LIST OF REVISION

Reviewer 1

No. Comment	Page(s)	Reviewer's Comments	Original Version	Revised Version	Comments from Author(s)
1	1-3	The discussion presented in section 1 background is quite limited. Please refer to established related articles in journals for references. The presentation of paragraphs also needs to be revised. Rule of thumb is to prepare at least 5-6 sentences for every paragraph. Each paragraph must have its own intro, content, arguments and concluding remarks.	According to Wang (2015), moral capital contributes to the realization of goal congruence. Nonetheless, at the same time agency conflict that usually related with manager's opportunistic behavior have to be dealt with. The hazards caused by manager's opportunistic behavior to the achievement of company's goals made the issue a well-researched topic in financial literature (e.g. Hemingway and McLagan, 2004; McWilliams and Siegel, 2006; Petrovits, 2006; Prior et al., 2008; Baxamusa, 2012; Kao et al., 2014; Lei et al., 2014), but not in CSR literature. Within CSR context, manager's opportunistic behavior may result in manager decision to overinvest in CSR to boost his personal reputation (Barnea and Rubin, 2010; Martin and Moser, 2012; Kao et al., 2014). Of course this argument will not be justified	The development of social responsibility practices is characterized by the increasing amounts of companies' resources allocated to social responsibility activities (Barnea and Rubin, 2010). Spending on social responsibility activities is now seen by companies as an investment that can bring economic benefits to them in the long-term. This is consistent with the notion that CSR activities lead to strategic and not altruistic practices (Marx, 1998; Saiia et al., 2003; Waddock and Boyle, 1995; Werbel and Wortman, 2000). Some researchers find that managers have made excessive investments (overinvestment) into social responsibility programs (Barnea and Rubin, 2010; Kao et al., 2014; Martin and Moser, 2012). In the finance literature, managers' decisions to undertake overinvestment is often opportunistic, i.e. to bring personal benefits for the managers themselves (e.g. Baxamusa, 2012; Hemingway and McLagan,	We have rewritten the introduction and put more intensive and relevant discussions in the introduction. Additionally, we have referred to more quality papers for our references. Consequently, we believe, our introduction is much better now. We have presented paragraphs in a better way. No more paragraphs only consists of one sentence. Thanks for the suggestions.

			explicitly by managers. Borrowing the perspective of moral capital theory, managers will argue that their investment decision in CSR aligns with the needs of the society and according to Wang (2015) may therefore generates economic benefits. It is then acceptable if an overinvestment decision can be justified. Some studies have examined CSR overinvestment in the economic (e.g. Jo and Harjoto, 2012), social and political context (e.g. Barnea and Rubin, 2010), however, none has explored manager's ethical judgment in deciding to overinvest in CSR. Managers tend to overinvest in a project that will support the pursuance of his financial personal interest. Researchers in finance and behavioral finance have provided empirical evidence that pay schemes can motivate managers to make an overinvestment (such as: Baxamusa, 2012; Malmeinder, 2015; Malmeinder and Tate, 2005a; 2005b). According to Hobson et al.	2004; Kao et al., 2014; Lei et al., 2014; McWilliams and Siegel, 2006; Petrovits, 2006; Prior et al., 2008). In the context of social responsibility, Kao et al. (2014) captured the existence of the managers' motivation to improve their reputation by overinvesting in social responsibility programs. The phenomenon of overinvestment has been studied widely in finance and behavioral finance literature. To the best of our knowledge, however, there are no studies that examine managers' ethical judgments on overinvestment in the context of social responsibility. While previous studies (among others: Aggarwal et al., 2012; Bass et al., 1998; Sobral and Islam, 2012) have examined managers' ethical judgments on various issues in business, there are very few studies that examine ethical judgments on social responsibility. Of those studies, they have generally explored the ethical judgment of consumers (e.g. Arli and Tjiptono, 2014; Deng, 2012; Reed II et al., 2007) and employees (e.g. Hollingworth and Valentine, 2015); but not the ethical judgments of managers, as the decision makers. Additionally, studies on overinvestment in social	

			(2011) pay scheme can also affect subordinates' ethical judgment in the context of the budget slack. Using the social norms theory, Hobson et al. (2011) demonstrated that the pay scheme played a role in activating social norms. They found that subordinates that involved in the budget slack creation and have slack inducing pay scheme, tend to judge these actions as more unethical compared to subordinates whose pay scheme did not motivate them to create budgetary slack. In the experimental study, Hobson et al. (2011), prepares two types of pay scheme manipulations, i.e. pay schemes that motivate subordinates to create a budget slack and pay schemes that encourage subordinates to prepare truthful budgets. Despite the study interesting findings, this study contains at least two weaknesses. First, the experimental study manipulation contains weaknesses as both types of pay schemes provide financial incentives to subordinates to create budget slack.	responsibility have so far been studied from the economic perspective, (e.g. Barnea and Rubin, 2010; Kao et al., 2014; Martin and Moser, 2012) and not framed as an ethical issue. Different from previous studies, this current study examines managers' ethical judgments related to overinvestment in social responsibility, as overinvestment in social responsibility may detriments shareholders interests in which, therefore deemed as unethical by utilitarianists. This study aims to examine whether an organizational factor (i.e. the type of pay scheme) and an individual factor (i.e. the managers' long-term orientation) affect managers' ethical judgments on overinvestment in social responsibility. Researchers in finance and behavioral finance have provided empirical evidence that pay schemes can motivate managers to make an overinvestment (e.g. Baxamusa, 2012; Malmeinder, 2015; Malmeinder and Tate, 2005a; 2005b). However, the role of the pay scheme in influencing managers' ethical judgments has not been widely studied. To the best of our knowledge, Hobson et al. (2011) is the only study which has examined	

			This may provide bias to the results of the study. Next, even though social norms theory is appropriate in explaining behavioral abnormality, however, such abnormality may varies in different set of culture. Therefore, this study inclines to examine pay scheme as a factor that could potentially lead to managers' egocentric behavior. Relying on the egocentric concept, this study proposed contradictive predictions to those of Hobson et al. (2011). This study predicts that the pay scheme would create an egocentric bias in decision making. We predict that managers will tend to judge their unethical conducts as reasonable and fair, and therefore ethical, if the opportunity to do such conducts is made available. In addition to pay scheme, managers' long-term orientation is also expected to affect managers' ethical judgment, especially in CSR overinvestment decision. Managers with high levels of long-term orientation will appreciate values such as honesty and fairness, have	the role of a pay scheme on subordinates' ethical judgment, but in the context of the budget slack. This current study looked at the pay scheme as a factor that could potentially lead to managers' egocentric behavior. We predict that managers involved in or having the opportunity to perform unethical actions that will bring personal benefits for themselves will judge these actions as being reasonable and fair to them, so they will judge their actions as more ethical. In addition to the pay scheme, the managers' long-term orientation is also expected to affect the managers' ethical judgments on overinvestment in social responsibility. This is because managers with high levels of long-term orientation will appreciate values such as honesty and fairness, long-term thinking, and think about the impact of their actions on others (Bearden et al., 2006; Moon and Franke, 2000; Nevins et al., 2007), compared with managers with low levels of long-term orientation. This study is, to the best of our knowledge, the first to examine how managers make ethical judgments related to overinvestment in social	

			long-term thinking, and consider the consequences of their actions (Moon and Franke, 2000; Bearden et al., 2006; Nevins et al. , 2007). Although some studies have examined the role of managers' long-term orientation in (1) motivating companies to engage in CSR (such as: Christie et al., 2003; Wang and Bansal, 2012) and (2) managers' beliefs and ethical decisions (among them: Moon and Franke, 2000; Nevins et al., 2007; Arli and Tjiptono, 2014), however, no studies, in CSR context, that have examined the effects of long-term orientation on managers' ethical judgments. Whereas, CSR investment itself is a long-term and strategic oriented. The objective of this study are, first, to examine how managers make ethical judgments related to overinvestment in CSR. Second, to investigate whether pay scheme and manager's long-term orientation affect managers' ethical judgment on CSR overinvestment decision. Limited to our knowledge,	responsibility. The results of this study will provide a theoretical contribution, in the form of an explanation, of how the pay scheme and long-term orientation of managers can influence their ethical judgment on overinvestment in social responsibility. This study also provides a practical contribution in the form of feedback to the company about the importance of designing appropriate pay schemes to direct managers' ethical judgment, and to take into account individual factors, one of which is long-term orientation, in the selection process for managers. The rest of the paper is organized as follows. The next section is a review of the literature and the development of our hypotheses. This will be followed by a discussion on the methods used in the study, and the presentation of our research results. The paper ends with discussions and conclusions.	

			this is the first study that investigate issues related with managers ethical judgment and overinvestment in CSR. This study is interesting as, first, with previous studies (e.g. Bass et al., 1998; Sobral and Islam, 2012; Aggarwal et al., 2012) have discuss manager's ethical judgment related with various issues (i.e. consumers[1] and employees[2]) however, none is known on manager's ethical judgment in choosing CSR overinvestment because there are financial bonuses for managers over just-right-investment to assure that the company is not losing. This study attempts to fill the gap in the empirical evidence for this area. Second, the findings of this study may explain how pay scheme and manager's long-term orientation influence their ethical judgment on overinvestment in CSR. As a result, this study will provide evidence-based reference for company to design an		

[1] see Reed II et al., 2007; Deng, 2012; Arli and Tjiptono, 2014.
[2] see Hollingworth and Valentine, 2015

			appropriate pay schemes to interfere manager's ethical judgment and to consider manager's individual factors (i.e. long-term orientation) in choosing the most appropriate manager.		
2	3	Please add a paragraph to explain on the rest of the sections at the end of background section.	Not available.	The next section of this study is a review of the literature and the development of our hypotheses. This will be followed by a discussion on the methods used in the study, and the presentation of our research results. The paper ends with discussions and conclusions.	We have added a paragraph to explain on the rest of the paper at the end of introduction section.
3	12	The use of students as surrogate for managers in the research design is not appropriate. Please justify further the arguments prepared in the methodology. Perhaps the researchers can only take experienced students/respondents and omit the fresh students from	The participants were studying for master's degrees in accounting or management at the Faculty of Economics and Business, University Jenderal Soedirman, Purwokerto, Indonesia.	All participants have working experiences in business related fields. The use of students as participants is acceptable, given that according to Reiss and Mitra (1998), students decision and behavior may reflect the future behavior of professionals, such as managers. Additionally, the assignment in this experiment requires the cognitive effort of the participants to make ethical decisions related to the scenario given to the participants. The task can be done by students as the	We have added more compelling argument on the use of (master of Accounting and Master of Management) students in our study. Our subjects all have working experience. Additionally, the task are related to ethical judgment, the second level of ethics decision which can be performed by our subjects. (for discussion on the ethics decision, see for example Velasquez (2014))

		the analysis.		task is on ethical judgment, the second level of ethical decision making (See for example Velasquez, 2014). The students were considered to be capable of performing the tasks in this experiment. According to Trinugroho and Sembel (2011), the use of students as participants in the experiment would provide benefits for researchers because students have natural characteristics that can be manipulated more easily through the treatment given in the experiment. Additionally, Liyanarachchi and Milne (2005) provided evidence that students could be a surrogate of practitioners in decision-making tasks. The use of students as subjects is also found in previous studies testing managers' decisions, both in the context of ethical decision-making in business (e.g. Davidson and Stevens, 2013; Hobson et al., 2011), investment decisions and business (e.g. Trinugroho and Sembel, 2011; Rutledge and Karim, 1999), as well as managers' decisions related to issues of social responsibility (e.g. Madein and Sholihin, 2015).	

4	11	Analysis is based on the direct effect of the two independent variables, pay schemes and long-term orientation to ethical judgment. For experimental approach, the research framework should also cover the interaction effects of the independent variables. Please add a hypothesis to cover for the interaction effects and an analysis (2x2) to test the interaction effect. The current results (i.e. direct effects) are not much considered as strong contribution in the study. Overall, the paper needs a significant revision including adding a new perspective on the interaction of the	Not avaiable	Long-term orientation has been increasingly recognized as an important factor driving individual (eg. Lin and Li 2015) and organization behavior (eg. Wang and Bansal 2012). High long-term orientation may be helpful for enabling managers to make decisions that would contribute to long-term performance. Based on the literature review by O'Fallon and Butterfield (2005), managers' ethical decisions are more likely to be influenced by individual and organisational factors simultanuosly. Long-term orientation, as an individual factor, together with pay scheme, as an organisational factor, may affect managers ethical decisions. As discussed, we believe that managers with overinvestment-hindering pay scheme will be strongly motivated to judge overinvestment in social responsibility as unethical. Managers with overinvestment-hindering pay scheme may not benefit from overinvestment in social responsibility. From the perspective of egocentricity, in such situation, managers will have a smaller	We have added (both hypothesis and analysis) on the interaction effect of pay schemes and long-term orientation on the ethical judgment. The resuts show, however, there is no interaction effect of of pay schemes and long-term orientation on the ethical judgment.

		independent variables.		incentive to overinvest in social responsibility and will consider overinvesting in social responsibility as unethical. Furthermore, when a manager with overinvestment hindering pay scheme has a high level of long-term orientation, he is more likely to judge overinvestment in social responsibility as more unethical. Taking these arguments together, the third hypothesis is proposed as follows H3: There is an interaction effect of pay schemes and long-term orientation on managers' ethical judgment. Managers with an overinvestment-hindering pay scheme and a high level of long-term orientation are more likely to judge overinvestment in social responsibility as more unethical than managers with other conditions.	

Reviewer 2

No. Comment	Page(s)	Reviewer's Comments	Original Version	Revised Version	Comments from Author(s)
1	6	What is the underlying argument for your prediction that overinvestment CSR is unethical? Because management doing it to gain personal benefits? How do you determine this?	Not available	All the above points provide a compelling argument for this research to frame the phenomenon of overinvestment in social responsibility as an ethical issue, especially from utilitarianism perspective (see Velasquez, 2014).	We argue that overinvestment on CSR is unethical because by doing it managers tend to be selfish and againts utilitarianism perspective.
2	13	If in average industry only have 2% CSR investment, company that spend higher CSR expenditure, does not necessarily unethical. This "overivestment" may be ethical, if the 2% CSR investment is actually quite low. Please put reference for this statement "We used the	There is no explanation why more that 2%, in our case is 5%, is unethical. No reference for the statement of "We used the benchmark two (2) per cent because on average companies in Indonesia allocate two (2) per cent for social responsibility activities"	The scenario informs them that the former manager invested five (5) per cent of the profits of the company, which was considered as an overinvestment because it is likely that the industry average is two (2) per cent. We used the benchmark two (2) per cent because we believe on average companies in Indonesia allocate two (2) per cent for social responsibility activities. The two (2) per cent average of fund allocated from net profit for CSR practice is government requirement as imposed, for instance, in Law on State-Owned-Enterprise 2003. According to a panel of CSR experts which consist of practitioners and faculty members we consult with, five (5) per cent allocation of net profit for CSR purposes is considered	We argue that above 2%, in our case is 5%, is unethical because based on the discussion with experts, which consist of practioners and academics, 5% is quite high and material. Therefore we argue that 5% is unethical. We refer to Law on State-Owned-Enterprise 2003 as the to argue that "We used the benchmark two (2) per cent because on average companies in Indonesia allocate two (2) per cent for social responsibility

		benchmark two (2) per cent because on average companies in Indonesia allocate two (2) per cent for social responsibility activities"		as material and large in Indonesia.	activities"
3	16	Still lack of explanation on results section.	Not available	Table 2 shows result on the test of hipotheses. The table shows a significant different on ethical judgment between different group of participants under different pay schemes (F value of 10.991; p=0.001). We can also see that participants with high level of long-term orientation are significantly different from those with low level of long-term orientation in judging the ethicality of overinvestment in social responsibility (F value of 11.448; p=0,001). Based on table 1, compared to the participants who are under overinvestment-inducing pay scheme (mean=2.36; SD=0.98), those with overinvestment-hindering pay scheme (mean=3.06; SD=1.21) tend to judge overinvestment in social responsibility as more unethical. Furthermore, participants with high level of long-term orientation (mean=3.04; SD=1.21) judge overinvestment in social responsibility as more unethical than those with low level of long-term orientation. However, the	We have added more explanation with regard to our results. Additionally we add more discussion in the "discussions and conclusions" section

				results fail to demonstrate the interaction effect of pay scheme and long-term orientation on ethical judgment (F value of 0.060; P=0.807).	