational culture and rules. It is also interesting to note that, according to Bernard M. Bass and Riggio (2006), transformational leadership shares overlapping characteristics with charismatic leadership. However, Bass stated that charismatic is only a dimension of transformational leadership, plus charismatic leadership concept does not emphasize on the good deed intention of the leader towards the followers (Bernard M. Bass & Riggio, 2006). This means that the charismatic attribute may be used by the leader for self-aggrandizing and exploitative purpose (Bernard M. Bass & Riggio, 2006).

2.2.1 Characteristics of Transformational Leadership

The essence of transformational leadership is when the leader offers followers more than the tangible exchanges of rewards (Bernard M. Bass & Riggio, 2006). These leaders possess some certain characteristics and behavior that lead to follower superior outcomes (Bernard M. Bass & Riggio, 2006). According to Bernard M. Bass and Riggio (2006), it can be summarized that there are four main characteristics of transformational leadership. Firstly, the leader is charismatic, which this attribute drives follower's desire to emulate him. Secondly, the leader is able to inspire followers by communicating challenging and meaningful tasks. Thirdly, the leader is intellectually stimulating by prompting them to be more creative, hence extending their capabilities. Fourthly, the leader has the ability to individually consider, meaning that he or she is able to understand each individual follower personality and provide an appropriate support for each person (Bernard M. Bass & Riggio, 2006). B. M. Bass (1985) originally described these four components of transformational leadership as idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration.

2.2.1.1 Idealized Influence

The overall concept of idealized influence refers to leader who serves as a positive role model and has the ability to make followers feel trust and respect toward the leader. According to Bernard M. Bass and Riggio (2006), there are two aspects of idealized influence which are idealized influence attributes and idealized behaviors (Hemsworth, Muterera, & Baregheh, 2013). The first aspect, idealized influence attributes, refers to how followers perceive the characteristics attributed to a leader (Hemsworth et al., 2013). This part describes leader who is perceived as a role model by the followers (B. M. Bass & Avolio, 1995; Hemsworth et al., 2013). The idealized influence attributes emphasize on leaders who are confident, selflessness, showing respect in followers, and capable of instilling integrity, dignity and honor (Agyemang, Boateng, & Dzandu, 2017; Loon, Lim, Lee, & Tam, 2012). Such leader attributes make the followers wanting to emulate the leader and, hence, enhancing their willingness to give trust, loyalty, respect, pride, admiration, persistency, and extra efforts to the leader (Agyemang et al., 2017; Avolio & Bass, 2001; B. M. Bass & Avolio, 1994a, 1994b, 1995; Bernard M. Bass & Riggio, 2006; Loon et al., 2012).

The second aspect is idealized influence behaviors (Hemsworth et al., 2013). This aspect refers to the perception of followers towards the leader's observable behaviors (Hemsworth et al., 2013). This part describes a goal-oriented leader who possesses high ethical and moral standards, and behaves in a way that would create a collective sense of purpose, value, and mission among followers and associates in order to encourage work completion (Agyemang et al., 2017; Loon et al., 2012). The leader behaviors may also include sharing his/her beliefs and communicating the importance of purpose, commitment, and ethical consequences of decisions (Agyemang et al., 2017; Avolio, Bass, & Weichun Zhu, 2004; B. M. Bass, 1997).

2.2.1.2 Inspirational Motivation

This concept of inspirational motivation refers to the ability of leaders in communicating and articulating a vision that is found to be motivating, inspiring and appealing to followers and work team (Agyemang et al., 2017; Bernard M. Bass & Riggio, 2006). According to B. M. Bass and Avolio (1996b), the vision is processed at the individual level. This means the leader takes into account each individual's abilities by considering how each person can contribute to work on the shared vision and, at the same time, fulfill each person's ambitions (Agyemang et al., 2017; B. M. Bass & Avolio, 1996b, 1997). Leaders with high inspirational motivation display followers with optimistic, enthusiasm, and high standards future goals (Bernard M. Bass & Riggio, 2006). They also try to make the tasks required to achieve the goals meaningful for the followers and associates (Bernard M. Bass & Riggio, 2006). This kind of leader uses persuasive language and actions to motivate followers with attractive future vision, give them encouragement that the vision can be succeeded, and promote their confidence in their own abilities in order to stimulate individual and team spirit (Agyemang et al., 2017; Avolio, Bass, et al., 2004; B. M. Bass, 1997). The key attribute of inspirational motivation leaders is communication skill that would make the goal and expectation clear, understandable, accurate, desirable and engaging for followers (Agyemang et al., 2017; Bernard M. Bass & Riggio, 2006). Moreover, it should be noted that some scholars view the combination of idealized influence dimension and inspirational motivation dimension of leadership as a single factor of charismatic-inspirational leadership, which is similar to the characteristics defined in charismatic leadership theory (Agyemang et al., 2017; B. M.

Bass, 1998; B. M. Bass & Avolio, 1993b; Bernard M. Bass & Riggio, 2006; House, 1997).

2.2.1.3 Intellectual Stimulation

Intellectual stimulation refers to the degree in which leaders are able to encourage followers to be innovative in problem solving and solutions (Agyemang et al., 2017; B. M. Bass, 1985, 1990). According to B. M. Bass (1985) and Hemsworth et al. (2013), leaders with high intellectual stimulation help followers to appreciate their own thoughts, beliefs, and values. Followers are emphasized to develop rationality, think independently, find a better way of doing things, and solicit new ideas as in the process of managing problems and finding solutions (B. M. Bass, 1997; Bernard M. Bass & Riggio, 2006). For such leaders, unexpecting situations and problems are opportunities to learn for the followers, in which these would result in innovation and creativity (B. M. Bass & Avolio, 1996a, 1997; Bernard M. Bass & Riggio, 2006; Hemsworth et al., 2013). This can be summarized that leaders help stimulating followers' innovation and creativity by questioning old assumptions, traditions and beliefs (Avolio, Bass, et al., 2004; B. M. Bass, 1997), reframing problems (Agyemang et al., 2017; Avolio, Bass, et al., 2004; Bernard M. Bass & Riggio, 2006), approaching old situations with new perspectives (Avolio, Bass, et al., 2004; B. M. Bass, 1997), supporting the expression of ideas and reasons (B. M. Bass, 1997), and never criticizing followers in public because of their mistakes or the differences of ideas from the leaders (Avolio, Bass, et al., 2004; B. M. Bass, 1998).

2.2.1.4 Individualized Consideration

This dimension refers to the degree which leaders provide special attention to individual follower's needs for growth and achievement by means of listening to individual concerns and acting as a coach (Agyemang et al., 2017; B. M. Bass, 1985, 1990; Bernard M. Bass & Riggio, 2006). Individualized consideration is operationalized when new learning opportunities are created in a supportive environment that fosters trust, in which it allows followers and associates to develop their potential (B. M. Bass et al., 2003; Bernard M. Bass & Riggio, 2006; Loon et al., 2012). Leaders can well understand the differences of individuals in terms of their needs and, thereby, behave in a way that accept these individual differences (Bernard M. Bass & Riggio, 2006). For example, leaders may provide some followers with more encouragement, some with more flexibility, some with stricter standards, and some with more task organization (Agyemang et al., 2017; Bernard M. Bass & Riggio, 2006). A bi-directional communication is promoted, “management by walking around” workspaces is practiced, and leaders’ interactions with followers are personalized such as the leader understands each person context, remembers last conversation, and perceives the follower as a person rather than a subordinate (Bernard M. Bass & Riggio, 2006). It should also highlight that individualized consideration leader is a great listener (Bernard M. Bass & Riggio, 2006). In addition, the leader demonstrates empathy, treats followers with respect, keeps communication open, and delegates tasks based on the willingness to help with follower development, which leaders would monitor these tasks to assess progress and consider if any additional support should be provided (Bernard M. Bass & Riggio, 2006; Hemsworth et al., 2013). Avolio, Bass, et al. (2004) summarized that, in overall, this leadership dimension occurs when leader helps develop individual’s strengths through leader’s behavior of coaching and consulting.

2.2.2 Review of Transformational Leadership and Associated Outcomes

According to Shamir, House, and Arthur (1993) and Bernard M. Bass and Riggio (2006), transformational leadership and the four interconnected components (i.e. idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration) help driving followers beyond their usual performance boundaries. Transformational leader helps improving followers’ self-concepts and motivating their personal and collective identification with the objectives provided by the leader and the organization (Shamir et al., 1993). This identification is then strengthened when followers engage in a challenging mission assigned by leader, involve in an exciting experience of discoveries, identify his/her position in the successful outcomes of the team effort, and experience the sense of empowerment when associating with successful leader (Shamir et al., 1993). Transformational leadership can result in the followers’ performance that is greater than what other forms of leadership can induce (Bernard M. Bass & Riggio, 2006). In the below section, prior research regarding to transformational leadership outcomes will be described.

Over the past 20 years, many scholars have attempted to study transformational leadership and its outcomes in various areas and levels (Bernard M. Bass & Riggio, 2006). In terms of areas, for examples, transformational leadership has been proved to have a positive impact on performances of firms in USA and North America (LeBrasseur, Whissell, & Ojha, 2002; Seltzer & Bass, 1990), New Zealand (Singer, 1985), Russia (Elenkov, 2002), and Korea (Jung & Sosik, 2002). Transformational leadership has also been demonstrated its importance in different sectors including private sector (Hater & Bass, 1988), government sector (Wofford, Whittington, & Goodwin, 2001), educational sector (Harvey, Royal, & Stout, 2003), banking sector (Belias & Koustelios, 2014; Riaz, Akram, & Ijaz, 2011), military sector (B. M. Bass et al., 2003; Masi & Cooke, 2000), as well as in nonprofit organizations (Riggio, Bass, & Orr, 2004). Transformational leadership has also been related to the effectiveness of people working different career, such as health care workers (Gellis, 2001), athletes (Charbonneau, Barling, & Kelloway, 2001), and salesperson (Jolson, Dubinsky, Yammarino, & Comer, 1993; MacKenzie, Podsakoff, & Rich, 2001).

Many studies have also been conducted to understand transformational leadership and its association to performance at different levels including individual level, team level, and organizational level (Wang, Oh, Courtright, & Colbert, 2011). An example of such studies is the case of transformational leadership and its relation to follower satisfaction (Bernard M. Bass & Riggio, 2006). For example, Judge and Piccolo (2004) found that transformational leadership is positively related to follower job satisfaction, satisfaction with leader, and follower motivation. However, in their study, they found relatively weak relationship with group or organizational performance. A study by Braun, Peus, Weisweiler, and Frey (2013) demonstrated that transformational leadership is positively related to followers' job satisfaction, both at individual level and team level. They also stated that trust in supervisor and trust in team are the mediators between individual perception of supervisors' transformational leadership and job satisfaction. B. M. Bass et al. (2003) found that team ratings on supervisor's transformational leadership and transactional contingency reward leadership is positively related to group performance of U.S. Army light infantry rifle platoon participating in combat simulations. Kahai, Sosik, and Avolio (2003) presented that when transactional leaders lead groups of students who work in a collective task, students will engage in social loafing which refers to as a counterproductive behavior. On the other hand, when transformational leaders supervise groups of students, the degree of social loafing is reduced (Kahai et al., 2003). Additionally, Gumusluoglu and Ilsev (2009) found that transformational leadership has a positive impact on employee's creativity at the individual level and on innovation at the organizational level.

Scholars have also found positive relationships between transformational leadership and other organizational outcomes. For example, Agyemang et al. (2017) have studied three components of transformational leadership, which are idealized influence, intellectual stimulation, and individualized consideration, and how they are contributed to knowledge sharing. They found that idealized influence is significantly associated to knowledge sharing, but not the other two dimensions. Matzler, Schwarz, Deutinger, and Harms (2008) demonstrated that transformational leadership is positively associated to product innovation, growth and profitability. Groves and LaRocca (2011) also showed that transformational leadership is positively related to followers' CSR attitudes. Other findings related to transformational leadership impact include organizational innovation (e.g. Gumusluoglu & Ilsev, 2009), followers' creativity (e.g. Gumusluoglu and Ilsev, 2009), work engagement (e.g. Kovjanic, Schuh, & Jonas, 2013) and employees' perception of organizational reputation (Men & Stacks, 2013), etc.

In summary, past studies have mostly asserted that transformational leadership has a positive impact on different kinds of organizational performance, whether the performance examined is regarded to individuals or group of people in the business unit or organization (e.g. subordinates, associates, superiors), or whether it is related to objective variables (Bernard M. Bass & Riggio, 2006). In the field of sustainability research, there have not been many studies that attempted to find the relation with transformational leadership. For a few literatures that were found, this include a study by Waldman, Siegel, et al. (2006) who presented that CEO intellectual stimulation dimension of transformational leadership is positively related to firms' propensity to engage in strategic CSR. Another study by Veríssimo and Lacerda (2015) was conducted to examine whether transformational leadership mediates leaders' integrity and CSR. They found positive relationship that integrity predicts transformational leadership behavior, in which it is linked to CSR practices. In the other words, leaders who were rated higher in terms of integrity are more likely to engage in CSR activities as they are showing higher transformational leadership behaviors (Veríssimo & Lacerda, 2015). For this study, we would suggest that there should be more research conducted to expand our understanding regarding how transformational leadership can affect corporate sustainability practices.

2.3 The Concept of Organizational Ethical Culture

In the field of business ethics research, employees' perception regarding the degree of ethical organization can be presented mainly in two concepts, i.e. ethical climate and ethical culture (Linda Klebe Treviño & Weaver, 2003). According to Victor and Cullen (1987), ethical climate refers to the collective or shared understanding in the organization of what are correct or incorrect behaviors, as well as how ethical situations are supposed to be managed. According to Martin and Cullen (2006), ethical climate illustrates the comprehension toward the constituents of organizational ethical conducts such as policies, processes, procedures, and practices. According to L. K. Treviño, Butterfield, and McCabe (1995), ethical climate measures "organizational members' perceptions of the extent to which the organization's normative systems are consistent with a number of normative ethical theories" (p. 10). For ethical culture, this refers to various aspects of values and systems that aim at influencing and establishing the standards of right or wrong, and are capable of driving ethical or unethical behaviors (S. D. Hunt, Wood, & Chonko, 1989; L. K. Treviño, Butterfield, & McCabe, 1998; Linda Klebe Treviño & Weaver, 2003). While both concepts are similar, ethical climate illustrates the perception of the overall ethical characteristics about an organization, while ethical culture reflects organizational control systems for establishing ethical standards and behaviors in the organization (Klebe Treviño, Butterfield Kenneth, & McCabe Donald, 2001). In this study, we focus on the latter concept of ethical culture.

The concept of ethical culture was first developed by L. K. Treviño et al. (1998). Ethical culture can be described as a component of organizational context and culture that resists unethical behavior (L. K. Treviño, 1990; L. K. Treviño et al., 1998; Linda Klebe Treviño & Weaver, 2003). According to Denison (1996), literatures in the field of organizational culture perceive the organization as both the medium and the result of social interaction. According to Kopelman, Brief, and Guzzo (1990), they explained that the study of culture can be categorized into two levels, i.e. the phenomenal and the ideational. The phenomenal emphasizes on the observable behaviors and artifacts, while the ideational emphasizes on the underlying values, meaning, and beliefs (Kopelman et al., 1990; L. K. Treviño et al., 1998). According to Trevino (1986), the ethical culture constructs represent more on the phenomenal level, which is the observable parts of culture such as practices, structures, and systems. In the work of L. K. Treviño (1990), she stated that ethical culture is a subset of organizational culture that reflects an interplay between various formal and informal systems for behavioral control, which has an impact on driving ethical or unethical behaviors of employees. Formal systems refer to organizational components such as policies, procedures, code of conducts, reward system, organizational structure, and training programs. Informal systems refer to peer behavior and ethical norms. The more these formal and informal systems support ethical conduct, the more it is likely to encourage individual ethical behaviors (L. K. Treviño et al., 1998).

There have been various definitions and perceptions of organizational ethical culture constituents (Goebel, Reuter, Pibernik, & Sichtmann, 2012). It is broadly recognized that the work of L. K. Treviño et al. (1998) was the foundation for the field of studies in corporate ethics and its associated outcomes (J. S. Chun, Shin, Choi, & Kim, 2013; Goebel et al., 2012). Another author, (Kaptein, 2008, 2009, 2011), has also become a scholar who dedicated his work on ethical culture. Kaptein has empirically developed a model for ethical culture of an organization called Corporate Ethical Virtues Model (CEV). In his model, he identified dimensions of ethical culture that encourages ethical behavior, as well as resist unethical behaviors. Hence, in this study, we decided to adopt a more recent construct of Kaptein (2008) to define ethical culture. It should be noted that Kaptein (2008) based his CEV model on the virtue-based theory of business ethics by Solomon (2000, 2004), which the theory described that organizations are supposed to have certain virtues in order to be ethical.

These virtues explain characteristics of ethical conduct from the perspectives of organization members (Kaptein, 2008).

2.3.1 Characteristics of Ethical Culture

In the Corporate Ethical Virtues Model (CEV) model, Kaptein (2008) identified eight virtues which he defined as "the organizational conditions for ethical conduct; they reflect the capacity of an organization to stimulate ethical conduct of employees". These eight 'virtues' include clarity, congruency of supervisor, congruency of management, feasibility, supportability, transparency, discuss ability and sanction ability. Kaptein (2008) further stated that "the first three virtues are related to the self-regulating capacity of the organization, the next two virtues to the self-providing capacity of the organization, and the last three virtues to the self-correcting or self-cleansing capacity of the organization".

2.3.1.1 Self-regulating Capacity of the Organization

Virtues: Clarity, Congruency of Supervisor, & Congruency of Management

This first virtue, clarity, describes that ethical expectations of employee conducts should be clear, explicit, understandable, comprehensive, and concrete (Kaptein, 2008). It is crucial for organization to explain clearly what should be recognized as ethical behaviors or unethical behaviors because the greater clarity would lead to the greater responsibility that employees will feel the need to follow (Kaptein, 2008). Scholars such as Andrew Crane and Matten (2007) also pointed out that some ethical issues are unique to a specific business setting, hence it may not be sufficient if organizations would rely on or expect mainly from general moral intuition of individuals. Otherwise, the unclear description of organizational ethical expectation may result in a greater chance for employees to conduct unethically, cause employees to avoid being informed, and give them space to come up with excuses (Bovens, 1998; Riivari & Lämsä, 2014). The second and third virtue are the congruency of supervisor and the congruency of management. These two virtues refer to the degree in which supervisors and managers adopt organizational ethical conduct (Kaptein, 2009). These two virtues highlight that supervisors and managers have significant influence on employees as they set them examples (Kaptein, 2008; Riivari

& Lämsä, 2014). A similar argument is also supported by L. K. Treviño (1990) who asserted that management and leaders of organizations play crucial role in establishing culture of ethics by means of observational actions and behaviors. Despite having a clear communication of employee ethical conduct expectations, if management and superiors do not behave according to organizational ethical conducts, employees will experience contradictions and inconsistency (Kaptein, 2008). On the opposite, if management and superiors behave according to normative expectations, the communication will be reinforced (Kaptein, 2008). A study by Kaptein (1998) also supported this by illustrating that unethical behaviors of employees were motivated by behaviors of superior.

2.3.1.2 Self-providing Capacity of the Organization

Virtues: Feasibility, Supportability, and Transparency

The first virtue that belongs to the self-providing capacity of the organization is *feasibility*. This refers to capability of organization in providing sufficient resources and conditions to enable employees to comply with ethical expectations (Kaptein, 2008; Riivari & Lämsä, 2014). Such resources include budget, time, authority, equipment, and information, etc. (Kaptein, 2008). Kaptein (1998) also found that if employees do not have adequate or balanced amount of resources to support their responsibilities, the likelihood of employee behaving unethically will increase. Interesting, an empirical study by Schweitzer, Ordóñez, and Douma (2004) also showed that excessively high target pressure stimulates unethical behavior.

Th second virtue of the self-providing capacity of the organization is *supportability,* which is the degree to which organization provides support to help employees comply with normative expectations. Kaptein (1998) found that employees who feel dissatisfied and lack of motivations will be more likely to involve in unethical behaviors. Additionally, Kaptein (2008) claimed that if employees feel that they are being treated unfairly, they may want to make the balance by intentionally perform negative behaviors to the organizations. Kaptein (2008) further stated that hostile environment in the organization will cause more difficulty and challenges to comply with organizational ethical conduct. The argument of supportability virtue is also supported by an empirical study of Tyler and Blader (2005) who discovered that when organization encourages employees to identify ethical values of the organizations, they will be more motivated intrinsically to follow ethical expectations.

The third virtue of the self-providing capacity of the organization is *transparency* or visibility, this refers to the extent in which employees are made aware of the seriousness, the consequences of actions, and the responsibilities they are subjected to if involving in unethical behaviors (Kaptein, 2008). According to Bovens (1998), employees will be held responsible if they realize the consequences of one's actions. Employees who do not understand the importance of consequences are less likely to be responsible for their behaviors (Kaptein, 2008). According to Kaptein (1998), when there is high transparency in the organizations, there will also be a greater opportunity that employees will accomplish in correcting their own behaviors or those of their colleagues.

2.3.1.3 Self-correcting Capacity of the Organization

Virtues: Discussability and Sanctionability

The first virtue of self-correcting capacity of the organization is *discussability*. It refers to the extent which employees are able to discuss and exchange experiences on ethical issues in the organization. According to Kaptein (1998), unethical behaviors of employees can be partially influenced by low discussability or debatability culture in an organization. This low discussability culture reflects organization environment where criticism is not encouraged or where employees deliberately being uninformed or unacknowledged of what they do not want to know (Bishop, 1991; Kaptein, 2008). Kaptein (2008) also explained that if employees are not provided with appropriate scope to discuss or exchange information, employees will lack an opportunity to learn from others' mistakes or experiences. Additionally, Bird and Waters (1989) gave similar argument that the continuous avoidance of moral conversation would likely cause amoral organizational culture.

The second virtue of the self-correcting capacity of the organization is sanctionability. This dimension refers to the extent that employees will be rewarded for ethical behaviors and punished for unethical behaviors (Riivari & Lämsä, 2014). Kaptein (2008) highlighted that it is crucial for organization to emphasize that unethical conducts are unacceptable because the compromise may cause further tolerance. The lack of sanctions may significantly weaken the effectiveness of ethical norms (Kaptein, 2008). Moreover, Kaptein (2008) asserted that the absence of reward and recognition towards ethical behavior would discourage employees to act ethically and lead to unethical behaviors. This statement is also supported by an empirical study by Román and Munuera (2005) who showed that there were less violations occurred when individuals were more rewarded for ethical conducts.

2.3.2 Review of Ethical Culture and Associated Outcomes

For many years, ethical literatures have tried to explain ethical decision-making and ethical behavior (Demirtas & Akdogan, 2015). There have been numerous studies conducted regarding various aspects of organizational ethics and its associated organizational outcomes, such as ethical leadership, ethical climate, organizational ethical values, and ethical culture (Demirtas & Akdogan, 2015; Ruiz-Palomino, Martínez-Cañas, & Fontrodona, 2013). For example, M. E. Brown and Treviño (2006) presented that ethical leadership is related to employee attitudes and behaviors. Demirtas and Akdogan (2015) studied a mediating role of ethical leadership and revealed that, through ethical leadership behavior, managers have an impact on perceptions of ethical climate that in turn positively predict employees' turnover intention and affective commitment. Valentine, Godkin, Fleischman, and Kidwell (2011) found that corporate ethical values and group creativity are positively related, and both are also related to increased job satisfaction and decreased turnover intention.

When focusing on the concept of ethical culture, it has also been found that ethical culture is related to various business outcomes. For example, conducted a study on employees from social economy and commercial bank in Spain, they found that ethical culture is positively related to employee job satisfaction, affective commitment, intention to stay, and employee willingness to recommend the organization to others. Ruiz-Palomino and Martínez-Cañas (2014) found that ethical culture is strongly related to employee organizational citizenship behavior (OCB) and ethical intent. They also further demonstrated that person-organization (P-O) fit plays an important role in these relationship connections, in which P-O mediated the ethical culture and OCB relationship, but moderated the ethical culture and ethical intent relationship. Kaptein (2011) suggested in his study that ethical culture is related to employee willingness to report wrongdoing in an organization. Riivari and Lämsä (2014) illustrated that ethical culture of organization is associated with organizational innovativeness. There were also researches focusing on ethics within the auditing profession regarding how individuals evaluate ethical situation and how these impact their intention to act ethically (Sweeney, Arnold, & Pierce, 2010). For example, Douglas, Davidson, and Schwartz (2001), Ponemon (1992), and Windsor and Ashkanasy (1996) found that ethical culture of the firm influences ethical decision making of auditors.

In the field of corporate sustainability studies, the author has reviewed past literatures and found that there are still relatively little empirical evidences existed regarding how ethical culture variable is associated to corporate sustainability. Prior studies that were found include a work by Goebel et al. (2012) which shows that some elements of ethical culture are related to socially sustainable supplier selection, however they did not find significant relation to environmentally sustainable supplier selection. Another study is a research by Ullah et al. (2017), which showed that ethical culture mediates the positive relationship between ethical leadership and CSR. Based on the assumption from Svensson, Wood, and Callaghan (2010) whom stated that ethics and sustainability should not be separated from one another, we suggest that it should be worth bringing in the ethical culture variable into this study as the predictor of corporate sustainability performance.

2.4 The Concept of Corporate Reputation

The concept of corporate reputation has been widely studied in various business disciplines including marketing, economics, and organizational management (Nguyen & Leblanc, 2001). Marketing research usually examines reputation in terms of firm credibility (Herbig, Milewicz, & Golden, 1994). Research in organizational management normally views reputation as a representation of social identity that impacts organizational performance and survival (Fombrun & Shanley, 1990). For reputation in the perspective of economists, it would be studied in association with product quality and price (R. Wilson, 1985). Despite various roots of the reputation concept, one consensus understanding of corporate reputation is that it represents consequences of firm's past actions (Nguyen & Leblanc, 2001). According to Yoon, Guffey, and Kijewski (1993), corporate reputation can be explained as a reflection of firm's history which demonstrates its positioning in relation to its competitors. Herbig and Milewicz (1993) described the definition of reputation as an estimation of consistent judgements over a period of time from stakeholders who interact with the firm. Shenkar and Yuchtman-Yaar (1997) provided definition of reputation as being equivalent to image, goodwill, and esteem that indicate firm standing. Fombrun (1996) also defined corporate reputation as stakeholders' perception towards the firm, which these stakeholders can be both internal and external such as customers, suppliers, partners, employees, shareholders, community, government, as well as other parties. Nguyen and Leblanc (2001) has pointed out that a firm can have multiple dimensions of reputation depending on which attributes or stakeholders are involved in the consideration, such as product quality, service quality, price, innovation, organizational management performance, and overall reputation. In this study, we would primarily follow the definition provided in the book of Fombrun (2005, p. 54), which described corporate reputation as "a collective representation of a company past actions and future prospects that describes how key stakeholders interpret a company's initiatives and assess its ability to deliver valued outcomes".

Nguyen and Leblanc (2001) has claimed that corporate reputation is related to the concept of credibility. Credibility illustrates the extent in which a firm is perceived as trustable and believable (Nguyen & Leblanc, 2001). Credibility is a consequence of how much a firm does according to what it said it would do, i.e. the congruence between the communicated message and the associated behaviors. Nguyen and Leblanc (2001) then concluded that reputation is developed from firm's credible actions. Herbig and Milewicz (1993) have raised that corporate reputation is sensitive because firm's negative actions would have significantly greater impact on customer when comparing to positive actions. In addition, Nguyen and Leblanc (2001) pointed out that although firms take consistent effort and time to create strong corporate reputation, the reputation can be quickly destroyed if there is a perceived bad action happened towards any group of firm's stakeholders. Corporate reputation is driven by firm's unique capabilities and serves as a competitive advantage because it helps creating positive impressions among customers, investors, employees, and the public about the firm and its positioning (Doh & Stumpf, 2005; Fombrun, 2005; Schlenker, 1980; Tedeschi, 1981). For consumers, reputation would be used as a basis to judge a firm's product or service quality that could lead to a purchasing decision and repeated purchases (Fombrun, 2005; Grossman & Stiglitz, 1980). For external investors, positive reputation would also help increase their confidence when evaluating a firm's strategy and capabilities prior to their investment decision-making (Fombrun, 2005). With this reasoning, (Fombrun, 1996, 2005) has concluded that reputation would contribute to grant firms with both financial and non-financial benefits.

2.4.1 Characteristics of Corporate Reputation

It should be noted that the definition of corporate reputation may vary by individual authors (R. Chun, 2005). Some literatures even used the concept of reputation interchangeable with the concept of image, which caused confusions (Markwick & Fill, 1997). In this paper, the definition and construct of corporate reputation adopted are based mainly on the work of R. Chun (2005). According to R. Chun (2005) and Davies and Miles (1998), there are three key elements of corporate reputation which are Image, Identity, and Desired Identity. The first dimension, image, refers to how customers see the firm. According to Bromley (1993) and Davies and Miles (1998), the concept of image in the context of reputation is an overall summary or result of impressions perceived by external stakeholders, especially customers. According to Bernstein (1984), attitude of customers is the key factor that determines corporate image through what they feel, experience, and observe about the firm. As there were some researchers who viewed the terms image and reputation as synonyms (R. Chun, 2005), E. R. Gray and Balmer (1998) raised an interesting point that reputation differs from image by having a historical meaning. They furthered explain that reputation requires consistent effort and good communication to be built over time, while image can be fashioned rapidly via effective communication plan. Moreover, R. Chun (2005) stated that corporate reputation is formed through firm's real outcomes and performances, but image can be created without relying on real experience. The second dimension, identity, this refers to what the firm really is or how it views itself (R. Chun, 2005). This can also indicate employees' perception and how they feel about the organization (Albert & Whetten, 1985). This dimension takes into account organizational characteristics that are enduring, distinctive and central (Albert & Whetten, 1985). The third dimension, desired identity, this refers to what the firm says it is or how it wants others to see itself. The desired identity dimension can be represented by visual cues, e.g. name and logo (Bernstein, 1984; R. Chun, 2005; Ind, 1992; Olins, 1989), as well as by strategic cues, e.g. firm's vision and mission, which are parts of marketing strategy that relate to the way firm manages its corporate image and reputation (R. Chun, 2005; Dowling, 1994; Selame & Selame, 1988).

According to R. Chun (2005) and J. G. Gray (1986), corporate reputation is driven by the combination of firm's external perception, i.e. corporate image, as well as internal perception, i.e. corporate identity and desired identity. This means that the way internal stakeholders see and interact with the firm can significantly influence corporate image held by external stakeholders (R. Chun, 2005; Lloyd, 1990). This may especially apply true to firms operating in service sector and those employees who are customer-facing (R. Chun, 2005; Lloyd, 1990). This is because, internally, the desired identity of the firm determines the way firm sees itself and the management strategy it deploys, which this will impact the behavior of internal stakeholders, such as employees who are the key to driving firm's performance such as product quality and service quality, as well as impact the communicated image to external stakeholders and customers, who later literally consumed or experience firm performances (R. Chun, 2005). Corporate reputation will play the role when external stakeholders experience firm performances and determine whether their experiences align or mismatch with what the firm promises through the communicated image (R. Chun, 2005; Davies & Miles, 1998). If external stakeholders continuously feel that what they consume or experience from the firm match with what they expect, reputation will be enhanced (R. Chun, 2005). On the other hand, if external stakeholders feel recurring or persistent gap with their expectations, reputation will be damaged (R. Chun, 2005). To conclude based on Nguyen and Leblanc (2001), reputation reflects the extent of customers and external stakeholders' trust or distrust towards the capabilities of firm to meet their expectations on a specific attribute.

2.4.2 Outcomes Associated with Corporate Reputation

Corporate reputation and similar concepts have been studied extensively in marketing literatures, especially in relation to consumer behaviors (Nguyen and Leblanc, 2001). Corporate reputation and corporate image have been found to have positive impact on sales and market share of firms (Shapiro, Spring, 1982). Corporate reputation is also related to the establishment and enhancement of customer loyalty (Andreassen & Lindestad, 1998). Similarly, Nguyen and Leblanc (2001) found in their empirical study that the extent of customer loyalty tends to be greater when customers strongly perceive positive corporate image and reputation. A study by Dowling (2001) also found that positive reputation supports the effectiveness of new product introduction, sales force, and recovery ability after crisis.

Corporate reputation has also been studied numerously in association with financial performance (P. W. Roberts & Dowling, 2002). This is because many researchers viewed corporate reputation as an important firm's asset (Flanagan & O'shaughnessy, 2005; P. W. Roberts & Dowling, 2002) and many have attempted to examine its relationship to firm financial performance such as profitability, market share, and cost savings (P. W. Roberts & Dowling, 2002; Sánchez & Sotorrío, 2007; Taghlan, 2012). Authors such as Rindova, Williamson, Petkova, and Sever (2005), Weigelt and Camerer (1988), and Fombrun (1996) have suggested that good reputation can positively impact financial performance by many reasons such as it enhances consumer confidence, increases customer willingness to pay premium price, and differentiates the brand from competitors. Reputation may also help firms to gain cost advantage because high reputation firms would attract highly performed employees to work for them, which these employees are likely to work harder for less pay (P. W. Roberts & Dowling, 2002). Chauvin and Hirschey (1994) also empirically found that superior reputation has a positive influence on the firm's market value, which Miles and Covin (2000) further explained that good reputation would enhance the trust in firm of the investors due to less perceived risks and potentially greater market opportunities. Additionally, P. W. Roberts and Dowling (2002) suggested that firms with good reputation should be subjected to less supplier contracting and monitoring costs due to suppliers being less worried regarding contractual issues. Nevertheless, despite the existence of some empirically supported findings that corporate reputation is positively related to firm financial performance (P. W. Roberts & Dowling, 2002; Sabate & Puente, 2003; Taghlan, 2012), it should still be noted that some of the stated potential benefits in literatures are based on researcher assumptions which lacks empirical evidences (Nguyen & Leblanc, 2001; Taghlan, 2012).

2.5 Upper Echelons Theory

For the past few decades, there has been an increasing attention in the field or organization and strategic management studies towards the role of top management and their impact on firm performance (Waldman, Javidan, & Varella, 2004). Upper echelons theory was originated in an assumption by Child (1972) who stated that decisions of top management has an impact on firm performance. Hambrick and Mason (1984) then further developed the work and made the theory to become widely recognized and cited in leadership studies (Waldman et al., 2004). The essence of the upper echelons theory consists of two interconnected elements (Hambrick, 2007; Hambrick & Mason, 1984). First, top management and executives strategically make decisions and take actions based on their individualized interpretations of the situations they encounter (Hambrick, 2007). Second, the way each individual executive perceives, comprehends, and interprets the encountered situation is functioned based on personalized experience, background, personalities, and values (Hambrick, 2007). Hambrick (2007) also explained that this essence of the theory is based on the premise of bounded rationality, which he summarized as “the idea that informationally complex, uncertain situations are not objectively knowable but, rather, are merely interpretable” (p. 334). In the bounded rationality situations, choices to be made by top management can vary, which allows the executives to adopt their personal aspects and values into these choices (Finkelstein & Hambrick, 1996; Waldman et al., 2004). According to Finkelstein, Hambrick, and Cannella (2009), organizational outcomes reflect the personal characteristics possessed by top management, especially the CEO. Therefore, to understand why firms perform and do in a certain way, it is crucial to understand the nature of the CEO who is the person that plays the most powerful roles in the organization, as well as their attitudes, characteristics, and biases (Hambrick, 2007). The role of the top management according to the upper echelons theory in influencing organizational outcomes and performances is depicted in the Figure 2.1 below.

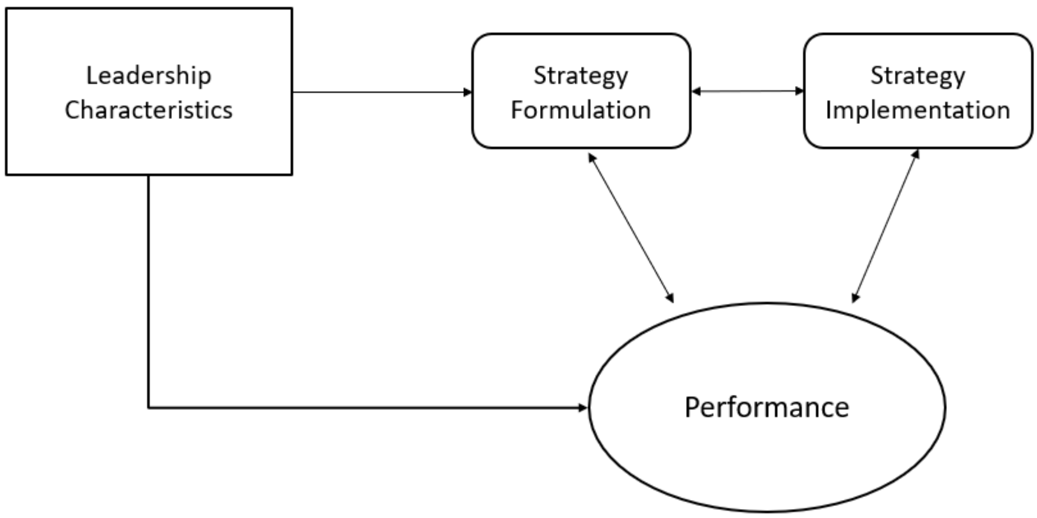

Figure 2.1 Upper Echelons Theoretical Framework
Source: Adapted from Hambrick and Mason, (1984)

The gist of the upper echelons theory from the Figure 2.1 illustrates that leader's characteristics influences the way they interpret the situation, which also influence the way leader make strategic decisions, formulate firm's strategy, and execute strategic implementation (Finkelstein & Hambrick, 1996; Finkelstein et al., 2009; Hambrick, 2007). The strategies that firm chooses to adopt will determine firm's outcomes and performances (Finkelstein et al., 2009; Hambrick, 2007; Hambrick & Mason, 1984; Waldman et al., 2004). Thus, it can be concluded that the characteristics of firm's leaders or senior executives can significantly impact organizational performance (Hambrick, 2007; Hambrick & Mason, 1984).

In early studies, most researchers focused on top management's demographic attributes (such as age, education background, work functional track, and socioeconomic status) as the predictors of strategic actions and firm performance (Hambrick and Mason, 1984; Waldman et al., 2004). Hambrick and Mason (1984) also suggested that psychological measures should rather be used than demographic measures because they would better indicate leader's values and disposition attributes, which should be more relevant in explaining such firm outcomes. Later, a research by Finkelstein (1992) has lifted the upper echelons theory insights regarding the impact of top management characteristics on firm outcomes by proposing that managerial power variable should be brought into consideration because the power may be originated from a leader's personality. His argument also supported the thinking that demographic attributes are not sufficient to understand top management characteristics in the context of upper echelons theory and that a more comprehensive measures should be used (Hambrick & Mason, 1984; Hitt & Tyler, 1991; Waldman et al., 2004).

Later on, there appears to be many researches which have asserted that they are in line with the upper echelons proposition by demonstrating that characteristics of top executives have significant influence on firm performance, which this relationship applies broadly to national level, industry level, as well as to different stages of organizational life cycles (Carpenter, Geletkanycz, & Sanders, 2004). For example, Eisenbeiss, Van Knippenberg, and Fahrbach (2015) found that the degree that CEO values integrity and ethics is positively related to perceived firm performance in the market in relation to its industry competitors. Miller and Dröge (1986) found that the personality of CEO affects the adopted style of organizational structures. Waldman et al. (2004) have shown that CEO charismatic leadership quality predicts firm's strategic change. Carmeli, Schaubroeck, and Tishler (2011) found that CEO empowering leadership influences top management team behaviors and potency, which are then positively related to firm performance.

To summarize, the upper echelons theory has often been used to explain the impact of top management on firms' strategic actions and its performances (Auh & Menguc, 2005). Past empirical studies have also demonstrated that characteristics and experiences of top management accounted for 2% to 44% of the firm performance variance (Auh & Menguc, 2005). Therefore, in this study, the upper echelons theory will be used for explaining top management attributes, in this case is the degree of CEO transformational leadership and the impact on firm's outcomes in terms of corporate sustainability performances and corporate reputation.

2.6 Hypotheses Development

2.6.1 CEO Transformational Leadership and Corporate Sustainability

Transformational leadership is considered as the characteristic of CEO that can determine the corporate sustainability practice of the organization. According to the upper echelon's theory, top executives have to continuously face with ambiguous and uncertain situations, hence their personal characteristics and values would influence their interpretations, decisions, and actions (Hambrick, 2007; Hambrick & Mason, 1984). CEO is the leader of top management team and the overall organization. CEO has the vital role in decision making and implementation of firm's strategic choices, thereby the personal values of CEO and his/her impact on organization should be carefully considered (Arendt, Priem, & Ndofor, 2005; Buyl, Boone, Hendriks, & Matthyssens, 2011; Haleblian & Finkelstein, 1993; Jaw & Lin, 2009; Kisfalvi & Pitcher, 2003; Waldman, Siegel, et al., 2006).

According to Epstein, Buhovac, and Yuthas (2010), leadership is a critical driver of corporate sustainability. The decision to support corporate sustainability tends to depend on top executive of the organization (Waldman, Siegel, et al., 2006). As corporate sustainability requires firm to compromise certain activities that may affect their short-term financial performance for the sake of larger communities, this may as well likely to be embraced by leaders who are selflessness and value ethics. Waldman and Siegel (2008) also stated a similar argument by describing that CSR leaders would demonstrate personal attributes that indicate ethical, moral and authentic leadership. Such value of leadership is reflected in the idealized influence dimension of transformational leadership, which is described as leaders who possess high ethical standard for oneself and for subordinates (Bernard M. Bass & Riggio, 2006). Ethical traits of transformational leader can be illustrated by honesty, fairness, trustworthiness, and responsibility toward his/her own actions (R. F. Piccolo, Greenbaum, den Hartog, & Folger, 2010; Y. Zhu et al., 2014). The ethical characteristic of transformational leader plays a crucial role in motivating them to commit for sustainable and responsible change for relevant stakeholders, both inside and out the organization (Y. Zhu et al., 2014). Additionally, as sustainability practice is regarded as a new initiative to the organization that shifts away from the traditional business goal of maximizing shareholder's wealth, this means that organization's members have to be open for change and new way of thinking. The chance of success in such organizational change may as well be optimized by leader's characteristics described in inspirational motivation and intellectual stimulation dimensions of transformational leaders. Inspirational motivation dimension is described as leaders who motivate followers with challenging high standard goals, make the goal desirable for the followers, and encourage each contributed person to collectively achieve the goal (Agyemang et al., 2017; B. M. Bass & Avolio, 1996a, 1996b; Bernard M. Bass & Riggio, 2006), whereas intellectual stimulation dimension refers to leaders who challenge old assumptions and encourage new ways of doing things (Avolio, Bass, et al., 2004; Bernard M. Bass & Riggio, 2006). Hence, the inspirational motivation dimension should encourage organizational members to believe in the new goal while the intellectual stimulation should minimize their resistance to change, which should lead to a successful implementation of sustainability practice. In overall, the proposed leader's qualities seem to match with attributes described in transformational leadership concept (Bernard M. Bass & Riggio, 2006). This assumption is also partially in line with the finding of Waldman, Siegel, et al. (2006) that CEO intellectual stimulation dimension of transformational leadership is positively related to firm's propensity to engage in strategic CSR, as well as with Veríssimo and Lacerda (2015) that transformational leadership is related to CSR practices. Although CSR and corporate sustainability concepts are not exactly the same, they do share some common considerations (Kumar & Christodoulopoulou, 2014). Hence, this study would like to propose that CEO with high transformational leadership predicts the firm's propensity to engage in the three dimensions of corporate sustainability practices including environmental, social, and economic dimensions. Therefore, the following hypotheses are presented.

Hypothesis 1A: CEO Transformation Leadership is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.

Hypothesis 1B: CEO Transformation Leadership is positively associated with the organizational practice of Social dimension of Corporate Sustainability.

Hypothesis 1C: CEO Transformation Leadership is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.

2.6.2 CEO Transformational Leadership and Ethical Culture

CEO Transformational Leadership does not only play an important role in promoting corporate sustainability practices, but also supporting ethical culture in the organization. Leader's values and behaviors can have an important impact on setting the ethical tone and standards of the organization (Kanungo & Mendonca, 1996; Van Aswegen & Engelbrecht, 2009). Similarly, Kaptein (2008) also proposed in his model that ethical culture in the organization is significantly influenced by the extent that executives behave and put value in ethics. Such attribute seems to match with the characteristics described in transformational leaders, which include highlighting the importance of ethics (i.e. what is right or wrong) and promoting followers' ethical conducts and selflessness by means of setting example and using rewards and punishments (B. M. Bass & Avolio, 1994a, 1994b; Burns, 1978; Peters & Waterman, 1982; Y. Zhu et al., 2014). Burns (1978) theorized that transformational leadership is built on the ground of morally good leadership between leaders and followers, as well as on values such as equality, justice, and liberty.

It has been mentioned in many literatures that transformational leadership and ethical practices in the organization are related. For example, Van Aswegen and Engelbrecht (2009) suggested that leader's behaviors determine the effectiveness of code of conducts, policies, procedures, and structures of the organization. Scholars such as Engelbrecht, Van Aswegen, and Theron (2005) and Van Aswegen and Engelbrecht (2009) found that transformational leadership is associated with the development of organizational ethical climate, which L. K. Treviño et al. (1995) defined it as a construct that "measures organizational members' perceptions of the extent to which the organization's normative systems are consistent with a number of normative ethical theories" (p. 10). Moreover, Schaubroeck et al. (2012) found that there is a positive relationship between ethical leadership and ethical culture (Van Aswegen & Engelbrecht, 2009). Lu and Lin (2014) summarized the definition of ethical leadership as leaders who are fair, trustworthy, care about others, and behave ethically. Bedi, Alpaslan, and Green (2016) also found in their meta-analytic review that ethical leadership is positively related to transformational leadership.

Therefore, with these supporting assumptions, it can be deducted that characteristics of top management roles have a significant contribution to setting the tone of ethical culture in the organization. Hence, in this paper, it is logical to provide an assumption that CEO transformational leadership is related to organizational ethical culture.

Hypothesis 2: CEO Transformation Leadership is positively associated with organizational Ethical Culture.

2.6.3 Ethical Culture and Corporate Sustainability

Ethical culture is a component of organizational context that can determine corporate sustainability practice. Svensson et al. (2010) have pointed out that ethics and sustainability are related and inseparable to each other. They explained that sustainable practices in business cannot be achieved without putting value in ethics. Their perspectives also align with interpretation of other scholars such as Elkington (1998) and Kleindorfer et al. (2005), who also raised ethics relation to the triple bottom line dimensions.

Epstein et al. (2010) have suggested that one of the key drivers of corporate sustainability implementation is the internal context, which refers to mission, strategy, organizational structure, supporting systems, as well as organizational culture. According to L. K. Treviño (1990), ethical culture is considered as a subset of organizational culture. Abbett, Coldham, and Whisnant (2010) have stated that some type of organizational culture can limit sustainability initiatives, while other type of organizational culture can strengthen the success of these initiatives. The argument regarding the relationship between organizational culture and corporate sustainability has been supported by several scholars. Such scholars include Ramus and Steger (2000), who found that organizational culture which encourages employees to involve in environmental effort is positively associated to the success of firm in reducing its environmental impact. Baumgartner (2009) stated that when firms develop organizational culture as part of corporate sustainability plan, firms should be able to adopt sustainability initiatives into the routines of business operations more effectively. An empirical work of Goebel et al. (2012) also illustrated that some elements of ethical culture including the top management ethical behavior and the code of conduct implementation are related to environmentally sustainable supplier selection, while only top management behavior is related to socially sustainable supplier selection.

Moreover, ethical culture has also been found to have a significant influence on employee behaviors. According to Epstein et al. (2010), employees are also one of the key drivers of corporate sustainability implementation in an organization. For example, Sweeney et al. (2010) found that ethical culture leads to employee ethical judgement (Mayer, 2014). Mayer (2014) also concluded that ethical culture is significantly related to employee experiences. In particular, he suggested that ethical culture promotes employee job attitudes and ethical conducts; on another hand, it reduces employee unethical conducts and experienced ambiguity. Grojean, Resick, Dickson, and Smith (2004) has also placed similar argument that one way to promote CSR is to clarify the expectations of ethical behaviors and minimize ambiguity. This argument is in line with Svensson et al. (2010) who claimed that ethics and sustainability are closely related. When all executives, managers, and employees within an organization have a clear understanding on their shared organizational culture, it promotes a collective sense of identity, vision and commitment, while minimizing organizational uncertainties (Cameron & Quinn, 2011), which should contribute to sustainability practice as well.

Hence, with this reasoning, this study proposes that ethical culture is positively associated to the three dimensions of corporate sustainability performance. This leads to the following hypotheses.

Hypothesis 3A: Organizational Ethical Culture is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.

Hypothesis 3B: Organizational Ethical Culture is positively associated with the organizational practice of Social dimension of Corporate Sustainability.

Hypothesis 3C: Organizational Ethical Culture is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.

2.6.4 Ethical Culture as Mediator between CEO Transformational Leadership and Corporate Sustainability

This research proposes that the positive effect of CEO Transformational Leadership on the three dimensions of Corporate Sustainability practices can be mediated by Ethical Culture. The mechanism by which CEO Transformational Leadership can effectively promote corporate sustainability practices is by creating the appropriate organizational culture that induce organizational members to realize about the importance of sustainability. In particular, the ethical culture that the CEO with Transformational Leadership creates in the workplace could play a crucial role in encouraging organizational members to support Corporate Sustainability practices.

Based on this research assumption, as transformational leaders put high value in ethics, the ethical trait of CEO transformational leadership may have a significant influence on employee collective cognitions towards ethics by means of setting example and using incentives. These employee collective cognitions in ethical perspective shape social behavior within the organization, which is reflected in the organizational ethical culture (Linda Klebe Treviño & Weaver, 2003). Based on Epstein et al. (2010), change towards corporate sustainability may not be accomplished by the leader of the organization alone, but also other organization's constituents which include organizational culture. As sustainability and ethics are closely related elements (Svensson et al., 2010), the CEO may need to create the culture, particularly ethical culture, in the organization in which members see the value to support it, rather than exerting a direct effect on corporate sustainability practice. This argument is also supported by other relevant research in the field such as Wu et al. (2015) who found that organizational ethical culture plays a mediating role in the relationship between CEO ethical leadership and corporate social responsibility. Additionally, the argument is in line with S. B. Choi, Ullah, and Kwak (2015) who found that ethical work climate plays both mediator and moderator roles in the relationship between ethical leadership and followers' attitudes on CSR.

Therefore, this study posits that organizational ethical culture plays a mediating role in the relationship between CEO transformational leadership and the three dimensions of corporate sustainability practices. This leads to the following hypotheses.

Hypothesis 4A: Organizational Ethical Culture mediates the relationship between CEO Transformational Leadership and the Environmental dimension of Corporate Sustainability.

Hypothesis 4B: Organizational Ethical Culture mediates the relationship between CEO Transformational Leadership and the Social dimension of Corporate Sustainability.

Hypothesis 4C: Organizational Ethical Culture mediates the relationship between CEO Transformational Leadership and the Economic dimension of Corporate Sustainability.

2.6.5 Corporate Sustainability and Corporate Reputation

Corporate sustainability can play an important role in enhancing corporate reputation. Miles and Covin (2000) have claimed that one possible source of superior corporate reputation is when firms consistently show that they act responsibly in accordance with environmental, social, economic values. Their argument is also in line with assumptions from other scholars such as Unerman and Bennett (2004) and R. Gray, Kouhy, and Lavers (1995) who stated that sustainability dimensions and firm's perception are related.

The ability of firm to demonstrate its commitment to key stakeholders' expectations is significant for its survival (Miles & Covin, 2000), and these expectations can be achieved by understanding stakeholders from the aspects of social, environmental, and economic dimensions (Unerman and Bennett, 2004). According to Unerman and Bennett (2004), the degree that these stakeholder expectations are made satisfied can lead to an improved social perception towards the firm (Unerman and Bennett, 2004). Corporate reputation is also a kind of social perception that represents a collective perception towards firm's particular attribute from the view of stakeholders, which can be both insiders and outsiders (Fombrun, 2001; Nguyen & Leblanc, 2001). Similarly, R. Gray et al. (1995) also stated that when firms reveal its sustainability initiatives, this creates a corporate image. This image could lead to enhanced legitimacy and corporate reputation (Bebbington, Larrinaga, & Moneva, 2008; Fombrun, Gardberg, & Sever, 2000; Pfau et al., 2008). The relationship between the triple bottom lines of sustainability and firm's perceptions have also been empirically supported by some scholars. For example, Martínez and Rodríguez del Bosque (2014) conducted a study on Spanish hotel customers and found that the environmental, social, and economic dimensions of sustainability are positively related to corporate image and corporate reputation. S. Brammer et al. (2007) found that CSR is positively related to employees' perceptions in terms of organizational commitment. Koirala and Charoensukmongkol (2018, 2020) showed that employees' perception toward organization's CSR is positively related to higher level of employee's organizational identification, commitment, and job satisfaction. Park et al. (2014) demonstrated that firm's fulfillments of economic and legal dimensions of CSR have a positive impact on corporate reputation. S. J. Brammer and Pavelin (2006) found that firm's environmental performance is related to reputation, but this depends on whether firm's activities fit with stakeholders' environmental concerns.

Therefore, with these reasons, this study proposes that the three dimensions of corporate sustainability are positively associated to corporate reputation. This leads to the following hypotheses.

Hypothesis 5A: Organizational practice of Environmental dimension of Corporate Sustainability is positively associated with Corporate Reputation.

Hypothesis 5B: Organizational practice of Social dimension of Corporate Sustainability is positively associated with Corporate Reputation.

Hypothesis 5C: Organizational practice of Economic dimension of Corporate Sustainability is positively associated with Corporate Reputation.

2.6.6 Corporate Reputation and Firm Performance

Corporate reputation is regarded as an important factor in determining firm performance. Stakeholders such as customers, consumers, suppliers, partners, employees, and governments have become highly concerned with firm's reputation when assessing a potential alliance firms (Fombrun, 1996; Miles & Covin, 2000), thus superior reputation should lead firms to positive outcomes and performance (Fombrun, 1996; Fombrun & Shanley, 1990). Prior research has attempted to understand the relationship between corporate reputation and firm performance in many aspects. For financial aspect of performance, corporate reputation has been found to influence factors such as profitability (P. W. Roberts & Dowling, 2002) and firm market value (Chauvin & Hirschey, 1994). For non-financial aspects of performance, corporate reputation has been related to factors such as sales, market share (Shapiro, Spring, 1982), customer loyalty (Andreassen & Lindestad, 1998; Nguyen & Leblanc, 2001), effectiveness of new product introduction, and recovery ability after crisis (Dowling, 2001).

Therefore, this study also proposes that corporate reputation is positively associated to firm performance. This leads to the following hypothesis.

Hypothesis 6: Corporate Reputation is positively associated with Firm Performance.

All research hypotheses are illustrated as a conceptual model in Figure 2.2. They are also summarized in the Table 2.3.

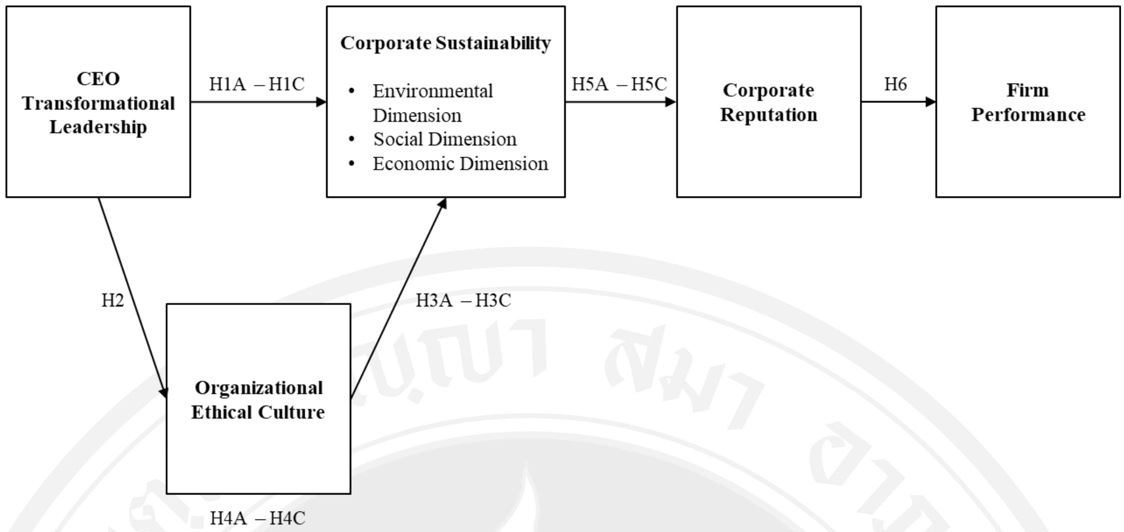

Figure 2.2 The Conceptual Model of This Study

Table 2.3 The Summary of Research Hypotheses

The Summary of Research Hypotheses	
H1A	CEO Transformation Leadership is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.
H1B	CEO Transformation Leadership is positively associated with the organizational practice of Social dimension of Corporate Sustainability.
H1C	CEO Transformation Leadership is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.
H2	CEO Transformation Leadership is positively associated with organizational Ethical Culture.
H3A	Organizational Ethical Culture is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.
H3B	Organizational Ethical Culture is positively associated with the organizational practice of Social dimension of Corporate Sustainability.

The Summary of Research Hypotheses	
H3C	Organizational Ethical Culture is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.
H4A	Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Environmental dimension of Corporate Sustainability.
H4B	Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Social dimension of Corporate Sustainability.
H4C	Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Economic dimension of Corporate Sustainability.
H5A	Organizational practice of Environmental dimension of Corporate Sustainability is positively associated with Corporate Reputation.
H5B	Organizational practice of Social dimension of Corporate Sustainability is positively associated with Corporate Reputation.
H5C	Organizational practice of Economic dimension of Corporate Sustainability is positively associated with Corporate Reputation.
H6	Corporate Reputation is positively associated with Firm Performance.

CHAPTER 3

METHODOLOGY

In this chapter, the methods for data collection and data analysis regarding the hypotheses in chapter two are described. The content in this chapter will follow the following sequences: research context, sample selection, data collection procedure, questionnaire development and variable measurements, and estimation method.

3.1 Research Context

This research will focus on the context of firms operating in Thailand which covers the population of Thai firms in diverse industries. Regarding the overall business sector in Thailand, the country is considered as the second largest economy in Southeast Asia, whereas the largest economy is Indonesia (International Monetary Fund, 2018). Despite having been through intense political situations, Thailand has demonstrated rather resilient and progressive economy over the last few decades (The World Bank, 2020b). Thailand is one of the fastest growing economies in the region and is among the top performers in terms of services and industries, particularly in the segments of tourism, electronics, and automotive (Deloitte Thailand, 2019; International Monetary Fund, 2018; Nordea, 2020). Thailand is also among the top exporting countries in the region (Workman, 2019), especially for electronic components, automotive goods (International Labour Organization, 2016), gems and jewelry (Arunmas, 2020). According to BOI Thailand (2020), GDP of Thailand in 2018 was US$505 billion, with GDP per capita of US$7,445.4.

Thailand’s economy relies on the key business sectors of service, industry, and agriculture (Nordea, 2020; Santander, 2020). For the service or tertiary sector, this is a primary sector that is on the rise and is accounted for approximately 56% of the GDP and employs around 46% of the country labor force (Nordea, 2020; Plecher, 2020).

The service sector includes sub-sectors such as tourism, retail and wholesale trades, health, transportation, education, and restaurants (The World Bank, 2020a; Zachau, December 28, 2016). The industrial or manufacturing sector contributes about 34% of the GDP and employs about 23% of the labor force (Nordea, 2020; Plecher, 2020). Thailand is recognized as a regional hub for automotive industry (Deloitte Thailand, 2019). Other main industries include electronics, steel, food processing products, and transformed products such as cement, furniture, and plastic (Nordea, 2020; Santander, 2020). For agricultural sector, this accounts for roughly 10% of the GDP and employs about 30% of the labor force (The World Bank, 2020a). Thailand is the top global producer and exporter of rubber, one of the leading global producers of rice, as well as one of the main global producers of sugarcane, fruits, fishery products, etc. (Nordea, 2020; Singhapreecha, 2014). Nonetheless, it should be noted that the contribution of agricultural sector to the GDP is projected to decline (Nordea, 2020; Singhapreecha, 2014; The World Bank, 2020a).

Moreover, foreign direct investment (FDI) is another critical element of Thailand’s economy (Santander, 2020). Thailand is one of the most attractive foreign direct investment destinations in the region (Santander, 2020). which one of the main reasons for such popularity is due to a supportive business climate for private investment in most sectors of the economy from Thai governments (BOI Thailand, 2020). According to BOI Thailand (2020), in 2018, 5.6% of Thailand’s GDP was the current account balance, with the FDI stocks inward of more than US$ 222 billion (UNCTAD, 2019). According to UNCTAD (2019), Thailand FDI inflows rose by 62% to US$ 10 billion in 2018, which was the highest growth rate among ASEAN countries in the year. The FDI growth was due to the massive flows especially from investors in Asia led by Japan, Hong Kong, and Singapore (UNCTAD, 2019). In 2020, Thailand was also rated number 1 among 73 countries for the best countries to start a business on the US News and World Report’s chart (BOI Thailand, 2020). However, due to the recent COVID-19 pandemic that occurred in early 2020, the global economy has become severely damaged (Statista Research Department, 2020). In the recent economic outlook report produced in April 2020 by the International Monetary Fund (IMF), it is estimated that the global economy would reduce by 3% in terms of GDP in 2020 (International Monetary Fund, 2020). For Thailand, the government has also enforced shutdowns among most businesses across different sectors since March 2020 (Sivasomboon, 2020). According to the World Bank, the COVID-19 outbreak is projected to cause Thai Economy to shrink significantly in 2020, especially due to the significant reduction in tourist figures that weakens retail and accommodation sectors, disruptions of supply chain that affects Thailand's exports, as well as Thai workers job losses and depressed consumer sentiment that lessen domestic consumption (Ariyapruchya, Nair, Yang, & Moroz, 2020; Languepin, 2020; The World Bank, 2020b). Thus, this has caused the World Bank to adjust the projection of Thailand's economic growth for 2020 from 2.9% (figure from October 2019) to a range of -3% to -5% (Ariyapruchya et al., 2020).

According to the data from the Department of Business Development Ministry of Commerce, the total number of registered companies in Thailand that are still operating in all industries nationwide as of May 2020 is 768,371 companies (DBD Thailand, 2020). From the figure, 715,145 companies are small-size businesses, 38,908 companies are medium-size businesses, and 13,660 are large-size businesses (DBD Thailand, 2020). In this figure, the Department of Business Development (DBD) has classified businesses into 21 main business sectors, which include sectors such as agribusiness, manufacturing, mining, construction, education, assets & properties, and media & entertainment (DBD Thailand, 2013). Based on the information provided in the website of the Bank of Thailand, the criteria for enterprise classification by size in accordance with the Ministry of Industry are stated in the Table 3.1 (The Bank of Thailand, 2020).

Table 3.1 Definition of SMEs

Size	Criteria	Type of Business			
		Manufacturing Sector	**Service Sector**	**Wholesale Sector**	**Retail Sector**
Small	No. of employees	≤ 50	≤ 50	≤ 25	≤ 15
	Fixed Assets (million baht)	≤ 50	≤ 50	≤ 50	≤ 30
Medium	No. of employees	51-200	51-200	26-50	16-30
	Fixed Assets (million baht)	51-200	51-200	51-100	31-60
Large	No. of employees	> 200	> 200	> 50	> 30
	Fixed Assets (million baht)	> 200	> 200	> 100	> 60

Source: The Bank of Thailand, 2020

The target population that this study focuses on is firms of all sizes that operate in Thailand. In the next section, the method for sample selection will be discussed.

3.2 Sample Selection

This study will adopt probability sampling method as the sampling technique, in particular, simple random sampling is chosen. Probability sampling has been recognized as an accepted method to obtain reliable inference on a target population (Lavrakas, 2008). According to Lavrakas (2008), probability sampling uses randomization process with known non-zero probabilities of selection, which means that every item in the population is subjected to an equal chance of being selected as a sample (Taherdoost, 2016a). To undertake probability sampling, a sampling frame has to be decided to present a target population, then a randomly sampling selection method is adopted so that each unit in the sampling frame has a non-zero inclusion probability (Lavrakas, 2008).

In this study, the sampling frame will be: 1) The list of SET listed companies provided in the website of the Stock Exchange of Thailand, and 2) The list of currently operating companies provided in the website of the Department of Business Development (DBD) under the Ministry of Commerce of Thailand which are based in Bangkok province. For the number of companies listed in the Stock Exchange of Thailand (SET), the data provided in the official website of SET as of 5th May 2020 has shown that there is a total of 789 listed companies (The Stock Exchange of Thailand, 2020a). For the total number of currently operating companies based in Bangkok province that are listed in the DBD website, the latest available number as of May 2020 is 292,945 companies (DBD Thailand, 2020). By using probability sampling, samples of Thai firms from various business sectors will then be randomly selected from the sampling frame. The number of planned samples that will be drawn from the sampling frame is 1,000 samples.

3.3 Data Collection Procedure

A self-administered questionnaire survey method using structured questions is used for data collection. According to Lavrakas (2008) and Bell, Bryman, and Harley (2019), the main benefits with self-administered questionnaire method are that it is cheaper to reach wider target audience, it’s quicker to administer large quantities of questionnaires, it’s more convenient for respondents to complete a questionnaire, and there is an absence of the interviewer who may affect respondents’ answers, hence interviewer effects are minimized. In this study, the survey will be created as an online questionnaire survey via SurveyMonkey online platform. Employee of the companies who holds a management-level position will be the key informant to evaluate the questionnaire. This group of informants is an appropriate source of information because they should have a good understanding towards firm’s strategic and operational activities, as well as are relatively familiar with the characteristics of

CEO. The survey will be distributed to the target informants by means of e-mail communication. At the beginning of the online questionnaire survey, the objective of the research, as well as the ethical policy about confidentiality assurance will be described. The data collection will also be anonymous since there will be no question on any personal or company's identifiable information. According to Murdoch et al. (2014), anonymous survey helps encourage respondents to report truthful answers and disclose sensitive information, hence this is expected to enhance the accuracy of data collected for this study.

3.4 Questionnaire Development and Variable Measurement

This study uses the existing scales that were used in past studies. According to Laura Hyman, Julie Lamb, and Martin Bulmer (2006), a main advantage of using pre-existing scales is that its reliability has already been tested at the time it was previously used, hence the latter researchers can be confident to a certain degree that the scales are qualified to indicate the interested concept. Time savings and cost savings are other examples of the advantages that can be gained from using pre-existing questions (L. Hyman, J. Lamb, & M. Bulmer, 2006). The original scales that will be used in this study were all developed in English language version. The scales are translated to Thai language by a professional translator, then the translated versions are translated back to English again by another professional translator in order to ensure the accuracy of translated contents. This back-translation approach has been used by scholars to confirm the accuracy and validity of the scales (Banville, Desrosiers, & Genet-Volet, 2000; Brislin, 1970). The details of the measurements and questionnaire items for each of the variable are explained in the below section.

3.4.1 CEO Transformational Leadership

To measure this variable, this study adopts the Global Transformational Leadership (GTL) scale originally developed by Carless, Wearing, and Mann (2000). Carless et al. (2000) and K. Nielsen, Randall, Yarker, and Brenner (2008) have mentioned that this scale has higher degree of convergent validity when comparing to other more well-known questionnaires such as the Multifactor Leadership

Questionnaire – MLQ (B. M. Bass & Avolio, 1995) and the Leadership Practices Inventory – LPI (Kouzes & Posner, 2003). The instrument consists of 9 items which measures transformational leadership in the following dimensions: communicating vision, staff development, providing support, staff empowerment, innovativeness, leads by setting example, and being charismatic (Arnold, Turner, Barling, Kelloway, & McKee, 2007). Respondents will be asked to rate their CEO or the senior executive on these items. The items are rated on a 7-point Likert scale, ranging from 1 = To a very small extent, to 7 = To a very large extent. This measurement scale has been previously used in other studies such as by Arnold et al. (2007), K. Nielsen et al. (2008), Van Beveren, Dimas, Lourenço, and Rebelo (2017), and Stelmokiene and Endriulaitiene (2015).

The nine items that will be measured are described as follows:

1) Communicates a clear and positive vision of the future.
2) Treats staff as individuals, supports and encourages their development.
3) Gives encouragement and recognition to staff.
4) Fosters trust, involvement and cooperation among team members.
5) Encourages thinking about problems in new ways and questions assumptions.
6) Is clear about his/her values.
7) Practices what he/she preaches.
8) Instills pride and respect in others.
9) Inspires me by being highly competent.

3.4.2 Organizational Ethical Culture

Organizational ethical culture is measured by the scale of Goebel et al. (2012). This scale is modified from the original scale developed by L. K. Treviño et al. (1998). The instrument version of Goebel et al. (2012) was adapted to a shorter version to measure organizational ethical culture variable. Based on Goebel et al. (2012), there is a total of 16 items which measures ethical culture in the dimensions of ethical behavior of top management (4 items), incentives (5 items), code of conduct implementation (4 items), and obedience to authority level (3 items). The three items that belong to the obedience to authority level are the reversed items. The items are rated on a 7-point Likert scale ranging from 1 = Strongly disagree, to 7 = Strongly agree.

The sixteen items are described as follows:

Ethical Behavior of Top Management

1) Top managers in our organization regularly show that they care about ethics.

2) Top managers in our organization guide decision-making in an ethical direction.

3) Top managers in our organization are models of ethical behavior.

4) Top managers in our organization represent high ethical standards.

Incentives

5) Management in our organization disciplines unethical behavior when it occurs.

6) Penalties for unethical behavior are strictly enforced in our organization.

7) Unethical behavior is punished in our organization.

8) People of integrity are rewarded in our organization.

9) Ethical behavior is rewarded in our organization.

Implementation of Code of Conduct

10) Employees in our organization are required to acknowledge that they have read and understood the code of conduct.

11) The code of conduct is widely distributed throughout our organization.

12) Employees in our organization are regularly required to assert that their actions are in compliance with the code of conduct.

13) The code of conduct is well formalized in our organization

Level of Obedience to Authority.

14) People in our organization are expected to do as they are told (reversed).

15) The boss is always right in our organization (reversed).

16) Our organization demands obedience to authority (reversed).

3.4.3 Corporate Sustainability

Corporate sustainability is measured by the scale of Martínez and Rodríguez del Bosque (2014). The scale is modified from the original scale developed by Martínez, Pérez, and Rodriguez del Bosque (2013). The scale consists of 17 items, which assesses corporate sustainability in the three dimensions including economic (4 items), social (6 items), and environmental (7 items). The scale has been tested on its reliability and validity (Martínez & Rodríguez del Bosque, 2014). All items are measured on a 7-point Likert scale ranging from 1 = Strongly disagree, to 7 = Strongly agree.

The seventeen items are described as follows:

Economic Dimension

1) Obtains the greatest possible profits.
2) Tries to achieve long-term success.
3) Improves its economic performance.
4) Ensures its survival and success in the long run.

Social Dimension

5) Is committed to improving the welfare of the communities in which it operates.
6) Actively participates in social and cultural events.
7) Plays a role in society that goes beyond mere profit generation.
8) Provides a fair treatment of employees.
9) Provides training and promotion opportunities to their employees.
10) Helps to solve social problems.

Environmental Dimension

11) Protects the environment.
12) Reduces its consumption of natural resources.
13) Recycles.
14) Communicates to its customers its environmental practices.
15) Exploits renewable energy in a productive process compatible with the environment.
16) Conducts annual environmental audits.
17) Participates in environmental certifications.

3.4.4 Corporate Reputation

Corporate reputation is measured by adapting 10 items from the “Reputation Quotient” scale developed by Fombrun et al. (2000). R. Chun (2005) claimed that the reputation quotient scale can best represent multi-stakeholder view, while other scales reviewed mostly concerned a single stakeholder view. Examples of prior studies that also used this scale include the work by Kanto, de Run, and bin Md Isa (2016), Kiousis, Popescu, and Mitrook (2007), and Apéria, Brønn, and Schultz (2004). Three aspects of the corporate reputation are selected for this study including Emotional Appeal, Workplace Environment, and Financial Reputation. The items are rated on a 7-point Likert scale ranging from 1 = Strongly disagree, to 7 = Strongly agree.

The items that will be measured in this study are as follows:

Emotional Appeal

1) General people have a good feeling about the company.
2) General people admire and respect the company.
3) General people trust this company.

Workplace Environment

4) General people think that this company is well managed.
5) General people think that this company looks like a good company to work for
6) General people think that this company looks like a company that would have good employees.

Financial Reputation

7) General people think that this company has a strong record of profitability.
8) General people think that this company looks like a low risk investment.
9) General people think that this company tends to outperform its competitors.
10) General people think that this company looks like a company with strong prospects for future growth.

3.4.5 Firm Performance

Firm performance is measured using a 5-item scale developed by Yau et al. (2007). Even though firm performance can be measured from the financial perspective (Mishra & Suar, 2010), some scholars stated that financial measures are considered too rigid; hence non-financial perspectives of firm performance should be considered along with financial performance (Govindarajan & Gupta, 1985; Ittner & Larcker, 1998; Mishra & Suar, 2010). The scale by Yau et al. (2007) is chosen because it is concise and covers firm performance dimensions in terms of financial and marketing performance. The first 3 items of the scale reflect financial performance and another 2 items reflect marketing performance. The scale also has been well tested on its validity and reliability (Yau et al., 2007). Firm performance will be based on subjective measure as it is easier to address cross-industry comparison (A. K. Gupta & Govindarajan, 1984; Vij & Bedi, 2016), plus respondents would generally be more willing to give subjective evaluation of such sensitive information to outsiders as compared to revealing objective information (Sapienza, Smith, & Gannon, 1988; Vij & Bedi, 2016). Example of prior research that used subjective measures are Vaitoonkiat and Charoensukmongkol (2020) and Tarsakoo and Charoensukmongkol (2019). The respondents will be asked to rate the firm performance items in terms of the perceived performance in comparison to firm's industry competitors on a 7-point Likert scale ranging from 1 = Significantly worse than other competitors, to 7 = Significantly better than other competitors.

The five questionnaire items are stated as follows:

Financial Performance

1) Overall profit level achieved.
2) Profit margin achieved.
3) Return on investment.

Marketing Performance

4) Sales volume achieved.
5) Market share achieved.

3.5 Control Variables

Control variables refers to variables that are not perceived as primary factors in experimental and observational research and data analysis, thus it reflects an extraneous or third factor whose impact is to be controlled or excluded (Salkind, 2010). The key objective in considering the control variables is to ensure that the estimation of effect on the dependent variable is independent of the extraneous variable's influence (Salkind, 2010). The control variables being considered in this study are based on prior research, which include firm size, CEO tenure, and competitive intensity. These variables are discussed in the following section.

3.5.1 Firm Size

According to Wiklund and Shepherd (2005) and Ozcan Isik, Esra Aydin Unal, and Yener Unal (2017), firms of different size can present different firm characteristics, which are significant determinant of firm performances (O. Isik, E. A. Unal, & Y. Unal, 2017; Jim Lee, 2009; Majumdar, 1997; Serrasqueiro & Nunes, 2008; Wiklund & Shepherd, 2005). Firm size has been suggested in previous literatures as a factor that affects firm performances such as return on assets (ROA), return on equity (ROE) (O. Isik et al., 2017), as well as on firm sustainability performance (e.g. the corporate social performance) (Waddock & Graves, 1997). In this study, firm size is measured using the value of total assets. This indicator of firm size has also been used in prior studies (Dang, Li, & Yang, 2018; Doğan, 2013; García Padrón, Maria Caceres Apolinario, Maroto Santana, Concepción Verona Martel, & Jordan Sales, 2005; Khatab, Masood, Zaman, Saleem, & Saeed, 2011; Saliha & Abdessatar, 2011). The reason that firm size is based on total assets in this research is because it is one of the popular firm size indicators and it is good for capturing total firm resources (Dang et al., 2018; Doğan, 2013). Plus, this information is readily available in the website of Department of Business Development (DBD) under the Ministry of Commerce of Thailand. Examples of research that used firm size as a control variable are Doğan (2013), Y. Zhu et al. (2014), González-Benito and González-Benito (2005), and Mishra and Suar (2010).

3.5.2 CEO Tenure

A number of researches has stated that CEO tenure or top management tenure, which refers to the time the executive stays in the current position (Finkelstein & Hambrick, 1990), can have an impact on various organizational outcomes (Finkelstein et al., 2009; Hambrick, Geletkanycz, & Fredrickson, 1993; Lewis et al., 2014; Miller & Shamsie, 2001). Research has demonstrated that there is an inverse relationship between tenure and organizational change (Finkelstein et al., 2009). It was found that newly appointed executives are more open to experiment (Miller and Shamsie, 2001) and adopt innovative strategies (Bantel & Jackson, 1989). According to Finkelstein and Hambrick (1990), executives who have longer tenure are more resistant to strategic change or more persistent to strategies that align closely to industry average, which this has a considerable impact on firm performance (Finkelstein & Hambrick, 1990). Thus, in this study, CEO tenure is chosen as a control variable and will be measured in the number of years that the CEO has been in the position. Examples of prior research that used CEO tenure as a control variable include J.-X. Chen, Sharma, Zhan, and Liu (2019) and Waldman, Siegel, et al. (2006).

3.5.3 Competitive Intensity

Competitive intensity has been perceived as a key environmental factor in organizational theory (H. Zhang, Wang, & Song, 2020). Competitive intensity illustrates the degree of competitiveness or competitive actions within an industry (H. Zhang et al., 2020). As stated in H. Zhang et al. (2020), highly competitive intensity can be indicated by such industry with "cutthroat competition, many promotion wars, similar product offerings, and a high level of price competition". Past studies have suggested that competitive intensity exerts pressure on firms for greater efficiency and performance in order to augment its position in the market (Ang, 2008; O'cass & Ngo, 2007), thus can have an important influence on firm's strategic decisions, actions, and outcomes. Examples of research which showed that competitive intensity is related to firm's outcomes include O'Cass and Weerawardena (2010), which found that competitive intensity of industry has a positive effect on firm's marketing capabilities and market learning activity. O'cass and Ngo (2007) found that competitive intensity affects the firm's strategic posture. Ramaswamy (2001) reported that competitive intensity moderates the relationship between type of organizational ownership and firm performance, that private firms outperforms state-owned enterprises significantly with increasing competitive intensity environment. Andrevski, Richard, Shaw, and Ferrier (2014) also showed that competitive intensity mediates the relationship between managerial racial diversity and firm performance. In this study, the competitive intensity is based on a subjective measure using a four-item scale. The reason that a subjective measure is used is because it is more suitable to make cross-industry comparison, address sensitive information, and capture people experience and opinion in an overview level, whereas objective measures are more typically used as specific financial indicators (A. K. Gupta & Govindarajan, 1984; Sapienza et al., 1988; Vij & Bedi, 2016; Wall et al., 2004). The questionnaire items are rated on a 7-point Likert scale from 1 = Strongly disagree, to 7 = Strongly agree.

The four items are stated as follows:

1) The industry sector of your company is highly competitive.

2) Companies operating in your industry sector compete intensely in terms of marketing activity.

3) Competitors in your industry sector practice aggressive selling.

4) Consumer demands change rapidly in your industry sector.

3.6 Estimation Method

To test the hypotheses, the statistical technique of Partial Least Squares Structural Equation Modeling (PLS-SEM) regression will be used for data analysis. PLS-SEM is a causal modeling method for explaining the variance of the dependent latent constructs and is appropriate when research objective is prediction and theory development (Joe F. Hair, Ringle, & Sarstedt, 2011). The method has been increasingly applied in marketing and business research (Joe F. Hair et al., 2011; Henseler, Ringle, & Sinkovics, 2009). PLS-SEM is adopted for several reasons: 1) it is a robust estimation of structural equation modeling when applying to relatively small sample sizes (Goebel et al., 2012; Pirouz, 2006); 2) it can handle data that is not normally distributed (Gefen, Straub, & Boudreau, 2000); 3) it can model multiple hypotheses simultaneously (Joe F. Hair et al., 2011; Pirouz, 2006). This study will employ the WarpPLS software to perform the PLS regression.

CHAPTER 4

DATA ANALYSIS

4.1 Data

This chapter presents the analysis of the data gathered including the characteristics, background, descriptive statistics, and the assessment of various indices. The data samples involved in this research are firms of all sizes in Thailand. The details on how the data was prepared and analyzed are firstly discussed. Finally, the result of hypothesis testing is presented.

A total of 1,000 questionnaires were distributed to the randomly selected firms across different business sectors in Thailand. The questionnaire survey link was distributed by email. There was a total of 248 responses, which 48 responses were later excluded because it contained incomplete or missing information. Ultimately, 200 responses were the usable ones remained, which is equivalent to 20 percent response rate. The duration taken for this research data collection was 2 months, which was between the beginning of May until the end of June 2020.

4.2 Demographic Characteristics

The demographic characteristics related to sampled firms are reported in the Table 4.1.

Regarding the firm size, this research categorized firm size based on firm's total asset value, which the total asset value is divided into four levels ranging from lower than 30 million Thai Baht to greater than 200 million Thai Baht. Out of 200 responses, the majority of 108 responses (54 percent) are firms of the total asset value greater than 200,000,000 Thai Baht. This is followed by the 50,000,001 – 200,000,000 Thai Baht level which accounted for 37 responses (18.5 percent), then by the less than 30,000,000 Thai Baht level which accounted for 32 responses (16 percent). Only 23 responses or 11.5 percent belongs to the 30,000,000 – 50,000,000 Thai Baht level. In terms of business sectors, 12 responses (6 percent) belong to agriculture and food sector, 28 responses (14 percent) belong to consumer products sector, 38 responses (19 percent) belong to financial sector, 23 responses (11.5 percent) belong to industrials sector, 10 responses (5 percent) belong to property and construction sector, 8 responses (4 percent) belong to resources sector, 45 responses (22.5 percent) belong to service sector, and 36 responses (18 percent) belong to technology sector. Regarding the type of enterprise, 7 responses (3.5 percent) are sole proprietorship, 5 responses (2.5 percent) are partnership, 109 responses (54.5 percent) are company limited, 65 responses (32.5 percent) are public company limited, 12 responses (6 percent) are state enterprise, and 2 responses (1 percent) are government agencies.

Table 4.1 Demographic Characteristics of Respondents' Firms

Variable	**Categories**	**Frequency**	**Percentage**
Firm Size (in total assets value).	< 30,000,000 Baht	32	16.00%
	30,000,000 – 50,000,000 Baht	23	11.50%
	50,000.001 – 200,000,000 Baht	37	18.50%
	> 200,000,000 Baht	108	54.00%
	Agriculture & food industry	12	6.00%
Business Sector.	Consumer products	28	14.00%
	Financials	38	19.00%
	Industrials	23	11.50%
	Property and construction	10	5.00%
	Resources	8	4.00%
	Services	45	22.50%
	Technology	36	18.00%

Variable	Categories	Frequency	Percentage
	Sole proprietorship	7	3.50%
Type of Enterprise.	Partnership	5	2.50%
	Company limited	109	54.50%
	Public company limited	65	32.50%
	State enterprise	12	6.00%
	Government agencies	2	1.00%

For the CEO tenure, this variable is collected as an open-ended question to accept only integer numbers. The range of the CEO tenure in years is between 0 to 50 years, with a mean value of 9.77 (the standard deviation = 10.91). The minimum number of CEO tenure was 0 year (meaning that the CEO has stepped up into the position for less than one year) and the maximum number of CEO tenure was 50 years. From the collected data, the statistical summary of the CEO tenure is illustrated in the Table 4.2 below.

Table 4.2 Summary of Descriptive Statistics of CEO Job Tenure (in Years)

Variable	Min	Max	Mean	Standard Deviation
CEO Tenure (Years)	0	50	9.77	10.91

4.3 Normal Distribution

The aim of the normal distribution test of data is to find out whether the data collected are normally distributed. To examine the normality of data, two tests were performed which are Jarque-Bera test of normality (Normal-JB) and Robust Jarque-Bera test of normality (Normal RJB) (Jarque & Bera, 1980). The test results are illustrated in Table 4.3.

Table 4.3 The Normalization of The Data

	TL	OEC	ECS	SOS	ENS	CR	PER	CIN	CTEN	SIZE
Normal-JB	No	No	No	No	Yes	No	No	No	No	No
Normal-RJB	No	No	No	No	Yes	No	No	No	No	No

Note: TL = Transformational Leadership, OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance, CIN = Competitive Intensity, CTEN = CEO Tenure, SIZE = Firm Size (in Total Asset Value)

From the test results, “Yes” represents normally distributed data, whereas “No” represents non-normally distributed data. Six main variables which are CEO transformational leadership, organizational ethical culture, economic dimension of corporate sustainability, social dimension of corporate sustainability, corporate reputation, and firm performance demonstrated non-normally distributed data. Only the environmental dimension of corporate sustainability variable demonstrated normally distributed data. In addition, all the control variables including firm size (in total asset value), competitive intensity, and CEO tenure also have non-normally distributed data. As PLS is good for handling data that is not normally distributed (Gefen et al., 2000), thus these tests confirmed that PLS estimation method is suitable for this study.

4.4 Model Assessment

Prior to performing the analysis of structural equation modeling, the quality criteria in terms of validity and reliability of the model should be assessed (Ahmed, Ahmad, & Jaaffar, 2017). Thus, validity test and reliability test are conducted to assess the measurement model. For validity test, two types of test have been involved which are convergent validity test and discriminant validity test. For reliability test, two types of test have been involved with are Cronbach's alpha coefficient (α) test and composite reliability test.

4.4.1 Validity Testing

The purpose of conducting the validity test is to assess how well the scales or instruments used in this research are for measuring the intended variables (Field, 2005). In this research, two types of measures were used to assess the validity, which are convergent validity and discriminant validity.

4.4.1.1 Convergent Validity

The test of convergent validity examines the degree of correlation between multiple measures of the construct, which helps confirm whether the measures that are expected to be related are literally related in the reality (Taherdoost, 2016b). The higher the correlations between the items used to measure the same variable, the higher the test score will be (Sekaran, 2003). To assess convergent validity, two methods have been performed which are factor loadings and cross-loadings. According to Sarstedt, Ringle, and Hair (2017) and Joe F. Hair, Sarstedt, Ringle, and Mena (2012), the minimum acceptable score should be 0.50. The results of factor loadings and cross loadings in this study are demonstrated in the Table 4.4. From the result, most items illustrated the score of greater than 0.5, except the last three items of organizational ethical culture (OA1, OA2, and OA3). Thus, these three items were removed from the analysis, then the convergent validity test was run again.

Table 4.4 The Combined Factor Loadings and Cross-Loadings of All Variables

	TL	**OEC**	**ECS**	**SOS**	**ENS**	**CR**	**PER**
TL1	**(0.809)**	-0.041	0.306	-0.458	0.312	0.121	-0.103
TL2	**(0.815)**	0.114	0.02	-0.064	0.004	-0.179	0.097
TL3	**(0.848)**	0.037	-0.088	0.204	-0.146	-0.191	0.086
TL4	**(0.871)**	0.058	-0.011	0.082	-0.057	-0.115	-0.058
TL5	**(0.818)**	-0.128	-0.011	-0.083	0.086	-0.024	0.01
TL6	**(0.692)**	-0.148	-0.176	0.135	0.127	0.164	0.038

	TL	**OEC**	**ECS**	**SOS**	**ENS**	**CR**	**PER**
TL7	**(0.863)**	0.114	0.014	-0.004	-0.063	0.056	-0.009
TL8	**(0.790)**	0.053	-0.148	0.199	-0.201	0.102	-0.09
TL9	**(0.844)**	-0.089	0.066	-0.002	-0.033	0.105	0.031
TM1	0.155	**(0.779)**	0.023	-0.084	-0.167	0.225	-0.075
TM2	0.286	**(0.788)**	-0.129	0.059	-0.295	0.163	0.051
TM3	0.182	**(0.800)**	0.03	0.081	-0.282	0.187	-0.044
TM4	0.246	**(0.796)**	0.131	-0.223	-0.144	0.23	-0.08
IN1	-0.135	**(0.766)**	0.061	0.023	0.066	-0.002	-0.204
IN2	-0.121	**(0.758)**	0.104	0.029	0.06	-0.012	-0.217
IN3	-0.123	**(0.714)**	0.009	-0.032	0.003	0.153	-0.24
IN4	-0.088	**(0.674)**	-0.385	0.596	-0.293	-0.014	0.221
IN5	-0.082	**(0.718)**	-0.117	0.569	-0.271	-0.167	0.166
IC1	-0.044	**(0.805)**	-0.049	-0.049	0.2	-0.284	0.109
IC2	-0.121	**(0.809)**	0.138	-0.271	0.332	-0.185	0.066
IC3	-0.093	**(0.784)**	0.06	-0.33	0.372	-0.209	0.164
IC4	-0.061	**(0.839)**	0.035	-0.28	0.391	-0.124	0.131
OA1	-0.112	**(0.312)**	0.006	0.232	-0.137	0.097	-0.076
OA2	-0.072	**-(0.128)**	-0.197	0.184	0.041	-0.062	0.12
OA3	-0.089	**(0.034)**	-0.245	0.241	-0.112	0.074	0.046
EC1	0.012	-0.04	**(0.839)**	-0.069	0.059	0.012	0.159
EC2	-0.083	-0.044	**(0.869)**	0.133	-0.11	-0.014	-0.135
EC3	-0.035	0.078	**(0.908)**	-0.026	0.029	-0.034	0.051
EC4	0.102	0.002	**(0.922)**	-0.036	0.022	0.037	-0.068
SO1	-0.163	0.001	0.277	**(0.833)**	0.011	-0.083	0.072
SO2	-0.062	-0.134	-0.011	**(0.861)**	0.227	0.015	0.005
SO3	-0.055	-0.026	-0.096	**(0.847)**	0.246	-0.068	0.052
SO4	0.106	0.198	0.024	**(0.706)**	-0.412	0.146	-0.139
SO5	0.118	0.147	-0.13	**(0.708)**	-0.347	-0.012	0.041
SO6	0.088	-0.122	-0.073	**(0.877)**	0.14	0.023	-0.046
EN1	0.036	-0.033	-0.059	0.249	**(0.894)**	0.075	-0.044

	TL	OEC	ECS	SOS	ENS	CR	PER
EN2	0.132	0.019	-0.093	0.105	**(0.879)**	0.053	-0.075
EN3	0.143	0.026	0.05	-0.338	**(0.804)**	0.031	-0.134
EN4	-0.08	0.027	-0.062	0.09	**(0.894)**	0.101	0.022
EN5	-0.081	0.021	0.063	-0.082	**(0.893)**	-0.004	0.128
EN6	-0.11	0.015	0.032	0.006	**(0.886)**	-0.147	0.099
EN7	-0.025	-0.075	0.075	-0.065	**(0.861)**	-0.112	-0.01
EA1	-0.002	0.084	-0.065	0.067	-0.122	**(0.754)**	-0.167
EA2	-0.053	0.136	-0.077	-0.064	-0.026	**(0.832)**	-0.12
EA3	-0.039	0.156	-0.014	0.027	-0.1	**(0.811)**	-0.081
WE1	0.005	0.028	-0.027	-0.038	0.108	**(0.867)**	-0.091
WE2	-0.061	-0.02	-0.082	0.225	-0.139	**(0.839)**	-0.01
WE3	0.006	-0.08	-0.17	0.226	-0.142	**(0.752)**	-0.021
FR1	0.114	-0.149	0.274	-0.307	0.2	**(0.745)**	0.006
FR2	-0.025	0.145	0.303	-0.202	0.257	**(0.615)**	-0.035
FR3	0.039	-0.158	-0.034	-0.229	0.192	**(0.778)**	0.288
FR4	0.023	-0.128	-0.023	0.225	-0.159	**(0.828)**	0.225
FP1	-0.06	-0.01	0.086	-0.041	0.129	-0.023	**(0.924)**
FP2	-0.09	0.097	0.156	0.006	-0.129	-0.058	**(0.910)**
FP3	-0.02	-0.016	0.133	-0.015	-0.078	0.033	**(0.901)**
FP4	0.018	-0.078	-0.185	0.063	0.023	0.079	**(0.896)**
FP5	0.169	0.006	-0.213	-0.013	0.058	-0.032	**(0.827)**

Note: TL = Transformational Leadership, OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance

For the second attempt that the convergent validity test was performed, the results are reported in the Table 4.5 below. After the three items of organizational ethical culture were removed, all the items presented the value of greater than 0.5. Hence, the convergent validity is established in this study.

Table 4.5 The Combined Factor Loadings and Cross-Loadings After the Low Loading Items were Removed

	TL	**OEC**	**ECS**	**SOS**	**ENS**	**CR**	**PER**
TL1	**(0.809)**	-0.034	0.3	-0.452	0.304	0.123	-0.103
TL2	**(0.815)**	0.124	0.015	-0.057	-0.007	-0.175	0.096
TL3	**(0.848)**	0.039	-0.083	0.2	-0.145	-0.191	0.085
TL4	**(0.871)**	0.058	-0.011	0.084	-0.058	-0.115	-0.059
TL5	**(0.818)**	-0.13	-0.025	-0.074	0.082	-0.024	0.015
TL6	**(0.692)**	-0.155	-0.164	0.122	0.14	0.16	0.036
TL7	**(0.863)**	0.111	0.019	-0.009	-0.059	0.055	-0.011
TL8	**(0.790)**	0.044	-0.142	0.195	-0.192	0.099	-0.09
TL9	**(0.844)**	-0.088	0.064	-0.002	-0.033	0.105	0.032
TM1	0.148	**(0.781)**	0.027	-0.077	-0.174	0.228	-0.08
TM2	0.283	**(0.788)**	-0.128	0.066	-0.3	0.166	0.048
TM3	0.179	**(0.800)**	0.032	0.089	-0.286	0.189	-0.048
TM4	0.243	**(0.795)**	0.135	-0.22	-0.146	0.232	-0.083
IN1	-0.132	**(0.763)**	0.067	0.027	0.068	0	-0.209
IN2	-0.118	**(0.755)**	0.109	0.031	0.06	-0.009	-0.222
IN3	-0.119	**(0.710)**	0.007	-0.025	0.002	0.157	-0.243
IN4	-0.091	**(0.676)**	-0.376	0.595	-0.295	-0.011	0.215
IN5	-0.087	**(0.719)**	-0.113	0.574	-0.277	-0.163	0.162
IC1	-0.049	**(0.806)**	-0.049	-0.042	0.193	-0.278	0.105
IC2	-0.129	**(0.813)**	0.134	-0.259	0.317	-0.177	0.061
IC3	-0.1	**(0.787)**	0.056	-0.322	0.359	-0.201	0.161
IC4	-0.066	**(0.841)**	0.036	-0.276	0.383	-0.117	0.127
EC1	0.013	-0.038	**(0.839)**	-0.079	0.063	0.012	0.158
EC2	-0.081	-0.05	**(0.869)**	0.136	-0.109	-0.015	-0.133
EC3	-0.036	0.08	**(0.908)**	-0.024	0.026	-0.033	0.051
EC4	0.1	0.003	**(0.922)**	-0.033	0.019	0.037	-0.069
SO1	-0.165	0.005	0.278	**(0.833)**	0.009	-0.083	0.071
SO2	-0.058	-0.14	0.001	**(0.861)**	0.238	0.011	0.004

	TL	**OEC**	**ECS**	**SOS**	**ENS**	**CR**	**PER**
SO3	-0.057	-0.02	-0.093	**(0.847)**	0.244	-0.067	0.05
SO4	0.106	0.195	0.008	**(0.706)**	-0.42	0.149	-0.135
SO5	0.118	0.148	-0.141	**(0.708)**	-0.353	-0.009	0.044
SO6	0.089	-0.125	-0.068	**(0.877)**	0.145	0.02	-0.046
EN1	0.033	-0.029	-0.069	0.257	**(0.894)**	0.078	-0.042
EN2	0.131	0.021	-0.101	0.112	**(0.879)**	0.055	-0.074
EN3	0.141	0.029	0.049	-0.336	**(0.804)**	0.033	-0.135
EN4	-0.084	0.033	-0.069	0.097	**(0.894)**	0.104	0.023
EN5	-0.083	0.021	0.066	-0.083	**(0.893)**	-0.004	0.127
EN6	-0.105	0.007	0.041	-0.003	**(0.886)**	-0.151	0.098
EN7	-0.019	-0.083	0.09	-0.079	**(0.861)**	-0.117	-0.012
EA1	0	0.079	-0.064	0.067	-0.119	**(0.753)**	-0.166
EA2	-0.055	0.138	-0.084	-0.055	-0.034	**(0.832)**	-0.12
EA3	-0.041	0.16	-0.014	0.027	-0.103	**(0.811)**	-0.082
WE1	0.003	0.032	-0.033	-0.034	0.102	**(0.867)**	-0.091
WE2	-0.058	-0.023	-0.083	0.223	-0.137	**(0.839)**	-0.01
WE3	0.007	-0.08	-0.168	0.224	-0.14	**(0.752)**	-0.021
FR1	0.115	-0.15	0.282	-0.313	0.206	**(0.745)**	0.005
FR2	-0.028	0.146	0.306	-0.202	0.257	**(0.615)**	-0.036
FR3	0.041	-0.16	-0.038	-0.228	0.194	**(0.778)**	0.291
FR4	0.024	-0.129	-0.018	0.22	-0.155	**(0.828)**	0.224
FP1	-0.06	-0.009	0.087	-0.041	0.128	-0.023	**(0.924)**
FP2	-0.091	0.097	0.157	0.006	-0.129	-0.058	**(0.910)**
FP3	-0.018	-0.017	0.143	-0.026	-0.071	0.032	**(0.901)**
FP4	0.018	-0.079	-0.187	0.066	0.022	0.079	**(0.896)**
FP5	0.167	0.008	-0.222	-0.004	0.052	-0.03	**(0.827)**

Note: TL = Transformational Leadership, OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance

4.4.1.2 Discriminant Validity

Discriminant validity tests whether the measures that theoretically should not be related nor have relationship are, in fact, not related (Taherdoost, 2016b). Discriminant validity helps ensure that each individual construct in the model distincts from one another and that it is not represented by any other constructs in the model (Ahmed et al., 2017). The value of the square root of the average variance extracted (AVE) is used to measure the discriminant validity of the constructs, which the discriminant validity is established when the square root of the AVE value of each latent construct is higher than any pair of its correlation with other latent constructs (Zaiţ & Bertea, 2011). From the test result, the square root of AVE of each individual construct is higher than its correlation with others. Hence, it can be confirmed that the scales used in this studied have demonstrated acceptable discriminant validity. The test results are presented in the Table 4.6.

Table 4.6 The Correlations and Square Root of Average Variance Extracted (AVE) of All Variables

	TL	**OEC**	**ECS**	**SOS**	**ENS**	**CR**	**PER**	**SIZE**	**CTEN**	**CIN**
TL	**(0.818)**	0.679***	0.558***	0.654***	0.549***	0.614***	0.375***	-0.022	-0.004	0.122
OEC	0.679***	**(0.773)**	0.527***	0.697***	0.616***	0.582***	0.255***	0.127	-0.025	0.142*
ECS	0.558***	0.527***	**(0.885)**	0.552***	0.471***	0.676***	0.589***	0.262***	-0.033	0.203**
SOS	0.654***	0.697***	0.552***	**(0.808)**	0.785***	0.644***	0.353***	0.151*	-0.019	0.159*
ENS	0.549***	0.616***	0.471***	0.785***	**(0.873)**	0.609***	0.394***	0.231***	0.042	0.104
CR	0.614***	0.582***	0.676***	0.644***	0.609***	**(0.785)**	0.55***	0.21**	-0.091	0.25***
PER	0.375***	0.255***	0.589***	0.353***	0.394***	0.55***	**(0.892)**	0.291***	0.01	0.217**
VAL	-0.022	0.127	0.262***	0.151*	0.231***	0.21**	0.291***	**(1.000)**	-0.095	0.197**
CTEN	-0.004	-0.025	-0.033	-0.019	0.042	-0.091	0.01	-0.095	**(1.000)**	-0.037
CIN	0.122	0.142*	0.203**	0.159*	0.104	0.25***	0.217**	0.197**	-0.037	**(0.847)**

Note: 1) TL = Transformational Leadership, OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance, CIN = Competitive Intensity, CTEN = CEO Tenure, SIZE = Firm Size (in Total Asset Value)

Where:

2) Square root of AVE is presented in parentheses.

3) *, **, *** shows significant at p-value < 0.05, < 0.01, and < 0.001 respectively.

4.4.2 Reliability Testing

The purpose of reliability test is to assess the degree of internal consistency and stability of the scales or instruments used to measure the intended variables in order to provide a consistent result (Sekaran, 2003). Consistency illustrates how well the related items of the scale hang together in measuring the same construct (Taherdoost, 2016b). Two types of reliability measures have been involved in this study, which are Cronbach's alpha coefficient (α) and composite reliability. In PLS-SEM, Cronbach's alpha represents the lower bound of internal consistency reliability, while composite reliability represents the upper bound when assessing reflective measurement models (Sarstedt et al., 2017). Therefore, both measures should be evaluated to determine internal consistency reliability.

4.4.2.1 Cronbach's Alpha Coefficient (α)

The Cronbach's Alpha coefficient (α) is one of the most commonly used method to assess reliability in terms of internal consistency and is usually perceived as the most appropriate for evaluating measures that employ Likert scales (Taherdoost, 2016b). Cronbach's alpha is measured by calculating the average intercorrelations among the items associated to the construct. According to Sekaran (2003), the value that is closer to 1 indicates the higher internal consistency reliability. Normally, the Cronbach's alpha value of greater than or equal to 0.70 is considered satisfactory (Ahmed et al., 2017; Sarstedt et al., 2017). From the test of Cronbach's alpha in this study, each construct presents the value of greater than 0.70, hence this indicates a satisfactory result.

4.4.2.2 Composite Reliability

Composite reliability is another alternative measure that is usually assessed in the structural equation modeling along with the Cronbach's alpha to assess the reliability level (Peterson & Kim, 2013). Scholars have stated that there is a limitation with Cronbach's alpha because the method assumes that all indicators are equally reliable with equal loadings, which this could compromise the reliability accuracy (Aguirre-Urreta, Marakas, & Ellis, 2013; Joe F. Hair et al., 2012; Raykov, 2007). With composite reliability, it does not assume equal loadings, instead it prioritizes indicators based on each reliability level (Aguirre-Urreta et al., 2013; Joe F. Hair et al., 2012). According to Sarstedt et al. (2017), composite reliability should have the value of 0.70 at minimum to represent good reliability level. For this study, the result suggested acceptable composite reliability.

The test results of both Cronbach's alpha coefficients and composite reliability are reported in the Table 4.7. To establish acceptable reliability, both scores should be equal or greater than 0.70 (Fornell & Larcker, 1981; Kock & Lynn, 2012). As the result of all variables presented the value above 0.70, thus it can be confirmed that the model of this study presents good reliability level.

Table 4.7 Cronbach's Alpha Coefficients and Composite Reliability of All Variables

	TL	**OEC**	**ECS**	**SOS**	**ENS**	**CR**	**PER**	**SIZE**	**CTEN**	**CIN**
Cronbach's Alpha (α).	0.938	0.944	0.907	0.892	0.948	0.93	0.936	1.000	1.000	0.867
Composite Reliability.	0.948	0.951	0.935	0.918	0.957	0.941	0.951	1.000	1.000	0.91

Note: TL = Transformational Leadership, OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance, SIZE = Firm Size (in Total Asset Value), CTEN = CEO Tenure, CIN = Competitive Intensity

4.4.3 Model Fit and Quality Indices

Prior to the interpretation of findings, the quality of a structural equation model should additionally be assessed and determined by a set of indices (Avelar-Sosa, García-Alcaraz, & Maldonado-Macías, 2018; Kock, 2017; Kock & Lynn, 2012; Phungsoonthorn & Charoensukmongkol, 2018a). By using WarpPLS software, ten model fit and quality indices are provided including Average path coefficient (APC), Average R-squared (ARS), Average adjusted R-squared (AARS), Average variance inflation factor (AVIF), Average full variance inflation factor (AFVIF), Tenenhaus GoF (GoF index), Simpson's paradox ratio (SPR), R-squared contribution ratio (RSCR), Statistical suppression ratio (SSR), and Nonlinear bivariate causality direction ratio (NLBCDR).

4.4.3.1 Average Path Coefficient (APC)

The index of average path coefficient (APC) reflects the strength of the direct effect of an independent variable on the dependent variable in the model. As APC is calculated as an average, p-value is also provided. The recommended p-value should be less than or equal to 0.05 (Kock, 2017). As the result from the PLS analysis showed the APC value of 0.324 with the p-value of less than 0.001, thus the APC is statistically significant.

4.4.3.2 Average R-squared (ARS)

The index of average R-squared (ARS) indicates the overall explanatory power of the model. As ARS is calculated as an average, p-value is also provided. The recommended p-value should be less than or equal to 0.05 (Kock, 2017). From the result, it showed the ARS value of 0.449 with the p-value of less than 0.001. Hence, the ARS is statistically significant.

4.4.3.3 Average Adjusted R-squared (AARS)

The average adjusted R-squared (AARS) coefficient refers to the adjusted value of the R-squared that should be applied in a multiple regression. For a model with multiple predictors, when each predictor is added, this spuriously increases the R-squared value even if it may not add any additional explanatory value (Kock, 2017; Wooldridge, 1991). This seems to indicate a better model fit just because there are more predictors. Therefore, the adjusted R-squared helps correcting this concern because it may increase or decrease in value by taking into account the probability (Investopedia, 2020). As AARS is calculated as an average, p-value is also considered. The recommended p-value should be less than or equal to 0.05 (Kock, 2017). From the result, the AARS value is 0.443 and the p-value is less than 0.001, thus the AARS is statistically significant.

4.4.3.4 Average Variance Inflation Factor (AVIF)

The average variance inflation factor (AVIF) index indicates the classic or vertical collinearity of the multiple regression model. The value of AVIF will increase if the additional variable adds vertical collinearity to the model (Kock, 2017). According to Kock (2017), the AVIF value should be assessed together with the AFVIF value to determine multicollinearity, in which the recommended value for both indices should be less than or equal to 5 in order to be acceptable, and less than or equal to 3.3 for ideally acceptable. The result reported the AVIF value of 1.724, thus the AVIF is ideally acceptable.

4.4.3.5 Average Full Variance Inflation Factor (AFVIF)

The average variance inflation factor (AFVIF) index indicates the overall multicollinearity of the multiple regression model. AFVIF assesses the model in terms of full collinearity, which means that it takes into account both vertical and lateral collinearity (Kock, 2017; Kock & Lynn, 2012). The value of AFVIF will increase if the additional variable adds either vertical or lateral collinearity into the model (Kock, 2017; Kock & Lynn, 2012). The AVIF and AFVIF indices should together be observed to assess overall quality in terms of multicollinearity, in which the recommended value of each index should be less than or equal to 5 in order to be acceptable, and less than or equal to 3.3 for ideally acceptable.(Kock, 2017). The test result showed the AFVIF value of 2.215 which is ideally acceptable. Together with the above reported value of AVIF, this can be concluded that the model has no significant multicollinearity issue.

4.4.3.6 Tenenhaus GoF (GoF index)

For the GoF index, it is similar to ARS index, which is used to indicate the explanatory power of the model (Kock, 2017). GoF index is calculated as the square root of the multiplication of the ARS and the average communality index (the average community index refers to the sum of the squared loadings for the latent variable) (Kock, 2017; Tenenhaus, Vinzi, Chatelin, & Lauro, 2005). Wetzels, Odekerken-Schröder, and Van Oppen (2009), have suggested the GoF thresholds for the effect size as follows: small for the value of ≥ 0.1, medium for the value of ≥ 0.25, and large for the value of ≥ 0.36. For the GoF value that is lower than 0.1, it suggests that the model's explanatory power is too low that it should not be acceptable (Kock, 2017). As the test result showed the GoF value of 0.584, the effect size of the model's explanatory power is equivalent to large and is considered acceptable.

4.4.3.7 Simpson's Paradox Ratio (SPR)

The SPR index represents a measure of the degree in which a model is not associated with Simpson's paradox instances. As stated in Kock (2017), "an instance of Simpson's paradox occurs when a path coefficient and a correlation associated with a pair of linked variables have different signs". An occurrence of

Simpson's paradox instance may indicate that the hypothesized path is reversed or not probable, thus suggesting a causality problem. SPR value is calculated by dividing the number of paths that are free from Simpson's paradox instances by the total number of paths in the model (Kock, 2017). The ideal value of SPR is 1, which means that 100% of the model latent variables are free from the occurrence of Simpson's paradox instance. The SPR value of greater than or equal to 0.7 is recommended, which presents that at least 70% of the paths hypothesized in the model are not associated with Simpson's paradox instances. Otherwise, the model arrows should be reviewed (Avelar-Sosa et al., 2018). The test result of this research reported the SPR value of 1, hence this is ideally acceptable.

4.4.3.8 R-squared Contribution Ratio (RSCR)

The RSCR is a measure the degree to which model latent variables are free from negative r-square, which is usually related to the issue with Simpson's paradox instances (Avelar-Sosa et al., 2018; Phungsoonthorn & Charoensukmongkol, 2018a). The ideal value of RSCR is 1, which means that 100% of the model latent variables are free from the negative r-square contributions. Generally, the RSCR value of greater than or equal to 0.9 is recommended (at least 90% of the latent variables are not associated with negative r-square) (Lytras, 2018). From the test result, the RSCR value of this research model is 1, thus this is ideally acceptable.

4.4.3.9 Statistical Suppression Ratio (SSR)

The SSR index is a measure of the extent to which a model is not associated with statistical suppressions, such as Simpson's paradox instances (Avelar-Sosa et al., 2018; Kock, 2017). Statistical suppression refers to an instance that happens when a path coefficient in absolute term is higher than the corresponding correlation related to a pair of linked variables, which might indicate a causality problem (Kock, 2017). SSR value is calculated by dividing the number of paths in the model which are free from medium or higher suppression instances (equivalent to an absolute path correlation ratio of greater than 1.3) by the total number of paths in the model. The suggested recommended value of SSR is greater than or equal to 0.7 (indicates that at least 70 percent of the paths are not associated with statistical suppression), otherwise the lower value could imply an inverse relationship or spurious relationship (Avelar-Sosa et al., 2018). For this research model, the test result showed the SSR value of 0.929, which means that this is acceptable.

4.4.3.10 Nonlinear Bivariate Causality Direction Ratio (NLBCDR)

The NLBCDR index is an indicator in which variables do not have reverse direction issues (Avelar-Sosa et al., 2018). In nonlinear algorithms, bivariate nonlinear coefficients of association vary according to the hypothesized direction of effect. This means that the coefficients should be stronger in one direction than another, which implies that the error would be greater in a specific direction. The NLBCDR measures the degree to which bivariate nonlinear coefficients of association support the directions of causality hypothesized in the model (Kock, 2017). The suggested value of NLBCDR is greater than or equal to 0.7, which presents that at least 70% of the model's path-related instances show weak or less support for the reversed hypothesized direction of causality (Kock, 2017). For this research, the NLBCDR result showed the value of 0.893, thus this is acceptable.

Table 4.8 Model Fit Indices

Model Fit Indices	**Coefficients**	**Result**
Average Path Coefficient (APC)	0.324***	Significant
Average R-squared (ARS)	0.449***	Significant
Average Adjusted R-squared (AARS)	0.443***	Significant
Average Variance Inflation Factor (AVIF)	1.724	Ideally
Average Full Variance Inflation Factor (AFVIF)	2.215	Ideally
Tenenhaus GoF (GoF index)	0.584	Large
Simpson's Paradox Ratio (SPR)	1.000	Ideally
R-squared Contribution Ratio (RSCR)	1.000	Ideally
Statistical Suppression Ratio (SSR)	0.929	Acceptable
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)	0.893	Acceptable

Note: Where *, **, *** shows significant at p-value < 0.05, < 0.01, and < 0.001 respectively.

4.4.4 Multicollinearity

Multicollinearity refers to a multivariate phenomenon when two or more variables are highly correlated that they could measure the same attribute of a tangible or intangible object or construct (Kock & Lynn, 2012; Phungsoonthorn & Charoensukmongkol, 2018a). Multicollinearity is commonly assessed in a model with multiple variables to test for redundancy (Kock & Lynn, 2012). Calculation of a full variance inflation factor (VIF) has been performed on each item in this study in order to determine multicollinearity problem. A full VIF is considered to be more effective than the traditional VIF method because it takes into account both vertical and lateral collinearity, plus it also tests for common method bias (CMB) in the PLS model (Kock, 2017; Kock & Lynn, 2012; Phungsoonthorn & Charoensukmongkol, 2018a). The recommended value of VIFs in a full collinearity test should be lower than 3.30, which would indicate no multicollinearity problem among the variables and no common method bias (Kock, 2020; Kock & Lynn, 2012). There is also a more conservative threshold that suggests the VIFS of lower than 5 (Kock, 2020). The test results of a full VIF for this study are presented in the Table 4.9. The reported VIF values ranged between 1.043 and 3.647. One of the variables, which is the SOS (the social dimension of corporate sustainability), demonstrated the VIF value of 3.647 that is slightly higher than the recommended value of 3.30. The value of the SOS variable is relatively closed to that of the ENS (the environmental dimension of corporate sustainability) variable, which one of the possible explanations is firms that practice SOS are also likely to engage in ENS practice. Koirala and Charoensukmongkol (2020) also stated that it is possible that some CSR aspects can be related. Therefore, as this SOS exceeded value is trivial, it can be concluded that the issue with multicollinearity is not much serious in the model.

Table 4.9 Full Collinearity Vifs Computation for Multicollinearity

	TL	OEC	ECS	SOS	ENS	CR	PER	SIZE	CTEN	CIN
Full Collinearity VIFs	2.520	2.556	2.405	3.647	3.007	2.762	1.828	1.268	1.043	1.112

Note: TL = Transformational Leadership, OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance, SIZE = Firm Size (in Total Asset Value), CTEN = CEO Tenure, CIN = Competitive Intensity

4.5 Structural Regression Model

4.5.1 Hypotheses Testing

In chapter 2, this study has proposed 14 hypotheses which are summarized in the Table 2.3. In this section, the PLS-SEM regression has been performed and reported. The objective of PLS regression is to predict a set of dependent variables from a set of predictors or independent variables, which can be achieved by deriving latent variables of the best predictive power (Abdi, 2003). The result of the statistical analysis reported is used to determine if each hypothesis is supported or rejected. In PLS regression of this study, three main areas are to be analyzed which are path analysis, P values, and R-squared coefficients (Kock, 2017). Firstly, the path analysis or path coefficients are analyzed, which this reflects the strength and direction of the relationship between two variables. This is determined by examining the value of Beta coefficient (β), which the positive value indicates positive relationship and the negative value indicate negative relationship. Secondly, the P values are analyzed to assess the statistical significant level, which the recommended p-value is described as statistically significant when it is less than 0.05 (< 0.05) (Phungsoonthorn & Charoensukmongkol, 2018a). P-vale is used to indicate a null hypothesis, whether this hypothesis should be accepted or rejected. When the p-value is less than 0.05 (< 0.05), the null hypothesis will be rejected because this indicates that the probability of the null hypothesis being correct is less than 5% (McLeod, 2019). Hence, the alternative hypothesis will then be accepted and described as statistically significant. On the other hand, if the p-value is greater than 0.05 (> 0.05), the null hypothesis is retained and accepted, thus the alternative hypothesis is perceived as not being not statistically significant. Thirdly, the R-squared coefficients are observed. The value of r-square coefficient indicates the variance percentage that the latent variable (the dependent variable) is explained by the hypothesized latent variables that are to affect it (the independent variables) (Kock, 2017; Phungsoonthorn & Charoensukmongkol, 2018a).

Additionally, a resampling analysis of Bootstrapping is also performed in order to cross-validate the quality of PLS regression model prediction and its generalization capacity (Abdi, 2010). Bootstrapping refers to a technique used for building statistical inference about the population of the original samples from resampled data, which can be applied to PLS path modeling in order to estimate confidence intervals and prediction errors for all parameters (Abdi, 2003; Henseler et al., 2009; Wehrens & Van der Linden, 1997). In the technique, when latent variables of the model have already been determined, a large pre-specified number of bootstrap samples are created by randomly drawing cases with replacement from the original sample, which generally the spread, shape, and bias of the sampling distribution will then be estimated (Abdi, 2010; Henseler et al., 2009). This study assigned the number of bootstrapping resamples as 100, which is a recommended number by scholars such as Kock (2017) and Phungsoonthorn and Charoensukmongkol (2018a).

The results of PLS-SEM regression are presented in the Figure 4.1.

1) Hypothesis 1A: CEO Transformation Leadership is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.01 ($\beta = 0.243$; $p = 0.004$). This confirmed that CEO transformational leadership has a significant positive effect on the organizational practice of the environmental dimension of corporate sustainability. The finding suggests that firms which are led by CEO with high transformational leadership tend to engage more with environmental sustainability practices. Therefore, the hypothesis 1A is supported.

2) Hypothesis 1B: CEO Transformation Leadership is positively associated with the organizational practice of Social dimension of Corporate Sustainability.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 ($\beta = 0.336$; $p<0.001$). This confirmed that CEO transformational leadership has a significant positive effect on the organizational practice of the social dimension of corporate sustainability. The finding suggests that firms which are led by CEO with high transformational leadership tend to engage more with social sustainability practices. Therefore, the hypothesis 1B is supported.

3) Hypothesis 1C: CEO Transformation Leadership is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 ($\beta = 0.371$; $p<0.001$). This confirmed that CEO transformational leadership has a significant positive effect on the organizational practice of the economic dimension of corporate sustainability. The finding suggests that firms which are led by CEO with high transformational leadership tend to engage more with economic sustainability practices. Therefore, the hypothesis 1C is supported.

4) Hypothesis 2: CEO Transformation Leadership is positively associated with organizational Ethical Culture.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 ($\beta = 0.679$; $p<0.001$). This confirmed that CEO transformational leadership has a significant positive effect on the extent of organizational ethical culture. The finding suggests that firms which are led by CEO with high transformational leadership are more associated to the development of ethical culture in the organization. Therefore, the hypothesis 2 is supported.

5) Hypothesis 3A: Organizational Ethical Culture is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 (β = 0.451; $p<0.001$). This confirmed that organizational ethical culture has a significant positive effect on the organizational practice of the environmental dimension of corporate sustainability. The finding suggests that firms with organizational culture that encourages ethical practices tend to engage more with environmental sustainability practices. Therefore, the hypothesis 3A is supported.

6) Hypothesis 3B: Organizational Ethical Culture is positively associated with the organizational practice of Social dimension of Corporate Sustainability.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 (β = 0.470; $p<0.001$). This confirmed that organizational ethical culture has a significant positive effect on the organizational practice of the social dimension of corporate sustainability. The finding suggests that firms with organizational culture that encourages ethical practices tend to engage more with social sustainability practices. Therefore, the hypothesis 3B is supported.

7) Hypothesis 3C: Organizational Ethical Culture is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 (β = 0.275; $p<0.001$). This confirmed that organizational ethical culture has a significant positive effect on the organizational practice of the economic dimension of corporate sustainability. The finding suggests that firms with organizational culture that encourages ethical practices tend to engage more with economic sustainability practices. Therefore, the hypothesis 3C is supported.

8) Hypothesis 5A: Organizational practice of Environmental Dimension of Corporate Sustainability is positively associated with Corporate Reputation.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 (β = 0.251; $p<0.001$). This confirmed that organizational practice of the environmental dimension of corporate sustainability has a significant positive effect on corporate reputation. The finding suggests that environmental sustainability practices of the firm contribute to enhance corporate reputation. Therefore, the hypothesis 5A is supported.

9) Hypothesis 5B: Organizational practice of Social Dimension of Corporate Sustainability is positively associated with Corporate Reputation.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.05 (β = 0.193; $p = 0.014$). This confirmed that organizational practice of the social dimension of corporate sustainability has a significant positive effect on corporate reputation. The finding suggests that social sustainability practices of the firm contribute to enhance corporate reputation. Therefore, the hypothesis 5B is supported.

10) Hypothesis 5C: Organizational practice of Economic Dimension of Corporate Sustainability is positively associated with Corporate Reputation.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 (β = 0.431; $p<0.001$). This confirmed that organizational practice of the economic dimension of corporate sustainability has a significant positive effect on corporate reputation. The finding suggests that economic sustainability practices of the firm contribute to enhance corporate reputation. Therefore, the hypothesis 5C is supported.

11) Hypothesis 6: Corporate Reputation is positively associated with Firm Performance.

The result presented that there is a positive relationship between the two variables, in which the beta indicated a positive sign with the p-value of less than 0.001 ($\beta = 0.504$; $p<0.001$). This confirmed that corporate reputation has a significant positive effect on firm performance. The finding suggests that firm's superior reputation contributes to enhance firm performance. Therefore, the hypothesis 6 is supported.

Regarding the hypotheses 4A to 4C, these hypotheses involved testing the mediating effect. In this study, the testing performed followed the method suggested by Preacher and Hayes (2004). The indirect effect of CEO transformational leadership on the three dimensions of sustainability was examined, whether the relationship is mediated by the organizational ethical culture variable. The results are shown in the Figure 4.1.

12) Hypothesis 4A: Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Environmental Dimension of Corporate Sustainability.

The result presented the positive mediation of organizational ethical culture with the p-value of less than 0.001 ($\beta = 0.306$; $p<0.001$). This indicated that CEO transformational leadership exerted a significant indirect effect on the environmental dimension of sustainability through organizational ethical culture. Therefore, the hypothesis 4A is supported. Moreover, as the relationship between CEO transformational leadership and the environmental dimension of sustainability is statistically significant, the mediating effect of organizational ethical culture is a partial mediation.

13) Hypothesis 4B: Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Social Dimension of Corporate Sustainability.

The result presented the positive mediation of organizational ethical culture with the p-value of less than 0.001 ($\beta = 0.319$; $p<0.001$). This indicated that CEO transformational leadership exerted a significant indirect effect on the social dimension of sustainability through organizational ethical culture. Therefore, the hypothesis 4B is supported. Moreover, as the relationship between CEO transformational leadership and the social dimension of sustainability is statistically significant, the mediating effect of organizational ethical culture is a partial mediation.

14) Hypothesis 4C: Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Economic Dimension of Corporate Sustainability.

The result presented the positive mediation of organizational ethical culture with the p-value of less than 0.001 ($\beta = 0.187$; $p<0.001$). This indicated that CEO transformational leadership exerted a significant indirect effect on the economic dimension of sustainability through organizational ethical culture. Therefore, the hypothesis 4C is supported. Moreover, as the relationship between CEO transformational leadership and the economic dimension of sustainability is statistically significant, the mediating effect of organizational ethical culture is a partial mediation.

In addition to these hypotheses, this research also tested the possibility that corporate reputation can mediate the links between each dimension of corporate sustainability practice on firm performance. Regarding the mediating effect analysis of corporate reputation on the relationship between the environmental dimension of sustainability and firm performance, the result presented the positive mediation of corporate reputation with the p-value of less than 0.01 ($\beta = 0.127$; $p=0.002$). This indicated that the environmental dimension of sustainability exerted a significant indirect effect on firm performance through corporate reputation. Regarding the mediating effect analysis of corporate reputation on the relationship between the social dimension of sustainability and firm performance, the result showed the positive mediation of corporate reputation with the p-value of less than 0.05 ($\beta = 0.097$; $p=0.012$). This illustrated that the social dimension of sustainability exerted a significant indirect effect on firm performance through corporate reputation. Regarding the mediating effect analysis of corporate reputation on the relationship between the economic dimension of sustainability and firm performance, the result also reported the positive mediation of corporate reputation with the p-value of less than 0.001 ($\beta = 0.217$; $p<0.001$). This indicated that economic dimension of sustainability exerted a significant indirect effect on firm performance through corporate reputation. Therefore, the mediating effect of corporate reputation is supported for all the three dimensions of sustainability practices on firm performance.

4.5.2 Total Effect Analysis

In addition to the mediation analysis conducted on the role of organizational ethical culture, this research has conducted the total effect analysis. By taking into account the intervening variables, the goal of this test is to decompose possible effects or transmitted paths in the model that CEO transformational leadership can have on firm performance. The total effects and indirect analyses can give meaningful insights towards the downstream effects of independent variables on a dependent variable, especially in a relatively complex model where there can be multiple mediators intervening the relationship (Bellavia & Valeri, 2018; Kock, 2014, 2017; Kock & Gaskins, 2014). For each set of the total effects analysis, three main indicators which are the path coefficients, the number of paths that support the effects, and the p-values are explored (Kock, 2017). From the test result of the total effects in this research, it confirmed the existence of the positive total effect of CEO transformation leadership on firm performance, which the path is linked by the organizational ethical culture, the three dimensions of corporate sustainability, and the corporate reputation variables ($\beta = 0.254$; $p<0.001$).

4.5.3 Control Variables

The control variables that are observed in this research include firm size (indicated by the total asset value), CEO tenure, and competitive intensity. From the testing result, corporate reputation was found to have a significant positive association with competitive intensity with the p-value of less than 0.05 ($\beta = 0.106$; $p = 0.012$), whereas it had a significant negative association with CEO tenure with the p-value of less than 0.05 ($\beta = -0.081$; $p = 0.020$). Corporate reputation was also found to have a negative association with firm size in total asset value ($\beta = -0.018$; $p=0.368$), however the p-value showed that this association is not significant. In addition, firm performance was found to have a significant positive association with firm size measured in the total asset value with p-value of less than 0.001 (β = 0.180; $p<0.001$). Firm performance also had a positive association with competitive intensity (β = 0.058; $p<0.182$) and CEO tenure (β = 0.075; $p<0.101$), but its relations to these two control variables are no significant.

With this result, it can be implied that firms led by CEO with less tenure year tend to obtain a superior corporate reputation when compared to those that are led by CEO with longer tenure years. Possible explanation is that newer CEOs are more open to change and new innovative strategy (Bantel & Jackson, 1989; Miller & Shamsie, 2001), while CEOs with longer tenure tend to follow strategies that align with industry benchmarks (Finkelstein & Hambrick, 1990), in which these affect organizational outcomes including corporate reputation. Regarding the competitive intensity, this reflects the degree of competition among firms in the same industry. Hence, the more competitive intensity an industry sector is, the more pressure firms are facing to operate in such sector. Thus, this higher pressure tends to encourage greater efforts among firms to make improvements, which also includes maintaining high reputation. For firm size, it is found to have a significant impact on firm performance that firms of larger size are likely to experience better performance. This may be due to the reason that firms of larger size usually have better access to resources and capitals in order to make effective investments that drive firm performance in relative to its competitors.

4.5.4 R-squared

After the regression analysis is performed to determine the path direction, another test that should be done is to analyze how well the model fits the data, which this can be determined by the value of R-squared. The good model fits reflect the data where there is a small and unbiased variance between the observed values and the predicted values from the model. R-squared or the coefficient of determination refers to a statistical measure that indicates how close and fit the set of data is to the regression line. It presents in terms of the percentage of response variable variation that is explained by a linear model in which 0 percent reflects the model that can explain none of the variability of the observed data towards its mean or the fitted regression line, while 100 percent reflects the model that can explain all of the variability when the observed data or the data points fall exactly on the fitted regression line (Frost, 2019). The higher value of R-squared indicates the better model fits where the data points fall closer to the fitted regression line. This also represents the greater explanatory power of the predictors and that there is a smaller error in the regression analysis (Kock, 2020). R-squared is used in research to represent the percentage that the dependent variable is explained or predicted by the hypothesized independent variables in the research model (Kock, 2020). Regarding the guidelines of R-squared coefficient, 0.25 represents weak explanatory power, 0.50 represents moderate explanatory power, and 0.75 represents substantial explanatory power (Joseph F. Hair, Risher, Sarstedt, & Ringle, 2019). The acceptable value of R-squared may vary according to research disciplines, which some research field accepts the value as low as 0.10 (Joseph F. Hair et al., 2019; Raithel, Sarstedt, Scharf, & Schwaiger, 2012). Moreover, in multiple regression analysis, it may also be useful to consider another similar index to R-squared, which is the Adjusted R-squared Coefficient. With regular R-squared, when each independent variable is added to the analysis, this usually falsely or spuriously increases the R-squared value even though it does not literally contribute to explain the dependent variable (Kock, 2017; Wooldridge, 1991). The adjusted R-squared coefficient does not encounter this issue because it can increase or decrease in value according to the actual explanatory probability.

From the test result, the following implications can be made. Organizational ethical culture has the R-squared value of 0.461, meaning that its hypothesized independent variables of CEO transformational leadership can explain the occurrence of organizational ethical culture by 46.1 percent. The environmental dimension of corporate sustainability has the R-squared value of 0.411, meaning that all its hypothesized independent variables including CEO transformational leadership and organizational ethical culture can explain the organizational practice of environmental dimension of corporate sustainability by 41.1 percent. The social dimension of corporate sustainability has the R-squared value of 0.547, meaning that all its hypothesized independent variables including CEO transformational leadership and organizational ethical culture can explain the organizational practice of social dimension of corporate sustainability by 54.7 percent. The economic dimension of corporate sustainability has the R-squared value of 0.352, meaning that all its hypothesized independent variables including CEO transformational leadership and organizational ethical culture can explain the organizational practice of economic dimension of corporate sustainability by 35.2 percent. For corporate reputation, it has the R-squared value of 0.599 which means that all its hypothesized independent variables which are CEO transformational leadership, organizational ethical culture, and the three dimensions of corporate sustainability practices can explain the corporate reputation by 59.9 percent. Firm performance has the R-squared value of 0.343, meaning that all its hypothesized independent variables which are CEO transformational leadership, organizational ethical culture, the three dimensions of corporate sustainability practices, and corporate reputation can explain the firm performance by 34.3 percent. For each of the dependent variable, the rest of the percentage would indicate that there may be other variables that are not included in the research model account for its explanation or prediction.

The value of R-squared and adjusted R-squared are presented in the Table 4.10. In addition, the R-squared also demonstrated in the Figure 4.1 of the overall PLS analysis.

Table 4.10 R-squared Coefficients and Adjusted R-squared Coefficients

	OEC	**ECS**	**SOS**	**ENS**	**CR**	**PER**
R-squared	0.461	0.352	0.547	0.411	0.599	0.343
Adjusted R-squared	0.458	0.345	0.543	0.405	0.586	0.329

Note: OEC = Organizational Ethical Culture, ECS = Economic Dimension of Sustainability, SOS = Social Dimension of Sustainability, ENS = Environmental Dimension of Sustainability, CR = Corporate Reputation, PER = Firm Performance

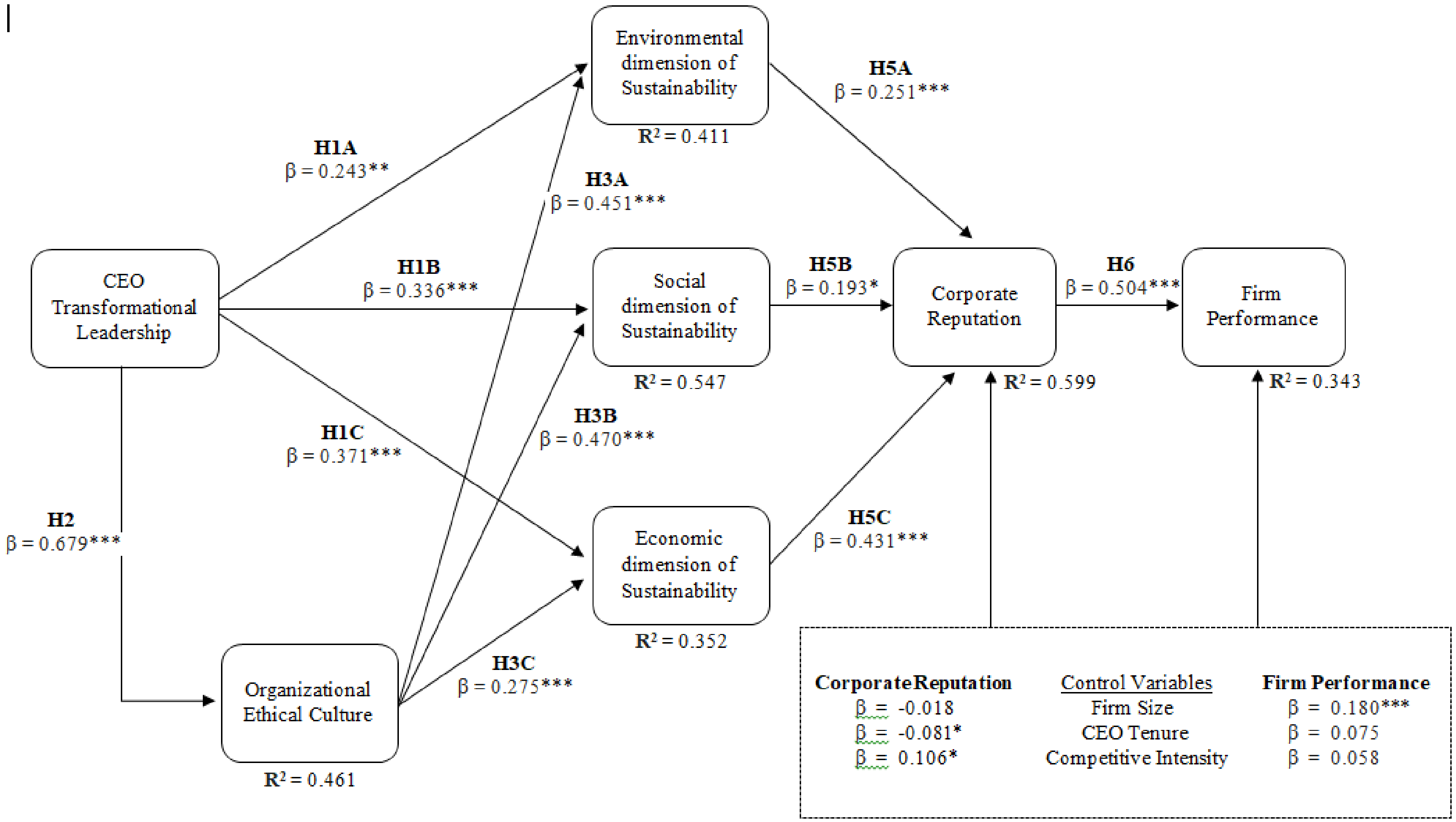

Figure 4.1 PLS Analysis

Note: Where *, **, *** shows significant at p-value < 0.05, < 0.01, and < 0.001 respectively.

CHAPTER 5

DISCUSSION

5.1 Overall Findings

According to the PLS-SEM analysis result, all the hypotheses have been demonstrated to be statistically supported. The summary of the hypotheses test results is shown in the Table 5.1 as follows.

Table 5.1 Hypotheses Test Results

Hypothesis		**Result**
H1A	CEO Transformation Leadership is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.	Supported
H1B	CEO Transformation Leadership is positively associated with the organizational practice of Social dimension of Corporate Sustainability.	Supported
H1C	CEO Transformation Leadership is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.	Supported
H2	CEO Transformation Leadership is positively associated with organizational Ethical Culture.	Supported
H3A	Organizational Ethical Culture is positively associated with the organizational practice of Environmental dimension of Corporate Sustainability.	Supported

Hypothesis		Result
H3B	Organizational Ethical Culture is positively associated with the organizational practice of Social dimension of Corporate Sustainability.	Supported
H3C	Organizational Ethical Culture is positively associated with the organizational practice of Economic dimension of Corporate Sustainability.	Supported
H4A	Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Environmental dimension of Corporate Sustainability.	Supported (Partial Mediation)
H4B	Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Social dimension of Corporate Sustainability.	Supported (Partial Mediation)
H4C	Organizational Ethical Culture mediates the relationship between CEO transformational leadership and the Economic dimension of Corporate Sustainability.	Supported (Partial Mediation)
H5A	Organizational practice of Environmental dimension of Corporate Sustainability is positively associated with Corporate Reputation.	Supported
H5B	Organizational practice of Social dimension of Corporate Sustainability is positively associated with Corporate Reputation.	Supported
H5C	Organizational practice of Economic dimension of Corporate Sustainability is positively associated with Corporate Reputation.	Supported
H6	Corporate Reputation is positively associated with Firm Performance.	Supported

5.2 General Discussion

The purpose of this study is to investigate the antecedents and outcomes associated with the corporate sustainability practice of firms in Thailand. The concept of corporate sustainability practices in this research are studied in three dimensions which are environmental, social, and economic dimensions. The antecedent variables studied in the model are CEO transformational leadership and organizational ethical culture, whereas the outcome variables studied are corporate reputation and firm performance. From the PLS-SEM data analysis results, all the hypotheses in this research were found to be statistically supported.

Regarding the antecedents of corporate sustainability practices, the result has confirmed the significant effect of CEO transformational leadership and organizational ethical culture as a key determinant of environmental, social, and economic dimensions of sustainability practices. This suggests that firms which are led by top management who exhibits transformational leadership, as well as firms which demonstrates high organizational ethical culture tend to engage actively in environmental dimension, social dimension, and economic dimension of sustainability practices. This provides an implication that the transformational leadership of management and organizational culture are an important drivers of corporate sustainability practices. Additionally, the result also showed that organizational ethical culture mediates the relationship between CEO transformational leadership and the three dimensions of corporate sustainability practices. This implies that CEO transformational leadership may influence the three dimensions of corporate sustainability practices through the facilitation of organizational ethical culture.

Regarding the outcomes associated with corporate sustainability practices, the result has confirmed the significant effect of corporate sustainability practices on corporate reputation. This suggested that firms which adopt any of the environmental, social, and economic dimensions of corporate sustainability practices tend to demonstrate better corporate reputation than firms that do not. These findings imply that the practice of these three dimensions of corporate sustainability may be important for firms to gain good reputation in the industry. Moreover, the analysis found that the good corporate reputation that firms exhibited played a significant role in determining the level of performance they achieved. This suggests that corporate reputation may be important for firms to obtain better business performance. Lastly, the result showed that corporate reputation mediates the linkage between all the three dimensions of corporate sustainability practice and firm performance. This result implies that the mechanism by which firms engaging in corporate sustainability practice gained better performance might be explained by the good corporate reputation that they obtained from implementation corporate sustainability.

5.2.1 Discussion on Outcome Variables of Corporate Sustainability

This result from this research regarding the effect of the three dimensions of corporate sustainability practices on corporate reputation is relatively consistent with prior research in the field that demonstrated the positive relationship between sustainability-related practices and stakeholder perceptions (Ali et al., 2010; S. Brammer et al., 2007; Chung et al., 2015; Martínez & Rodríguez del Bosque, 2014; Park et al., 2014). In particular, the results are consistent with Martínez and Rodríguez del Bosque (2014) who found that the economic, social, and environmental dimensions of sustainability play a crucial role in predicting corporate image and corporate reputation. The results also strengthen the research of Park et al. (2014) showing that firm's ability to fulfill economic and legal categories of CSR initiatives are positively related to corporate reputation. Additionally, the results are also in line with the studies of S. Brammer et al. (2007) and Koirala and Charoensukmongkol (2018, 2020) which demonstrated that CSR has a positive influence on employees' perception in terms of organizational commitment, identification, and job satisfaction. Hence, this research finding puts a strong suggestion that when firms practice the three dimensions of sustainability, it helps with firm's communication to stakeholders that ultimately leads to enhanced stakeholders' perception towards the firm.

Moreover, this research also showed that corporate reputation contributes to improve firm performance. This finding supports prior research that superior reputation is positively related to various dimensions of firm performance (Kotha, Rajgopal, & Rindova, 2001; Jooh Lee & Roh, 2012; Nguyen & Leblanc, 2001; P. W. Roberts & Dowling, 2002). Particularly, the results are in line with Shapiro (Spring, 1982) who discovered that corporate reputation and image has a positive effect on sales and market share performance. The results also support Chauvin and Hirschey (1994) who found that corporate reputation has a positive influence on firm's market value. They are in agreement with Nguyen and Leblanc (2001) who found that positive customer's perception of corporate image and reputation leads to greater customer loyalty. The results are also corresponding to Dowling (2001) who showed that positive reputation leads to better new product introduction and recovery ability after crisis. Thus, this research provides an implication that the practices of the three dimensions of sustainability can also help firm to gain better performance.

5.2.2 Discussion on Antecedent Variables Associated with Corporate Sustainability

The result of this research which showed that CEO transformational leadership is an important driver of corporate sustainability practices can also be supported by past literatures, especially in the way that transformational leadership has often been used to explain various firm's strategic practices and outcomes. The results can specially be related to the findings of Veríssimo and Lacerda (2015) who found that leaders rated with higher transformational leadership behavior tend to be more engaged in CSR practices. The results also support Groves and LaRocca (2011) who showed that transformational leadership has a positive influence on followers' CSR attitudes, as well as Waldman, Siegel, et al. (2006) who found that intellectual stimulation dimension of CEO transformational leadership is related to strategic CSR practices. Nevertheless, in the field of sustainability research, transformational leadership has been studied limitedly in relation to CSR domain. This study has added value to existing research understanding by confirming the effect of transformational leadership directly on the three dimensions of environmental, social, and economic sustainability practices.

Organizational ethical culture is another factor confirmed in this study as a key predictor of corporate sustainability practices. This finding is also relatively consistent with several prior researches which assert that organizational culture variable is a driver of sustainability-related practices. In particular, this research supports Ramus and Steger (2000) and Baumgartner (2009) who discovered that organizational culture has a significant influence on firm's sustainability practices. The result is also in line with the work of Y. Yu and Choi (2016) and Ullah et al. (2017) which showed that organizational culture is an important driver of CSR practices of firms. On top of that, the result strengthens the finding of Goebel et al. (2012) which demonstrated that ethical culture has a significant impact on firm's decision to select socially sustainability suppliers. With this research finding, it has added knowledge to prior understandings that organizational ethical culture is an important driver of the three dimensions of corporate sustainability practices. This can be deducted that organizational culture has a great influence on shaping organizational members' mindset and is capable of causing certain organizational outcomes (Baumgartner, 2009), particularly such culture which fosters ethical behaviors and resists unethical behaviors is an important determinant of corporate sustainability practices.

5.2.3 Discussion on Additional Findings of Transformational Leadership

Apart from the effect of transformational leadership on the sustainability practices, this research also showed that transformational leadership of CEO has a significant influence on organizational ethical culture. This result supports the prior argument of Kaptein (2008) who claimed that the degree of ethical culture can be greatly influenced by executives who value ethics. This result is consistent with past research findings including Van Aswegen and Engelbrecht (2009) and Engelbrecht et al. (2005) which demonstrated that transformational leadership is related to the development of ethical climate in the organization. The result is also in line with Wu et al. (2015) who showed that ethical leadership of CEO is related to the facilitation of organizational ethical culture. Additionally, the result supports Toor and Ofori (2009) who found that ethical leadership is a determinant of organizational culture. Although ethical leadership and transformational leadership are not the same, Toor and Ofori (2009) noted that there is a significant association between ethical leadership and transformational leadership. With this research finding, it provides an implication that CEO who practices transformational leadership plays an important role in driving ethical culture in the organization. Especially in the way that transformational leaders highly values ethics of oneself and the subordinates, thus the leader with such trait tends to promote ethical conducts of organizational members by setting example and using incentives (B. M. Bass & Avolio, 1994b; Y. Zhu et al., 2014).

5.2.4 Discussion on the Findings Associated with the Control Variables

Regarding the relation to corporate reputation, two control variables are statistically significant which are CEO tenure and competitive intensity. The relationship between CEO tenure and corporate reputation demonstrated a negative and significant correlation. This provides an implication that firms which are led by CEO of less tenure years, meaning that the CEO has stepped into the position more recently, are more likely to experience better corporate reputation. This result is supported by prior research which constantly showed that top management tenure and organizational change have an inverse relationship (Finkelstein et al., 2009; Lewis et al., 2014) as newly appointed executives tend to be more open to experiment and adopt innovative strategies (Bantel & Jackson, 1989; Miller & Shamsie, 2001), while executives of longer tenure tend to be more rigidity and opposed to strategic change (Finkelstein & Hambrick, 1990; Lewis et al., 2014). For competitive intensity, it has shown a positive and significant relationship with corporate reputation. This suggests that firms operating in an industry of more competitive intensity may experience a greater pressure, thus tend to obtain relatively superior corporate reputation than firms operating in less competitive intensity environment. This result seems to be in line with a number of previous researches in the sense that competitive intensity has an important influence on various kinds of firm’s outcomes such as firm’s marketing capabilities (O'Cass & Weerawardena, 2010), strategic posture (O'cass & Ngo, 2007), and firm performance (Andrevski et al., 2014; Ramaswamy, 2001; Vaitoonkiat & Charoensukmongkol, 2020).

Regarding the effect of control variables on firm performance, the result has shown that only firm size has a positive and significant effect on firm performance. This implies that firms of larger size tend to obtain better performance when compared to firms of smaller size. This result is consistent with previous studies that showed similar results (Ozcan Isik et al., 2017; Jim Lee, 2009; Serrasqueiro & Nunes, 2008). Because larger size firms usually have capability advantages such as greater economies of scale in manufacturing, ability to attract qualified employees, and better control over resources and external stakeholders, the effect of firm size on performance is justified (Orlitzky, 2001; Serrasqueiro & Nunes, 2008).

5.2.5 Discussion on the Mediating Effect

From the result, it can be deducted that organizational ethical culture plays an important role for CEO transformational leadership to drive corporate sustainability practices in the organization. This also suggests that for CEO of transformational leadership characteristics to effectively implement corporate sustainability, the CEO should aim to gain the supports from organizational members by facilitating organizational culture that encourages employees to collectively realize the importance of ethics and responsible actions toward sustainability. This finding is also relatively consistent with similar research in the field including S. B. Choi et al. (2015) which showed that leaders can influence employees' attitudes on CSR through ethical work climate. The result is also consistent with Wu et al. (2015) who reported that leaders can influence CSR practices in the organization by inducing organizational ethical culture. With the finding, this research confirms that ethical environment does not only help leaders to facilitate CSR implementation, but also can be a supporting condition for leaders to successfully materialize the sustainability practices in the organization.

In addition, the finding about the mediating effect of corporate reputation that explains why the implementation of sustainability practices lead to better firm performance also adds some important implication. This adds a clearer understanding on top of some existing research that does not support the effect of sustainability practices on financial performance of firms (Alshehhi, Nobanee, & Khare, 2018; Artiach et al., 2010; Jooh Lee & Roh, 2012). The finding is particularly in line with Saeidi et al. (2015) who found that reputation and competitive advantage mediate the relationship between CSR and firm performance. The finding also supports a similar result from Y. Zhu et al. (2014) who discovered that CSR influences firm performance through firm reputation. With the result from this research, it has shown that the effect of sustainability practices on firm's financial performance may need to be mediated by some non-financial indicator such as corporate reputation.

5.2.6 Discussion on Theories

Holistically, the overall findings have supported the Upper Echelons theory, which is the base theory used for this research. Particularly, the connection between CEO transformational leadership and the hypothesized outcome variables are supported by the upper echelon's theory. The theory emphasizes that top management's background and characteristics play a crucial role in explaining firm's decisions and outcomes (Finkelstein et al., 2009; Hambrick, 2007). In this research, it shows that CEO who practices transformational leadership significantly influences organizational ethical culture and sustainability practices in the organization, which also lead to the subsequent outcomes including corporate reputation and firm performance. As transformational leaders can be attributed by those who are selflessness, highly responsible, set high ethical standard, and are a great motivator to the followers (Bernard M. Bass & Riggio, 2006; Phungsoonthorn & Charoensukmongkol, 2018b, 2019; Ronald F. Piccolo, Greenbaum, Hartog, & Folger, 2010; Y. Zhu et al., 2014), these special qualities of such leaders explain the reason why they tend to promote ethical culture and support sustainability practices to show responsibilities towards firm's stakeholders and the society. Given the support from the findings that showed a promising relationship between transformational leadership characteristics of CEO and firm's outcomes, it has provided an implication that is consistent with the upper echelons theory that top management's characteristics have a significant influence on strategic actions, which in turn, affects performance.

5.3 Limitations

This research has several limitations that need to be considered. The first limitation is related to the samples involved in this research. Due to the relatively small sample size and the samples that only covers firms based in Thailand, generalizability might be an issue of this study. For this reason, the results may not be applicable to the wider population or the context of other countries. It is recommended that future research should explore the effect of transformational leadership on corporate sustainability practices based on larger number of samples, as well as in other cultural contexts in order to strengthen the applicability of the result.

Secondly, this research inferred the findings from the analysis of cross-sectional data, thus the causality between the constructs may not be testified. This research was conducted during the time of the Covid-19 crisis in which performance and strategy of firms may be affected by the unfavorable economic conditions. Hence, it is recommended that future research should be conducted in a more stable economic circumstance to compare the results with the present study's findings. Thirdly, the use of self-report survey and subjective measures may cause some bias in the measurements. According to Grimm (2010), one type of response bias is social desirability bias, which happens when respondent tends to answer questions in a way that is favored by other people instead of giving answers that reflect the true feeling. Especially for the questions related to leadership and firm performances that may be considered as a sensitive topic for the respondents who are the management, it could be possible that some answers may not reflect the real conditions of the sample firms. Fourthly, as the variables in the model were rated solely by one respondent, this may also cause bias responses. To strengthen the accuracy of the research result, it is encouraged for future research to use multiple respondents. For example, several top management members may provide ratings for CEO transformational leadership, another set of top management members and employees may provide ratings for organizational ethical culture and corporate sustainability practices, and external stakeholders may provide ratings for corporate reputation and firm performance. With this method, response bias and common method bias can be reduced (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Wu et al., 2015).

5.4 Academic Contribution

This research has added knowledge contribution to prior studies in several ways. Firstly, this research has considered the triple-bottom-line perspectives of sustainability, which involves the three dimensions of environmental, social, and economic sustainability. Despite the rising interest in sustainability literatures, most past literatures have focused on a specific dimension of sustainability or on other terminology that shares some common goals with sustainability such as CSR (Kumar & Christodoulopoulou, 2014; Martínez & Rodríguez del Bosque, 2014). This research overcame the limitation of using a single dimension to represent the term sustainability in past studies and advances the knowledge by examining sustainability practices in all three dimensions. Secondly, this research results contribute to the limited amount of research demonstrating whether sustainability practices matter for firms in the developing countries. This research provides more evidence to support the contribution of sustainability practices of firms in Thailand, which is among the developing nations that still lack supporting evidence on this topic. The findings from this research have provided an evidence on top of past studies' knowledge by confirming that leadership and organizational culture are antecedent factors of sustainability practices and that corporate reputation and firm performance are the outcomes of sustainability practices which also occur in the context of developing countries such as Thailand. Thirdly, as organizational factors and leadership factors have been limitedly studied as an antecedent or mediating variable in relation to the three dimensions of sustainability, this research has brought CEO transformational leadership and organizational ethical culture into the model. The finding has presented that CEO transformational leadership and organizational ethical culture can have a great influence on the effectiveness of sustainability implementations. Fourthly, this research has pointed out the benefits that firm can achieve from sustainability implementations. The results have confirmed that the three dimensions of sustainability practices lead to better corporate reputation and firm performance. Additionally, as past research findings regarding the effect of corporate sustainability on firm performance remains controversial (Alshehhi et al., 2018; Artiach et al., 2010), this research has clarified such relationship by bringing corporate reputation into consideration. The result has revealed that corporate reputation is presented as the mediator between corporate sustainability practices and firm performance. This explains that for sustainability practices to have a positive influence on firm performance, the reputation towards such practices needs to be perceived first prior to resulting in positive firm performance.

5.5 Practical Contribution

There are some managerial implications that can be taken from the overall results of this research. First of all, this research recommends that the top management should consider the sustainability practices as part of key strategic initiatives of their firm. Corporate practices of environmental, social, and economic sustainability do not only help reducing the world's sustainability problems, but can also be perceived as an important factor for a firm's capabilities, competitive advantage, customer satisfaction, and business performance (Aguinis & Glavas, 2012; Artiach et al., 2010; Kumar & Christodoulopoulou, 2014; Luo & Bhattacharya, 2006; Wu et al., 2015). With this research finding, it has confirmed that the three dimensions of sustainability practices are beneficial for firms to enhance its reputation and firm performance. This research would also recommend that for firms to optimize the benefits and performance that they can achieve from sustainability investment, positive perception and realization towards such activities from firm's stakeholders must first be established. Therefore, it is recommended that the management should create an effective communication program with key stakeholders in order to drive positive reputation and, consequently, firm performance. Second, this research has provided a suggestion regarding how firm can promote sustainability practices. In order for firms to integrate sustainability into business practices, leaders should be an initiator to drive the commitment of the entire organization towards the responsible goals (Fineman, 1996; Petrini & Pozzebon, 2010). This research finding has shown that CEO transformational leadership can have a great influence in driving sustainability practices in the firm, thus it is recommended that an enhancement of transformational leadership characteristics of the CEO and top management members should be encouraged. Organization may start by refining the selection process for leaders who demonstrate high moral standards and transformational leadership attribute in addition to the general technical and managerial skills (Veríssimo & Lacerda, 2015). Moreover, organizations should implement a proper transformational leadership development and training program for shaping leader's behaviors, such as training leaders to serve as a role model and to promote the ethical behaviors of general employees (Veríssimo & Lacerda, 2015). Such program may provide significant benefits to the firm as a number of empirical studies have demonstrated that transformational leaders can have a positive influence on performance and outcomes at individual-level, group-level, and organization-level performance (Avolio, Zhu, Koh, & Bhatia, 2004; Braun et al., 2013; Gumusluoglu & Ilsev, 2009; MacKenzie et al., 2001; Pradhan & Pradhan, 2015; W. Zhu, Chew, & Spangler, 2005). Third, as the finding has shown that promoting ethical culture can have an important influence on sustainability practices, this provides an implication that organizational leaders can leverage the success of the sustainability practices through the mechanism of facilitating an organizational culture that enhances employees' perception towards ethics and importance of acting responsibly with firm's stakeholders. This is also supported by Bansal (2003) who noted that firm's commitment to sustainability is induced when leaders buy the idea, as well as when lower level employees involve in the supporting actions. Examples of activities that leaders can do to enhance such culture may include behaving ethically and responsibly as an example to the employees, establishing clear statements or code of ethics regarding what actions are defined as unethical behaviors and what the punishments are, implementing a reporting channel for employees to inform any observed illicit activity, introducing a reward and recognition program when employees behave ethically and responsibly, and creating a training program that makes employees see the value of ethics (Kaptein, 2008, 2009). Additionally, other institutional mechanisms should also be established to support sustainability practices such as communication, reporting, and training programs (Petrini & Pozzebon, 2010). These mechanisms may significantly encourage employees' collaboration as they help establishing clear vision and understanding, promoting knowledge and information, reducing the resistance to change, and minimizing the thoughts that sustainability and business are incompatible (Petrini & Pozzebon, 2010; Stone, 2006). In terms of activities that firms can take in relation to the three dimensions of sustainability practices, some examples related to environmental sustainability include recycling and integrating green practices into its supply chain. For social sustainability, the management may need to initiate CSR programs and encourage diversity in the workplace. For economic sustainability, the management may need to develop strategic plan for the company growth and prosperity in the long run to promote job security of their employees, as well as to help the company to maintain financial strength and to secure their competitive position in the industry.

5.6 Future Research

The findings from this study have indicated some improvement opportunities in future research. First, future research can strengthen this research results by considering the ratings against each factor in the model from multi-sources. Multiple respondents or employees in the organization are encouraged to rate the leadership style, ethical culture, and sustainability practices per firm. Moreover, external stakeholders such as consumers and suppliers should be involved in performing the ratings (Martínez & Rodríguez del Bosque, 2014), particularly for firm outcome factors such as sustainability practices, corporate reputation and firm financial performance. Second, as this research studied the effect of the overall transformational leadership style on sustainability practices, it is recommended for future research to assess a more specific qualities under the concept of transformational leadership particularly the moral and ethical attributes of transformational leaders. This is also in line with a suggestion from Waldman, Siegel, et al. (2006) that integrity or moral aspects could be more directly associated with sustainability related practices. Third, since there have been a number of past studies which illustrated contrasting results regarding the effect of sustainability practices on firm performance, future research should consider other mediating and moderating factors that could intervene the relationship in order to enhance the explanatory power (Martínez & Rodríguez del Bosque, 2014). Schrettle, Hinz, Scherrer-Rathje, and Friedli (2014) have suggested firm’s marketing or communication effort as a mediator to be studied because this may drive public perception and awareness towards firm’s sustainability practices, which could lead to the enhanced firm performance. Fourth, the inclusion of objective measures for evaluating sustainability practice performance and firm performance are encouraged (Veríssimo & Lacerda, 2015). The examples of objective measures for firm financial performance can be ROA, ROE, ROI, and sales growth (Preston & O'bannon, 1997; Sroufe & Gopalakrishna-Remani, 2019). Whereas the examples of objective measures for sustainability performance can be

GRI reporting, scoring, and rankings within industry indices (Sroufe & Gopalakrishna-Remani, 2019). Fifth, the time period for data collection could be expanded, especially from the time of sustainability practice implementation until the time when firm performance is observed. This is because, in short term, financial performance may be reduced due to the spending from sustainability investment (Artiach et al., 2010). Plus, it may take time for stakeholders to realize the sustainability actions that would affect firm performance. Hence, it may be useful to study the outcomes of sustainability practices during a longer period. For other recommendations, future research may also strengthen the applicability of sustainability practices by conducting the study in other cultural and legal contexts (Goyal et al., 2013; Saeidi et al., 2015). In addition, industry sector may also be considered because it could have a difference influence on stakeholder expectations, which this may affect the outcomes of sustainability practices differently (Saeidi et al., 2015). With these suggestions, the validity and generalizability of sustainability research results could be significantly improved in the future.

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