



Integrated thinking and its effect on CSR decoupling

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Abstract

This study posits that integrated thinking is negatively associated with CSR decoupling practices and that the effect of integrated thinking on CSR decoupling practices is moderated by differences in the cultural values of countries. Specifically, this study explores whether integrated thinking is associated with a decrease in decoupling, that is a discrepancy between firms' internal CSR practices and firms' reported CSR practices (external actions) for an international sample during the period of 2013-2019. In addition to this main effect, this study also considers how the 6 dimensions of Hofstede's cultural framework might influence the effect of integrated thinking on CSR decoupling practices and how the effects of integrated thinking may differ between greenwashing and brownwashing. Using multilevel modelling, the results of this study show that integrated thinking is negatively associated with greenwashing and positively associated with brownwashing, indicating that the effect of integrated thinking differs based on the reason behind the decoupling practice. Finally, the results show that countries that are more feministic, collectivistic, less power distanced, more long-term oriented, and less tolerant to uncertainty have in general less CSR decoupling when looking at CSR decoupling as a whole. For greenwashing, firms in countries that are considered more power distanced, individualistic, and less indulgent have less inclination to greenwash, whilst in the case of brownwashing firms in countries that are considered more collectivistic, long-term oriented and more indulgent are less inclined to brownwash.

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1. Introduction

Over the past few decades there has been an increased focus on sustainability and firms' role in the world becoming more sustainable (Kim and Lyon, 2015; Surroca et al., 2020). This can be seen in the adoption of regulations for non-financial reporting as implemented by the European Union in 2015, which indicates that all firms with over 500 employees must report certain non-financial information (Hahn et al., 2015). Despite this regulation, the reporting of non-financial information is still mostly voluntarily (Hawn and Ioannou, 2016). The voluntary nature makes it relatively difficult for stakeholders to compare non-financial information and to see whether the corporate social responsibility (CSR) information reported, is representative of the actual CSR performance of the firm (Garcia-Sanchez et al., 2020).

The increased focus on sustainability in businesses has also led to a plethora of studies on the determinants and effects of the adoption of non-financial reporting. Some prior studies focused on drivers of the adoption of non-financial reporting in either the stand-alone or integrated form (Marquis and Qian, 2014). These studies find that board composition variables such as gender diversity (Dienes & Velte, 2016; Fernandez-Feijoo et al., 2014) and board independence (Rao et al., 2012) have a significant positive effect on the adoption of non-financial reporting. Often these studies take the perspective of signalling and legitimacy theory to divide between firms in terms of CSR performance or to determine whether the adoption of the non-financial report was a substantive or symbolic move.

Despite the research on the reasons for firms to adopt non-financial reporting it is only since the last few years that studies have focused specifically on CSR decoupling, which refers to the discrepancy between the policies and changes in emissions a firm makes to be sustainable (internal actions) and what the firm presents to the outside world through reports, articles, and commercials (external actions) (Tashman et al., 2019; Hawn and Ioannou, 2016). The redirected focus might be a result of the several scandals that have taken place the past few years. Take the Volkswagen incident for example, in which the reported carbon-dioxide emissions of the cars did not match the actual carbon-dioxide emissions¹. Another example is the news on EY accountants not providing limited assurance on the non-financial part reported in the annual report by Shell.²

In addition to the studies on effects and determinants of non-financial reporting, this increased focus on CSR has also led to initiatives such as International Integrated Reporting Committee (IIRC). The IIRC is an organisation that promotes the adoption of integrated thinking and urges firms to adopt a more integrated approach by reporting both financial and non-financial information within the same

¹ For more information on the scandal please refer: <https://www.bbc.com/news/business-34324772>.

² For more information on the situation please refer to the following article (Only available in Dutch): [Shell handelt volgens accountant niet in overeenstemming met eigen klimaatdoel | NU - Het laatste nieuws het eerst op NU.nl](#).

reports (De Villiers, Venter, Hsiao, 2017). Therefore, according to the IIRC, integrated thinking should lead to an increased focus on improving the CSR performance (IIRC, 2013).

This enhanced focus on CSR performance and long-term value creation due to integrated thinking is what this research focuses on. More specifically, this study is interested in the following research question: “*What is the effect of integrated thinking on CSR decoupling?*”. The idea that integrated thinking could influence CSR decoupling stems from the aim of the IIRC, which as mentioned before focuses on taking a more integrated approach both in the decision making and reporting. Therefore, it is likely that it would affect both the internal and external actions of a firm and put them more in line with each other, which touches upon the problem of CSR decoupling where there is a mismatch between these two types of actions.

Prior literature consists partially of studies on the effects of adoption of non-financial reporting on factors such as firm value (Barth et al., 2017), cost of capital (Dhaliwal et al., 2011; Adams and Simnett, 2011), and type of investors attracted (Serafeim, 2015). These show that in general the adoption of non-financial reporting has a positive effect on these factors, mainly the paper by Barth et al. (2017) shows how integrated thinking that comes along with integrated reporting leads to better the decision-making process. This positive effect can be attributed to share- and stakeholders having more faith in a firm’s management in the long run, since CSR is mainly focused on the long run (Garcia-Sanchez et al., 2020).

Prior studies on decoupling have found several effects and determinants of decoupling practices. The studies concerning the effects of decoupling found that it has a negative effect on factors such as firm performance (Testa et al., 2018). The research by Testa et al. (2018) found that greenwashing has a negative effect on firm performance, but this effect was not significant. Brownwashing on the other hand had a significant negative effect on firm performance, which one might not expect. This thus shows that decoupling of CSR is detrimental for the firms. Even though the effect of greenwashing was not found to be significant in the study by Testa et al. (2018), the research by Hawn and Ioannou (2016) found that decoupling had a negative effect on the market value of firms, again proving that decoupling is detrimental to the firm. So, this leads one to wonder what possible reasons for a firm are to decouple their CSR practices.

Studies focusing on determinants of decoupling focused on emerging market multinationals (Tashman et al., 2019), or firms within specific countries such as the US (Kim and Lyon, 2015) or Pakistan (Malik et al., 2020). The determinants found include growth rates (Kim and Lyon, 2015), firm resource slack, institutional ownership (Malik et al., 2020), but also cultural/institutional factors. That those cultural/institutional factors also play a role in firm’s decisions regarding CSR decoupling can be seen in the studies by Surocca et al. (2020) and Tashman et al. (2019). The study by Surocca et al. (2020) shows that whether a country is considered more shareholder-/stakeholder-oriented affects how

managerial entrenchment increases/decreases CSR decoupling tendencies. The study by Tashman et al. (2019) adds to this that firms that originate in emerging market countries face institutional voids that cause those firms to be more inclined to decouple their CSR performance for their reported CSR. This shows that institutional factors influence a firm's CSR decoupling practices, but as prior literature on integrated thinking and reporting has shown this is also the case for the adoption of integrated thinking.

The idea that cultural/institutional factors influence firms' decision regarding non-financial information and general CSR practices can be derived from the statement from Bustamante (2011), that diverging cultural conditions lead to disparate values held by local stakeholders, which plays an important role in the process of accountability. This means that due to cultural difference willingness to adopt integrated thinking as well as the reaction of the public to CSR decoupling differs among cultures. Alongside this, prior studies also have shown that cultural/institutional factors affect both integrated thinking and CSR decoupling. For example, the studies by Garcia-Sanchez et al. (2013) and Frias-Aceituno et al. (2013) show that there are differences among firms' willingness to adopt integrated reporting/thinking based on factors such as law-system (common law versus civil law), femininity, and collectivism of the countries in which they are based. So, it is likely that cultural factors will influence the relationship between integrated thinking and CSR decoupling, which is the reason that this study is also interested in how cultural aspects will influence the relation between integrated thinking and CSR decoupling practices.

The rest of this paper will proceed as follows. First prior literature on integrated thinking and decoupling will be discussed, which will be followed by the hypotheses. Then the variables and the methods used will be discussed. Following this, the results will be presented. Lastly, the findings will be discussed and concluded.

2. Literature review and hypothesis development

2.1. Neo-institutional theory and CSR

The perspective used in this study is the neo-institutional perspective. The neo-institutional perspective focuses more on a firm's stakeholder relationships and its legitimacy in society (Paynter et al., 2018; Powell and DiMaggio, 2012). According to neo-institutionalist perspective messages are sent by external stakeholders and other institutions on the appropriate values, norms, and rules which need to be interpreted by the firm, so that the firm can obtain or retain their legitimacy in society (Paynter et al., 2018; Greenwood and Hinings, 1996). So, one could argue that CSR is an appropriate value, and thus an external pressure, which means that firms need to make sense of the external pressure and translate them into actions (Paynter et al., 2018). From the idea that firms need to make sense of these external pressures, CSR is does not have a static definition. Instead, it is repeatedly reinterpreted between external stakeholders and firms (Nijhof and Jeurissen, 2006), which can lead to differences in the

interpretation used. Due to the existence of information asymmetry, managers are enabled to choose how they communicate CSR performance and how they translate CSR into actions and/or strategies (Morris, 1987; Paynter et al., 2018). Information asymmetry exists because the knowledge that stakeholders have of a firm's CSR performance is not complete (Paynter et al., 2018).

Since neo-institutionalism looks at the external pressures and how firms deal with these pressures, it is also suitable for exploring the differing responses from firms to certain (external) pressures. These pressures can vary from growth, shareholder expectations, rules, cultural expectations, and so on. In the case of this study CSR decoupling is a response to the contradicting pressures from shareholders and other stakeholder. The firm's that respond with CSR decoupling, in turn, choose to either brownwash or greenwash, depending on their interpretation and translation of the pressures. The decoupling is possible due to the above-mentioned information asymmetry.

2.2. Integrated thinking and CSR decoupling

Prior studies regarding CSR decoupling focus both on the determinants and effects. The study by Testa et al. (2018) researches the effect of decoupling on firm performance. Overall, the study found a negative effect of decoupling on firm performance. However, the authors differentiated between greenwashing, which means that more external than internal actions are undertaken by the firm, and brownwashing, referring to more internal than external actions are made. The results then showed that the negative effect is not significant for greenwashing. Despite the fact that the study by Testa et al. (2018) did not find a significant negative effect of greenwashing on firm performance, it can still be concluded that CSR decoupling is detrimental to firms from other studies such as the study by Hawn and Ioannou (2016).

The study by Hawn and Ioannou focused on the effect of both the combination of internal and external CSR actions as well as the gap between internal and external CSR actions on market value. The authors believe that the sum of internal and external actions is positively associated with a firm's market value because of the accumulation of intangible firm resources (reputation, employee engagement) that might become the foundation of a firm's competitive advantage (Hawn and Ioannou, 2016). Whilst at the same time they argue that an increased gap between the internal and external actions decreases a firm's market value, since the misalignment causes a larger level of information asymmetry (Hawn and Ioannou, 2016). This is something previous literature failed to acknowledge, despite the fact that when drawing upon neo-institutional theory it is known that firms undertake two types of actions to meet institutional pressures and gain legitimacy (Hawn and Ioannou, 2016; King Lenox, and Terlaak, 2005). The study found that indeed the sum of previous internal actions and current external actions have a significant and positive association with a firm's market value (Hawn and Ioannou, 2016). However, when looking at the gap between internal and external actions the study found that the wider the gap,

the more a firm is punished for this (Hawn and Ioannou, 2016). In line with the research by Testa et al. (2018) is the fact that brownwashing, thus undertaking more internal than external actions is more heavily punished. This shows that CSR is a double-edged sword as the authors state: it can be beneficial when looking at the whole, but when looking at the differences between the two actions it can also be detrimental for firm's market value (Hawn and Ioannou, 2016).

Further evidence that CSR decoupling is detrimental to firms is provided by Garcia-Sanchez et al. (2020). Garcia-Sanchez et al. (2020) study the effects of CSR decoupling on a firm's cost of capital, access to financing, and analyst forecast errors. The study also looks at the monitoring role of analyst forecast errors on the relationship between CSR decoupling and cost of capital/access to financing (Garcia-Sanchez et al., 2020). The authors expect that CSR decoupling decreases access to finances and increases the cost of capital. The reason behind this is that generally the increased availability of voluntary information gives investors/creditors a better understanding of the economic risk (Garcia-Sanchez et al., 2020; Mazumdar & Sengupta, 2005), whilst also decreasing adverse selection and estimation risks (Garcia-Sanchez et al., 2020; Dhaliwal et al., 2011). However, when there is a gap between the reported CSR information and the actual CSR performance, market efficiency will be compromised (Garcia-Sanchez et al., 2020). This leads to a dysfunctional market due to increased information asymmetry, which causes investors to become sceptical and price-protect themselves, which means that investors want to receive a higher compensation for the assets provided to the firm and will not provide them if this higher compensation is not met. Alongside implementing price-protection, investors also become less willing to trade, which causes market illiquidity (Garcia-Sanchez et al., 2020). The results presented in the paper show that CSR decoupling indeed increases the cost of capital, whilst simultaneously decreasing a firm's access to finances. It also shows that analyst forecast errors enhance these effects, whilst they are reduced by higher level of analyst coverage. All the above-mentioned studies show that decoupling is not only harmful to society, but also to the businesses themselves.

So why do firms make the choice to decouple their CSR practices? There have been several studies that researched possible determinants of CSR decoupling and, thus, have tried to answer this question. An example of a study that investigated the possible determinants of CSR decoupling is the study by Kim and Lyon (2015). The study by Kim and Lyon (2015) researched the effects of firms' growth rates and industry deregulation on CSR decoupling, on a sample of US firms. The outcomes showed that the increasing pressure that came along with high growth rates increased firm's inclination to overreport CSR practices (greenwash) (Kim and Lyon, 2015). In contrast, the deregulation of industries was found to increase the levels of underreporting on CSR practices and, thus, lead to firms brownwashing themselves (Kim and Lyon, 2015). So, both growth rates and industry deregulation lead to a form of CSR decoupling, and neither of these types of CSR decoupling are supported by stakeholders as was shown in the previously mentioned research of Testa et al. (2018). The results found

by Kim and Lyon (2015) are in line with neo-institutional theory in the sense that combination of, often contradicting, external pressures lead to differing responses from firms.

Other determinants were found by Malik et al. (2020), who focused on firms within Pakistan and what the reasons were for these firms to decouple their CSR practices. The study focuses on multiple possible determinants of decoupling, which include coercive isomorphism, monitoring mechanisms (which consists of the factors institutional ownership and board independence), firm reputation, resource slack and advertising intensity. The study, thus, focused on multiple pressures a firm faces and in line with neo-institutional theory how firms interpret all these pressures and make decisions regarding their CSR practices, but also how different pressures might lead to different outcomes. The reason that Malik et al. (2020) chose to focus on one country is that it would allow them to see how firm-specific factors influence the choice of CSR decoupling, since previous study mainly studied more industry-wide, or cultural aspects. The results presented in the study show that coercive isomorphism decreased the tendency of firms to decouple, whereas monitoring mechanisms and firm reputation increased decoupling tendencies (Malik et al., 2020). For the variables resource slack and advertising intensity, no significant effects were found (Malik et al., 2020).

The studies by Kim and Lyon (2015) and Malik et al. (2020), in line with neo-institutional theory, demonstrate that a combination of, contradicting, pressures cause differing responses from firms. In addition, in neo-institutional theory the pressures get interpreted and then translated into actions. In this case integrated thinking can either be seen as another external pressure or as a tool to deal with the external pressures, which indicates that it is likely to have an influence on CSR decoupling practices.

Integrated thinking is a concept that was developed by the IIRC, which was founded in 2010 by the GRI and the prince of Wales' Accounting for Sustainability Project with the intend to get managers as well as providers of financial capital to contemplate the consequences of a wider set of capitals (De Villiers, 2017). The definition of integrated thinking given by the IIRC (2013) is the extent to which managers incorporate CSR information into their day-to-day decision making, which should be promoted by integrated reporting. This goal can also be seen in the work of early advocates of integrated reporting. According to these advocates integrated thinking and reporting is a practice that leads to better internal decision-making, lower reputational and regulation risk, and corporate transparency. These then, in turn, lead to contributing to a more sustainable society as well as strengthening financial stability within the firm (Eccles and Saltzman, 2011; Eccles and Kzrus, 2010).

The aim of integrated thinking is to make firms more focused on long-term value creation and consider non-financial information into their day-to-day decision making, which is supported by several studies such as the study by Adams and Simnett (2011), that found that the implementation of integrated reporting, which promotes integrated thinking, has a positive effect on cost of equity capital as well as long-term debt. In addition to the study by Adams and Simnett (2011), the study by Barth et al., (2017)

also finds that integrated reporting quality (IRQ), and integrated thinking, is positively associated with the creation of long-term firm value. The reason that integrated thinking is also positively associated is that integrated reporting quality is heavily dependent on the capacity of the firm to connect the different aspects of their firm together. To show this effect the study by Barth et al. (2017) focus on the channels through which IRQ affects firm value. The two channels that are used in the paper are the market effects channel and the real effects channel, in which the markets effects channel focuses on how improved information helps investors whereas the real effects channel focuses on how connectivity between the different aspects of the business, which can also be seen as integrated thinking (IIRC, 2016) leads to improved internal decision making (Barth et al., 2017). The connectivity between varying business aspects demonstrates that integrated thinking might function as a tool or as another pressure that enables firms to translate the external pressure of CSR into more concrete actions and/or strategies.

The paper by Barth et al. (2017) found that connectivity was one of the main drivers of firm value. The results showed that through the real effects channel IRQ had a significant positive effect on investment efficiency, which, in turn, has a positive effect on firm value (Barth et al., 2017). IRQ also had a significant positive effect on future operating cash flows (real effects), and stock liquidity (markets effects) (Barth et al., 2017). This supports the aim of the IIRC to improve information to stakeholders as well as to improve internal decision making by promoting integrated thinking (Barth et al., 2017).

Based upon the idea that integrated thinking allows firms to better translate the external pressure of CSR into actions and/or strategies as well as that integrated thinking is often paired with better connection between the reported and the actual CSR performance, leads to the following hypothesis.

H1. Integrated thinking is negatively associated with CSR decoupling.

As mentioned above, integrated thinking is likely to be associated with CSR decoupling practices. However, as mentioned before, according to neo-institutional perspective external pressures are interpreted by firms and are then translated into actions, and that this process is also influenced by the believes of the individual people that are responsible for managing the firm. Therefore, different firms might experience different effects from integrated thinking based upon the initial external pressures faced and the response hereon (e.g., brownwashing or greenwashing). That different (combinations of) external pressures lead to different responses has also been demonstrated in the study by Kim and Lyon (2015). According to the paper by Kim and Lyon (2015) the choice for brownwashing and greenwashing stem from different reasons. Greenwashing stems from firms wanting to seem legitimate by complying with CSR pressures, but at the same time not wanting to incur high costs to achieve this (Kim and Lyon, 2011). Brownwashing on the other hand stems from a fear to be punished for the high costs incurred to achieve sustainable practices, which leads to firms reporting less (Jacobs et al., 2010). Thus, in the case of greenwashing CSR actions are non-existent and that could be fixed by

integrated thinking because it shows firm the value of undertaking these types of actions. This leads to the following sub-hypothesis.

H1A. Integrated thinking is negatively associated with greenwashing.

In the case of brownwashing the willingness to undertake CSR actions is already present. The problem in those cases is that the firms are fearful of the response of investors on the high costs incurred for the sustainable actions that were undertaken. Then integrated thinking would enable a firm to undertake even more sustainable actions but would not tackle the problem of the fear of punishment. The following sub-hypothesis is, therefore, suggested.

H1B. Integrated thinking is positively associated with brown washing.

2.2 The effect of culture/institutions on integrated thinking and CSR decoupling.

As mentioned earlier there are multitude of factors that could possibly influence a firm's decision regarding CSR decoupling. The factors mentioned in the previous section mainly focused on industry- and firm-specific factors. However, there are also studies that have looked at more institutional factors, that influence this decision. The studies in question are the study by Tashman et al. (2019) and the study by Surroca et al. (2020).

The study by Tashman et al. (2019) focused on emerging market multinationals. The choice for this specific sample by Tashman et al. (2019) was made because multinationals that originate in emerging countries are subject to "liabilities of origin", which can be seen as negative stereotyping, and it is thus believed that these types of firms use CSR reporting to earn legitimacy and deal with these stereotypes. Emerging markets are known for their so-called institutional voids (Tashman et al., 2019). Institutional voids are governance institutions that function poorly and, thus, impede the market effectiveness, which leads global investors expect poor performance outcomes. The results of the study show that the institutional voids of the home country increase decoupling practices. However, the study also showed that the internationalisation of these firms decreased decoupling tendency, which is due to greater scrutiny of international investors (Tashman et al., 2019). The decreasing inclination to decouple due to greater scrutiny demonstrates the idea that new external pressures can alter how prior external pressures are might be translated differently.

Whereas the study by Tashman et al. (2019) focused on the direct effect of institutional factors, the study of Surroca et al. (2020) focused more on how institutional factors affected the simultaneous implementation management entrenchment provisions (MPS) and CSR practices, and how these, in turn, affect corporate shareholder value. It does so by distinguishing between two types

of institutional settings, the first being Liberal Market Economies (LME), which are characterised by a stock-market based financial system, and the second being Coordinated Market Economies (CME), which are characterised by bank-based financial system (Surroca et al., 2020). The results found by Surroca et al. (2020) demonstrate that due to the short-term orientation of the LMEs, managerial entrenchment allows managers to set themselves in the position that allows them to make more long-term oriented decisions. This means that managerial entrenchment in LMEs allows for more internal CSR actions. In comparison with LMEs, the study finds that in CMEs the adoption of MEPs is associated with strengthening of insider power, which causes insiders to receive more private benefits, and leads to less efficient decision making (Surroca et al., 2020). Therefore, the CSR adoption in this case is most likely to be more external CSR actions, and then the simultaneous adoption of MEPs and CSR practices are harmful to a firm's firm value (Surroca et al., 2020). The paper by Surroca et al. (2020) demonstrates how differences in the combination of external pressures, including institutions, causes differing outcomes regarding firms' choices on their internal and external CSR practices.

Not only CSR decoupling is influenced by cultural/institutional factors, also the adoption of integrated reporting, and thus integrated thinking, is influenced by cultural/institutional factors as shown in the studies by Frias-Aceituno et al. (2013) and Garcia-Sanchez et al. (2013). The study by Frias-Aceituno focuses on the effect of common law and civil law on the adoption of integrated reporting/ thinking. The expectation raised in the study is that in civil law countries firms are more likely to adopt integrated reporting/thinking based on the notion that the civil law legal system is more stakeholder oriented than the common law legal system, which is more shareholder oriented (Frias-Aceituno et al., 2013). Furthermore, the study delves into the effect of enforcement on the adoption of integrated reporting/thinking. Frias-Aceituno et al. (2013) hypothesize that companies in countries with high levels enforcement will be more willing to adopt integrated. Both hypothesized relationships are supported by the results found in the study. The results showed that firms in civil law countries would be more willing to adopt integrated reporting/thinking as well as that firms in countries with higher level of enforcement are also more willing to do this.

Whereas prior literature has touched upon the effect of institutional factors on both integrated thinking and CSR decoupling, this study is more in line with the research by Garcia-Sanchez et al. (2013) in focusing on how cultural aspects influence integrated thinking and more specifically how these aspects influence the effect of integrated thinking on CSR decoupling. The idea that cultural aspects will have an influence on the relationship between integrated thinking and CSR decoupling is based on two factors. Firstly, the study by Garcia-Sanchez et al. (2013) mentions that previous studies have shown that differing cultural conditions lead to different values held by local stakeholders, which plays an important role in the process of accountability (Bustamante, 2011), and in line with neo-institutional theory leads to different external pressures or different interpretations of the pressures. In

this understanding, national culture dimensions clarify the general resemblance and discrepancies among cultures and signify that these factors affect stakeholders' preferences and actions (Garcia-Sanchez et al., 2013; Tsakumis, 2007). Secondly, drawing on neo-institutional theory it can be argued that institutions form and change on the basis of the culture of a country or as stated in Williamson (2000) are based on; "Embeddedness: informal institutions, customs, traditions, norms, and religion", which indirectly refers to culture. Therefore, it can be argued that also the studies by Surroca et al. (2020) and Tashman et al. (2019) show that cultural aspects are also of influence on CSR decoupling.

Referring to the cultural framework by Hofstede there are 6 cultural aspects that highlight the differences and similarities among countries. These are power distance, masculinity (femininity), individualism (collectivism), uncertainty avoidance (tolerance of uncertainty), long-term orientation (short-term orientation), and indulgence (restraint).

The aspect on masculinity/femininity reflects on the dominant values in society. In masculine societies people are driven by the want to succeed and the want to be the best, whereas in feminine societies the dominant characteristics are caring for others and having a good quality of life (Hofstede 2010). So, this means that masculine societies are more driven by material success and thus profits, which makes that the financial aspects are likely to be prioritised in decision-making, which also indicates firms will most likely face less backlash when found to decouple their CSR practices from the reported CSR. In comparison, in feminine societies non-financial aspects will be more likely to be prioritised and are firms more likely to be held accountable for CSR decoupling. In addition, more feminine countries, in line with neo-institutionalism, have a different interpretation of CSR as external pressure. Therefore, in more feministic countries integrated thinking allows firms to better translate their interpretations into concrete actions. This leads to the following hypothesis.

H2A. The effect of integrated thinking on CSR decoupling is stronger for firms located in countries that are more feministic.

The individualism/collectivism dimension refers to the importance that is put on individual values compared to group values. In individualistic societies people tend to look mostly after themselves rather than also take care of others around them, other than direct family (Hofstede, 2010). In comparison in collectivistic societies people belong to groups and think more about how their actions might influence others within the group, which indicates a stronger commitment to society. This suggests that being more sustainable would be more highly valued in collectivistic societies and that any form of CSR decoupling would be punished more harshly. In addition, firms in these countries would be more concerned not to decouple due to the stronger commitment to society, which also influence firm's interpretation of CSR. Therefore, if integrated thinking is used by a firm, it would allow the firm to

better translate the external pressure into actions and ensure a better connect with reported practices. Based on this reasoning the following hypothesis is put forward.

H2B. The effect of integrated thinking on CSR decoupling is stronger for firms located in countries that are more collectivistic.

The power distance factor deals with inequality among individuals in societies and what the attitude of society is towards these inequalities. In countries with high levels of power distance, people with less power expect and accept this, and are, in turn, less concerned with social rights (Garcia-Sanchez et al., 2013; Hofstede, 2010). By contrast countries with lesser levels of power distance people speak up and are highly concerned with social rights, employees are consulted on decisions, and communication is direct and of participative nature. This implies that countries with lesser power distance are more concerned on employee well-being and employees' social rights and will more severely punish any form of decoupling between the reported actions on social rights and the actual policies on social rights. This means that firms in countries with lesser power distance will be more inclined to ensure that no CSR decoupling takes place, due to their interpretation of the pressure, and thus when using the integrated thinking approach will ensure better connectivity between CSR practices and reported practices, which leads to the following hypothesis.

H2C. The effect of integrated thinking on CSR decoupling is stronger for firms located in countries with a lower power distance.

Tolerance/uncertainty refers to the way society copes with the unknown of the future (Hofstede, 2010). Firms that have a lower tolerance of uncertainty need rules and regulations for structure (Garcia-Sanchez et al., 2013). This means that CSR practices are promoted through regulations, which leads to implementation of stringent and standardised procedure such as reporting CSR information or undertaking action to become more sustainable. What this also means is that firms in countries that have relatively high tolerance of uncertainty are less concerned with implementing rules and regulations regarding CSR practices, and are fine with adapting as they go along. The idea that in countries with lower tolerance of uncertainty CSR practices are promoted through regulations leads to an relatively harsher punishment when CSR decoupling takes place since it is against laws and regulations, which means that firms will be even more inclined to avoid any CSR decoupling, therefore it could be said that integrated thinking will cause even further and stronger connection between the different aspects of doing business including the connection between CSR actions and CSR information reported. In addition, there is less room for interpretation on how to translate it into actions. Based on this reasoning the following hypothesis is put forward.

H2D. The effect of integrated thinking on CSR decoupling is stronger for firms located in countries that are considered to have a lower tolerance of uncertainty (higher uncertainty avoidance).

The factor long-term orientation represents the way a society deals with challenges of the present and the future, whilst maintaining some links with its own past (Hofstede, 2010). People with a long-term orientation have a strong inclination to save and invest, to frugality, and to perseverance. In comparison people with a short-term orientation focus more achieving quick results, exhibit a great respect for tradition, and have little inclination to save for the future (Garcia-Sanchez et al., 2013). So, this means that countries that are more long-term oriented would appreciate CSR decoupling much less than more short-term oriented countries when large profits are made in the short-term. So, firms in long-term orientated countries would be even more inclined to stop CSR decoupling from happening, because any form of CSR decoupling would be punished more harshly. Therefore, integrated thinking would be used with more intent to ensure the connection between the aspects of doing business as well as the connection between CSR practices and the report of these practices. The hypothesis that can be deduced from this is as follows.

H2E. The effect of integrated thinking on CSR decoupling is stronger for firms located in countries that are considered to have a long-term orientation.

The dimension indulgence/restraint is defined by Hofstede (2010) as; “the extent to which people try to control their desires and impulses, based on the way they were raised”. In more indulgent societies people put more value on the free gratification of desires regarding having fun and enjoying life (Hofstede, 2010). However, most CSR practices require firms to forego present needs of the firm and the society, with the aim of long-term value creation (Sun et al., 2019). Additionally, cultures that are more indulgent tend to have lower moral discipline scores and lack the strong willingness to abide to strict norms (Hofstede, 2010). This means that firms located in countries that are considered indulgent will be less worried about decreasing decoupling practices because society will not care much about this as long as their impulses are satisfied. Therefore, integrated thinking will not create the strong connection among the diverse aspects within a firm including the actual CSR actions and what is portrayed to society. Based on this reasoning the following hypothesis is put forward.

H2F. The effect of integrated thinking on CSR decoupling is weaker for firms located in countries that are considered to be more indulgent.

3. Method

3.1 Sample and Data

For this research, the sample consists of all listed firms for which the key variables are available in the Refinitiv Asset4 database within Eikon. The choice to gather the CSR data and the financial data from Eikon is because Eikon is known for the wide range of environmental, social, and governance (ESG) data as well as for the broad range of financial data it provides. The goal of the study is to investigate the effect of integrated thinking on CSR decoupling practices of firms and how the relationship is

moderated by aspects from Hofstede’s cultural framework. The data on the dimensions of Hofstede’s cultural framework will be retrieved from the Hofstede site³.

The analysis will be conducted on a sample 1634 unique firms that are located across the globe. The decision to employ an international sample was made for a multitude of reasons. First, the moderating variables focus on culture and to test the effect of culture it is best to employ a broad international sample including a multitude of countries with different cultural values. Second, prior studies on determinants of CSR decoupling have mainly focused on one country such as Pakistan (Malik et al., 2020), United States (Kim and Lyon, 2015), or one specific type of firm such as emerging market multinationals (Tashman et al., 2019).

The international sample will be analysed for a period of 7 year (2013-2019). The choice for this time frame is based on the fact that IIRC framework was published in 2013, which means that integrated thinking as a concept was introduced as well and that firms from that point onward started to use the IIRC framework for integrated reporting, which promotes integrated thinking. The last year of observation being 2019 is due to the fact that this is the last year for which full information was available. The information on 2020 is yet to be fully entered into the database. The final sample proved to be a balanced sample. In the two tables below the distribution of the observations across the sample is shown. Table 1 provides an overview of the observations across the analysed period and table 2 provides an overview of the distribution across the countries within the sample.

In table 1 it can be seen that the number of observations decreases because of the variable CSR decoupling which has a relatively large number of missing variables. It can also be seen that during the analysed period the observations per year grow with only 407 observations in 2013 compared to 1,329 observations in 2019.

Table 1: Sample overview across 2013-2019

	2013	2014	2015	2016	2017	2018	2019
Total firms	8,551	8,551	8,551	8,551	8,551	8,551	8,551
Minus missing values integrated thinking	4,952	4,778	3,962	3,106	2,377	1,503	457
Minus missing values CSR decoupling	3,192	3,404	4,141	4,886	5,456	6,032	6,765
Total firms after missing values	407	369	448	559	718	1,016	1,329

³ <https://www.hofstede-insights.com/product/compare-countries/>

In table 2 an overview is given of the number of firms that are in the sample. It can be seen in table 2 that the raw sample is skewed towards US firms 3,065 out of 8,552 firms. However, when accounting for all the firms where data was missing this skewness ceased to exist in the final sample.

Table 2: Overview firms per country in sample

Country	Number of firms	Country	Number of firms
Argentina	56	Malaysia	64
Australia	393	Mexico	55
Austria	32	Morocco	3
Bahrain	7	Netherlands	56
Belgium	51	New Zealand	59
Bermuda	2	Nigeria	1
Brazil	121	Norway	72
Canada	409	Oman	10
Cayman Islands	1	Pakistan	5
Channel Island	5	Peru	33
Chile	43	Philippines	26
China	645	Poland	43
Colombia	23	Portugal	16
Cyprus	4	Qatar	17
Czech Republic	4	Romania	2
Denmark	48	Russian Fed.	43
Egypt	11	Saudi Arabia	37
Finland	40	Singapore	95
France	162	Slovenia	1
Germany	198	South Africa	125
Greece	27	South Korea	157
Hong Kong	250	Spain	77
Hungary	5	Sri Lanka	1
India	165	Sweden	160
Indonesia	45	Switzerland	127
Ireland	20	Taiwan	159
Israel	16	Thailand	103
Italy	104	Turkey	55

Table 2 continued

Japan	463	Uganda	2
Jordan	1	United Arab Em.	20
Kazakhstan	1	United Kingdom	487
Kenya	1	United States	3,065
Kuwait	13	Vietnam	2
Luxembourg	6	Zimbabwe	1

3.2 Variables

3.2.1 Dependent variable

In this study the dependent variable is CSR decoupling. The variable will be measured by a score that is based on and modifies the indices created by Hawn and Ioannou (2016). Hawn and Ioannou (2016) chose 21 factors that represented internal actions and 25 factors that represented the external actions. However, the Refinitive Asset4 database has changed since the study by Hawn and Ioannou (2016) has been conducted, which is the cause for some factors to not be available anymore as well as that, new factors were introduced to replace the missing factors. Regarding the internal actions the factors mainly focus on policies such as a policy of equal opportunity, a policy of training employees, or a policy for employee health and safety. The other factors include the expertise of the audit committee, how the gender diversity and independence in the board is. For the external actions, the focus lies mainly on claims and reports made such as reports on HIV/Aids policies, claim to favour internal promotions, or report on initiatives to reduce several greenhouse gases. Other factors that are taken into consideration for internal actions are whether the non-financial information is audited and whether it is reported within the GRI guidelines. For an overview of all the factors included, this study refers to Appendix A. In the end this led to 25 aspects that make up the internal actions and 25 aspects that make up the external actions.

To calculate the discrepancy between internal and external actions each factor will be assigned either 1 or 0 points. In the case of yes/no aspects 1 point is awarded if the firm scores a yes on that aspect, so if a firm has an equal opportunity policy, they earn 1 point for their internal actions score, if the firm has an external auditor to audit their non-financial statements, they earn 1 point for their external actions. For the aspects that work with percentages a point will be awarded if the score of the firm is above average, so if the average of women on the board is 16% a firm that has 20% women on the board earns a point for their internal actions. The study is interested in the effect of integrated thinking diminishing CSR decoupling, which is why the absolute discrepancy between internal and external actions is used to represent this.

To determine whether a firm does not decouple or if it either brownwashes or greenwashes was done as follows. When the internal actions score minus the external actions score equals 0, it means that no decoupling is taking place. A firm is considered to be greenwashing when the absolute discrepancy between the internal and external actions score is -1 or lower (in the case of the study up to -16). Brownwashing occurs when the absolute discrepancy between the internal and external actions scores equals or is larger than 1. In the case of this study no use was made of a standardised score per industry or country, which lead to a sample that might be skewed to either brownwashing or greenwashing.

3.2.2 Independent variable

The independent variable is integrated thinking, which will be measured through the Refinitiv Corporate Governance CSR strategy score, which is part of the governance pillar and thus provides information about how a firm is run and how decisions are made. Integrated thinking refers to the extent to which organisations take into account non-financial information for day-to-day decisions. Therefore, the CSR corporate strategy score will be used as proxy for integrated thinking. According to Refinitiv “the CSR strategy score reflects a company’s practices to communicate that it integrates economic (financial), social and environmental dimensions into its day-to-day decision-making processes”, the score is awarded on a scale of 0-100. This means that firms with a higher score are relatively more willing to take this type of information into account in the day-to-day decision making. The score is made up of several factors that deal with aspects such as how management deals with their stakeholders, or whether the company explicitly integrate financial and extra-financial factors in its management discussion and analysis (MD&A). The factors that make up the Refinitiv Corporate Governance CSR strategy score are assigned value on the basis of whether they do or do not undertake or report a certain action, or the percentage of for example independent directors a firm has on the audit committee.

3.2.3 Moderating variables

The moderating variables used in this research are aspects of Hofstede’s cultural framework, the aspects are as follows; masculinity/femininity, individualism/collectivism, uncertainty avoidance/tolerance for uncertainty, power distance, long-term/short-term orientation, and indulgence/restraint. These variables consist of a score on a scale of 0-100 and are interpreted as follows. In the dimension masculinity a score above 50 refers to a society that is considered to be masculine in nature whereas a score under 50 refers to a society that is considered to be feminine in nature. This method is the same for the other dimensions used, so higher score in individualism means more individualistic tendencies and vice versa (Hofstede, 2010).⁴

⁴ <https://www.hofstede-insights.com/product/compare-countries/>

3.2.4 Control variables

Control variables are used to see whether the effect of integrated thinking on CSR decoupling changes, since part of the explanatory value of the control variables could be assigned to the effect of the independent variable. The control variables used will be firm size, firm resource slack, return on assets (ROA), and analyst coverage. Firm size is employed as a control variable since larger firms often face higher levels of external pressure (Kim and Lyon). Alongside the higher external pressure, larger firms also might have better access to capital markets, which, in turn, leads to lower costs of new investments (Kim and Lyon, 2015; Innes and Sam, 2008). Firm size will be measured by revenues as done by Kim and Lyon (2015) and Malik et al. (2020).

Firm resource slack is added as a control variable because these are the resources possessed by a firm that are above what is needed to meet the liabilities (Malik et al., 2020; Levya-de la Hiz et al., 2019), and can thus be spend freely on investments. According to resource-based perspective leads the availability of extra resources owned by the firm will stimulate firms' tendency to engage more in CSR and thereby reducing CSR decoupling policies (Malik et al., 2020; Branco & Lima-Rodrigues, 2006). The variable will be measured by the ratio of current assets to total liabilities (Malik et al., 2020; Darus, Mad, and Nejati, 2015).

Return on assets is used as a control variable since return on assets provides information on the profitability of firm and according to Adhikari (2016) and Garcia-Sanchez et al. (2020) more profitable firms might rely less on CSR performance and reporting of this performance to create a better reputation in the financial markets. Therefore, it is possible that return on assets could influence CSR decoupling practices whether this positively or negatively. The variable will be measured as the return-on-assets ratio (Garcia-Sanchez et al., 2020; Surocca et al., 2020).

Analyst coverage is added as a control variable because analyst coverage controls for a firm's visibility and as prior literature has shown (Tashman et al., 2019) visibility influences a firm's decisions regarding CSR decoupling practices. The variable will be measured by the number of analysts that cover a firm in each year (Hawn and Ioannou, 2016; Pollock and Gulati, 2009). In the table below an overview of all the variables used is provided.

Table 3: Variable overview

<i>Variable</i>	<i>Measurement</i>
CSR Decoupling	Internal actions score- external actions score. For more information on the score, please refer to Appendix A.
Integrated thinking	CSR corporate strategy score, extracted from the Refinitiv Asset4 database.
Masculinity	Score on a scale of 0-100. The higher the score the more masculine the country is.
Individualism	Score on a scale of 0-100. The higher the score higher the level of individualism.
Power distance	Score on a scale of 0-100. The higher the score the more power distance there is in a country.
Uncertainty avoidance	Score on a scale of 0-100. The higher the score the lower the higher uncertainty avoidance in the country.
Long-term orientation	Score on a scale of 0-100. The higher the score the more long-term orientated the country is.
Indulgence	Score on a scale of 0-100. The higher the score the more indulgent the country is.
Firm size	Revenues in year T
Firm resource slack	Ratio of current assets to total liabilities.
Return on assets	Return-on-assets ratio (net income/total assets)
Analyst coverage	Number of analysts covering a firm

3.3 Model

In this study a panel data analysis was conducted for which the analytical program Stata was used. When conducting a panel data analysis, as is the case in this study, there is the possibility to run a Random Effects regression model, a Fixed Effects regression model, a pooled regression model, or a multilevel model. The first regression that was run, was a simple multilevel regression with only the dependent and independent variable. The second multilevel regression included the control variables. The third regression run was a multilevel random coefficient regression that only included the dependent, independent, and moderating variables. The choice for a random coefficient model was made on the basis that the coefficient for each country is likely to differ based upon the cultural values of the respective country. The final regression was also a multilevel random coefficient regression which also included the control variables. In this study a multilevel analysis was found to be most suitable due to

the fact that the study has two levels in the variables, the firms (level 1) which are nested within countries with certain cultural dimensions (level 2).

The model below has been used to perform the main analysis. The model includes multiple interaction terms which have been used to address the effect of integrated thinking on CSR decoupling when moderated by the cultural dimension of Hofstede's framework.

$$\begin{aligned} \text{CSRDECOUPLING} = & \beta_0 + \beta_1 \text{INTEGRATEDTHINKING} + \beta_2 \text{FEMININITY} + \\ & \beta_3 \text{INTEGRATEDTHINKING} * \text{FEMININITY} + \beta_4 \text{COLLECTIVISM} + \beta_5 \text{INTEGRATEDTHINKING} * \text{COLLECTIVISM} \\ & \beta_6 \text{POWERDISTANCE} + \beta_7 \text{INTEGRATEDTHINKING} * \text{POWERDISTANCE} + \beta_8 \text{TOLERANCEOFUNCERTAINTY} + \\ & \beta_9 \text{INTEGRATEDTHINKING} * \text{TOLERANCEOFUNCERTAINTY} + \beta_{10} \text{LONGTERMORIENTATION} + \\ & \beta_{11} \text{INTEGRATEDTHINKING} * \text{LONGTERMORIENTATION} + \beta_{12} \text{INDULGENCE} + \\ & \beta_{13} \text{INTEGRATEDTHINKING} * \text{INDULGENCE} + \beta_{14} \text{FIRMSIZE} + \beta_{15} \text{FIRMRESOURCESLACK} + \\ & \beta_{16} \text{RETURNONASSETS} + \beta_{17} \text{ANALYSTCOVERAGE}. \end{aligned}$$

4. Results

4.1 Descriptive statistics

In table 4 the descriptive statistics of the variables for the final sample are portrayed. A piece of information that can be deduced from the descriptive statistics is that the average decoupling score is 2.462, which suggests that on average the firms in the sample undertake more internal than external CSR practices, thus brownwashing. Regarding the cultural variables it can be deduced that on average the sample consists of mainly masculine, individualistic, indulgent countries that have lower power distance, as well as having a higher uncertainty avoidance, and being more long-term oriented. For the control variables it can be seen that on average around 15 analysts cover the firms in this sample with a minimum of at least 1 analyst and a maximum of 52 analysts and that the return on assets (ROA) is negative for part of the sample used.

Table 4: Descriptive statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
Integrated thinking	1,654	47.362	34.918	0	99.49
CSR decoupling	1,654	2.462	4.500	-16	16
Masculinity	1,654	57.190	16.211	5	95
Individualism	1,654	70.556	24.258	13	91
Power distance	1,654	48.102	17.084	11	100
Uncertainty avoidance	1,654	52.898	19.135	8	100
Long-term orientation	1,654	46.162	22.170	13	100
Indulgence	1,654	57.329	16.749	17	97
Firm size	1,654	1.22e+07	2.76e+07	0	3.90e+08
Firm resource slack	1,654	.7669	.7357	0	18.135
Return on assets	1,654	5.609	10.014	-130.88	62.24
Analyst coverage	1,654	14.674	8.787	1	52

Table 5 shows the correlation matrix between all the different variables. The correlation between Integrated thinking and CSR decoupling shows that integrated thinking positively impacts the CSR score, which means that higher levels of integrated thinking are associated with a higher score. Furthermore, the correlation matrix also provides a good indication whether multicollinearity is present between variables. The general rule of thumb is that a correlation of 0.8 (Franke, 2010; Schroeder et al., 1990) or higher indicates possible multicollinearity. As can be seen in the matrix there is one correlation that is larger than 0.8 and are there a few correlations that are close to this 0.8 mark. Therefore, to ensure that no multicollinearity exists a VIF test has been conducted. As can be seen in Appendix B, none of the variables are above 10 which is the general cut-off used for VIFs (Franke, 2010; Schroeder et al., 1990).

Table 5: Correlation Matrix

	CSR Decoupling	Integrated Thinking	Masculinity	Individualism	Power Distance	Uncertainty Avoidance	Long-term Orientation	Indulgence	Firm Size	Firm resource slack	Return on assets	Analyst coverage
CSR												
Decoupling	1											
Integrated Thinking	0.4638*	1										
Masculinity	-0.0725*	-0.0561*	1									
Individualism	0.0456**	-0.1799*	0.0941*	1								
Power Distance	-0.0361*	0.1142*	0.0131*	-0.8172*	1							
Uncertainty Avoidance	-0.0987*	0.0744*	0.1469*	-0.2028*	0.1253*	1						
Long-term Orientation	-0.0555*	0.2018*	0.1383*	-0.7054*	0.4996*	0.2350*	1					
Indulgence	0.0556*	-0.1428*	-0.1015*	0.7800*	-0.7368*	-0.1007*	-0.7362*	1				
Firm Size	0.0799*	0.2889*	0.0483*	-0.0376*	0.0395*	0.0733*	0.1058*	-0.0739*	1			
Firm resource slack	0.0029	-0.0198*	-0.0009	0.0059	-0.0030	-0.121*	-0.0030	0.0005	-0.0112*	1		
Return on assets	0.0608*	0.0260*	0.0015	-0.0002	0.0017	-0.0029	0.0006	-0.0004	-0.0034	0.0081	1	
Analyst coverage	0.0252	0.1164*	-0.0128*	-0.0371*	0.0286*	0.0182*	0.0449*	-0.0588*	0.0869*	-0.0047	0.0212*	1

Significance level * = 0.05

4.2 Regression results

Table 6 displays the outcomes of the conducted regressions on the CSR decoupling variable in its entirety. In the first two regressions a simple multilevel regression has been run, of which the first only included the dependent and independent variable. The second multilevel regression included the control variables. As can be seen in these two multilevel regressions is that integrated thinking is significantly and positively related to CSR decoupling and is also the case in regressions 3 and 4, which would mean that hypothesis 1 is not supported since it would mean that integrated thinking would increase CSR decoupling practices rather than decrease them. Regression 3 and 4 are multilevel random coefficient models in which the moderating variables are included through the interaction terms.

In model 3 (model 4) it can be seen that integrated thinking has an effect of 0.048 (0.054) on CSR decoupling when the power distance score is 48.102 and that this effect increases with 0.00038 (0.0010) for every point that the power distance score increases. This means that a higher power distance would increase decoupling practices further and that a lesser power distance would make that integrated thinking has less of an increasing effect on CSR decoupling, thus supporting hypothesis 2C on the moderating effect of power distance. For individualism (collectivism) integrated thinking in model 3 (model 4) also has an effect of 0.048 (0.054) on CSR decoupling when the individualism score is 70.556 and increase with 0.00043 (0.00090) for every point with which the individualism score increases. This would mean that more masculine countries have higher CSR decoupling than countries that are more collectivistic and have an individualism score below 50, which supports hypothesis 2B. Hypothesis 2A, 2D, and 2E on masculinity/femininity, tolerance of uncertainty and long-term orientation are also supported by the results found in table 6. The interaction variable indulgence is not significant and does not have the hypothesized effect. Therefore, hypothesis 2F is not supported by the results. Lastly, when considering the control variables only the variable firm size has a significant negative effect on CSR decoupling.

In table 7 the regression results are shown for the effect of the several variables on Greenwashing. As can be seen from the table, in both the multilevel as well as both of random coefficient regressions, integrated thinking is significantly and negatively associated with greenwashing. Which means when decoupling is operationalized as greenwashing hypothesis 1 would be supported, as well as the hypothesis focused on greenwashing. Regarding the hypothesis on the moderating effect of the cultural aspects it can be seen that results found regarding power distance (hypothesis 2C) and individualism (hypothesis 2B) are significant, but do not have the hypothesized effect. In the cases of power distance and individualism a higher level of power distance and a more individualism within a society would lead to a decrease in the inclination to greenwash, whereas it was hypothesized that a decrease would be found in societies with less power distance and more collectivistic tendencies. For the variables masculinity (hypothesis 2A), uncertainty avoidance (hypothesis 2D), and long-term

orientation (hypothesis 2E) the results found were not significant and only for the variable masculinity the hypothesized effect was shown. The last hypothesis on the moderating effect of indulgence (2F) is supported by the results portrayed in table 7.

In table 8 the effect of integrated thinking on CSR decoupling in terms of brownwashing is tested. In this table it can be seen that across all 4 regressions that integrated thinking has a significant positive effect on brownwashing, which means that integrated thinking seems to increase the inclination to brownwash and that hypothesis 1 would not be supported. However, the hypothesis on the effect of integrated thinking on brownwashing would be supported. In model 3 the hypothesis regarding the variables power distance (2C) and individualism (2B) supported, countries that have higher power distance and are more individualistic have higher tendencies to brownwash than countries with lesser power distance and more collectivistic cultures. For the hypotheses concerning masculinity (2A), uncertainty avoidance (2D), and long-term orientation (2E) the variables have the hypothesized effect but are not found to be significant. Lastly, the hypothesis on indulgence (2F) is not supported since higher indulgence leads to a decreased tendency to brownwash.

Table 6: Regression results CSR decoupling

	(1) Multilevel CSR decoupling	(2) Multilevel CSR decoupling	(3) Random Coef. CSR decoupling	(4) Random Coef. CSR decoupling
Level 1:				
Integrated Thinking	0.047*** (0.00)	0.048*** (0.00)	0.048*** (0.00)	0.054*** (0.00)
Firm size		-0.000000013** (0.00)		-0.000000014** (0.00)
Firm resource slack		-0.056 (0.12)		-0.056 (0.11)
Return on assets		0.018 (0.01)		0.017 (0.01)
Analyst coverage		-0.013 (0.01)		-0.015 (0.01)
Level 2:				
Power distance			0.0073 (0.01)	-0.0030 (0.02)
Integrated thinking*Power distance			0.00038* (0.00)	0.0010* (0.00)
Individualism			0.022** (0.01)	0.016 (0.01)
Integrated thinking*Individualism			0.00043** (0.00)	0.00090** (0.00)
Masculinity			-0.027*** (0.01)	-0.025* (0.01)
Integrated thinking*Masculinity			0.00043*** (0.00)	0.00031 (0.00)
Uncertainty avoidance			-0.0052 (0.01)	-0.020* (0.01)
Integrated thinking*Uncertainty avoidance			-0.00049*** (0.00)	-0.00026 (0.00)
Long-term orientation			-0.0026 (0.01)	-0.0031 (0.01)
Integrated thinking*Long-term orientation			-0.00042** (0.00)	-0.00078** (0.00)
Indulgence			0.0068 (0.01)	0.0086 (0.03)
Integrated Thinking *Indulgence			-0.00032 (0.00)	-0.00059 (0.00)
Constant	0.43*** (0.12)	0.67* (0.30)	2.03*** (0.10)	2.48*** (0.26)
var(u_0j)	13.7*** (0.27)	14.1*** (0.44)	12.6*** (0.25)	0.0021*** (0.00)
var(e_ij)	2.60*** (0.03)	2.48*** (0.06)	2.59*** (0.03)	2.04*** (0.05)
var(u_1j)				11.1*** (0.41)
Observations	4846	1678	4772	1654
Log likelihood	-11312.5	-3978.7	-11069.3	-3846.6
Intraclass correlation	0.840	0.850	0.829	0.844

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 7: Regression results CSR decoupling (Greenwashing)

	(1) Multilevel CSR decoupling	(2) Multilevel CSR decoupling	(3) Random Coef. CSR decoupling	(4) Random Coef. CSR decoupling
Level 1:				
Integrated thinking	-0.00031*** (0.00)	-0.00041*** (0.00)	-0.00039*** (0.00)	-0.00048*** (0.00)
Firm size		8.4e-11 (0.00)		8.5e-11 (0.00)
Firm resource slack		-0.000056 (0.00)		-0.000092 (0.00)
Return on assets		0.00018 (0.00)		0.00011 (0.00)
Analyst coverage		0.00086*** (0.00)		0.00048 (0.00)
Level 2:				
Power distance			-0.000032 (0.00)	0.00015 (0.00)
Integrated thinking*Power distance			-0.000013*** (0.00)	-0.000018* (0.00)
Individualism			0.00038* (0.00)	0.00054* (0.00)
Integrated thinking*Individualism			-0.000011*** (0.00)	-0.000017** (0.00)
Masculinity			-0.000015 (0.00)	0.000044 (0.00)
Integrated thinking*Masculinity			0.00000030 (0.00)	0.00000024 (0.00)
Uncertainty avoidance			0.0000020 (0.00)	0.000020 (0.00)
Integrated thinking*Uncertainty avoidance			0.00000099 (0.00)	0.00000024 (0.00)
Long-term orientation			0.000082 (0.00)	0.00023 (0.00)
Integrated thinking*Long-term orientation			0.0000040 (0.00)	0.0000095 (0.00)
Indulgence			-0.00066* (0.00)	-0.00069 (0.00)
Integrated Thinking *Indulgence			0.0000085* (0.00)	0.000015* (0.00)
Constant	0.058*** (0.00)	0.052*** (0.00)	0.044*** (0.00)	0.039*** (0.00)
var(u_0j)	0.036*** (0.00)	0.038*** (0.00)	0.034*** (0.00)	0.0000058*** (0.00)
var(e_ij)	0.011*** (0.00)	0.011*** (0.00)	0.010*** (0.00)	0.0089*** (0.00)
var(u_1j)				0.033*** (0.00)
Observations	58001	22326	38157	17960
Log likelihood	35082.7	12495.4	22459.0	10225.6
Intraclass correlation	0.763	0.779	0.772	0.786

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 8: Regression results CSR decoupling (Brownwashing)

	(1) Multilevel CSR decoupling	(2) Multilevel CSR decoupling	(3) Random Coef. CSR decoupling	(4) Random Coef. CSR decoupling
Level 1:				
Integrated thinking	0.0018*** (0.00)	0.0029*** (0.00)	0.0032*** (0.00)	0.0038*** (0.00)
Firm size		5.1e-10 (0.00)		2.9e-10 (0.00)
Firm resource slack		-0.019* (0.01)		-0.015 (0.01)
Return on assets		-0.00030 (0.00)		0.0012 (0.00)
Analyst coverage		-0.0018 (0.00)		-0.00061 (0.00)
Level 2:				
Power distance			-0.0000091 (0.00)	0.00034 (0.00)
Integrated thinking*Power distance			0.000065*** (0.00)	0.000042 (0.00)
Individualism			-0.00010 (0.00)	0.00033 (0.00)
Integrated thinking*Individualism			0.000079*** (0.00)	0.000066* (0.00)
Masculinity			-0.0021** (0.00)	-0.0021* (0.00)
Integrated thinking*Masculinity			0.000020 (0.00)	0.000017 (0.00)
Uncertainty avoidance			-0.0010 (0.00)	-0.0013 (0.00)
Integrated thinking*Uncertainty avoidance			-0.0000097 (0.00)	-0.00000052 (0.00)
Long-term orientation			-0.0012 (0.00)	-0.00067 (0.00)
Integrated thinking*Long-term orientation			-0.0000066 (0.00)	-0.000070** (0.00)
Indulgence			0.00074 (0.00)	0.0032 (0.00)
Integrated Thinking *Indulgence			-0.000036* (0.00)	-0.000084* (0.00)
Constant	0.59*** (0.01)	0.57*** (0.02)	0.65*** (0.01)	0.66*** (0.02)
var(u_0j)	0.14*** (0.00)	0.14*** (0.00)	0.13*** (0.00)	0.000015*** (0.00)
var(e_ij)	0.065*** (0.00)	0.059*** (0.00)	0.056*** (0.00)	0.050*** (0.00)
var(u_1j)				0.12*** (0.00)
Observations	10237	4126	7328	3488
Log likelihood	-2576.4	-1067.5	-1627.5	-812.2
Intraclass correlation	0.684	0.708	0.698	0.714

t statistics in parentheses

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Discussion

The aim of this paper was to examine what the effect of integrated thinking on CSR decoupling is. This was done by examining three related issues: First, the study explores the effect of integrated thinking on CSR decoupling. Second, the study explores the moderating effect of cultural factors on the relationship between integrated thinking and CSR decoupling. Third, the study explores the possible difference in effects of integrated thinking on the types of CSR decoupling i.e., greenwashing and brownwashing. The results show that integrated thinking has different effects on greenwashing than it has on brownwashing. The results also show that the cultural aspects of masculinity, individualism, power distance, uncertainty avoidance, long-term orientation, and indulgence have a different effect on the two different types of CSR decoupling.

In the case of greenwashing integrated thinking was found to be negatively associated to this type of decoupling, which is line with the hypothesized relationship that was derived from prior literature. With respect to brownwashing, however, integrated thinking was positively associated, which is not in line with the hypothesized effect. So, where does the difference between brownwashing and greenwashing stem from? Based on prior literature it could be speculated that the reason behind the type of decoupling plays a role. Greenwashing is mostly done to seem legitimate, even when the costs of actually being green are too high, and to be competitive (Bowen, 2014; Kim and Lyon, 2011). Brownwashing i.e., understating CSR performance, seems to be mostly done to avoid punishment from investors for incurring unduly high costs to be green (Jacobs et al., 2010; Fischer-Vanden and Thorburn, 2011; Lyon et al., 2011). As stated by Friedman (1970), investors might feel that managers are diverting resources away from the shareholder wealth maximisation to indulge in their own inclinations for socially responsible practices. Therefore, managers might not want to disclose this information especially during financially difficult times. This would mean that the implementation of integrated thinking in greenwashing firms leads to an increase in the willingness to incur the costs of socially responsible practices and actually helps management to better connect the financial and non-financial aspects with one another when making business decisions. In comparison, integrated thinking in brownwashing firms would actually increase the amount of decoupling because it would further increase the socially responsible actions by connecting both financial and non-financial aspects of conducting business but would not lead to a better connection with the reported information due to the fear of being punished by the stakeholders. Thus, based on the above it can be said that the hypothesis, that integrated thinking is negatively associated with CSR decoupling, is partially supported.

Regarding the cultural aspects the results also show that the effects differ among the different regressions. In the case of CSR decoupling as a whole it can be seen that in countries that are considered to be more feministic, more collectivistic, less power distanced, more long-term oriented, and less tolerant of uncertainty tend to have lower CSR decoupling. This can be explained by the fact that according to Hofstede (2010) that these countries are geared more to firms taking on their societal

responsibility and also have a society that is likely to punish decoupling more harshly. In the regression on greenwashing the results showed that in countries with more power distance, higher indulgence, and more individualistic characteristics integrated thinking has a stronger negative association with CSR decoupling, which goes against the ideas of Hofstede's cultural framework. However, it could also be argued that in these countries firm's do not care about what society feels and does what they need to do to thrive, and society does not care as long as it does not affect them in a negative way. Regarding the effect of the cultural aspects on brownwashing, the results show that lower levels of individualism decrease brownwashing, whilst higher levels of long-term orientation and indulgence also decrease brownwashing. The effect of less individualism and higher long-term orientation are in line with the hypothesised effects that were derived from Hofstede's cultural framework. However, the result that higher levels of indulgence decrease brownwashing tendencies is less logical, it might stem from the idea that the firm has less fear to report their actual practices because society will not care as long as their impulses are satisfied.

These results strengthen the idea that the differentiation between greenwashing and brownwashing must be made as the effect of several factors differ between the two (Kim and Lyon, 2015). This is also in line with neo-institutional theory in which changes to corporate operations, strategies and/or structures are more a response to external pressures than a reaction to internal functional requirements (Scott, 2001). It also shows the contradicting external pressures a firm faces when making decisions regarding CSR practices and how these decisions vary across different cultures and institutional environments (Preuss et al., 2009). However, the way this study is conducted limits the ability to find out in more depth the way the different cultural aspects influence the relation between integrated thinking and CSR decoupling, and more specifically the relation between integrated thinking and brown-/greenwashing, as well as different institutional aspects such as mandated non-financial reporting. Future research could focus more on more in-depth research on the effect of cultural aspects on the relationship between integrated thinking and brown-/greenwashing, which could be done by focusing on one country. Another option would be to examine two countries that are polar opposites culturally and see how the relationship between integrated thinking and CSR decoupling is affected in these two countries. Additionally, future studies could use a different measure for CSR decoupling since this was the variable that decreased the sample significantly. Furthermore, future research could focus more on the differences between brownwashing in greenwashing both with regards to determinants as well as consequences of CSR decoupling practices.

Conclusion

While earlier studies on integrated thinking agree that it is beneficial to be green, there is also a need to study the determinants as well as the consequences of a firm's (mis)alignment of its reported CSR performance and its actual CSR performance. This study reveals that the effect of integrated thinking on CSR decoupling practices is not as simple as initially thought. The study reveals that integrated has an effect on CSR decoupling practices, that this effect varies between the greenwashing and brownwashing, and that cultural aspects influences the relationship between integrated thinking and CSR decoupling. Therefore, this study contributes to prior literature on the determinants of CSR decoupling practices. The study complements the study by Kim and Lyon (2015) by differentiating between brown- and greenwashing in the regression and, thus, showing that the effect of integrated thinking is different for brownwashing and greenwashing.

Based on neo-institutionalist perspective, the study suggests that firms' respond differently to contradicting external pressures and that these responses are also influenced by the culture of the country in which the firm is located. The study argues that integrated thinking decreases a firm's tendency to greenwash because it increases the connection between the financial and non-financial aspects that influence decision-making within the business. However, integrated thinking increases a firm's tendency to brownwash because integrated thinking does not deal with the core of the problem in this case, namely the punishment of investors and shareholders on the high costs of the socially responsible actions. Thus, the effect of integrated thinking on CSR decoupling is still somewhat ambiguous and would require some further examination.

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Appendix A

Indices internal and external actions

Internal Actions

1. Percentage of women on the board of directors
 2. Percentage of non-executive board members on the audit committee as stipulated by the company
 3. Percentage of non-executive board members on the nomination committee.
 4. Percentage of independent board members as reported by the company.
 5. Does the company have a policy to support the skills training or career development of its employees?
 6. Does the company have a policy to improve employee health & safety within the company and its supply chain?
 7. Does the company use environmental criteria (ISO 14000, energy consumption, etc.) in the selection process of its suppliers or sourcing partners?
 8. Does the company make use of renewable energy?
 9. Does the company have a policy to improve its energy efficiency?
 10. Does the company have a policy to improve its water efficiency?
 11. Does the company develop products or technologies that are used for water treatment, purification, or that improve water-use efficiency?
 12. Does the company have a policy to reduce emissions?
 13. Does the company have a policy for ensuring equal treatment of minority shareholders, facilitating shareholder engagement, or limiting the use of anti-takeover devices?
 14. Does the company's statutes or by-laws require that stock options be only granted with a vote at a shareholder meeting?
 15. Does the company have a policy for performance-oriented compensation that attracts and retains the senior executives and board members?
 16. Does the company have a policy for maintaining a well-balanced membership of the board?
 17. Does the company have an audit committee with at least three members and at least one "financial expert" within the meaning of Sarbanes-Oxley?
 18. Does the company have a CSR committee or team?
 19. Does the company have a policy to guarantee the freedom of association universally applied independent of local laws?
 20. Does the company have a policy for the exclusion of child, forced, or compulsory labor?
 21. Does the company have a diversity and equal opportunity policy?
 22. Does the company have a policy to protect customer health & safety?
 23. Does the company have a policy to improve the skills training of its employees?
 24. Does the company have a corporate governance board committee?
 25. Does the company develop products or technologies for use in the clean, renewable energy (such as wind, solar, hydro and geo-thermal and biomass power)?
-

External Actions

1. Does the company reportedly develop or market products and services that foster specific health and safety benefits for the consumers (healthy, organic or nutritional food, safe cars, etc.)?
 2. Does the company claim to favor promotion from within?
 3. Does the company report on policies or programs on HIV/AIDS for the workplace or beyond?
 4. Does the company report on crisis management systems or reputation disaster recovery plans to reduce or minimize the effects of reputation disasters?
 5. Does the company report about environmentally friendly or green sites or offices?
 6. Does the company report on initiatives to reduce, reuse, substitute, or phase out toxic chemicals or substances?
 7. Does the company report on initiatives to reduce the environmental impact of transportation of its products or its staff?
 8. Has the company set targets or objectives to be achieved on emission reduction?
 9. Does the company report on initiatives to recycle, reduce, reuse, substitute, treat, or phase out total waste?
 10. Does the company report on initiatives to reduce, substitute, or phase out volatile organic compounds (VOC)?
 11. Does the company report on initiatives to reduce, reuse, recycle, substitute, or phase out SO_x (sulphur oxides) or NO_x (nitrogen oxides) emissions?
 12. Does the company claim to follow the OECD Guidelines for Multinational Enterprises?
 13. Is the company's CSR report published in accordance with the GRI guidelines?
 14. Does the company's extra-financial report take into account the global activities of the company?
 15. Does the company report or show to be ready to end a partnership with a sourcing partner if human rights criteria are not met?
 16. Does the company report or show to use human rights criteria in the selection or monitoring process of its suppliers or sourcing partners?
 17. Does the company claim to provide daycare services for its employees?
 18. Does the company have an external auditor of its CSR/H&S/Sustainability report?
 19. Does the company claim to provide flexible working hours or working hours that promote a work-life balance?
 20. Does the company claim to provide regular staff and business management training for its managers?
 21. Does the company have a policy to strive to be a good corporate citizen or endorse the Global Sullivan Principles?
 22. Does the company have a policy to respect business ethics or has the company signed the UN Global Compact?
 23. Does the company report on initiatives to recycle, reduce, reuse, substitute, treat or phase out e-waste?
 24. Does the company report on its participation in any emissions trading initiative?
 25. Does the company report on partnerships or initiatives with specialized NGOs, industry organizations, governmental or supra-governmental organizations, which are focused on improving environmental issues?
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Appendix B

Results VIF test

Variable	VIF	1/VIF
Individualism	3.78	0.264383
Indulgence	3.34	0.299010
Power Distance	3.06	0.326770
Long-term Orientation	2.35	0.426356
Uncertainty Avoidance	1.28	0.780928
Integrated Thinking	1.20	0.833034
Firm Size	1.17	0.853502
Masculinity	1.11	0.903074
Analyst coverage	1.03	0.971083
Firm Resource Slack	1.02	0.983767
Return on assets	1.01	0.987938
Mean VIF	1.85	