THE EFFECTS OF NATIONAL BUSINESS SYSTEMS ON EUROPEAN MULTINATIONAL ENTERPRICES' CSR ADOPTION

MASTER THESIS STRATEGIC MANAGEMENT

Radboud Universiteit

Abstract:

In this thesis we replicated the study of Marano & Kostova (2016) on the level of CSR adoption by multinational enterprises. The original study solely focussed on U.S. MNEs. The focus of this thesis has been on the generalizability of these findings on European MNEs. In our study we looked at institutional complexity within the MNEs European and U.S. transnational field and the effects of this complexity on the level of CSR adoption. In our study we focussed on 467 European MNEs from 17 countries and a transnational field of 25 European countries and the U.S..

Our study showed that the findings of Marano & Kostova largely do not hold for European MNEs. The overall strength of CSR institutional forces was the only variable that was found to be of influence on the level of CSR adoption by European MNEs. Exposure to more stringent CSR requirements in host countries (compared to the home requirements) did not significantly affect CSR adoption nor did FDI-intensity.

STUDENT: THIJS ROOZEBOOM
STUDENT NUMBER: S4516575
SUPERVISOR: A. SAKA-HELMHOUT
SECOND READER: R. AALBERS
MASTER: STRATEGIC MANAGEMENT (BA)

Contents

1.0 INTRODUCTION

In this section we will discuss some of the background issues that form the input for this thesis. We will start off by providing some theoretical background on the subject of this thesis. We will than elaborate on the problem statement, research objective, research question, the relevance of this study and the further structure of this thesis.

1.1 BACKGROUND

The concept of corporate social responsibility (CSR) was first addressed in academic literature by Howard Bowen (1953). In his work, Bowen pointed out the moral obligation of companies to behave in responsible ways toward the societies in which they operate. Ever since Bowen's introduction of the concept of CSR, it has continuously evolved (Lee & Carroll, 2011) and it has become a standard for many companies nowadays. The definition of CSR that will be used in this thesis will be as follow:

'*Voluntary activities associated with corporate virtue typically represent firms' efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits.'*

The upper definition of CSR recognizes that today's companies no longer act in a social vacuum. Instead, companies are economic actors affected by many influences from the environments in which they operate. Many of these influences are linked to the nation(s) or region(s) in which the companies operate. Every nation or region has its own cultural norms, beliefs, standards, regulation and so forth. Operating in a specific nation or region calls for social involvement, responsiveness, and accountability of the companies operating in it. This goes beyond the core profit activities and beyond the requirements of the law and what is otherwise required by government (Chapple, 2005).

The increasing globalization has intensified the public call for corporate responsibility (Scherer & Palazzo, 2008). Business firms are no longer solely considered to be the cause of environmental disasters, scandals and social ills, they are also considered to be part of the solution of global regulation and public good problems.

In this global operational field, multinational enterprises (MNEs) are confronted with a wide variety of institutional pressures (Marano & Kostova, 2016) that are at times conflicting. This complexity asks for MNEs to assess their standards regarding CSR. In the global operational field, companies can choose to either comply with the local standards that apply to their

subsidiaries in host countries or they can choose to apply one standard for all their global activities.

1.2 PROBLEM STATEMENT

In the literature we find several causes of the different levels of CSR adoption by MNEs. One of the earliest pieces of literature on the adoption of CSR comes from the opposing scholars Freeman (1984) and Friedman (1962). Friedman clearly promotes the use of resources and engagement in activities designed to increase shareholder value as the only social responsibility that corporations have. Freeman on the other hand promotes certain morals and values in managing organizations. In his so-called stakeholder theory, Freeman identifies certain groups that are affected by organizations' activities as well as groups that can affect organizations' activities. Social responsibilities go beyond the scope of shareholder value maximization according to Freeman. He even states that neglecting the relationships with the stakeholders will negatively affect a company economically.

Other scholars (e.g. Vogel, 1992; Maignan & Ralston, 2002; Matten & Moon, 2008) try to explain the different levels of CSR adoption as a result of national related historical institutional differences. These scholars mainly looked into the differences between the Anglo-Saxon countries (primarily the U.S. and U.K.) compared to the Continental European countries. Their findings show a higher adoption of CSR practices by the Anglo-Saxon countries compared to their Continental European counterparts. This has to do with the embedded aspects of business systems. Maignan & Ralston (2002) argue that national business systems explain the distinctive underpinnings of CSR.

Multinational enterprises are very often not only subject to the institutional pressures from their home country. Within the transnational organizational field in which MNEs operate, they are confronted with multiple, sometimes conflicting institutions (Marano & Kostova, 2016). In country X a company might have to deal with government empowered environmental requirements, while these requirements are not applicable to the company's home country. This raises the question to what extent MNEs need to transmit their CSR strategies on to their local subsidiaries within their global field of operations (Muller, 2006).

The study by Marano & Kostova (2016) looked into factors that influence CSR adoption of U.S. MNEs. They found that the overall strength of CSR institutional forces within the MNEs' transnational fields, exposure to countries with more stringent CSR requirements, and FDI-based ties versus trade-based ties influence CSR adoption of U.S. MNEs.

1.3 OBJECTIVE

The aim of this thesis is to provide insights on whether or not some of the recent findings on CSR adoption under institutional complexity hold for European MNEs. The work of Marano & Kostova (2016) showed that there are certain factors that influence U.S. MNEs' CSR adoption. In their research, Marano & Kostova suggest for future research to test the generalizability of their findings. That is exactly what the aim of this thesis is, to test whether or not the findings from their study hold for European MNEs as well.

Multiple studies have showed that European MNEs, compared to their U.S. counterparts show to have lower levels of CSR (Maignan & Ralston, 2002; Matten & Moon, 2008). This primarily has to do with the historical development of national institutional frameworks. These national institutional frameworks tend to differ among the U.S. and Europe because of the degree of power of state, which is greater in European countries. Therefore, government involvement in economic and social activity is more predominant in Europe, leaving less room for companies to proactively be involved in social and economic issues that are important in CSR.

The aim of this study is to look into the effects of the different institutional environments, on a national level often referred to as national business systems, on the level of CSR adoption by MNEs. The scope of this study will limit itself to European MNEs from countries on which relevant data can be gathered. Furthermore, the transnational field of these European MNEs will be limited to their European and U.S. operations. This latter limitation has the practical reason that the scope of this study will be too broad when focussing on the entire transnational field, as well as the information limitation on the operations of MNEs in countries beyond this defined transnational field.

1.4 RESEARCH QUESTION

What is the impact of complex institutional environments within a transnational organizational field on European MNEs' adoption of CSR?

1.4.1 SUB-QUESTIONS

The following sub-questions will help answer the main research question of this thesis:

1) What impact do the CSR institutional forces within the European transnational field have on the level of CSR adoption by European MNEs confronted with these forces?

2) What impact does exposure to host countries with more stringent CSR requirements have on European MNEs' CSR adoption?
3) What impact do economic linkages (FDI-linkages versus trade-linkages) with host countries have on European MNEs' CSR adoption?

1.5 RELEVANCE

Recent studies have elaborated on the differences in CSR between different countries and regions (e.g. Maignan & Ralston, 2002; Matten & Moon, 2008; Cernat, 2010; Forte, 2013). Little research has been conducted on how European-based MNEs, operating in a wider transnational organizational field, adopt CSR practices. A recent study by Marano & Kostova (2016) showed how U.S. MNEs are affected in their CSR adoption due to the transnational organizational field in which they operate. The limitation of the study of Marano & Kostova is that they solely focused on U.S. home based MNEs. The contribution of this study will be on the generalizability of Marano & Kostova's findings on European-based MNEs.

The studies of Maignan & Ralston (2002) and Matten & Moon (2008) show a discrepancy in the level of CSR between U.S. companies and European companies (except for the Anglo-Saxon U.K.). This has to do with the historical institutional heritage of Anglo-Saxon countries versus continental European countries (Vogel, 1992). According to Vogel, the Anglo-Saxon model is characterized by business taking responsibilities in the development of cities and communities. In the Continental European model on the other hand, companies' responsibilities are more limited due to the social welfare state, in which people rely on their governments to take responsibility instead of companies. This makes governments in the Continental European model engaged more socially and economically (Maignan & Ralston, 2002) and companies will be less intrinsically motivated to be engaged in CSR.

This research will contribute to the knowledge on CSR adoption by European MNEs operating in the European and U.S. transnational field.

1.6 THESIS OUTLINE

This thesis will proceed as follows. First, we will look into the literature that is currently available on CSR (Chapter 2). We start elaborating on what constitutes CSR and its origin in literature. After that, we will look into the effects of different national business systems and the effect that they have on CSR. Finally, we will also look at the link between economic dependence in relation to CSR.

In the next section (Chapter 3) we will discuss the methodological foundation of this thesis. In it, we will discuss the variables that will be used for this study as well as the analytical methods that will be used to assess the information from the databases that will be used.

In the fourth chapter, the results from this study will be evaluated and the hypotheses will be tested.

In the final chapters, we will relate first elaborate on the implications of this study (Chapter 5) and finally we will discuss the limitations of the study as well as suggestions for further research (Chapter 6).

2.0 LITERATURE REVIEW

The key concepts of this master's thesis will be discussed in the literature review. The aim of this review is to reflect on previous literature on the different notions that will be discussed and to find possible gaps in the literature that help directing this research.

2.1 CORPORATE SOCIAL RESPONSIBILITY (CSR)

A variety of definitions on corporate social responsibility (CSR) emerged in the academic literature between 1950 and 1970 and it has continued to evolve over time ever since (Lee & Carroll, 2011). Bowen was among one of the first to mention the concept of CSR as a fundamental morality regarding companies' behavior towards society. CSR follows ethical behavior towards stakeholders and it recognized the regulatory and legal environment (Bowen, 1953). Bowen states '*the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*.' (Bowen, 1953, p. 6).

In 1960 Davis builds on to Bowen's initial definition by referring to social responsibility as '*businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technological interest*.' (Davis, 1960, p. 70). Davis clearly makes a distinction between a business' obligation to the community regarding economic development, e.g. employment, inflation etc. and the obligation to nurture and develop human values, e.g. motivation, self-realization etc. on the other hand. He refers to these obligations as socio-economic and socio-human respectively. Up to Davis' publication, business was regarded as an economic institution and therefore, responsibilities were limited only to economic aspects of general public welfare. Davis limited himself to intrinsic values of people that are part of an organization's direct community though.

The assumption of social responsibility as a non-commercial activity aggravated capitalists such as Friedman, who criticized the concept of social responsibility numerous times from 1962. As Friedman stated; '*There is one and only one social responsibility to use its resources and engaging in activities designed to increase its profits as long as stays within the rules of the game, which is to say, engages in free and open competition without deception or fraud*.' (Friedman, 1962).

Friedman's shareholder approach was countered by the stakeholder theory (Freeman, 1984). In this new approach to organizational management and business ethics, certain values and morals in managing an organization are addressed. *Stakeholder theory specifically identifies*

certain groups, such as political groups, governmental bodies, trade unions, communities, suppliers, employees, and customers as groups that are affected by organization's activity but these groups can themselves also effect organizations. Freeman clearly takes an opposite stance to Friedman's earlier proposition that '*The social responsibility of business is to increase its profits*' (Friedman, 2007) by acknowledging the fact that stakeholders can effect organizations. If an organization does not take care of its relationships with its stakeholders well enough, this might affect the company economically.

The previous paragraphs have chronologically showed how the concept of CSR has evolved over time. The concept of CSR is not static (Lee & Carroll, 2011). Lee and Carroll state that public expectations have shifted over time, making the concept of CSR evolving continuously. Therefore it is hard to get a final definition for the term CSR.

Many of the current literature on CSR refers to the notion of Vogel, who defines CSR as; '*Activities associated with corporate virtue typically represent firms' efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits.*' (Vogel, 2006, p. 4). This definition refers to a wide variety of social problems, which can be related to the values of society (Bowen, 1953). The wide variety can be seen as taking into account all stakeholders that can affect or are affected by the organization's activities (Freeman, 1984). This definition also takes into account the notion that CSR should include activities that go beyond the direct economic interests of an organization (Davis, 1960; Carroll, 1979; 1991). The only element that is not being taken into account by this definition of CSR is the voluntary characteristic of CSR. Therefore, the working definition for CSR in this thesis will be;

'*Voluntary activities associated with corporate virtue typically represent firms' efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits'.*

CSR as a practice is becoming increasingly more adopted. In Williams' (2004) paper, he noted that over half of the Fortune Global 500 multinational companies delivered a separate report on CSR annually. Furthermore, most companies have a senior executive that is responsible for the CSR efforts of the company.

2.2 STAKEHOLDER THEORY VERSUS SHAREHOLDER THEORY

In the previous chapter we already touched upon the basic distinction between Friedman's shareholder theory and Freeman's stakeholder theory. Both theories can be related to corporate social responsibility, since they dictate MNEs' role within a broader perspective. Whereas the shareholder perspective is seen as primarily focusing on managers' responsibility to maximize shareholder returns, the stakeholder perspective is seen as a perspective that focuses on managers' duty to balance the shareholders' financial interests against the interests of all other stakeholders such as the communities in which the companies operate, and that of its employees and customers. Therefore, the stakeholder perspective is often thought of as a shareholder return reducing perspective, and the shareholder perspective is often seen as a stakeholder neglecting perspective of all non-shareholders.

This generalization of both perspectives leads to misinterpretation of both perspectives. First off, we will look at the misinterpretations of shareholder theory. As mentioned in the previous paragraph and as stated by one of the most prominent advocates of shareholder theory, Milton Friedman, shareholder theory focuses on the firm's social responsibility to engage in activities that increase the firm's profits (Friedman, 1962). It needs to be stated that these activities will always need to meet all legal requirements that are applicable to the firm. Secondly, the theory is often regarded as a short-term oriented theory that seeks to maximize profits at the expense of the long run (Smith, 2003). Furthermore, shareholder theory is thought to focus on shareholder rights while violating the rights of the non-shareholders (Freeman, Wicks, & Parmar, 2004). Other scholars like Danielson, Heck, and Shaffer (2008), and Jensen (2002) showed that wealth maximization is inherently a goal for the long-term, in which the firm needs to maximize all future cash flow values. Furthermore, they show that stakeholder theory, when not considering the interests of future stakeholders explicitly, will lead to more short-term thinking than shareholder theory.

At the same time there are some misinterpretations regarding stakeholder theory. One of the primary claims is that stakeholder theory does insufficiently focus on profitability. By implementing a stakeholder approach, the firm is seen as one that denies their responsibilities towards their shareholders. Freeman, Wicks, and Parmar (2004) state that this is a big misconception since stakeholder theory is all about economic value that is created by people voluntary coming together and cooperate to improve the collective circumstances of all stakeholders. The authors point out that shareholders are often contrasted with stakeholders while shareholders are stakeholders themselves. Creating value for stakeholders therefore also

creates value for shareholders. Furthermore, according to Freeman, Wicks, and Parmar (2004), the stakeholder theory enables firms to better assess risks than the shareholder theory. The authors mention that a single focus on shareholders will make it harder to assess external risks and therefore put potential profits at risk. Therefore, stakeholder theory advocates the assessment of the different levels of risk that each stakeholder represents and to rank the different stakeholders' interests accordingly.

2.3 CROSS-NATIONAL INSTITUTIONAL DIVERSITY

Aguilera and Jackson (2003) further elaborate on corporate governance models, building a framework that helps explaining the variation in corporate governance models among advanced economies. The framework identifies the institutional arrangements and social relations that shape the forms of control over corporations, the interests that firms serve, and the allocation of responsibilities and rights among the different stakeholders. Aguilera and Jackson make a clear distinction between the Anglo-Saxon model, which is characterized as shareholder-oriented and the Continental European model (or Rhineland model), which is stakeholder oriented. The authors make clear to take into account different stakeholder interests and identities among the different countries. According to Matten and Moon (2008), this variation stems from the different institutions that are historically embedded within specific nations. Institutions can be defined as 'systems of established and embedded social rules that structure social interactions' (Hodgson G. M., 2006, p. 18).

MNEs that operate in multiple nations will be confronted with a wide, at times conflicting variety of national logics that might have their influence on the operations and policies of these MNEs. The concept of institutional complexity refers to a situation in which organizations are confronted with incompatible prescriptions that stem from institutional logics. Institutional logics are an overarching number of principles that help interpreting organizational reality, help constitute appropriate behavior, and how to succeed (Thornton, 2002). Put more simply, institutional logics provide guidelines on how to function and interpret social situations. Complying with these logics helps organizations to gain endorsement from stakeholders, but they also create challenges and tensions to organizations exposed to them (Kraatz & Block, 2008).

Matten & Moon (2008) suggest that institutional complexity also applies to the differences in the levels of CSR among countries. According to Matten & Moon this has to do with the long standing, historically strongly entrenched institutions of the different nations. CSR is for

instance more embedded in institutions and culture in the Anglo-Saxon model, whereas in Continental European model CSR is more embedded in national business systems such as industrial relations, labor legislation and overall corporate governance. Vogel (1992) characterizes the Anglo-Saxon model (primarily the U.S. and U.K.) as a model in which liberalism prevails and issues such as self-reliance, private initiative, and limited social security play a vital role. This resulted in companies taking a more proactive stance in creating social and economic welfare for the community. Maignan and Ralston (2002) further add that the Anglo-Saxon model can be characterized by its low concentration of shareholders, more widely spread and dispersed capital, and the stock market as the main source of capital. The stock market as source of finance demands for a high degree of transparency and accountability. In the Continental European model, the state has traditionally been the main institution responsible of social and economic welfare, diminishing the proactive role of companies in the development of this welfare (Maignan & Ralston, 2002). The central focus within the European model is on long-term preservation of power and influence. The role of other stakeholders than the shareholders also plays a more important role in the European model. In the Continental European model, banks are the main source of finance, creating a more concentrated ownership, which demands for lower transparency and accountability.

Public opinion plays an important role in businesses taking responsibility as well. People in continental Europe tend to be more skeptical on the true motivations of companies taking (social) responsibility. In the Anglo-Saxon model there is more of a moral obligation for companies to conform to social norms and for setting standards for appropriate behavior (Vogel, 1992). The responsibility that companies take towards society differs among Anglo-Saxon countries and European countries. Whereas Anglo-Saxon companies have long made explicit their attachment to CSR, European business responsibility towards society has tended to be more implicit (Matten & Moon, 2002). Explicit CSR refers to 'policies that assume and articulate responsibility for some societal interest' (Matten & Moon, 2008, p. 409). This type of CSR normally is voluntary. Implicit CSR refers to 'corporation's role within the wider formal and informal institutions for society's interests and concerns' (Matten & Moon, 2008, p. 409). This type of CSR consists of norms, values, and rules and is often mandated by governments.

Within the European model stakeholders play a more vital role than in the Anglo-Saxon countries like the U.S. and U.K. (Fiss & Zajac, 2004). European MNEs have a range of

embedded relations with a relatively broad set of societal stakeholders compared to their Anglo-Saxon counterparts. Matten and Moon (2008) relate the explicit or implicit CSR to the nature of national business systems (NBS). Whitley (1997) was one of the first to mention the concept of national business systems, which he refers to as deeply embedded national systems that are bound to the nations' history. This deep embeddedness makes the national business systems unlikely to change over a short period of time. Iannou (2012) assumes that this only holds true for developed countries, but not for the emerging countries, due to the less well-established institutional characteristics of the emerging countries compared to their developed counterparts.

Countries that have a more stakeholder-oriented national business system (like most European countries) tend to show higher levels of implicit CSR whereas countries that have a more shareholder-oriented national business system (like the U.S. and U.K.) tend to show higher levels of explicit CSR. Since corporate social responsibility is about voluntary activities to address social problems, countries that have higher levels of explicit CSR (shareholder-oriented national business systems) score higher on CSR performance studies. Higher levels of implicit CSR (stakeholder-oriented national business systems) indicate that companies comply only with the mandated requirements. Therefore, we state that shareholder-oriented national business systems have stronger CSR institutional forces.

Aguilera and Jackson (2003) developed a framework to assess the variance in national business systems, taking into account three main stakeholders; capital, labor, and management. The management dimension is made up out of the dimensions of ideology and career patterns. Ideology refers to 'the major beliefs and values expressed by top managers that provide organizational members with a frame of reference of action (Aguilera & Jackson, 2003, p. 458). The greater the autonomy regarding managerial ideologies, the more shareholder-oriented the national business system. The career pattern dimension of management refers to the opportunities and incentives for the mobility of top managers. Closed labor markets (like Germany) tend to fill vacancies through internal promotion, whereas in open labor markets (like the U.S.) vacancies are more often filled through the external labor market. An open labor marker represents a shareholder-oriented national business system.

Secondly, Aguilera and Jackson's framework consist of labor, which is represented by the dimensions of firm-level representation rights, union organization and skill formation. Strong

representation rights provide internal channels that give employees voice in the firm's decision making process, representing a stakeholder-oriented national business system. Union organization can be either enterprise based or more collectively on an industrial level for instance. The more collectively organized form of unionism on a national scale, the more stakeholder-oriented the national business system. The final dimension of skill formation reflects on the institutions that provide employees with skills. Skill formation outside the firm makes firms less dependent on their employees, giving employees less capacity to influence firm decision making through internal channels (like in the U.S.). Skill formation that is generated this way (through the market) represents a shareholder-oriented national business system.

Finally, Aguilera and Jackson look at capital. The dimensions that make up capital are; minority shareholder protection, property rights, and interfirm networks. Minority shareholder protection should discourage disproportionate control through trade blocks by shaping the degree of capital control in the firm. A high protection of minority shareholders is associated with a shareholder-oriented national business system. Property rights concern the sources of finance to companies. The two major streams are market-based financial systems (like in the U.S.) and bank-based financial systems (like in Germany). The capital markets and control are higher in market-based financial systems. Shareholder-oriented national business systems have a market-based financial system, whereas stakeholder-oriented national business systems have a bank-based national business system.

The national business systems of the home country and that of the host countries of a MNE may consist of different, at times conflicting institutions. The transferability of certain practices depends on the relative balance between the institutional structures of the host and the home country (Whitley, 1994). The more balanced the structures, the easier the transferability of practices. However, there are cases in which the transferability of practices are limited. The cognitive frameworks of the host and the home country might be too far apart from one another, making the subsidiaries struggle with the interpretation and evaluation of the practices that come from the MNE's home country (Kostova, 1999). This may result in practices being implemented but not internalized. Furthermore, the local subsidiaries can resist the global corporate policies from the parent company since they may conflict with the local institutional environment. Subsidiaries can create leverage for themselves by presenting themselves to corporate headquarters as the interpreters of the implications and meaning of the complex local rules (Tempel, 2006). The local subsidiaries might also be able to draw

upon the institutional resources within their local national business system to negotiate over the terms of the strategic role they play within the wider MNE. The mutual dependence between the MNE and its subunits makes both of them adopt practices that are less common to the MNE (home country) and the subunits (host country) (Surroca, Tribó, & Zahra, 2013). This mutual dependence largely comes from the resources that both the subsidiaries depend on from the parent company (technology, capital, and expertise for instance) as well the dependence of the parent company on the critical resources that cannot simply be appropriated away (Goshal & Nohria, 1989).

When it comes to CSR, national business systems have different requirements. Matten & Moon (2008) showed that shareholder oriented national business systems make CSR more explicit than the stakeholder-oriented national business systems. MNEs that originate from a stakeholder-oriented national business system but have operations in countries with a more shareholder-oriented national business system might have to make their CSR more explicit to meet the demands from the host country.

According to Marano & Kostova (2016) both economic dependence on a host country and the national business system of a host country play a crucial role in CSR adoption. Marano & Kostova relate the overall strength of the CSR institutional forces within the transnational field of a company to the level of CSR-adoption of a company. According to the authors, the overall strength of CSR institutional forces constitutes of the economic dependence on all host country and the score on the Responsible Competitiveness Index for all of host countries (Marano, 2016);

Overall strength of CSR institutional forces = $\sum (Dependence_{ij} * RCI_j)$

$\underline{Dependence_{ij}}$ = Degree of dependence of firm i on economic ties within country j

$\underline{RCI_j}$ = Responsible Competitiveness Index of country j

The Responsible Competitiveness Index (RCI) is used by Marano and Kostova to measure the institutional quality of a country (similar to the national business system of a country). The index is based on 21 indicators that are grouped into seven categories: corporate governance structures, ethical business practices, progressive policy formulation, engagement with civil society, building human capital, environmental management, and contribution to public finance.

Marano & Kostova (2016) showed that the overall strength of CSR institutional forces are positively related to U.S. MNEs' CSR adoption. They take into account all national institutional environments to which MNEs are exposed within their transnational fields as well as the relative salience of the host countries' institutional influences on the level of CSR adoption. Therefore, we assume a similar positive relationship for European MNEs;

> *Hypothesis 1: CSR adoption by European MNEs is positively related to the overall strength of the CSR institutional forces within the European MNE's transnational field.*

2.4 HETEROGENEITY OF CSR TRANSNATIONAL INSTITUTIONAL FORCES

The exposure to multiple institutional forces in the different countries in which an MNE operates can result in two scenarios, a homogeneous CSR favorability or a heterogeneous CSR favorability (Marano & Kostova, 2016). In a homogeneous situation, the MNE is exposed to CSR favorability that is similar in all countries in which the MNE is active. In the heterogeneous situation, the MNE is exposed to CSR favorability that differs among the different countries in which the MNE operates. Marano & Kostova (2016) showed that heterogeneity of CSR institutional forces within U.S. MNEs' transnational organizational fields negatively moderated the relationship between the strength of CSR institutional forces and the U.S. MNE's CSR adoption.

According to the convergence thesis (Levitt, 1983), national and regional heterogeneity of institutional forces gives way to superior, universal forms. This thesis implies that the most dominant best practices will lead to a convergence process on multiple levels (e.g. political systems, business strategy and structure (Jamali & Neville, 2011).

This thesis has been opposed by many others though (Hall & Soskice, 2001; De Mooij, 2004; D'Aunno et. Al, 2000; Seo & Creed, 2002). They argue that elements such as cultural values, path dependencies, and the advantages of differentiation mitigate the convergence effect, resulting in greater divergence instead (Hall & Soskice, 2001). It is argued that diminishing differences among countries will lead to greater resource availability in the less developed countries, enabling cultures to express their values and identities and eventually granting the ability to resist or adopt Western and other global influences (De Mooij, 2004). Heterogeneous institutional forces therefore play a role in promoting divergent change, primarily complementary to the role of the local markets (D'Aunno, Succi, & Alexander, 2000). Therefore, the reproduction of CSR practices in host countries should be looked at as a

dynamic interaction between the institutional by-products of human praxis and institutional contradictions (Seo & Creed, 2002) and it might not be in the MNEs' best interest to reproduce CSR practices throughout the organizational field.

Furthermore, Marano & Kostova (2016) looked into the learning opportunities that resulted from exposure to multiple, diverse institutional templates. According to the authors, managers that are confronted with multiple and diverse institutional templates will engage in more sense making activities and therefore look for solutions that are more suited in satisfying contradicting expectations. Sources of contradiction can be found in (i) legitimacy that undermines functional inefficiency, (ii) adaptation that undermines adaptability, (iii) intra-institutional conformity that creates inter-institutional incompatibilities, and (iv) isomorphism that conflict with divergent interests (Seo & Creed, 2002).

The actors' ability to mobilize institutional resources and logics from the heterogeneous institutional environments in which they operate serves as a way to legitimate and support the efforts to adopt (Seo & Creed, 2002). This might also involve the unlearning of the historically embedded policies and crossvergence of global and local forces might result in complex hybrid CSR practices (Jamali & Neville, 2011). In these complex practices, MNEs' subsidiaries adopt local practices to legitimize their operations in the host country and to avoid spillover effects that might result from legitimacy problems in the other countries in which the MNEs operate (Yang & Rivers, 2009). The ability to adapt to local practices is likely to be more restricted if the subsidiaries are strongly annexed to the parent company though (Yang & Rivers, 2009).

Marano & Kostova (2016) show that institutional heterogeneity will lead to a better understanding of CSR when the overall strength of the institutional forces are low, since there will be less isomorphic pressure in this case. This will leave more room for an agency approach, weighing all potential benefits from the various courses of action. Concluding, Marano & Kostova (2016) showed that when the overall strength of institutional forces within U.S. MNEs' transnational field was low, the heterogeneity of the CSR institutional forces positively affected the U.S. MNEs' CSR adoption.

Institutional heterogeneity is something that all companies operating in a transnational field will be confronted with. This should not differ for European MNEs compared to their U.S. counterparts. Therefore, the institutional heterogeneity will not be part of this study.

2.5 HIGHER LOCAL CSR REQUIREMENTS

When operating in a host country, an MNE can be exposed to more stringent CSR requirements than they are used to from their operations in their home country. This might result in a dilemma for MNEs since they need to consider whether or not to maintain the parent-company (global) strategy or to adapt the organizational strategies to suit the local requirements (Blumentritt & Nigh, 2002). A global CSR strategy is coordinated centrally and administered by the MNE's parent company in the home country, whereas local CSR strategies are decentralized and developed consulting the stakeholders in the host country (Muller, 2006). Global CSR primarily focuses on fundamental principles on universal standards that hold for all societies, moral rights and obligations, whereas local CSR focuses on the needs and standards of the local communities (Husted & Allen, 2006).

The main motive for MNE subsidiaries to be involved in local, more stringent CSR practices is to gain legitimacy in a host country. A subsidiary is more likely to adapt local CSR practices when there is a higher stakeholder demand in the host country and greater institutional differences (Hah & Freeman, 2014). At the same time, there is the potential risk of losing legitimacy outside the host country when complying only with the basic need of CSR in the host country (Kostova & Zaheer, 1999). Finally, MNE subsidiaries in host countries have to deal with the liability of foreignness. This results in local communities expecting higher engagement of MNE subsidiaries than they expect from the domestic firms (Husted, Montiel, & Christmann, 2016).

To overcome the liability of foreignness, MNE subsidiaries tend to imitate geographically proximate firms in the host country (Husted, Montiel, & Christmann, 2016). This especially holds true in situations of high uncertainty. In these cases, MNE subsidiaries will look for other firms in their organizational field for guidance on how to deal with external pressures and on the basis of isomorphism these MNE subsidiaries will try to gain or maintain legitimacy.

Marano & Kostova (2016) showed that U.S. MNEs that are exposed to countries with more stringent CSR requirements than those of their home country tend to positively adopt CSR practices that the MNEs are confronted with in the host countries.

> *Hypothesis 2: When a European MNE is confronted with more stringent CSR requirements in a host country compared to the requirements in the home country, this positively affects the European MNE's CSR adoption.*

2.6 ECONOMIC DEPENDENCE ON SUBSIDIARIES

The internationalization process of an MNE often starts out by exporting. This enables firms to gain certain knowledge on the nature and size of the market that a firm wants to serve (Johanson & Vahlne, 1977). Market knowledge helps assessing the new market's potential and when large enough, a firm can decide to increase its commitment to the market. Furthermore, exporting firms learn indirectly about the institutional environment of these markets (Dau, 2013). This commitment is composed by the amount of resources that a firm commits to the new market. This market commitment is often translated into foreign direct investment (FDI) in the host country. When a market is salient enough, MNEs will open up subsidiaries in the host country, increasing the MNE's involvement.

The commitment strategy of a subsidiary's parent company shows to increase as the economic conditions of the host country are more optimistic (Santangelo & Meyer, 2011). Furthermore, institutional voids show to increase the commitment strategy of a parent company, since these voids demand for the parent company to make higher context-specific investments. Since these investments are so specific and often high, the likelihood of the parent company to reduce its commitment through the subsidiary is small. The formal authority and dependence, the transfer of capital, and the long-term interest of the assets in the host country make FDI-based ties stronger than trade-based ties (Bandelj, 2002).

Marano & Kostova (2016) used FDI-based economic ties as an assessment of the economic dependence of a parent company on the host countries. According to the authors, FDI-based economic ties involve higher intensities of economic dependence as compared to trade-based economic ties. This influences an MNE's perception of the salience of CSR related institutional forces. FDI-based economic ties are more salient than simple trade-based economic ties and thus they are more likely to be effective conduits for institutional pressures. The level of FDI indicates the long-term interest that a company has in a specific host country. Overall, Marano and Kostova showed that FDI-based economic ties have a positive moderating effect on the relationship between the overall strength of CSR institutional forces and an MNE's CSR adoption, as well as the relationship between exposure to more stringent CSR requirements and an MNE's CSR adoption. This results in the following hypotheses:

> *Hypothesis 3a: The effect of CSR institutional strength on European MNE's CSR adoption is greater for FDI-based economic ties.*

Hypothesis 3b: The positive effect between exposure to countries with more stringent CSR requirements and a European MNE's CSR adoption is greater for FDI-based economic ties.

2.7 CONCEPTUAL MODEL

The conceptual model that will be used for this master thesis is derived from the work of Marano & Kostova (2016), much like the hypotheses presented earlier. The aim of this thesis is to test the generalizability of their findings for European MNEs operating in a transnational organizational field. Figure 1 shows the conceptual model that will be used for this thesis.

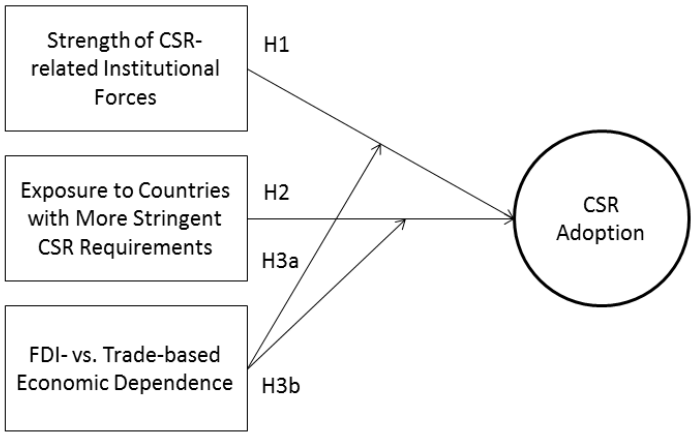


Figure 1: Conceptual model

3.0 METHODOLOGY

The objective of this study is to contribute to the understanding of the effect that institutional complexity has on CSR adoption by MNEs. Recent work of Marano & Kostova (2016) showed how institutional complexity influences the CSR adoption by U.S. MNEs but it did not look into MNEs from other countries than the U.S.. The aim of this thesis is to look at how European-based MNEs adopt CSR practices when confronted with institutional complexity within the European and U.S. transnational field. This enables us to test the generalizability of the findings of Marano & Kostova (2016) on European MNEs.

In this chapter we will first elaborate on the datasets that served as an input for this study. Subsequently, we will look into the variables that are of interest to this study. These variables are largely derived from previous research to make sure that the setup of this study allows us to generalize earlier findings on the influence that institutional complexity has on CSR adoption. Finally, we will discuss the sample selection, validity and reliability issues and the analytical techniques that will be used in this study.

3.1 DATA COLLECTION

The Kinder, Lydenberg, and Domani index (KLD400) on corporate social responsibility is a frequently used index for the assessment of CSR adoption of MNEs. In this index, firms are rated on seven different areas of CSR, namely; product quality and safety, human rights, environment, employee relations, corporate governance, diversity and community relations. The KLD-index has been used as data source in numerous studies on CSR (e.g. Marano & Kostova, 2016; Ioannou & Serafeim, 2012; Kotchen & Moon, 2007). Unfortunately, the index only includes data on 400 U.S. companies drawn from the 3,000 largest public equities. Therefore, this index is not appropriate for this study.

Instead, the data base that will be used for this thesis will be the ASSET4 ESG database by Thomson Reuters. We can safely use this database instead of the KLD-database, since the ratings and rankings of the two databases are highly correlated and they both capture the same construct (Semenova & Hassel, 2015). This database provides access to objective and comparable in-depth ESG data on more than 3,500 global companies, of which more than 1,000 European MNEs. This database includes over 750 data points and over 280 key performance indicators, which are integrated into 18 categories. We use these performance indicators as a measure of CSR adoption, just like Marano & Kostova (2016) used the performance indicators of the KLD-index as indicators for CSR adoption by U.S. MNEs.

Figure 2 shows an overview of the data that can be accessed through the ASSET4 ESG database. This database is very well suited for conducting quantitative analyses.

Additionally, Orbis will be used as a source of company specific information. The ASSET4 ESG database only provides scores of individual companies on some core aspects, mostly regarding CSR. Orbis is a database that integrates numerous databases from Bureau van Dijk (a major publisher of business information) and provides us with company specific core information such as number of employees, total assets, county specific assets, and so forth. Orbis contains data on 200 million companies worldwide, of which 90 million European and over 70,000 companies that are listed on diverse stock exchanges worldwide.

The sample history of this study will be from the year 2014, since this year provided us with the most extensive data. There is chosen not to focus on a wider timeframe, since the data collection for one year alone was extensive enough and a wider timeframe resulted in more missing data. The computed data from Orbis and the ASSET4ESG database resulted in valid dataset of 467 MNEs from 17 different European countries. Unfortunately not all European countries could be included, since some of the countries only had no, or just a very limited number of MNEs on which no additional data could be found in Orbis. Since this additional data is crucial for the analysis, these countries (primarily Baltic States and the Balkan countries) were excluded from the dataset. However, most of these countries are included in the analysis of the MNEs' abroad operations. Based on the Gross Domestic Product (GDP) countries like Sweden and Switzerland are overrepresented and Italy and Germany are somewhat underrepresented. Figure 3 shows a map of the included countries with a table of the number of MNEs per country that are included in the total dataset of European MNEs.

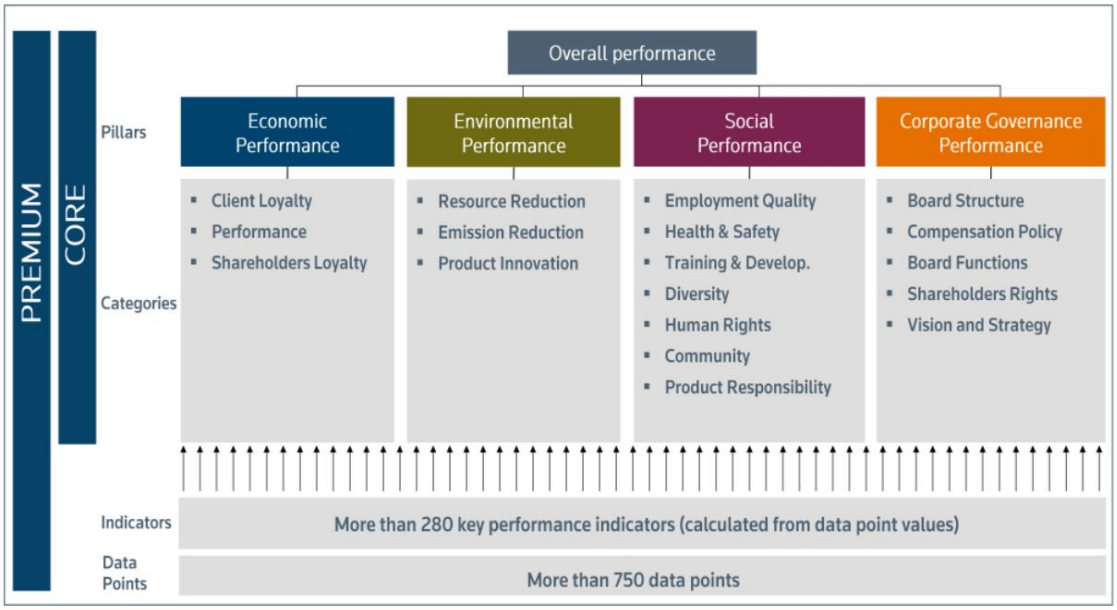


Figure 2: Summarization of the available data in the ASSET4 ESG Dataset

COUNTRY	NUMBER OF MNEs
Austria	10
Belgium	19
Denmark	17
Finland	23
France	71
Germany	57
Greece	10
Ireland	9
Italy	20
Luxembourg	3
Netherlands	26
Norway	13
Poland	9
Spain	25
Sweden	33
Switerland	44
United Kingdom	78
TOTAL	467

Figure 3: Overview of the home countries of MNEs included in this study

For this study, there is chosen to focus on the European MNEs' abroad operations within the European and the U.S. transnational field. This has to do with the economic dependence that predominantly comes from the Europe and the U.S.. Additionally, this prevents the dataset from getting too large and thus incomprehensible.

3.2 VARIABLES

In this section we will elaborate on the variables that will be included in the analysis of the data. We will also elaborate on how to assess the different variables that will be used in the final analysis.

3.2.1 DEPENDENT VARIABLE

The dependent variable in this study is the level of CSR adoption. CSR adoption can be measured using the variables from either the KLD-index or the social performance indicators that can be accessed through the ASSET4 ESG dataset. Since we cannot use the KLD-index for the assessment of European MNEs, we will use the indicators from the ASSET4 ESG dataset. Fortunately these indicators largely match the KLD indicators for CSR adoption (see the first paragraph of section 3.1 as compared to the social performance indicators in figure 2). Study has also shown that the ratings from the KLD-index and the ASSET4 ESG-index highly correlate, suggesting that they capture the same construct (Semenova & Hassel, 2015).

The ASSET4 ESG database allows us to quantitatively assess the performance of over 3,500 MNEs, of which more than 1,000 European MNEs. This allows us to come up with an aggregated overall CSR adoption score for individual companies and thus we are also able to average CSR adoption on the basis of the home country of the MNEs. This way of analyzing CSR adoption is similar to the study of Marano & Kostova (2016). The only difference here is that Marano and Kostova used the KLD-dataset instead of the ASSET4 ESG dataset, but as mentioned earlier, they are made up out of similar indicators for CSR adoption.

The overall CSR adoption score is gained by taking the mean score of all four indicators of CSR performance (economic performance, environmental performance, social performance, and corporate governance performance). On each of these indicators a MNE can score from 0 up to 100, therefore the overall CSR adoption variable also ranges from 0 to 100. A higher score indicates a higher CSR adoption.

$$\textit{CSR adoption} = \sum (\textit{economic performance score} + \textit{environmental performance score} + \textit{social performance score} + \textit{corporate governance performance score}) / 4$$

3.2.2 INDEPENDENT VARIABLES

We will now look in the dependent variables that are expected to explain the variance in the dependent variable of CSR adoption. As mentioned earlier, the independent variables are derived from the study by Marano & Kostova (2016).

3.2.2.1 STRENGTH OF NATIONAL BUSINESS SYSTEMS

Marano & Kostova (2016) mention the concept of overall strength of CSR institutional forces. This concept is a construct of country-specific economic dependence and the country-specific indexation of institutions. The concept of overall strength of CSR institutional forces is being measured by Marano & Kostova as follows;

$$\text{Overall strength of CSR institutional forces} = \sum (Dependence_{ij} * RCI_j)$$

The economic dependence as mentioned by Marano & Kostova (2016) includes an MNE's value of its trade and FDI-activities in a specific country. This can be measured by assessing four elements, namely; (i) the country-specific yearly exports of an MNE to the total MNE's yearly exports, (ii) the country-specific yearly imports of an MNE to the total MNE's yearly imports, (iii) the number of an MNE's employees per country per year to total number of an MNE's employees per year, and (iv) the number of an MNE's subsidiaries per country per year to total number of an MNE's subsidiaries per year. Overall, this will provide a score between 0 and 4. Unfortunately Marano & Kostova used the Pierson database which is not available publically or through the Radboud University. The Orbis database does include data on the total assets of each of the included companies as well as the country specific assets. This can serve as a good indicator of the economic dependence instead of the elements used by Marano & Kostova, since the amount of assets in a country show the long-term interests of MNEs in these countries. Therefore the dependence in this study is measured as follows:

$$\text{Dependence} = \text{Assets}_j / \text{Total Assets}_i$$

Assets_j represent the total assets in country j and Total Assets_i represent the total assets of company i within the transnational field that is subject to this study.

The institutional forces can be measured by an assessment of the different nations' national business systems. The national business systems of the countries that lie within the transnational field that is being studied in this thesis (Europe and the U.S.) can be assessed using the framework of Aguilera and Jackson (2003). Their framework helps describing the variation in corporate governance models of advanced capitalist economies. Since corporate governance is embedded in national business systems (Choi & Dow, 2008), this framework is useful for the assessment of the strength of CSR related institutional forces. National business systems directly influence the way in which business is conducted. The nature of the firm and the organization, structure, and control of markets are some of the elements that make national business systems distinct. Forms of legal protection, beliefs about stakeholder relations, the interrelation between elements of institutional context, and ties between managers and firms are some of the elements that Choi & Dow (2008) mention as elements to consider when looking at national business systems.

Aguilera and Jackson's framework distinguishes three stakeholders (dimensions) that make up a total of 8 variables (see paragraph 2.2). These variables make up the level of shareholder-orientation of nations and thus help to qualitatively define the national business systems of the various nations included in this study. For 6 out of these 8 variables information could be gathered that can serve as input for the assessment of the level of shareholder-orientation of the national business systems.

All countries that lie within the transnational field (the U.S. and Europe) will be evaluated on their level of shareholder-orientation on all three dimensions of Aguilera and Jackson's (2003) framework. For each of the variables we will assess whether a country is more stakeholder-oriented or more shareholder-oriented. Countries that are more stakeholder-oriented will receive a score closer to 0 on the individual variables. On the variables on which the countries are more shareholder-oriented, the countries will receive a score closer to 100. The output represents an institutional indexation for each country within the transnational field. Since we want to prevent problems with multicollinearity, we will use the RCI-indexation for the second hypothesis and for the first hypothesis we will make use of our own institutional indexation using Aguilera and Jackson's framework.

We will now elaborate on the different dimensions of this framework. We will rank all countries on a number of variables. We standardized all scores in a way that they range from 0 (being stakeholder-oriented) to 100 (being shareholder-oriented). Using 6 variables, the

maximum score will be 600. The higher the final output, the more shareholder-oriented the final indexation. We will now continue looking at the variables from Aguilera and Jackson's framework and rank each country within the transnational field.

3.2.2.1.1 MANAGEMENT DIMENSION – IDEOLOGY

The management dimension is computed out of the variables of career patterns and ideology. For the career pattern variable, no data could be found for all individual countries included in this study. Fortunately the ideology variable can be assessed relatively easily using the cultural dimensions from Hofstede (2011). The ideology variable refers to the major values and beliefs that provide organizational members with a reference frame of action (Aguilera & Jackson, 2003). Hofstede uses 6 dimensions to define national cultures. One of these dimensions is that of power distance. This dimension is about the degree of power distribution equality expectance and acceptation of less powerful members in society. A higher score on the power distance index shows that the less powerful members within society or within an organization have less autonomy and are involved less in collective decision making. A higher score on the power index indicates a more hierarchical form of decision making and thus a higher score represents a shareholder orientation.

Table 1 shows the scores for each of the countries included in this study. The scores from Hofstede's cultural dimensions all range from 0 to 100 and therefore do not need to be standardized.

COUNTRY	SCORE
AUSTRIA	11,00
BELGIUM	65,00
CZECH REPUBLIC	57,00
DENMARK	18,00
ESTONIA	40,00
FINLAND	33,00
FRANCE	68,00
GERMANY	35,00
GREECE	60,00
HUNGARY	46,00
IRELAND	28,00
ITALY	50,00
LATVIA	44,00

COUNTRY	SCORE
LITHUANIA	42,00
LUXEMBOURG	40,00
THE NETHERLANDS	38,00
NORWAY	31,00
POLAND	68,00
PORTUGAL	63,00
SLOVAKIA	100,00
SLOVENIA	71,00
SPAIN	57,00
SWEDEN	31,00
SWITZERLAND	34,00
UNITED KINGDOM	35,00
UNITED STATES	40,00

Table 1: Hofstede's Power Distance Index

3.2.2.1.2 CAPITAL DIMENSION – PROPERTY RIGHTS

Property rights concern the protection of minority shareholders. Minority shareholder protection intents to discourage disproportionate control through massive trade blocks (Aguilera & Jackson, 2003). A liberal market approach, like in the U.S., facilitates market-oriented mechanisms of control. A high protection of minority shareholders is associated with shareholder-oriented national business systems. The World Bank Group (2015) has published a report on the protection of minority investors. In this report, the World Bank also included a score on the nations' strength of minority protection for all countries included in this study. The World Bank used an index that ranges from 0 to 10. The report was finished in June 2015 so these scores should be a good indicator of the minority shareholder protection in 2014.

COUNTRY	SCORE
AUSTRIA	80,77
BELGIUM	74,36
CZECH REPUBLIC	74,36
DENMARK	87,18
ESTONIA	70,51
FINLAND	73,08
FRANCE	83,33
GERMANY	76,92
GREECE	79,49
HUNGARY	70,51
IRELAND	93,59
ITALY	80,77
LATVIA	76,92

COUNTRY	SCORE
LITHUANIA	79,49
LUXEMBOURG	57,69
THE NETHERLANDS	73,08
NORWAY	92,31
POLAND	76,92
PORTUGAL	73,08
SLOVAKIA	67,95
SLOVENIA	96,15
SPAIN	83,33
SWEDEN	92,31
SWITZERLAND	62,82
UNITED KINGDOM	100,00
UNITED STATES	83,33

Table 2: Minority Shareholder Protection

Table 2 shows the scores for each of the countries included in this study. This table also shows the standardized scores (0 to 100) for each country within the transnational field.

3.2.2.1.3 CAPITAL DIMENSION – FINANCIAL SYSTEMS

There is a clear distinction in national business systems regarding the forms of finance. Anglo-American countries primarily gain financial resources through markets, a so-called market-based financial system (Aguilera & Jackson, 2003). In this system, stock markets are the primary source of finance. In the Continental European model, finance is gathered primarily through banks, a so-called bank-based financial system.

We can assess the national business systems by once again consulting data from the World Bank Group. The World Bank Group publishes data on market capitalization of listed companies (% of GDP) as well as the domestic credit to the private sector (% of GDP). The market capitalization shows the market value at a given point in time of the outstanding shares of publically listed companies. This is the amount of financial resources that is gathered through the stock markets. If this is higher than the finances gathered through domestic credit, the national business system is more market-based. The domestic credit to the private sector refers to the financial resources provided to the private sector, such as loans. This credit is provided for by banks and other financial institutions. If this is higher than the financial

resource gathering through market capitalization, it indicates that the national business system is more bank-based (Demirgüç-Kunt & Levine, 1999). A market-based financial system is associated with a shareholder-oriented national business system, whereas a bank-based financial system is associated with a stakeholder-oriented national business system. Unfortunately, the World Bank Group does not annually report on all countries' primary source of finance to the private sector. For some countries the latest available data was on the year 2008 (Denmark, Latvia, Lithuania, and Sweden) and for some other countries the latest available data was from 2011 (Estonia, Finland, and the United Kingdom). For Slovakia data from 2013 was the most recent. Table 3 shows an overview of the main sources of finance for all countries included in this study. It also includes a market capitalization to domestic credit ratio. The higher the ratio, the more market-based and therefore shareholder-oriented the country.

COUNTRY	MARKET CAPITALIZATION TO GDP	PRIVATE CREDIT BY DEPOSIT TO GDP	RATIO	STANDARDIZED SCORE
AUSTRIA	22,2	88,6	0,25	20,10
BELGIUM	71,2	58,2	1,22	98,13
CZECH REPUBLIC	30,96	48,09	0,64	51,64
DENMARK	63,45	208,14	0,30	24,45
ESTONIA	9,09	87,14	0,10	8,37
FINLAND	50,95	93,85	0,54	43,55
FRANCE	73,7	94,9	0,78	62,30
GERMANY	44,9	79,6	0,56	45,25
GREECE	23,4	116,9	0,20	16,06
HUNGARY	10,5	43,5	0,24	19,36
IRELAND	57,2	83,2	0,69	55,15
ITALY	27,4	89,4	0,31	24,59
LATVIA	7,69	88,72	0,09	6,95
LITHUANIA	15,98	58,62	0,27	21,87
LUXEMBOURG	97,4	91,6	1,06	85,29
THE NETHERLANDS	89,5	116,5	0,77	61,62
NORWAY	43,9	86,19	0,51	40,86
POLAND	31	52,2	0,59	47,64
PORTUGAL	25,1	129,5	0,19	15,55
SLOVAKIA	4,9	48,2	0,10	8,15
SLOVENIA	15,2	55	0,28	22,17
SPAIN	71,9	129,1	0,56	44,67
SWEDEN	91,78	124,27	0,74	59,24
SWITZERLAND	213,3	171,1	1,25	100,00
UNITED KINGDOM	126,53	191,54	0,66	52,99
UNITED STATES	151,2	197,1	0,77	61,54

Table 3: Sources of Finance

The data has been standardized in such a way that the national financial systems that shows to have the highest market-based characteristics (Switzerland) scores 100. This represents the country that, according to their financial system, shows most shareholder-oriented characteristics.

3.2.2.1.4 CAPITAL DIMENSION – INTERFIRM NETWORKS

Interfirm networks refer to the concentration of ownership stakes. In some countries, this concentration tends to be more dispersed than in other countries. The level of ownership concentration directly influences investors' monitoring of firms, since incentives from the owners to proactively safeguard their investment will vary. Aguilera & Jackson mention the concept of multiplex networks. These networks represent ownership stakes that overlap with for instance suppliers and board representation. These concentrated ties result in high commitment of capital. On the opposite we have looser networks where capital ties tend to be predominantly are based on purely financial interests (dispersed ownership concentration), like in the U.S. or in the U.K. (Aguilera & Jackson, 2003).

The OECD annually publishes a factbook (OECD, 2015) on corporate governance that provides a factual underpinning for understanding countries' legal, institutional, and regulatory frameworks. The OECS Corporate Governance Factbook also includes data ownership concentration for all counties included in this study. The factbook distinguishes three types of ownership concentration; concentrated ownership, dispersed ownership, and mixed ownership.

COUNTRY	OWNERSHIP CONCENTRATION	SCORE
AUSTRIA	CONCENTRATED	0,00
BELGIUM	CONCENTRATED	0,00
CZECH REPUBLIC	CONCENTRATED	0,00
DENMARK	CONCENTRATED	0,00
ESTONIA	CONCENTRATED	0,00
FINLAND	CONCENTRATED	0,00
FRANCE	CONCENTRATED	0,00
GERMANY	MIXED	50,00
GREECE	DISPERSED	100,00
HUNGARY	MIXED	50,00
IRELAND	CONCENTRATED	0,00
ITALY	CONCENTRATED	0,00
LATVIA	CONCENTRATED	0,00

COUNTRY	OWNERSHIP CONCENTRATION	SCORE
LITHUANIA	CONCENTRATED	0,00
LUXEMBOURG	CONCENTRATED	0,00
THE NETHERLANDS	MIXED	50,00
NORWAY	CONCENTRATED	0,00
POLAND	CONCENTRATED	0,00
PORTUGAL	CONCENTRATED	0,00
SLOVAKIA	CONCENTRATED	0,00
SLOVENIA	CONCENTRATED	0,00
SPAIN	CONCENTRATED	0,00
SWEDEN	CONCENTRATED	0,00
SWITZERLAND	MIXED	50,00
UNITED KINGDOM	DISPERSED	100,00
UNITED STATES	DISPERSED	100,00

Table 4: Ownership Concentration

The factbook already uses this crisp classification, we will assign a 0 score to concentrated ownership (which can be related to the stakeholder orientation), a 100 score to dispersed ownership (which can be related to the shareholder orientation) and a 50 score to mixed ownership. Table 4 shows an overview of the scores of all countries included in this study.

3.2.2.1.5 LABOR DIMENSION – REPRESENTATION RIGHTS

Aguilera and Jackson (2003) mention that strong representation rights are supportive of internal channels that give voice to employees in the decision process within the firm. There are several elements that contribute to strong representation rights. Aguilera and Jackson mention that the presence of employees in the board, the presence of work councils, and the trade union density indicate the level of representation rights. In nations where representation rights are low, employees are mostly represented externally, so there is no representation within the company through work councils or boards.

The European Trade Union Institute (ETUI) (2014) and the OECD (2015) provide information on the presence of work and board representation as well as the density of trade unions in the different countries that are part of this study. All countries will be assessed on all three indicators of representation rights (presence of work councils, presence of employee representation in the boards, and the trade union density).

Trade union density will be classified being either high or low. The average trade union density for all countries subject to this study is 25.8 %. A country that is below this average will score low on union density, while a country above the average will score high on trade union density. For the other indicators (employee board representation and work councils) a country will either have the presence or absence. This resulted in eight possible combinations (see table 5) for which scores were computed.

Board Representation	Works Council	Trade Union Density	Score
Yes	Yes	High	0
Yes	Yes	Low	20
Yes	No	High	40
Yes	No	Low	60
No	Yes	High	40
No	Yes	Low	60
No	No	High	80
No	No	Low	100

Table 5: Possible combinations on employee representation

Employee representation is most extensive in stakeholder-oriented countries. The more representation rights, the more stakeholder-oriented the national business system. Therefore, a score of 100 represents a shareholder-oriented national business system, whereas a score of 0 represents a stakeholder-oriented national business system.

The next table shows an overview of how all of the countries included in this study score on the overall representation rights.

COUNTRY	BOARD REPRESENTATION	WORKS COUNCIL	TRADE UNION DENSITY	SCORE
AUSTRIA	YES	YES	17	20
BELGIUM	NO	YES	55,1	40
CZECH REPUBLIC	YES	YES	12,7	20
DENMARK	YES	NO	66,8	40
ESTONIA	NO	NO	5,7	100
FINLAND	YES	NO	69	40
FRANCE	YES	YES	7,7	20
GERMANY	NO	YES	18,1	60
GREECE	YES	YES	12,7	20
HUNGARY	YES	YES	10,5	20
IRELAND	NO	NO	29,6	80
ITALY	NO	NO	37,3	80
LATVIA	NO	NO	13	100
LITHUANIA	NO	YES	9	60
LUXEMBOURG	YES	YES	32,8	0
THE NETHERLANDS	YES	YES	17,8	20
NORWAY	YES	YES	52,1	0
POLAND	NO	YES	12,7	60
PORTUGAL	NO	YES	18,9	60
SLOVAKIA	YES	YES	13,3	20
SLOVENIA	YES	YES	21,2	20
SPAIN	NO	YES	16,9	60
SWEDEN	YES	NO	67,7	40
SWITZERLAND	NO	YES	16,2	60
UNITED KINGDOM	NO	NO	25,7	100
UNITED STATES	NO	NO	10,8	100

Table 6: Employee Representation

3.2.2.1.6 LABOR DIMENSION – SKILL FORMATION

Skill formation reflects on the institutions that provide employees with skills (Aguilera & Jackson, 2003). Skill development as well as the transferability of skills is largely subject to national employee protection legislation. This protection is the main source of labor market rigidity, because it reduces the firms' ability to acquire and fire employees at will (Edlund &

Grönlund, 2008). In countries with more stringent employee protection legislation (like in Germany), it is more common to generate highly skilled production workers internally, whereas in countries where employee protection is less regulated (like in the U.S.), firms tend to make more use of skill development through markets.

The OECD regularly assesses the levels of employee protection legislation for all member countries of the OECD. The latest available data on the countries subject to this study stems from 2013 (OECD, 2014). The OECD assesses all member countries on four variables; employment protection of permanent workers against collective and individual dismissals, employment protection of permanent workers against individual dismissal, the requirements for collective dismissal, and regulation on temporary forms of employment.

The scores on each of the variables originally ranged from 0 to 6, where a higher score represents a higher degree of employee protection legislation. An average score was computed and standardized out of the four variables, to provide an overall score that can be used.

COUNTRY	SCORE
AUSTRIA	60,06
BELGIUM	38,68
CZECH REPUBLIC	61,32
DENMARK	66,98
ESTONIA	61,95
FINLAND	75,16
FRANCE	39,62
GERMANY	53,77
GREECE	54,72
HUNGARY	66,35
IRELAND	73,27
ITALY	44,97
LATVIA	51,89

COUNTRY	SCORE
LITHUANIA	53,14
LUXEMBOURG	38,36
THE NETHERLANDS	58,81
NORWAY	56,29
POLAND	61,32
PORTUGAL	60,38
SLOVAKIA	61,01
SLOVENIA	60,69
SPAIN	53,14
SWEDEN	69,81
SWITZERLAND	70,75
UNITED KINGDOM	91,82
UNITED STATES	100,00

Table 7: Employee Protection

The above scores are standardized scores that represent the employee protection regulation of the national business systems. The higher the score, the lower employee protection legislation of the country, and therefore the more shareholder-oriented the national business system.

3.2.2.1.7 ASSIGNING OVERALL SCORES TO COUNTRIES

Now that we have assessed all countries, using Aguilera & Jackson's (2003) framework, we know the scores on each of the variables for all countries, we can compute a new variable for the national business systems that is needed for the variable overall strength of CSR institutional forces. As mentioned earlier, a higher overall score represents a national business system that is more shareholder-oriented. Aguilera and Jackson (2003) do not mention anything about the weights of each of the dimensions, and therefore it is assumed that all dimensions have an equal contribution to the overall score of the national business system. Table 8 shows an overview of the scores on each of the variables per country as well as the overall (weighted) score. This final score has been standardized by dividing the overall score by 600 (the maximum score that a country can have based on the six variables). National business systems that tend to be more shareholder-oriented have higher requirements regarding CSR (Maignan & Ralston, 2002; Matten & Moon, 2008).

COUNTRY	IDEOLOGY	PROPERTY RIGHTS	FINANCIAL SYSTEM	INTERFIRM NETWORKS	REPRESENTATION RIGHTS	SKILL FORMATION	OVERALL SCORE	STANDARDIZED NBS SCORE
AUSTRIA	11,00	80,77	20,10	0,00	20,00	60,06	191,93	0,32
BELGIUM	65,00	74,36	98,13	0,00	40,00	38,68	316,17	0,53
CZECH REPUBLIC	57,00	74,36	51,64	0,00	20,00	61,32	264,32	0,44
DENMARK	18,00	87,18	24,45	0,00	40,00	66,98	236,61	0,39
ESTONIA	40,00	70,51	8,37	0,00	100,00	61,95	280,83	0,47
FINLAND	33,00	73,08	43,55	0,00	40,00	75,16	264,78	0,44
FRANCE	68,00	83,33	62,30	0,00	20,00	39,62	273,25	0,46
GERMANY	35,00	76,92	45,25	50,00	60,00	53,77	320,94	0,53
GREECE	60,00	79,49	16,06	100,00	20,00	54,72	330,26	0,55
HUNGARY	46,00	70,51	19,36	50,00	20,00	66,35	272,23	0,45
IRELAND	28,00	93,59	55,15	0,00	80,00	73,27	330,01	0,55
ITALY	50,00	80,77	24,59	0,00	80,00	44,97	280,32	0,47
LATVIA	44,00	76,92	6,95	0,00	100,00	51,89	279,76	0,47
LITHUANIA	42,00	79,49	21,87	0,00	60,00	53,14	256,50	0,43
LUXEMBOURG	40,00	57,69	85,29	0,00	0,00	38,36	221,35	0,37
THE NETHERLANDS	38,00	73,08	61,62	50,00	20,00	58,81	301,51	0,50
NORWAY	31,00	92,31	40,86	0,00	0,00	56,29	220,45	0,37
POLAND	68,00	76,92	47,64	0,00	60,00	61,32	313,88	0,52
PORTUGAL	63,00	73,08	15,55	0,00	60,00	60,38	272,00	0,45
SLOVAKIA	100,00	67,95	8,15	0,00	20,00	61,01	257,11	0,43
SLOVENIA	71,00	96,15	22,17	0,00	20,00	60,69	270,01	0,45
SPAIN	57,00	83,33	44,67	0,00	60,00	53,14	298,15	0,50
SWEDEN	31,00	92,31	59,24	0,00	40,00	69,81	292,36	0,49
SWITZERLAND	34,00	62,82	100,00	50,00	60,00	70,75	377,58	0,63
UNITED KINGDOM	35,00	100,00	52,99	100,00	100,00	91,82	479,81	0,80
UNITED STATES	40,00	83,33	61,54	100,00	100,00	100,00	484,87	0,81

Table 8: Overall Score on national business systems

These output scores for each of the countries subject to the study can be used for analytical purposes in the later analysis phase. The scores represent the level of shareholder-orientation. As one would expect, the Anglo-Saxon countries score high on shareholder-orientation and the countries that in literature are traditionally seen as stakeholder-oriented, like Austria, have relatively low scores.

3.2.2.2 HIGHER LOCAL CSR REQUIREMENTS

To assess whether or not MNEs are exposed to more stringent CSR-requirements in the host countries in which they operate, we will not make use of the NBS-scores once again. This

might lead to problems regarding multicollinearity. Instead, we will use the Responsible Competitiveness Index (RCI) to assess the level of CSR-requirements for each of the countries included in this study. The RCI measures the institutional quality of countries based on 21 indicators. The RCI has been used in several prior studies as a measure of CSR institutional quality (e.g., Herciu & Ogrean, 2008; Luetkenhorst, 2004; Marano & Kostova, 2016; Peng & Beamish, 2008). It needs to be stated that the latest available RCI is from 2007, a detail that is not mentioned by Marano & Kostova (2016). For generalizability reasons however, we will work with this same index. Table 9 provides an overview of the RCI-scores for the countries subject to this study.

COUNTRY	RCI
AUSTRIA	70,90
BELGIUM	71,90
CZECH REPUBLIC	59,70
DENMARK	81,00
ESTONIA	65,00
FINLAND	78,80
FRANCE	70,10
GERMANY	71,70
GREECE	61,00
HUNGARY	57,70
IRELAND	74,60
ITALY	61,20
LATVIA	60,30

COUNTRY	RCI
LITHUANIA	62,10
LUXEMBOURG	70,30
THE NETHERLANDS	72,60
NORWAY	75,50
POLAND	55,40
PORTUGAL	65,90
SLOVAKIA	58,20
SLOVENIA	64,10
SPAIN	63,70
SWEDEN	81,50
SWITZERLAND	72,50
UNITED KINGDOM	75,80
UNITED STATES	69,60

Table 9: RCI-scores of countries within transnational field

We will create a dummy variable out of this variable, where an MNE is either exposed to a host country with more stringent CRS requirements than the MNE is confronted with in their home country or not. This can be assessed by comparing the RCI-score of the home country of MNEs to the RCI-scores of the host countries in which the MNEs are operating. If the RCI-score of one of the host countries is higher than that of the home country, the MNE is confronted with stricter CSR requirements than that of the home country of the MNE. If an MNE is confronted with more stringent CSR requirements, based on the RCI-scores, it will receive value 1. If the MNE is not confronted with more stringent CSR requirements, it will

receive a score 0. Once again, this information is publically accessible through the World Economic Forum.

3.2.2.3 ECONOMIC TIES WITH HOST COUNTRY

As shown by Marano & Kostova (2016), the economic ties that MNEs have with their host countries influence the level of CSR adoption by MNEs. In their study, Marano and Kostova make a distinction in the level of devotion to a host-country by looking at MNEs that only have trade-based economic ties (lower dedication to the host-country) and MNEs that have FDI-based (a higher level of dedication to the host country).

Marano and Kostova showed that FDI-based economic ties increase the effect of CSR institutional strength on MNEs' CSR adoption (hypothesis 1) for U.S. MNEs. Furthermore, the study showed that exposure to countries with more stringent CSR requirements than the MNEs are faced with in their home country (hypothesis 2) has a larger effect on the MNEs' CSR adoption for MNEs that have FDI-based economic ties than those that only have trade-based economic ties.

The Orbis database provides insights on the assets of all MNEs' subsidiaries in host countries. When there are no subsidiaries in a certain country, there are no economic ties with the MNE and this host country. When there are subsidiaries present in the host country, but there are no assets reported on these subsidiaries, there is expected to be a trade-based economic tie with the host country. When there are reportings on subsidiaries' assets in a specific country, we can assume there to be a FDI-based economic tie with the host-country.

Since this type of assessment requires a multilevel analysis for each company on each country, we will use the total assets (in Euros) abroad as an indicator for the level of FDI instead. Based on the findings of Marano & Kostova (2016) we can assume that a higher level of FDI positively moderated the effects of hypothesis one and hypothesis two. The level of FDI is calculated as follows;

$$\textit{Level of FDI} = \sum \textit{all assets in the host countries (in Euros)/ total assets within transnational field (in Euros)}$$

3.2.3 CONTROL VARIABLES

To ensure the validity and reliability of this study, we will make use of the same control variables used by Marano & Kostova (2016). First of all we will control for the firm size as the log of firm sales (in Euros for the year 2014). This data was gathered through the Orbis

database. Secondly, we will control for the firms profitability, since this will affect the MNEs' resource availability for CSR practices. Profitability is the next control variable that is taken into account. This control variable was attained using the Orbis dataset. The dataset has provided us with profitability figures on all MNEs for the year 2014 (% of sales). Marano & Kostova also took into account R&D intensity, measured as the ratio of R&D expenditures to the total sales (% for the year 2014). Once more, we will use the Orbis database for this control variable, since it provides data on total sales as well as R&D expenditures. Finally, we will also look into the different industries, using the North American Industry Classification System (NAICS) 2012. This classification system has largely replaced older industry classification systems such as the Standard Industrial Classification (SIC) system. We categorized the MNEs into 5 different industries; 1) Manufacturing, 2) Professional Services and Information, 3) Energy, Extraction, Utilities, and Construction, 4) Wholesale Trade, Retail Trade, Warehousing, and Transportation, and 5) Other Industries.

3.3 VADLIDITY AND RELIABILITY

We will first look into the validity of this study, to describe the extent to which the measures accurately portray the concept that will be measured (Punch, 1998). We need to distinguish between the internal validity of this study and the external validity of it.

The internal validity is all about measuring what is intended to measure. It assesses the extent to which the results of a test and the concepts that needs to be measured are related. This can be assessed by looking into the content validity, the criterion validity, and the construct validity.

Content validity is the lowest level of validity, describing the representativeness and the relevance of the items (Field, 2013). Since this study uses the same or strongly related items to the study of Marano & Kostova (2016) for generalizability purposes, the content validity can be assured.

Criterion validity is about the question whether or not the test reflects a certain set of abilities. One of the ways to assess criterion validity is to compare it with a known standard. For this study we used the method of Aguilera & Jackson (2003) for the assessment of the national business system. For the other items the standards from Marano & Kostova (2016) were used. Unfortunately the databases used for their study were not freely accessible, but the ASSET4 ESG database as well as the Orbis database included similar variables, ensuring that it produces the same results and thus high criterion validity.

The final form of internal validity is that of construct validity. Construct validity is about the degree to which the operational definition of a concept matches the actual measurement (Field, 2013). To assess this, we need to look at the intended attributes that are being measured. Since we are measuring CSR adoption by MNEs we need to look at the attributes that are measures in the ASSET4 ESG dataset. This dataset is made up out of 4 pillars which use over 280 indicators. The ASSET4 ESG dataset is one of the most prominent measures of CSR adoption used in several studies, similar to the KLD-dataset used in the study of Marano & Kostova (2016). The KLD database could not be used since it only holds data on U.S. MNEs, whereas the ASSET4 ESG database holds data on MNEs from all over the world.

The external validity is about the uniqueness of the outcomes for the participants studied. It is all about the extent to which the results that were found are generalizable across populations, time and settings. For this study we looked at 500 European MNEs and their operations within the European and U.S. transnational field. The first limitation is that for this sample only listed companies were used. Therefore we cannot use these findings to generalize the outcome for smaller European companies. Furthermore, this study only looked into the European and U.S. transnational field. Therefore, these findings are not generalizable for transnational fields that exceeds to this transnational field. Thirdly, the data used for this study did not cover a larger timespan. Instead, the focus was on 2014 only. Finally, it needs to be stated that the samples per country are not equally distributed. This has to do with cases being deleted due to missing data. Therefore, there are some limitations regarding the external validity of this study.

Reliability is ‘the ability of the measure to produce the same results under the same conditions’ (Field, 2013, p. 13). This can be assessed by testing the same group twice. When reliable, the instrument will produce the same scores at both points in time, the so-called test-retest reliability. The research tools should be internally consistent for the tests to be reliable. To test the internal consistency, the Cronbach’s alpha coefficient can be used. This randomly splits the respondents to a question into all possible halves, then totalling the scores and showing the correlation between all sets.

3.4 ANALYTICAL TECHNIQUE

The hypotheses will be tested using a hierarchical multiple regression analysis. We are measuring a metric dependent variable of ratio scale and the predictor (independent) variables of institutional forces within the NBS and CSR requirements also are metric (both interval).

The moderator effect of FDI intensity will be incorporated, resulting in the following equation:

$$Y = \beta_0 + \beta_1 INST_i + \beta_2 REQ_i + \beta_3 INST_i FDI_i + \beta_4 REC_i FDI_i + \beta_5 SIZE_i + \beta_6 PROF_i + \beta_7 R\&D_i + \beta_8 INDUS_i + \varepsilon_i$$

Y here represents the dependent variable of CSR adoption, where β_0 is the intercept, and β_1 up to β_8 are the coefficients. The institutional forces within the NBS' are formulated as 'INST', the stringency of CSR requirements are formulated as 'REQ', and the economic ties as 'FDI'. These represent the primary predictor variables within the equation. The control variables are added as covariates to increase the precision and to reduce bias in the analysis; size (SIZE), profitability (PROF), research and development expenses (R&D), and industry (INDUS). i represents the specific observation for the calculation, and Ɛ represents the annotation for the error term.

To be able to perform a multiple regression analysis for Y, we first need to look at the assumptions that need to be fulfilled in order to perform multiple regression analysis (Hair, Black, Babin, & Anderson, Multivariate Data Analysis (7th Edition), 2010). This will be discussed in paragraph 4.1. Furthermore, this section addresses potential problems regarding multicollinearity, the minimum sample size, the presence of outliers, and the distribution of the primary predictor variables.

3.5 RESEARCH ETHICS

There are a number of ethical principles that always need to be taken into account when performing a study. These principles stress that the researcher needs to do good for the beneficiaries and perform no malfeasance. This comes down to the researcher obtaining informed consent from the participants and minimizing the risk of harm to any of the involved parties. If applicable the anonymity and confidentiality should be guaranteed. Since this study deals with freely available quantitative data, there is no potential risk of harm to any of the involved parties. The main ethical statement here should be on the way in which the data is gathered and processed. It needs to be stressed that there has been no manipulation of data or results. Data that was not fully usable for this study has been excluded in an early stage of the master thesis. The results that are presented in this thesis are all genuine and have in no way been manipulated.

4.0 RESULTS

In this chapter, we will first look into the assumptions that need to be met before conducting a hierarchical multiple regression analysis. These assumptions need to be met in order to conduct the analytical technique that we have chosen for this research. Successively, we will look into the data that served as the input for the analysis. Next we will look at the output of the regression models and relate them to the hypotheses that were formulated earlier in this study. Finally, we will also look into the robustness of the results.

4.1 ASSUMPTIONS

To ensure that we are able to perform a multiple regression analysis, we first need to check whether or not the data meets the assumptions of multiple regression. There are four assumptions that need to be met (Hair, Black, Babin, & Anderson, 2010); 1) the assumption of linearity, 2) the assumption of constant variance of the error term (homoscedasticity), 3) the assumption of independence of the error term, and 4) the assumption of normality of the error term distribution.

4.1.1 ASSUMPTION OF LINEARITY

The assumption of linearity can be assessed by the scatterplot (figure 4) that SPSS provides. The scatterplot consists of the standardized predicted values and the standardized residual values. Linearity can be assessed by the equal distribution of the residuals around the zero-value on the y-axis. The residuals should approximately deviate similar around this y-axis, as one can see in the scatterplot. This equal distribution indicates that the model meets the assumption of linearity.

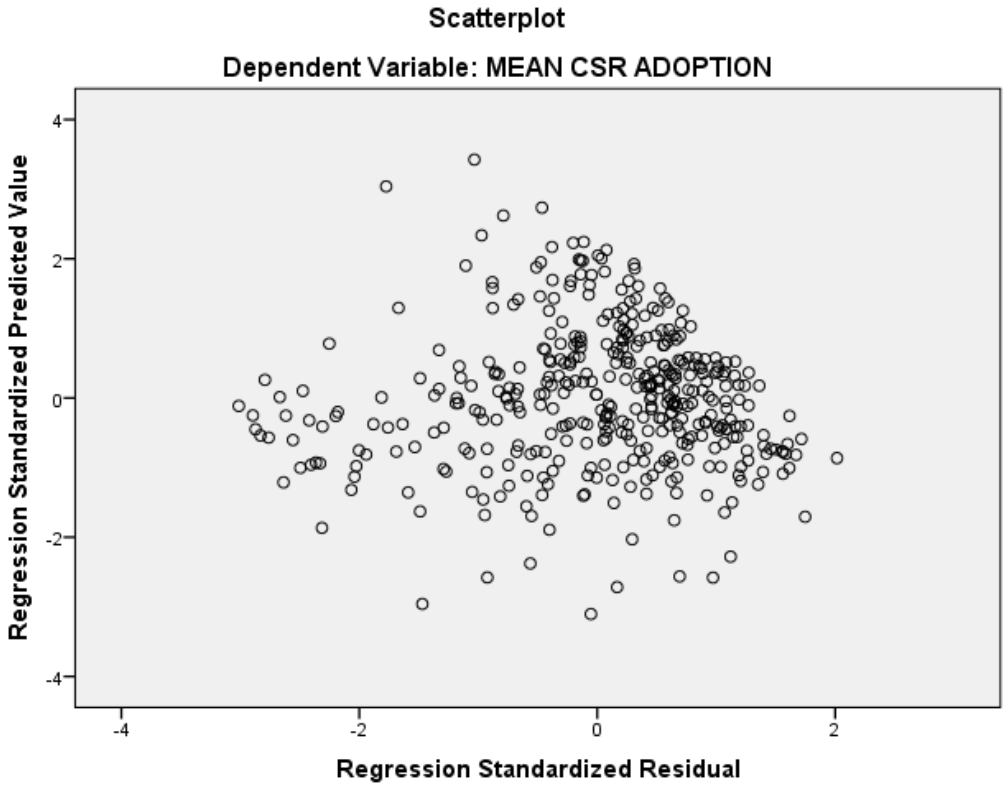


Figure 4: Scatterplot

4.1.2 ASSUMPTION OF HOMOSCEDASTICITY

For the evaluation of the second assumption of homoscedasticity we can also use the scatterplot (figure 1) for the assessment of fit. According to Hair et al. (2009) the scatterplot should not exhibit any clear pattern. As one can notice, there is no clear parabolic pattern to be found in the scatterplot, and therefore the model meets the requirement of homoscedasticity.

4.1.3 ASSUMPTION OF INDEPENDENCE OF THE ERROR TERM

The assumption of independence of the error term can be assessed looking at the residual statistics (table 10) that SPSS provides. To meet the assumption, the standardized predicted value should have a mean of 0.000 and a standard deviation of 1.000. As one can see in the residual plot, this assumption is met and the independence of the error term holds true.

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	32,3516	104,2440	66,5374	11,01204	407
Residual	-51,83025	34,66015	,00000	16,96806	407
Std. Predicted Value	-3,104	3,424	,000	1,000	407
Std. Residual	-3,013	2,015	,000	,986	407

a. Dependent Variable: MEAN CSR ADOPTION

Table 10: Residual statistics

4.1.4 ASSUMPTION OF NORMALITY

Finally, the dependent variable of CSR adoption should represent a distribution that is approximately normally distributed. Hair et al. mention that a normal distribution can be assessed by looking at the values of Skewness and Kurtosis. Both need to range between -3 and + 3, which is the case with the dependent variable of CSR adoption (see table 11). However, we can see that the dependent variable is negatively skewed. This does not lead to any problematic consequences for the further analysis.

Descriptives

			Statistic	Std. Error
MEAN CSR ADOPTION	Mean		66,5374	1,00267
	95% Confidence Interval for Mean	Lower Bound	64,5663	
		Upper Bound	68,5085	
	5% Trimmed Mean		68,0118	
	Median		72,7000	
	Variance		409,180	
	Std. Deviation		20,22820	
	Minimum		6,18	
	Maximum		93,03	
	Range		86,85	
	Interquartile Range		25,95	
	Skewness		-1,048	,121
	Kurtosis		,387	,241

Table 11: Descriptive statistics dependent variable

4.1.5 ADDITIONAL ASSUMPTIONS

Apart from these assumptions, there are some additional elements to look at before conducting the multiple regression analysis. Hair et al. also recommend to look at; 1) multicollinearity, 2) the presence of outliers, 3) the minimal sample size, and 4) the distribution of the predictor variables.

Looking at the coefficients table that SPSS provides us with, we need to assess model two. Model 2 includes VIF-values between 1.051 and 1.298 and tolerance values between .771 and .951. Hair et al. recommend a threshold for the VIF-values of < 10 and a threshold for tolerance values of > .10, therefore there is no indication of multicollinearity in this model.

When looking at the outliers, we need to assess the percentiles that SPSS provides for all variables. This table shows the 25-percentiles as well as the 75-percentiles, which are needed to find the outlier boundaries for the variables. Traditionally, the outlier boundaries were calculated multiplying the interquartile ranges by a factor 1.5 (Tukey, 1977). However, this might lead to a loss of statistical power in the iterative process of doing so and therefore some suggest to use a 2.2 factor instead of the 1.5 factor (Hoaglin & Iglewicz, 1987). When taking into account the 2.2 factor, we ascertain some outliers in the R&D control variable as well as the profitability control variable. In total we found 60 outliers, which were excluded from the further analysis.

Regarding the sample size for conducting this multiple regression analysis, the rule of thumb is to use five observations for every predictor variable (Hair, Black, Babin, & Anderson, Multivariate Data Analysis, 2009). However, one should preferably use fifteen to twenty observations per predictor variable to increase power and thus generate better results and improve robustness. Since we are using eleven predictor variables, we need a sample size of at least 220 to assure power. The dataset consists of 407 respondents after deleting the outliers, and therefore our sample is sufficient.

Finally, we looked at the distribution of the predictor variables. The prediction variable of size, which is expressed in total sales, showed Kurtosis and Skewness values which are considered to be non-normally distributed. Therefore, this variable was transformed using log-transformation. This resulted in appropriate values for both the Kurtosis and the Skewness as one can see in table 12.

Descriptives

			Statistic	Std. Error
SIZE	Mean		11766879,93	1257573,308
	95% Confidence Interval for Mean	Lower Bound	9294711,92	
		Upper Bound	14239047,95	
	5% Trimmed Mean		7660198,71	
	Median		3658000,00	
	Variance		643666684501855,800	
	Std. Deviation		25370586,996	
	Minimum		53333	
	Maximum		291218043	
	Range		291164710	
	Interquartile Range		8774942	
	Skewness		5,990	,121
	Kurtosis		49,378	,241
LN SIZE	Mean		15,2597	,06899
	95% Confidence Interval for Mean	Lower Bound	15,1240	
		Upper Bound	15,3953	
	5% Trimmed Mean		15,2453	
	Median		15,1124	
	Variance		1,937	
	Std. Deviation		1,39183	
	Minimum		10,88	
	Maximum		19,49	
	Range		8,61	
	Interquartile Range		1,84	
	Skewness		,194	,121
	Kurtosis		,161	,241

Table 5: Log transformation sales

Additionally, the variables of institutional strength and FDI-intensity were mean centred to compute the interaction term of institutional strength and FDI-intensity. This was done to reduce problems with multicollinearity between the interaction effect and the components of the interaction effect.

4.2 DESCRIPTIVE STATISTICS

Now that we know that the assumptions have been met, we can look into the descriptive statistics that represent the data that we used as an input for the multiple regression analysis. Table 13 provides a statistical overview of the variables included in the regression model.

	1	2	3	4	5	6	7	8	9	10	11
1. CSR ADOPTION	1										
2. INSTITUTIONAL STRENGTH	0.090	1									
3. STRINGENCY	0.068	-0.345	1								
4. FDI INTENSITY	0.035	-0.164	0.174	1							
5. PROFITABILITY	0.013	-0.010	0.041	0.030	1						
6. R&D INTENSITY	0.155	-0.014	0.063	0.130	0.118	1					
7. SIZE[a]	0.484	-0.052	0.164	0.066	-0.143	-0.030	1				
8. INDUSTRY 1 (PROF)	-0.077	-0.075	0.022	-0.046	0.093	-0.147	-0.110	1			
9. INDUSTRY 2 (ENERG)	0.062	0.008	-0.031	-0.229	-0.087	-0.204	0.189	-0.208	1		
10. INDUSTRY 3 (TRADE)	-0.095	0.087	-0.140	-0.135	-0.095	-0.222	0.055	-0.196	-0.173	1	
11. INDUSTRY 4 (OTHER)	-0.082	0.044	-0.009	0.083	0.033	-0.081	-0.070	-0.069	-0.061	-0.057	1
Mean	66.5374	0.5547	0.78	0.4497	7.8797	0.0115	15.2597	0.1916	0.1548	0.1400	0.0197
Standard Deviation	20.2282	0.11716	0.417	0.33980	9.07115	0.1764	1.39183	0.39408	0.36215	0.34747	0.13899
Minimum	6.18	0.32	0	0	-23.27	0	10.88	0	0	0	0
Maximum	93.03	0.80	1	1	40.66	0.08	19.49	1	1	1	1
N	407	407	407	407	407	407	407	407	407	407	407

[a] This variable is log-transformed

Table 6: Summary statistics and correlations

The correlations show that the highest correlation among the variables is 0.484, which does not exceed the threshold of 0.70. This shows that there is no moderate or high correlation among the variables that are included in the regression analysis. Furthermore, we already checked for possible problems with multicollinearity and we saw that the VIF-values, as well as the tolerance-values did not indicate multicollinearity in our model.

4.3 THE REGRESSION MODELS

We can now look at the models within the regression analysis, represented in table 14. Model one includes all control variables that were taken into account (profitability, size, R&D expenses, and industry). The second model also includes the main effects on CSR adoption (institutional strength, and exposure to more stringent CSR requirements). The final model includes all control variables, the main effects as well as the interaction terms of FDI-intensity on the main effects.

The ANOVA table that SPSS has provided us with (appendix 1) shows that all three models are statistically significant ($p = 0.000$). When we look at the adjusted R^2 we see that the first model (with the control variables) explains for 0.264 of 26.4 % of the variance in CSR adoption. Adding the main effects to the model (model two) increases the models predictive capacity in predicting CSR adoption in a statistically significant way, increasing the percentage of variance accounted for by 1.2 %. The second model results in a significant F change (0.015). The third and final model, which includes the interaction effect of FDI-intensity on the two main effects, shows to decrease the explained variance in CSR adoption. Furthermore, the change in F is not significant at a level of 0.372. Therefore, we should primarily focus on the second model to test the hypotheses.

	Model one	Model two	Model three
PROFITABILITY	0.141	0.141	0.134
	(0.149)	(0.144)	(0.168)
R&D INTENSITY	140.494	139.757	138.911
	(0.011)*	(0.011)*	(0.011)*
SIZE (LOG)	7.347	7.419	7.389
	(0.000)*	(0.000)*	(0.000)*
INDUSTRY 1	-2.378	-1.864	-1.670
	(0.333)	(0.446)	(0.499)
INDUSTRY 2	-2.471	-2.273	-2.205
	(0.380)	(0.417)	(0.435)
INDUSTRY 3	-6.660	-7.004	-7.040
	(0.020)*	(0.014)*	(0.014)*
INDUSTRY 4	-6.949	-7.891	-7.608
	(0.275)	(0.212)	(0.229)
INSTITUTIONAL STRENGTH		21.919	17.543
		(0.006)*	(0.041)*
STRINGENCY		0.163	-1.600
		(0.942)	(0.652)
INSTITUTIONAL STRENGTH * FDI INTENSITY			-18.513
			(0.383)
STRINGENCY * FDI INTENSITY			4.958
			(0.460)
N	407	407	407
R^2	20.2282	0.11716	0.417
Adjusted R^2	6.18	0.32	0
Sig. F change	93.03	0.80	1

Significance levels: *p < 0.05

Table 14: Multiple regression results with CSR adoption

The coefficients table summarizes the results of all variables entered into the equation. Within the second model, we see some variables that make a unique statistically significant contribution ($p < 0.05$). These variables include R&D intensity, industry 3, and the overall institutional strength. The coefficients table in appendix 1 shows that overall institutional strength has the largest contribution with a standardized beta coefficient of 0.127 (compared to 0.122 for R&D intensity and -0.120 for the dummy industry 3).

We can now assess the hypotheses that were formulated. Hypothesis 1 suggests a positive impact of institutional strength on CSR adoption. The full hypothesis was formulated as follows:

> *Hypothesis 1: CSR adoption by European MNEs is positively related to the overall strength of the CSR institutional forces within the national business systems in the European MNE's transnational field.*

As seen in model 2 in table 4, the effect of the overall strength of CSR institutional forces on CSR adoption is indeed positive (beta = 0.127). Furthermore, the effect is significant at $p = 0.006$. These findings empirically support the hypothesized relationship between overall strength of CSR institutional forces and CSR adoption.

The second hypothesis suggests that more stringent CSR-requirements in a host country (compared to the CSR-requirements of the home country of the MNE), have a positive effect on CSR adoption. The full hypothesis was formulated as follows:

> *Hypothesis 2: When a European MNE is confronted with more stringent CSR requirements in a host country compared to the requirements in the home country, this positively affects the European MNE's CSR adoption.*

Though there is a small positive effect (beta = 0.003), this effect does not show to be significant at $p = 0.942$. Therefore, we cannot empirically support hypothesis 2 and this hypothesis needs to be rejected.

Finally we look at the interaction effects from hypotheses 3a and 3b. The full hypotheses were formulated as follows:

> *Hypothesis 3a: The effect of CSR institutional strength on European MNE's CSR adoption is greater for FDI-based economic ties.*

Hypothesis 3b: The positive effect between exposure to countries with more stringent CSR requirements and a European MNE's CSR adoption is greater for FDI-based economic ties.

As mentioned before, the additional model (three), which includes the interaction effects on the main effects results in no significant F change. Furthermore, we see that FDI-intensity negatively influences the relation between the overall strength of CSR institutional forces and CSR adoption (beta = -0.045) at p = 0.383. So, the effect shows to be negative and not significant. The other interaction effect (beta = 0.088) also shows not to be significant at p = 0.460. Therefore, we can reject both hypothesis 3a and hypothesis 3b.

5.0 DISCUSSION

This section seeks to discuss the results taking into account the literature that formed the basis of this study. The aim of this study was to look into the generalizability of Marano & Kostova's (2016) findings on the level of CSR adoption by U.S. MNEs. We try to look into the findings of both studies and how these relate to the current literature.

We will start of comparing the findings of Marano & Kostova (2016) on hypothesis one. Marano & Kostova found a positive relationship between overall institutional strength and CSR adoption. In their results we found a correlation of 0.09 between the two variables, which is exactly the same correlation we found in this replicate study. This correlation showed to be significant in both cases. Therefore, we can generalize the findings of Marano & Kostova on European MNEs on hypothesis one.

The difference that needs to be pointed out is the construct that was created to represent the overall strength of CSR institutional forces. Marano & Kostova's construct for overall institutional strength was composed out of an institutional part represented by the RCI-score and an economic dependence part that was constructed out of the sum of four ratios. Instead of the RCI-score we used our own composite measure for institutional strength that was composed using Aguilera & Jackson's (2003) framework.

For the economic dependence part Marano & Kostova used a construct that was created out of the sum of four ratios. These ratios were: (1) country specific annual exports/ total annual exports; (2) country specific annual imports / total annual imports; (3) number of employees per country per year to the total number of employees; and (4) the number of subsidiaries per country per year to the total number of subsidiaries. Unfortunately this data was largely unavailable. Therefore, we constructed the economic dependence construct using the subsidiaries and the economic dependence on these subsidiaries. In doing so, we used the data on the subsidiaries assets per country a set this off against the total assets within the MNE's transnational field.

Overall we can conclude that both measures for overall strength of CSR institutional forces are not the best. This has to do with the different measurement levels of the constructs. The institutional part (RCI or the NBS) is measured on a national level, while the economic dependence element is measured on a company level. These two different levels influence each other and have their influence on the chance of companies being selected. Furthermore, the national measurement level is very decisive for the dataset. This specifically becomes

clear when we take into account the MNEs' home countries as a control variable. Table 15 shows the additional explained variance when taking into account the country of the MNE's origin.

Model Summary[d]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,636[a]	,405	,369	16,06712	,405	11,327	23	383	,000	
2	,639[b]	,409	,370	16,05796	,004	1,219	2	381	,297	
3	,645[c]	,416	,374	16,00323	,007	2,305	2	379	,101	2,178

a. Predictors: (Constant), DUMMY CH, DUMMY LU, DUMMY OTHER INDUSTRIES, DUMMY PL, DUMMY GR, DUMMY AT, DUMMY DK, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY NL, DUMMY IE, DUMMY FI, DUMMY NO, DUMMY BE, DUMMY ES, LN SIZE, DUMMY IT, SE DUMMY, DUMMY PROFESSIONAL SERVICES AND INFORMATION, PROFITABILITY, R&D INTENSITY, DUMMY DE, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, DUMMY FR

b. Predictors: (Constant), DUMMY CH, DUMMY LU, DUMMY OTHER INDUSTRIES, DUMMY PL, DUMMY GR, DUMMY AT, DUMMY DK, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY NL, DUMMY IE, DUMMY FI, DUMMY NO, DUMMY BE, DUMMY ES, LN SIZE, DUMMY IT, SE DUMMY, DUMMY PROFESSIONAL SERVICES AND INFORMATION, PROFITABILITY, R&D INTENSITY, DUMMY DE, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, DUMMY FR, STRINGENCY, OVERALL STRENGTH OF INSTITUTIONAL FORCES

c. Predictors: (Constant), DUMMY CH, DUMMY LU, DUMMY OTHER INDUSTRIES, DUMMY PL, DUMMY GR, DUMMY AT, DUMMY DK, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY NL, DUMMY IE, DUMMY FI, DUMMY NO, DUMMY BE, DUMMY ES, LN SIZE, DUMMY IT, SE DUMMY, DUMMY PROFESSIONAL SERVICES AND INFORMATION, PROFITABILITY, R&D INTENSITY, DUMMY DE, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, DUMMY FR, STRINGENCY, OVERALL STRENGTH OF INSTITUTIONAL FORCES, INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI, INTERACTION TERM STRINGENCY AND FDI

d. Dependent Variable: MEAN CSR ADOPTION

Table 15: Additional explained variance using home country as control variable

In the establishment of the construct of overall strength of CSR institutional forces we found that the national business systems (NBS) of some countries scored different from what one would expect. Traditionally Germany is considered to be an stakeholder-oriented country, but using the framework of Aguilera & Jackson (2003) Germany scored relatively high on shareholder orientation while Ireland (as a traditional Anglo-Saxon country) scored relatively low (0.53 and 0.55 respectively). We tried to perform a robustness check by comparing the data that served as an input over several years. Unfortunately, no robustness check could be performed due to too much missing data on other years. To assess whether or not this had an influence on the results, we checked the correlation between the variable of overall strength of CSR institutional forces using both the national business system (NBS) as the institutional component of the computed variable as well as the Responsible Competiveness Index (RCI). The variables show to significantly correlate, but the correlation itself is weak to moderate at a correlation of 0.295 as one can see in table 16.

Correlations

		OVERALL STRENGTH OF INSTITUTIONAL FORCES (NBS)	OVERALL STRENGTH OF INSTITUTIONAL FORCES (RCI)
OVERALL STRENGTH OF INSTITUTIONAL FORCES (NBS)	Pearson Correlation	1	,295**
	Sig. (2-tailed)		,000
	N	407	407
OVERALL STRENGTH OF INSTITUTIONAL FORCES (RCI)	Pearson Correlation	,295**	1
	Sig. (2-tailed)	,000	
	N	407	407

**. Correlation is significant at the 0.01 level (2-tailed).

Table 16: Correlations NBS and RCI

In our second hypothesis, we focussed on the relationship between stringency of CSR requirements in host countries (compared to the home country CSR requirements) and CSR adoption. Unlike Marano & Kostova we found no significant effect for this hypothesis (model two: $\beta = 0.163$; $p = 0.942$). Therefore we need to conclude that the findings of Marano & Kostova cannot be generalized on European MNEs. This might have to do with Marano & Kostova solely focussing on the U.S. as the home country. In their study, Marano & Kostova mention that they found few countries with more stringent CSR requirements than the home country CSR requirements from the U.S.. Unfortunately they do not mention how many MNEs did face more stringent CSR requirements in the host countries in which they operate. This potentially influenced their findings, since the number of companies that did face more stringent CSR requirements might have been too low.

Our study contributes to this by including MNEs from multiple countries. In total we looked at MNEs from 17 different countries. The transnational field of this study focussed on 26 countries. In our study most MNEs were confronted with more stringent CSR requirements in the host countries in which they operated (compared to the home country CSR requirements). In total 77.30 % of all companies faced more stringent CSR requirements abroad. Lower CSR requirements were especially found in Southern and Eastern European countries as well as in the Balkan states.

In our third and final hypothesis, we looked into the moderating effects of FDI-intensity on hypothesis one and two. We found a negative non-significant effect for the moderating effect on hypothesis one (β = -18.513; p = 0.383). The second moderating effect of FDI-intensity on hypothesis two showed a positive non-significant effect (β = 4.958; p = 0.460). This finding is interesting, especially because there is a significant outcome for industry 3 (Wholesale trade, retail trade, warehousing, and transportation). Perhaps the investments from this industry represents a lower commitment compared to the other industries. To assess this, we run a one-way ANOVA in SPSS, with the following output:

Descriptives

FDI INTENSITY

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Manufacturing	236	,5466	,33494	,02180	,5037	,5896	,00	1,00
Professional services and information	94	,4025	,35460	,03657	,3299	,4752	,00	1,00
Energy, extraction, utilities, and construction	70	,2898	,30498	,03645	,2170	,3625	,00	1,00
Wholesale trade, retail trade, warehouding, and transportation	58	,3348	,29847	,03919	,2563	,4133	,00	1,00
Other industries	9	,5919	,34637	,11546	,3257	,8582	,02	1,00
Total	467	,4537	,34564	,01599	,4223	,4851	,00	1,00

Table 17: Descriptive output One-way ANOVA

Table 17 shows the FDI-intensity for each industry. As one can see, the intensity differs per industry with ‘Other industries’ having the highest FDI-intensity and the ‘Energy, extraction, utilities, and construction’ industry having the lowest FDI-intensity. The Levene’s test shows a significance of 0.034, which is not larger 0.05, and therefore the variance among the populations is not equal. The analysis of variance amongst the means, as well as the robust test of equality of means, shows to be significant though at p = 0.000 (see appendix 2).

6.0 CONCLUSION

In this section we will first reflect on the research questions that were formulated in the beginning of this study. Furthermore, we will elaborate on the implications that our work has both theoretically and managerially. We will close this section by reflecting on the limitations of this study as well as proposing some suggestions for future research.

6.1 REFLECTING ON RESEARCH QUESTIONS

The first research question sets of to investigate the impact of CSR institutional forces within the European MNEs' transnational fields on the level of CSR adoption. Our research clearly found that the overall strength of CSR institutional forces (consisting of economic dependence and national business systems) clearly influence European MNEs' CSR adoption. This is fully in line with the findings of Marano & Kostova (2016).

The second research question looked into the impact of exposure to host countries with more stringent CSR requirements than the MNEs' home country on CSR adoption. Whereas Marano & Kostova found a significant effect, we did not find any significant impact of more stringent CSR requirements on CSR adoption. This effect showed to be positive, but it was not significant. Therefore, we can reject the generalizability of Marano & Kostova's findings.

Our final research question looked at the impact that economic linkages with host countries have on the level of CSR adoption by European MNEs. Based on the study of Marano & Kostova we expected a moderating effect of FDI-intensity on hypotheses one and two. However, we did not find any moderating effect that was statistically significant. Oddly, FDI-intensity showed to negatively affect hypothesis one, but not statistically significant though.

Overall we can support the findings of Marano & Kostova (2016) on our mutual first hypothesis. Unfortunately we were unable to generalize the rest of their findings.

6.2 THEORETICAL IMPLICATIONS

Our replicate study has shown that the findings of Marano & Kostova (2016) do not fully hold for European MNEs. First we have shown that the overall strength of CSR institutional forces has a positive and significant effect on European MNEs' CSR adoption. Therefore we can state that this variable is of influence on the level of CSR adoption for both U.S. and European MNEs. This increases the likelihood of this hypothesis being generalizable on MNEs from other regions than the U.S. and Europe.

Secondly, our study has shown that European MNEs are not influenced in their CSR adoption by experiencing more stringent CSR requirements in host countries. This is not in line with the findings of Marano & Kostova, which most likely has to do with Marano & Kostova focussing on just one country of origin and host country environments that do not have more stringent CSR requirements than the home country. The level of heterogeneity of national business systems within the transnational field might be a cause of this. Our findings also contribute to the literature on MNEs' local adaptation (Blumentritt & Nigh, 2002; Hah & Freeman, 2014; Kostova & Zaheer, 1999). According to the current literature, the main motive for MNEs to adapt their strategy is to suit local requirements and thereby gain legitimacy. According to the current literature, this especially holds for situations where stakeholder demands are higher in host countries as compared to the home country demands. Our study has shown that this does not hold true for stakeholder demands regarding CSR.

Third, we have shown that FDI-intensity negatively moderates the relationship between the overall strength of CSR institutional forces and positively affects the relationship between CSR stringency and CSR adoption. Both moderating effects showed to be non-significant. This finding does not support the findings of Marano & Kostova (2016). Possibly this has to do with the difference in constructs used by Marano & Kostova. We only looked at the FDI-intensity as a measure, whereas Marano & Kostova used a wider construct.

Finally, we have shown that the country of origin explains a lot more about the variance in CSR adoption. This has not been taken into account by Marano & Kostova. The additional explained variance of this control variable is 10.5 % in our study.

6.3 MANAGERIAL IMPLICATIONS

On a managerial level, the implications are relatively limited. One implication that we would like to mention is that firm executives could be stimulated more to take into account local CSR requirements to increase their overall performance on corporate social responsibility. Exposure to different national business systems provides executives with the learning opportunity to create best practices that improve the overall CSR performance of MNE.

6.4 LIMITATIONS

The first limitation of our study has to do with the scope of the study. In our study the focus has been on European MNEs from 17 different countries. Unfortunately we were not able to include all European countries in this study due to a lack of data. Therefore we have to point

out that our findings are not representative for the whole of Europe. In our study we have seen a large diversity of national business systems. Therefore it would be wise to differentiate regions within Europe such as the Scandinavian countries, Western Europe, Southern Europe, Eastern Europe, and the Balkan region. Furthermore, our transnational field did not include all European countries. This also had to do with a lack of data on some countries (such as Romania and Bulgaria).

Secondly, our replication study made use of some different constructs than the constructs used by Marano & Kostova (2016). Despite that we are convinced that the constructs we used largely represent the same variables used by Marano & Kostova, this possibly affected some of our findings.

Third, we would like to mention that the data we used only reflects on the year 2014. We were not able to find sufficient data on other years to perform robustness checks. This might particularly have had its effect on the ranking of the national business systems, using Aguilera & Jackson's (2003) framework. We saw a weak to moderate correlation between the concepts of NBS and RCI.

In addition to this, we were unable to measure all predictor variables of Aguilera and Jackson's framework. Therefore, the established scores on the national business systems are not complete. We did manage to measure variables on each of the main three stakeholders here, but some of these stakeholders could not be assessed fully due to insufficient data on the variables that make up the three stakeholders in the framework.

As mentioned in the previous chapter, our study took into account variables of different measurement levels. Some variables are measured on a national level while others are measured on a firm level. Our study did not take this into account. These different measurement levels might have influenced each other.

6.5 SUGGESTIONS FOR FUTURE RESEARCH

A first suggestion for future research would be to conduct a multi-level analysis. This way the problem of measurements at different levels can be taken into account. This will deepen the understanding of the different concepts and their individual contribution to our findings.

Future research could also focus on MNEs from other regions in the world to test the generalizability of our findings as well as the findings of Marano & Kostova. It would be interesting to look at home regions where CSR requirements are relatively low while the CSR

requirements of most host countries are significantly higher (e.g. Asia, South America, or Africa). This might offer better insights on our second hypothesis.

Since the variance explained in CSR adoption is predominantly explained by our control variables, another suggestion would be to extend the current model by including new variables that can be of effect on CSR adoption. As shown, the country of origin shows to increase the variance explained significantly. Future research can look into this variable as well as new variables to extend the model.

A final suggestion for future research is to assess the development of CSR performance of European MNEs over time. As mentioned earlier, our study only focused on the year 2014. Since European MNEs started to implement CSR practices relatively late, it might be interesting to deepen our knowledge on the development of CSR practices in Europe in relation to the model we studied. It might also be interesting here to interview managers of different MNE's headquarters as well as subsidiary managers to gain knowledge on managers' cognitive reasoning on CSR adoption.

Bibliography

Aguilera, R. V., & Jackson, G. (2003). THE CROSS-NATIONAL DIVERSITY OF CORPORATE GOVERNANCE: DIMENSIONS AND DETERMINANTS. *Academy of Management Review*, 447-465.

Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations. *Academy of Management Review*, 836-863.

Bandelj, N. (2002). Embedded Economies: Social Relations as Determinants of Foreign Direct Investment in Central and Eastern Europe. *Social Forces*, 411-444.

Blumentritt, T. P., & Nigh, D. (2002). The Integration of Subsidiary Political Activities in Multinational Corporations. *Journal of International Business Studies* , 57-77.

Bowen, H. R. (1953). *Social responsibilities of the businessman.* Iowa: University of Iowa Press.

Brown, R. E. (2008). Sea change: Santa Barbara and the eruption of corporate social responsibility. *Public Relations Review*, 1-8.

Browne, C., Corrigan, G., Crotti, R., Di Battista, A., Drzeniek Hanouz, M., Galvan, C., et al. (2015). *The Global Competitiveness Report 2015-2016.* World Economic Forum.

Campbell, J. L. (2005). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Paper presented at the annual meeting of the American Sociological Association, Philadelphia*.

Cannon, T. (1994). *Corporate Responsibility: A Textbook on Business Ethics, Governance, Environment : Roles and Responsibilities.* Pitman Publishing: London.

Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. *The Academy of Management Review*, 497-505.

Carroll, A. B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, 225-235.

Cernat, L. (2010). The emerging European corporate governance model: Anglo-Saxon, Continental, or still the century of diversity? *Journal of European Public Policy*, 147-166.

Chapple, W. (2005). Corporate Social Responsibility (CSR) in Asia. *Business & Society*, 415-441.

Choi, J. J., & Dow, S. (2008). *Institutional Approach to Global Corporate Governance: Business Systems and Beyond.* Bingley: Emerald Group Publishing Limited.

Clark, G. L., & Hebb, T. (2004). Why do they care? The market for corporate global responsibility and the role of institutional investors. *University of Oxford*.

Danielson, M. G., Heck, J. L., & Shaffer, D. (2008). Shareholder Theory - How Opponents and Proponents Both Get it Wrong. *Journal of Applied Finance*, 62-66.

Dau, L. A. (2013). Learning across geographic space: Pro-market reforms, multinationalization strategy, and profitability. *ournal of International Business Studies*, 235-262.

D'Aunno, T., Succi, M., & Alexander, J. A. (2000). The Role of Institutional and Market Forces in Divergent Organizational Change. *Administrative Science Quarterly*, 679-703.

Davis, K. (1960). Can Business Afford To Ignore Social Responsibilities? *California Management Review*, 70-76.

De Mooij, M. (2004). *Consumer Behavior and Culture.* Thousand Oaks: Sage.

Demirgüç-Kunt , A., & Levine, R. (1999). *Bank-Based and Market-Based Financial Systems: Cross-Country Comparisons.* Washington: World Bank Group.

DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 147-160.

Dyck, A., Lins, K. V., Roth, L., & Wagner, H. F. (2015). Do Institutional Investors Drive Corporate Social Responsibility? International Evidence. *Rotman School of Management Working Paper No. 2708589*.

Edlund, J., & Grönlund, A. (2008). Protection of Mutual Interests? Employment Protection and Skill Formation in Different Labour Market Regimes. *European Journal of Industrial Relations*, 245-264.

Field, A. (2013). *Discovering Statistics Using IBM SPSS Statistics.* London: Sage.

Fiss, P. C., & Zajac, E. J. (2004). The Diffusion of Ideas over Contested Terrain: The (Non)adoption of a Shareholder Value Orientation among German Firms. *Administrative Science Quarterly*, 501-534.

Forte, A. (2013). Corporate Social Responsibility In The United States And Europe: How Important Is It? The Future Of Corporate Social Responsibility. *International Business & Economics Research Journal*, 815-824.

Forum, W. E. (2015). *The Global Competitiveness Report 2014-2015.* Geneva: World Economic Forum .

Freeman, E. R. (1984). *Strategic Management: A Stakeholder Approach.* Boston: Pitman.

Freeman, E. R., Wicks, A. C., & Parmar, B. (2004). Stakeholder Theory and "The Corporate Objective Revisited". *Organiaztion Science 15*, 364-369.

Friedman, M. (1962). *Capitalism and freedom.* Chicago: University of Chicago Press.

Friedman, M. (2007). The Social Responsibility of Business Is to Increase Its Profits. In W. C. Zimmerli, K. Richter, & M. Holzinger, *Corporate Ethics and Corporate Governance* (pp. 173-178). New York: Springer.

Goshal, S., & Nohria, N. (1989). Internal differentiation within multinational corporations. *Strategic Management Journal*, 323-337.

Group, W. B. (2015). *Doing Business (Measurring Business Regulations)*. Retrieved June 24, 2016, from Doing Business (Measurring Business Regulations): http://www.doingbusiness.org/data/exploretopics/protecting-minority-investors#sub-menu-item-link

Guler, I., Guillén, M. F., & Muir Macpherson, J. (2002). Global Competition, Institutions, and the Diffusion of Organizational Practices: The International Spread of ISO 9000 Quality Certificates. *Administrative Science Quarterly*, 207-332.

Hah, K., & Freeman, S. (2014). Multinational Enterprise Subsidiaries and their CSR: A Conceptual Framework of the Management of CSR in Smaller Emerging Economies. *Journal of Business Ethics*, 125-136.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate Data Analysis (7th Edition).* New Jersey: Pearson.

Hall, P. A., & Soskice, D. (2001). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage.* Oxford: Oxford University Press.

Herciu, M., & Ogrean, C. (2008, September). Interrelations between competitiveness and responsibility at macro level. *Management Decision*, 1230-1246.

Hoaglin, D. C., & Iglewicz, B. (1987). Fine tuning some resistant rules for outlier labeling. *Journal of the American Statistical Association*, 1147-1149.

Hodgson, G. M. (2006). What Are Institutions? *JOURNAL OF ECONOMIC ISSUES*, 1153-1157.

Hofstede, G. (2011). Dimensionalizing Cultures: The Hofstede Model in Context. *Psychology and Culture*.

Husted, B. W., & Allen, D. B. (2006). Corporate Social Responsibility in the Multinational Enterprise: Strategic and Institutional Approaches. *Journal of International Business Studies* , 838-849.

Husted, B. W., Montiel, I., & Christmann, P. (2016). Effects of local legitimacy on certification decisions to global and national CSR standards by multinational subsidiaries and domestic firms. *Journal of International Business Studies*, 382-397.

Institute, E. T. (2014). *worker-participation.eu*. Retrieved June 20, 2016, from worker-participation.eu: http://www.worker-participation.eu/National-Industrial-Relations/Countries

Ioannou, I. (2012). WHAT DRIVES CORPORATE SOCIAL PERFORMANCE? THE ROLE OF NATION-LEVEL INSTITUTIONS. *Journal of International Business Studies*.

Jackson, G., & Apostolakou, A. (2010). Corporate Social Responsibility in Western Europe: An Institutional Mirrot or Substitute? *Journal of Business Ethics*, 371-394.

Jamali, D., & Neville, B. (2011). Convergence Versus Divergence of CSR in Developing Countries: An Embedded Multi-Layered Institutional Lens. *Journal of Business Ethics*, 599-621.

Jensen, M. C. (2002). Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *Business Ethics Quarterly*, 235-256.

Johanson, J., & Vahlne, J.-E. (1977). The Internationalization Process of the Firm—A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 23-32.

Jones, M. T. (1999). The Institutional Determinants of Social Responsibility. *Journal of Business Ethics*, 163-179.

Kane, H., Lewis, M. A., Williams, P. A., & Kahwati, L. C. (2014). Using qualitative comparative analysis to understand and quantify translation and implementation. *Translational Behavioral Medicine*, 201–208.

Kostova, T. (1999). Transnational Transfer of Strategic Organizational Practices: A Contextual Perspective. *Academy of Management Review*, 308-328.

Kostova, T., & Zaheer, S. (1999). Organizational Legitimacy under Conditions of Complexity: The Case of the Multinational Enterprise. *The Academy of Management Review*, 64-81.

Kraatz, M. S., & Block, E. S. (2008). Organizational Implications of Institutional Pluralism. In R. Greenwood, C. Oliver, K. Sahlin, & R. Suddaby, *The SAGE handbook of organizational institutionalism* (pp. 243-275). London: Sage.

Lee, S. Y., & Carroll, C. E. (2011). The Emergence, Variation, and Evolution of Corporate SocialResponsibility in the Public Sphere, 1980–2004: The Exposureof Firms to Public Debate. *Journal of Business Ethics*, 115-131.

Lepoutre, J., & Heene, A. (2006). Investigating the Impact of Firm Size on Small Business Social Responsibility: A Critical Review. *Journal of Business Ethics*, 257-273.

Levitt, T. (1983). The Globalization of Markets. *Harvard Business Review (May-June)*, 2-11.

Luetkenhorst, W. (2004). Corporate social responsibility and the development agenda. *Intereconomics*, 157-166.

MacGillivray, A., Begley, P., & Zadek, S. (2007). *The State of Responsible Competitiveness 2007.* London: AccountAbility.

Maignan, I., & Ralston, D. A. (2002). Corporate social responsibility in Europe and the U.S.: Insights from businesses' self-presentations. *Journal of International Business Studies*, 497-515.

Marano, V., & Kostova, T. (2016). Unpacking the Institutional Complexity in Adoption of CSR Practices in Multinational Enterprises. *Journal of Management Studies*, 28-54.

Maricic, M., & Kostic-Stankoviv, M. (2014). Towards an impartial Responsible Competitiveness Index: a twofold multivariate I-distance approach. *Quality & Quantity*, 103-120.

Matten, D., & Moon, J. (2008). "Implicit" and "Explicit" CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility. *The Academy of*

Meyer, J. W., & Rowan, B. (1977). Institutionalized Organizations: Formal Structures as Myth and Ceremony. *American Journal of Sociology*, 340-363.

Muller, A. (2006). Global Versus Local CSR Strategies. *European Management Journal*, 189-198.

OECD. (2014). *http://www.oecd.org/*. Retrieved June 11, 2016, from http://www.oecd.org/: http://www.oecd.org/els/emp/oecdindicatorsofemploymentprotection.htm

OECD. (2015). *OECD Corporate Governance Factbook.* Paris: OECD.

Oliver, C. (1991). Strategic Responses to Institutional Processes. *The Academy of Management Review*, 145-179.

Peng, G. Z., & Beamish, P. W. (2008). The effect of national corporate responsibility environment on japanese foreign direct investment. *Journal of Business Ethics*, 677-695.

Punch, K. F. (1998). *Introduction to Social Research.* London: Sage.

Ragin, C. (1987). *The Comparative Method: Moving beyond qualitative and quantitative strategies.* Los Angeles, California: University of California Press.

Ragin, C., Davey, S., & Drass, K. (2014). *fs/QCA [Computer Programme], Version 2.5.* Irvine, CA: University of California.

Reimann, F., Rauer, J., & Kaufmann, L. (2015). MNE Subsidiaries' Strategic Commitment to CSR in Emerging Economies: The Role of Administrative Distance, Subsidiary Size, and Experience in the Host Country. *Journal of Business Ethics*, 845-857.

Santangelo, G. D., & Meyer, K. E. (2011). Extending the internationalization process model: Increases and decreases of MNE commitment in emerging economies. *Journal of International Business Studies*, 894-909.

Scherer, A. G., & Palazzo, G. (2008). GLOBALIZATION AND CORPORATE SOCIAL RESPONSIBILITY. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel, *THE OXFORD HANDBOOK OF CORPORATE SOCIAL RESPONSIBILITY* (pp. 413-431). Oxford: Oxford University Press.

Scott, R. W. (1987). The Adolescence of Institutional Theory. *Administrative Science Quarterly*, 493-511.

Semenova, N., & Hassel, L. G. (2015). On the Validity of Environmental Performance Metrics. *Journal of Business Ethics*, 249–258.

Seo, M.-G., & Creed, W. D. (2002). Institutional Contradictions, Praxis, and Institutional Change: A Dialectical Perspective. *The Academy of Management Review*, 222-247.

Smith, J. H. (2003). The Shareholders vs. Stakeholders Debate. *MIT Sloan Management Review*, 85-90.

Surroca, J., Tribó, J. A., & Zahra, S. A. (2013). Stakeholder Pressure on MNEs and the Transfer of Socially Irresponsible Practices to Subsidiaries. *Academy of Management Journal*, 549-572.

Tempel, A. (2006). Multinationals and National Business Systems: A 'Power and Institutions' Perspective. In P. Almond, & A. Ferner, *American Multinationals in Europe: Managing Employment Relations Across National Borders.* Oxford: Oxford Scholarship Online.

Thornton, P. H. (2002). The Rise of the Corporation in a Craft Industry: Conflict and Conformity in Institutional Logics. *The Academy of Management Journa*, 81-101.

Tukey, J. W. (1977). *Exploratory Data Analysis.* New York: Addison-Wesley.

Vogel, D. (1992). The Globalization of Business Ethics: Why America Remains Distinctive. *California Management Review*, 30-49.

Vogel, D. (1997). *Trading Up: Consumer and Environmental Regulation in a Global Economy.* Cambridge: Harvard University Press.

Vogel, D. (2006). *The market for virtue: The potential and limits of corporate social responsibility.* Washington: Brookings Institution Press.

Whitley, R. (1994). *European Business Systems, Firms and Markets in their national context.* London: Sage.

Whitley, R. (1997). Business systems. In A. Sorge & M. Warner (eds). In *The IEBM handbood of organizational behaviour* (pp. 173-186). London: International Thomson Business Press.

Whitley, R. (1999). *Divergent capitalism: The social structuring and change of business systems.* Oxford: Oxford University Press.

Williams, C. A. (2004). Civil society initiatives and "soft law" in oil and gas industry. *New York University Journal of International Law and Politics*, 457-502.

Yang, X., & Rivers, C. (2009). Antecedents of CSR Practices in MNCs' Subsidiaries: A Stakeholder and Institutional Perspective. *Journal of Business Ethics*, 155-169.

APPENDIX 1

Descriptive Statistics

	Mean	Std. Deviation	N
MEAN CSR ADOPTION	66,5374	20,22820	407
PROFITABILITY	7,8797	9,07115	407
R&D INTENSITY	,0115	,01764	407
LN SIZE	15,2597	1,39183	407
DUMMY PROFESSIONAL SERVICES AND INFORMATION	,1916	,39408	407
DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	,1548	,36215	407
DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	,1400	,34747	407
DUMMY OTHER INDUSTRIES	,0197	,13899	407
FDI INTENSITY	,4497	,33980	407
OVERALL STRENGTH OF INSTITUTIONAL FORCES	,5547	,11716	407
STRINGENCY	,78	,417	407
INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	-,0071	,04935	407
INTERACTION TERM STRINGENCY AND FDI	,3737	,35699	407

Correlations

		MEAN CSR ADOPTION	PROFITABILITY	R&D INTENSITY	LN SIZE	DUMMY PROFESSIONAL SERVICES AND INFORMATION	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	DUMMY OTHER INDUSTRIES	FDI INTENSITY	OVERALL STRENGTH OF INSTITUTIONAL FORCES	STRINGENCY	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	INTERACTION TERM STRINGENCY AND FDI
Pearson Correlation	MEAN CSR ADOPTION	1,000	,013	,155	,484	-,077	,062	-,095	-,082	,035	,090	,068	-,105	,081
	PROFITABILITY	,013	1,000	,118	-,143	,093	-,087	-,095	,033	,030	-,010	,041	-,024	,055
	R&D INTENSITY	,155	,118	1,000	-,030	-,147	-,204	-,222	-,081	,130	-,014	,063	-,046	,110
	LN SIZE	,484	-,143	-,030	1,000	-,110	,189	,055	-,070	,066	-,052	,164	,012	,127
	DUMMY PROFESSIONAL SERVICES AND INFORMATION	-,077	,093	-,147	-,110	1,000	-,208	-,196	-,069	-,046	-,075	,022	,121	-,022
	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	,062	-,087	-,204	,189	-,208	1,000	-,173	-,061	-,229	,008	-,031	,015	-,167
	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	-,095	-,095	-,222	,055	-,196	-,173	1,000	-,057	-,135	,087	-,140	-,055	-,140
	DUMMY OTHER INDUSTRIES	-,082	,033	-,081	-,070	-,069	-,061	-,057	1,000	,083	,044	-,009	,023	,058
	FDI INTENSITY	,035	,030	,130	,066	-,046	-,229	-,135	,083	1,000	-,164	,174	,181	,816
	OVERALL STRENGTH OF INSTITUTIONAL FORCES	,090	-,010	-,014	-,052	-,075	,008	,087	,044	-,164	1,000	-,345	-,455	-,201
	STRINGENCY	,068	,041	,063	,164	,022	-,031	-,140	-,009	,174	-,345	1,000	,237	,562
	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	-,105	-,024	-,046	,012	,121	,015	-,055	,023	,181	-,455	,237	1,000	,098
	INTERACTION TERM STRINGENCY AND FDI	,081	,055	,110	,127	-,022	-,167	-,140	,058	,816	-,201	,562	,098	1,000
Sig. (1-tailed)	MEAN CSR ADOPTION	.	,396	,001	,000	,060	,105	,028	,049	,242	,035	,085	,017	,051
	PROFITABILITY	,396	.	,008	,002	,030	,040	,028	,256	,276	,422	,203	,315	,133
	R&D INTENSITY	,001	,008	.	,274	,001	,000	,000	,050	,004	,386	,104	,175	,014
	LN SIZE	,000	,002	,274	.	,013	,000	,135	,078	,091	,149	,000	,407	,005
	DUMMY PROFESSIONAL SERVICES AND INFORMATION	,060	,030	,001	,013	.	,000	,000	,083	,179	,064	,332	,007	,327
	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	,105	,040	,000	,000	,000	.	,000	,111	,000	,437	,265	,380	,000
	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	,028	,028	,000	,135	,000	,000	.	,125	,003	,040	,002	,134	,002
	DUMMY OTHER INDUSTRIES	,049	,256	,050	,078	,083	,111	,125	.	,047	,187	,428	,324	,120
	FDI INTENSITY	,242	,276	,004	,091	,179	,000	,003	,047	.	,000	,000	,000	,000
	OVERALL STRENGTH OF INSTITUTIONAL FORCES	,035	,422	,386	,149	,064	,437	,040	,187	,000	.	,000	,000	,000
	STRINGENCY	,085	,203	,104	,000	,332	,265	,002	,428	,000	,000	.	,000	,000
	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	,017	,315	,175	,407	,007	,380	,134	,324	,000	,000	,000	.	,024
	INTERACTION TERM STRINGENCY AND FDI	,051	,133	,014	,005	,327	,000	,002	,120	,000	,000	,000	,024	.
N	MEAN CSR ADOPTION	407	407	407	407	407	407	407	407	407	407	407	407	407
	PROFITABILITY	407	407	407	407	407	407	407	407	407	407	407	407	407
	R&D INTENSITY	407	407	407	407	407	407	407	407	407	407	407	407	407
	LN SIZE	407	407	407	407	407	407	407	407	407	407	407	407	407
	DUMMY PROFESSIONAL SERVICES AND INFORMATION	407	407	407	407	407	407	407	407	407	407	407	407	407
	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	407	407	407	407	407	407	407	407	407	407	407	407	407
	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	407	407	407	407	407	407	407	407	407	407	407	407	407
	DUMMY OTHER INDUSTRIES	407	407	407	407	407	407	407	407	407	407	407	407	407
	FDI INTENSITY	407	407	407	407	407	407	407	407	407	407	407	407	407
	OVERALL STRENGTH OF INSTITUTIONAL FORCES	407	407	407	407	407	407	407	407	407	407	407	407	407
	STRINGENCY	407	407	407	407	407	407	407	407	407	407	407	407	407
	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	407	407	407	407	407	407	407	407	407	407	407	407	407
	INTERACTION TERM STRINGENCY AND FDI	407	407	407	407	407	407	407	407	407	407	407	407	407

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION[b]	.	Enter
2	OVERALL STRENGTH OF INSTITUTIONAL FORCES, STRINGENCY[b]	.	Enter
3	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI, INTERACTION TERM STRINGENCY AND FDI[b]	.	Enter

a. Dependent Variable: MEAN CSR ADOPTION

b. All requested variables entered.

Model Summary[d]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,528[a]	,279	,264	17,35153	,279	19,222	8	398	,000	
2	,542[b]	,294	,276	17,21115	,015	4,260	2	396	,015	
3	,545[c]	,297	,276	17,21148	,004	,992	2	394	,372	1,843

a. Predictors: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION

b. Predictors: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, OVERALL STRENGTH OF INSTITUTIONAL FORCES, STRINGENCY

c. Predictors: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, OVERALL STRENGTH OF INSTITUTIONAL FORCES, STRINGENCY, INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI, INTERACTION TERM STRINGENCY AND FDI

d. Dependent Variable: MEAN CSR ADOPTION

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	46299,049	8	5787,381	19,222	,000[b]
	Residual	119828,083	398	301,076		
	Total	166127,131	406			
2	Regression	48822,587	10	4882,259	16,482	,000[c]
	Residual	117304,544	396	296,224		
	Total	166127,131	406			
3	Regression	49410,525	12	4117,544	13,900	,000[d]
	Residual	116716,607	394	296,235		
	Total	166127,131	406			

a. Dependent Variable: MEAN CSR ADOPTION

b. Predictors: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION

c. Predictors: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, OVERALL STRENGTH OF INSTITUTIONAL FORCES, STRINGENCY

d. Predictors: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, OVERALL STRENGTH OF INSTITUTIONAL FORCES, STRINGENCY, INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI, INTERACTION TERM STRINGENCY AND FDI

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-45,312	9,922		-4,567	,000		
	PROFITABILITY	,141	,097	,063	1,447	,149	,953	1,049
	R&D INTENSITY	140,494	54,845	,123	2,562	,011	,792	1,263
	LN SIZE	7,347	,645	,506	11,395	,000	,921	1,086
	DUMMY PROFESSIONAL SERVICES AND INFORMATION	-2,378	2,455	-,046	-,969	,333	,792	1,262
	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	-2,471	2,814	-,044	-,878	,380	,714	1,401
	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	-6,660	2,843	-,114	-2,343	,020	,760	1,316
	DUMMY OTHER INDUSTRIES	-6,949	6,355	-,048	-1,093	,275	,950	1,052
	FDI INTENSITY	-2,398	2,703	-,040	-,887	,376	,879	1,138
2	(Constant)	-59,314	11,022		-5,382	,000		
	PROFITABILITY	,141	,097	,063	1,464	,144	,951	1,051
	R&D INTENSITY	139,757	54,402	,122	2,569	,011	,792	1,263
	LN SIZE	7,419	,650	,510	11,419	,000	,892	1,121
	DUMMY PROFESSIONAL SERVICES AND INFORMATION	-1,864	2,442	-,036	-,763	,446	,788	1,269
	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	-2,273	2,797	-,041	-,813	,417	,711	1,406
	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	-7,004	2,841	-,120	-2,465	,014	,749	1,336
	DUMMY OTHER INDUSTRIES	-7,891	6,312	-,054	-1,250	,212	,948	1,055
	FDI INTENSITY	-1,149	2,725	-,019	-,422	,673	,851	1,175
	OVERALL STRENGTH OF INSTITUTIONAL FORCES	21,919	7,861	,127	2,788	,006	,860	1,162
	STRINGENCY	,163	2,247	,003	,072	,942	,830	1,204
3	(Constant)	-55,411	11,420		-4,852	,000		
	PROFITABILITY	,134	,097	,060	1,382	,168	,948	1,055
	R&D INTENSITY	138,911	54,426	,121	2,552	,011	,791	1,264
	LN SIZE	7,389	,650	,508	11,361	,000	,890	1,123
	DUMMY PROFESSIONAL SERVICES AND INFORMATION	-1,670	2,471	-,033	-,676	,499	,770	1,299
	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	-2,205	2,822	-,039	-,781	,435	,698	1,432
	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	-7,040	2,856	-,121	-2,465	,014	,741	1,350
	DUMMY OTHER INDUSTRIES	-7,608	6,321	-,052	-1,204	,229	,945	1,058
	FDI INTENSITY	-4,752	6,149	-,080	-,773	,440	,167	5,984
	OVERALL STRENGTH OF INSTITUTIONAL FORCES	17,543	8,564	,102	2,048	,041	,725	1,380
	STRINGENCY	-1,600	3,543	-,033	-,451	,652	,334	2,995
	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	-18,513	21,188	-,045	-,874	,383	,667	1,499
	INTERACTION TERM STRINGENCY AND FDI	4,958	6,700	,088	,740	,460	,128	7,842

a. Dependent Variable: MEAN CSR ADOPTION

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	OVERALL STRENGTH OF INSTITUTIONAL FORCES	,126[b]	2,922	,004	,145	,958	1,044	,714
	STRINGENCY	-,038[b]	-,855	,393	-,043	,925	1,082	,712
	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	-,102[b]	-2,330	,020	-,116	,940	1,064	,709
	INTERACTION TERM STRINGENCY AND FDI	,035[b]	,471	,638	,024	,326	3,068	,318
2	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	-,058[c]	-1,199	,231	-,060	,755	1,324	,706
	INTERACTION TERM STRINGENCY AND FDI	,123[c]	1,105	,270	,056	,144	6,926	,144

a. Dependent Variable: MEAN CSR ADOPTION

b. Predictors in the Model: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION

c. Predictors in the Model: (Constant), FDI INTENSITY, PROFITABILITY, DUMMY OTHER INDUSTRIES, DUMMY PROFESSIONAL SERVICES AND INFORMATION, LN SIZE, R&D INTENSITY, DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION, DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION, OVERALL STRENGTH OF INSTITUTIONAL FORCES, STRINGENCY

Collinearity Diagnostics[a]

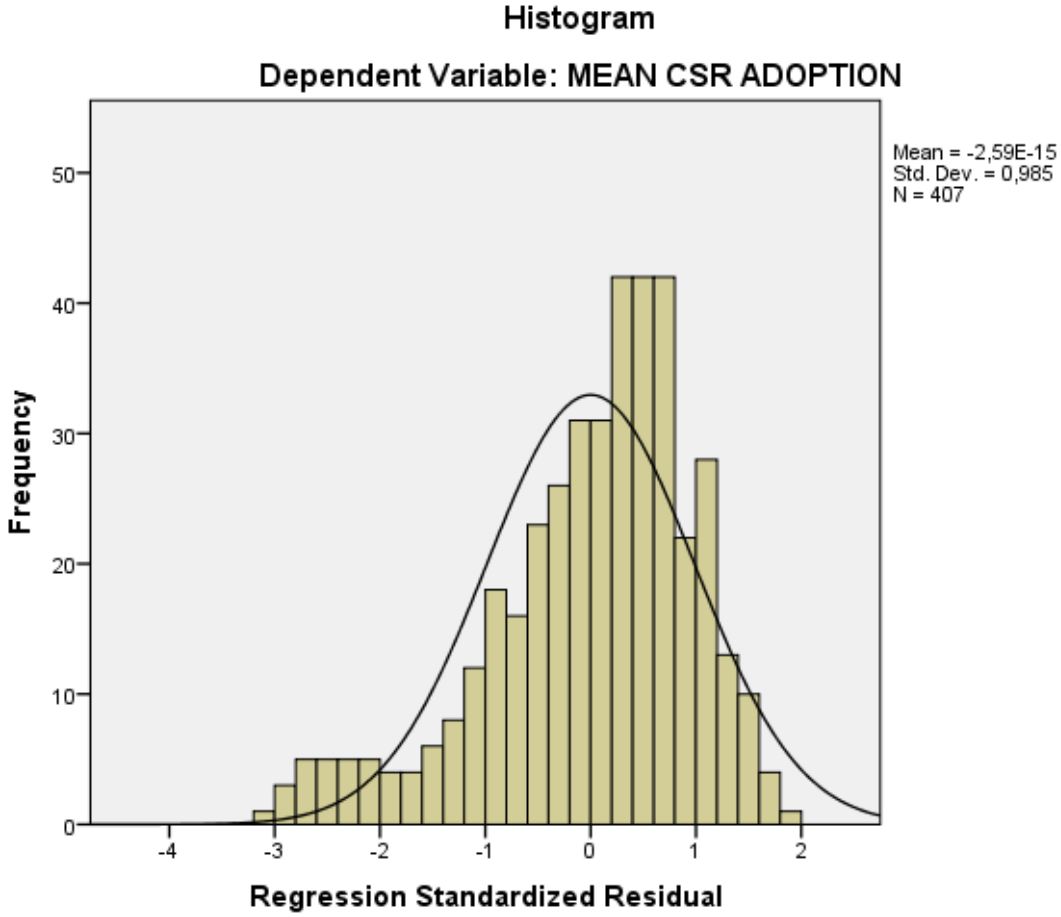
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions													
				(Constant)	PROFITABILITY	R&D INTENSITY	LN SIZE	DUMMY PROFESSIONAL SERVICES AND INFORMATION	DUMMY ENERGY, EXTRACTION, UTILITIES, AND CONSTRUCTION	DUMMY WHOLESALE TRADE, RETAIL TRADE, WAREHOUSING, AND TRANSPORTATION	DUMMY OTHER INDUSTRIES	FDI INTENSITY	OVERALL STRENGTH OF INSTITUTIONAL FORCES	STRINGENCY	INTERACTION TERM OVERAL STRENGTH OF CSR INSTITUTIONAL FORCES AND FDI	INTERACTION TERM STRINGENCY AND FDI
1	1	4,065	1,000	,00	,02	,01	,00	,01	,00	,00	,00	,01				
	2	1,041	1,976	,00	,01	,03	,00	,17	,17	,21	,01	,00				
	3	1,009	2,007	,00	,00	,01	,00	,02	,09	,07	,65	,00				
	4	1,000	2,016	,00	,00	,00	,00	,02	,21	,25	,22	,00				
	5	,868	2,164	,00	,00	,31	,00	,33	,03	,01	,01	,00				
	6	,497	2,859	,00	,88	,01	,00	,03	,00	,00	,00	,08				
	7	,374	3,298	,00	,03	,43	,00	,17	,06	,11	,09	,39				
	8	,143	5,339	,01	,03	,20	,01	,26	,42	,35	,02	,51				
	9	,004	32,606	,99	,02	,00	,99	,01	,02	,00	,01	,00				
2	1	5,771	1,000	,00	,01	,01	,00	,00	,00	,00	,00	,01	,00	,00		
	2	1,050	2,344	,00	,01	,04	,00	,16	,15	,20	,01	,00	,00	,00		
	3	1,010	2,390	,00	,00	,01	,00	,01	,11	,09	,59	,00	,00	,00		
	4	1,001	2,401	,00	,00	,00	,00	,02	,19	,22	,28	,00	,00	,00		
	5	,869	2,577	,00	,00	,31	,00	,33	,02	,01	,01	,01	,00	,00		
	6	,511	3,359	,00	,89	,00	,00	,01	,00	,01	,00	,05	,00	,01		
	7	,382	3,888	,00	,05	,44	,00	,19	,07	,10	,09	,30	,00	,02		
	8	,215	5,186	,00	,00	,06	,00	,10	,16	,07	,00	,47	,00	,45		
	9	,166	5,894	,00	,01	,13	,00	,14	,23	,28	,02	,10	,07	,29		
	10	,022	16,299	,04	,00	,01	,10	,02	,04	,02	,00	,06	,85	,24		
	11	,004	40,406	,95	,02	,00	,89	,01	,01	,00	,00	,00	,08	,00		
3	1	6,443	1,000	,00	,01	,00	,00	,00	,00	,00	,00	,00	,00	,00	,00	,00
	2	1,175	2,342	,00	,00	,00	,00	,07	,03	,12	,02	,00	,00	,00	,24	,00
	3	1,019	2,514	,00	,00	,00	,00	,01	,28	,07	,29	,00	,00	,00	,02	,00
	4	1,008	2,528	,00	,00	,03	,00	,07	,15	,01	,48	,00	,00	,00	,02	,00
	5	,962	2,588	,00	,01	,13	,00	,01	,00	,30	,02	,00	,00	,00	,18	,00
	6	,866	2,728	,00	,02	,10	,00	,36	,00	,01	,07	,00	,00	,00	,08	,00
	7	,598	3,283	,00	,26	,18	,00	,00	,00	,03	,02	,01	,00	,00	,12	,02
	8	,468	3,709	,00	,67	,23	,00	,08	,00	,01	,04	,00	,00	,00	,00	,01
	9	,218	5,442	,00	,01	,17	,00	,22	,32	,21	,01	,05	,00	,13	,00	,01
	10	,195	5,754	,00	,00	,15	,00	,13	,14	,21	,04	,04	,02	,10	,04	,04
	11	,029	14,787	,00	,00	,00	,01	,00	,01	,01	,00	,48	,37	,25	,29	,55
	12	,017	19,738	,04	,00	,00	,13	,02	,06	,03	,00	,39	,50	,50	,00	,35
	13	,003	43,401	,96	,02	,00	,86	,01	,01	,00	,00	,01	,10	,01	,00	,02

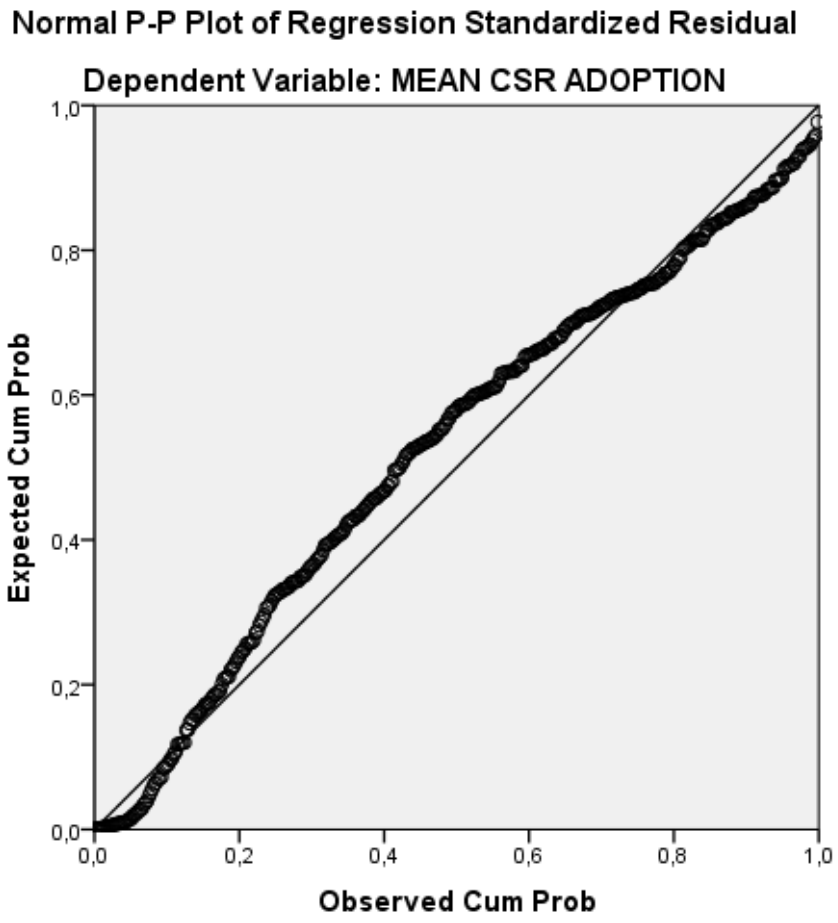
a. Dependent Variable: MEAN CSR ADOPTION

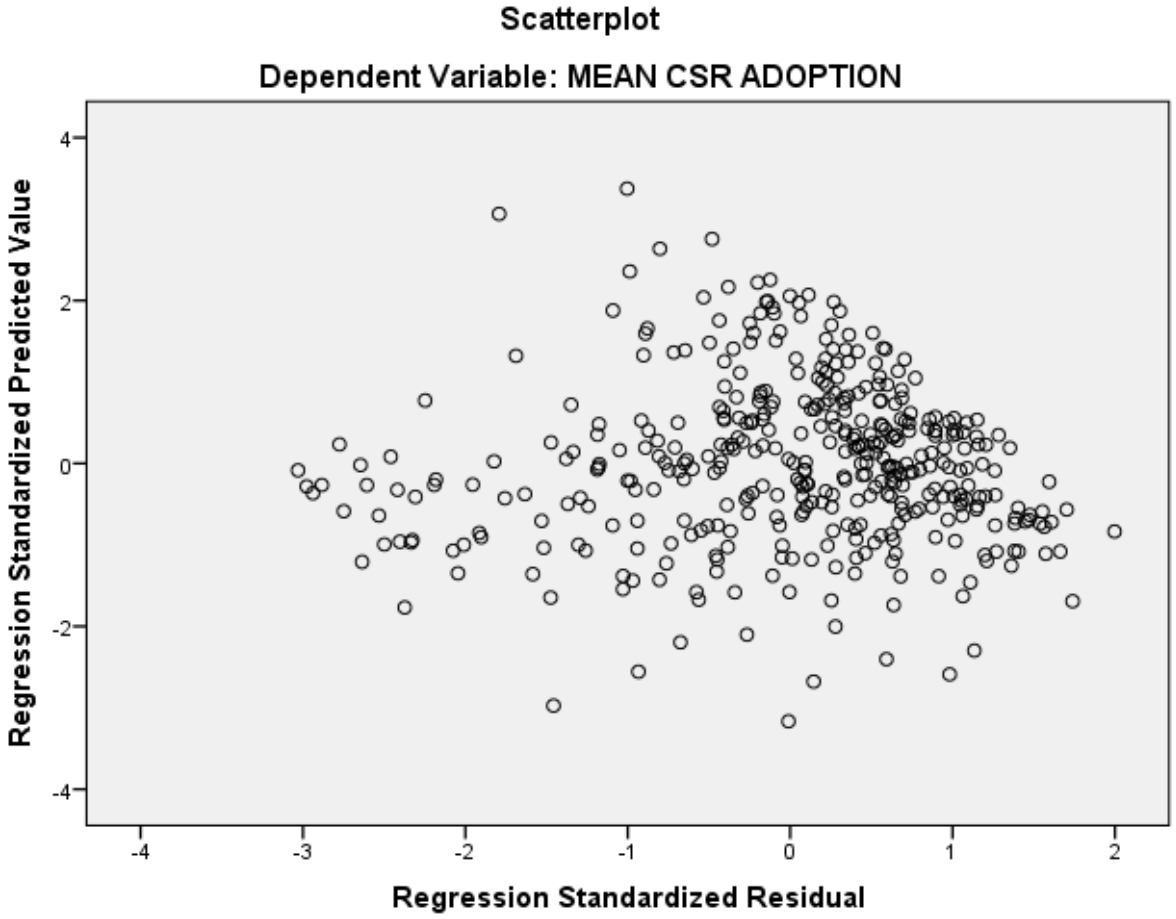
Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	31,6128	103,7469	66,5374	11,03181	407
Residual	-52,16447	34,37815	,00000	16,95522	407
Std. Predicted Value	-3,166	3,373	,000	1,000	407
Std. Residual	-3,031	1,997	,000	,985	407

a. Dependent Variable: MEAN CSR ADOPTION




Normal P-P Plot of Regression Standardized Residual
Dependent Variable: MEAN CSR ADOPTION
Expected Cum Prob
Observed Cum Prob
0,0
0,2
0,4
0,6
0,8
1,0


Scatterplot
Dependent Variable: MEAN CSR ADOPTION
Regression Standardized Predicted Value
Regression Standardized Residual
4
2
0
-2
-4
-4
-3
-2
-1
0
1
2

APPENDIX 2

Descriptives

FDI INTENSITY

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Manufacturing	236	,5466	,33494	,02180	,5037	,5896	,00	1,00
Professional services and information	94	,4025	,35460	,03657	,3299	,4752	,00	1,00
Energy, extraction, utilities, and construction	70	,2898	,30498	,03645	,2170	,3625	,00	1,00
Wholesale trade, retail trade, warehouding, and transportation	58	,3348	,29847	,03919	,2563	,4133	,00	1,00
Other industries	9	,5919	,34637	,11546	,3257	,8582	,02	1,00
Total	467	,4537	,34564	,01599	,4223	,4851	,00	1,00

Test of Homogeneity of Variances

FDI INTENSITY

Levene Statistic	df1	df2	Sig.
2,628	4	462	,034

ANOVA

FDI INTENSITY

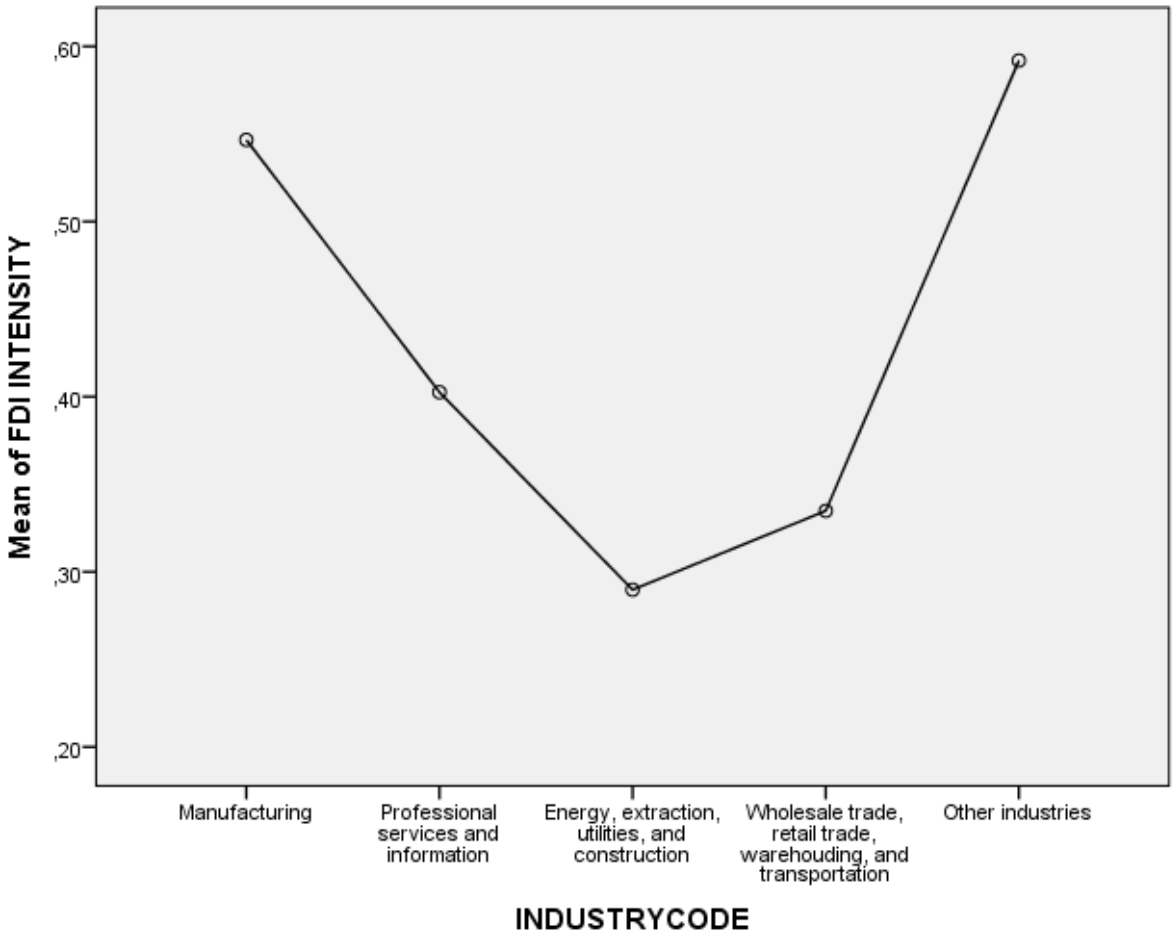
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5,157	4	1,289	11,792	,000
Within Groups	50,513	462	,109		
Total	55,671	466			

Robust Tests of Equality of Means

FDI INTENSITY

	Statistic[a]	df1	df2	Sig.
Welch	12,220	4	52,719	,000
Brown-Forsythe	11,975	4	90,505	,000

a. Asymptotically F distributed.


Mean of FDI INTENSITY
,60
,50
,40
,30
,20
Manufacturing
Professional services and information
Energy, extraction, utilities, and construction
Wholesale trade, retail trade, warehouding, and transportation
Other industries
INDUSTRYCODE