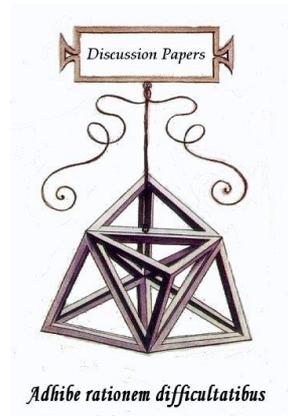




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**BRIC COMPANIES SEEKING LEGITIMACY THROUGH CORPORATE SOCIAL
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BRIC Companies Seeking Legitimacy through Corporate Social Responsibility

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Abstract

BRIC countries have generally gone through a process of liberalization and rapid economic growth that has allowed their major companies to acquire increasing weight in the global marketplace. However, they are still striving to achieve full legitimacy in the international arena. In a bid to close this legitimacy gap, BRIC firms are making efforts to align with the Environmental, Social and Governance (ESG) global norms of doing business, and recently have adopted a portfolio of Corporate Social Responsibility (CSR) initiatives. In this paper we provide a deeper exploration into the factors that relate to BRIC firms' adoption of different types of CSR initiatives— i.e. social policies (philanthropic projects favoring different stakeholders), publication of CSR reports, adoption of GRI standards; adherence to and financial support for the UN Global Compact. We carry out an empirical analysis on 60 BRIC large public companies, and find support for the idea that different kinds of CSR initiatives may be subject to different pressures and may serve different legitimization strategies.

Key words: BRIC firms, internationalization, Corporate Social Responsibility (CSR), liability of foreignness (LOF) and emergingness (LOE), mimetic isomorphism.

1. Introduction

Emerging markets have generally gone through a process of liberalization and rapid economic growth that has allowed their major companies to acquire increasing weight in the global marketplace (Lenssen et al., 2011). Among these emerging markets, Brazil, Russia, India and China (i.e. the BRIC economies) have grown particularly quickly.¹ In the period 2001 - 2010 the total population of the BRIC increased from 2,654 million to 2,880 million, total GDP (current international \$) increased from \$7.4 billion to \$19.4 billion with an average real growth rate of 8.2%. In 2010, the BRIC countries accounted for over a quarter of the world's land area, 42% of the world's population (stable since 2001), and 25% of the world's gross national income (compared to 17% in 2001) (World Development Indicators, 2013).

Despite this impressive growth, the BRIC countries are still striving to achieve full legitimacy in the international arena. Their cultural values and norms, which are some distance from those of most Western societies, have resulted in stakeholders in the West viewing the BRIC economies with a degree of suspicion. For instance, the international expansion of Chinese State-Owned Enterprises (SOEs) is often seen as predatory investment, and an expression of the investing country's or state's interest in gaining control over advanced economy strategic assets and infrastructures, which is also causing concerns related to loss of dominance in key technological capabilities (Giuliani et al., 2013a). This lack of national legitimacy has repercussion on BRIC firms' own legitimacy, which is defined as "a generalized perception or assumption that the actions of a firm are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (Suchman, 1995, p. 574) These concerns include the capacity of BRIC firms to properly address *environmental, social and governance* (ESG) issues – the focus of this paper – given the perceived institutional weaknesses of their home countries in these areas (Madhok and Kayhani, 2012; Hawn, 2013).

¹ Some ten years ago, Jim O'Neill, global economist at Goldman Sachs, proposed the term BRIC to encompass some common traits, such as size, GDP, growth expectations, and expected future dominance in the manufacturing, services and primary industries.

In a bid to close this legitimacy gap, BRIC firms are making efforts to align with ESG global norms of doing business, and recently have adopted a portfolio of Corporate Social Responsibility (CSR) initiatives (Gugler and Shi, 2009). Besides being engaged in philanthropic initiatives and social projects, which have long historical roots in BRIC countries and are grounded on “on deep-rooted indigenous cultural traditions of philanthropy, business ethics, and community embeddedness” (Visser, 2008, p. 481), BRIC firms have increased their commitment to the most contemporary Western conceptualizations of CSR, which for emerging markets are relatively new phenomena (UNCTAD, 2008). We refer here specifically to *reporting* and *principle-based* initiatives (see also Gilbert et al., 2011; Rasche et al., 2013). The latter include adherence to the UN Global Compact (UNGC), which is a voluntarily initiative involving firms’ commitment to align their operations and strategies with ten universally accepted principles focusing on human rights, labor rights, environmental sustainability and anti-corruption (Kell, 2005; Rasche, 2009; Kell, 2013), as well as the financial support for the Foundation for the Global Compact,² which, introduced in 2006, is considered as reinforcing the commitment to sustaining development of the UNGC network. Reporting initiatives are also on the rise among BRIC firms and refer to the issuance of CSR reports that account for and communicate firms’ ESG impact to interested stakeholders, and to the adherence to international standards designed to homogenize as far as possible the structure and content of such reports. The global standard for reporting on ESG issues is the *Global Reporting Initiative* (GRI), which provides a standardized framework for non-financial reporting similar to the generally accepted accounting principles for financial reporting (Rasche et al., 2013).

While some recent studies have investigated BRIC and other emerging-market firms’ engagement with CSR policies, research in this area is still limited. In particular, most of the existing studies about CSR in BRIC countries either take a historical and overarching perspective on CSR (e.g. Griesse, 2007; Cheung et al., 2009; Dobers and Halme, 2009; Gugler and Shi, 2009), or focus on single CSR initiatives at a time (e.g. Thomas, 2001; Chaudri and Wang, 2007; Gupta, 2007; Bo et al., 2009; Arevalo and Aravind, 2011;

² A full description of the Foundation can be found at: <http://www.globalcompactfoundation.org/>.

Gao, 2011; Preuss and Barkemeyer, 2011; Kuo et al., 2012; Amaldoss and Manohar, 2013; Marquis and Qian, 2014). Only a few studies compare adoption of different CSR initiatives and discuss their potentially diverse drivers (these include Chapple and Moon, 2005; Baskin, 2006).

In this paper we take a step ahead in this literature and explore empirically the factors that contribute to BRIC firms' adoption of different types of CSR initiatives– i.e. social policies (philanthropic projects favoring different stakeholders), publication of CSR reports, adoption of GRI standards; adherence to and financial support for the UNGC. A central tenet of most existing research on the steady adoption of CSR initiatives by BRIC companies is that this is due to their growing internationalization (Gugler and Shi, 2009, see also Strike et al., 2006). Our study explores whether the institutional quality of the host countries– in terms of their degree of press and speech freedom – relate to BRIC firms' adoption of different CSR initiatives. Furthermore, we assess empirically whether the adoption of the CSR initiatives is also related to home country institutional pressures– i.e. local mimetic isomorphism à la DiMaggio and Powell (1983). In so doing, our study aims at improving our understanding of the use that BRIC companies make of CSR to overcome their *Liability of Foreignness* (LOF) and *Emergingness* (LOE) and gain legitimacy in international markets (Hymer, 1976; Ramachandran and Pant, 2010; Madhok and Kayhani, 2012).

To address these questions, our study relies on an original firm-level dataset that includes information on 60 BRIC firms selected from the Forbes Global 2000 list. We carry out a regression analysis based on an unbalanced panel of firms, covering the period 2003-2010. We find that both host countries' press and speech freedom, as well as home countries' isomorphic pressures positively relate to BRIC firms' overall engagement in CSR initiatives. However, we also find support for the idea that different kinds of CSR initiatives are subject to different pressures and may thus serve different legitimization strategies. The publication of CSR reports appears higher among firms that invest in countries characterized by high press freedom, signaling that it is an instrument used to overcome firms' LOF/LOE. We find also that all kinds of reporting and principle-based initiatives are influenced by home country isomorphic pressures, but that adoption of social policies is not correlated with either host countries' level of press and speech

freedom or home country's isomorphic pressures. Our research has implication for neo-institutional analyses of international business, and the CSR-related literatures.

The paper is organized as follows: Section 2 is a short overview of how CSR has been understood and promoted in Brazil, Russia, India and China over time. Section 3 elaborates the conceptual framework for the analysis in this paper. Section 4 discusses the methodology used, and Section 5 presents the results of the empirical analysis. Section 6 concludes.

2. CSR in BRIC Countries: A Historical Overview

The ways that corporate responsibility for society is understood, implemented and socialized within a country vary greatly, depending on the country's national business system – i.e. the political, financial, educational, labor and cultural systems, the structural features of the business sector, and the dominant corporate governance model (Matten and Moon, 2008; Ioannou and Serafeim, 2012). Although the BRIC countries share a similar trajectory of recent economic growth, their national business systems are very different, which explains how CSR has been conceived over time in these countries (Baskin, 2006; Dobers and Halme, 2009; Amaldoss and Manohar, 2013). In essence, in Brazil and India the commitment of firms to contribute to the social good of their surrounding society has cultural and religious roots, and both countries have increased their overall interest in CSR as a consequence of the growing globalization of their economies. In China the government has historically played (and still plays) a very central role in setting the social responsibility agenda of state-owned and private firms, while Russia appears to be the country with the weakest CSR commitment of all. Below we provide in some more details the history of CSR adoption in each of the BRIC countries.

Brazil

A focus on CSR in Brazil started with the recognition that government was frequently failing to respond to all societal needs (e.g. to address poverty and other social welfare issues), and that individual citizens as well as firms must take responsibility for addressing these needs. The concept of citizenship (*cidadania*) in Brazil stems from this responsibility and is considered to have Catholic roots: “the first business organization to

address the area of corporate social responsibility in Brazil was ...a branch of the International Christian Union of Business Executives (UNIA-PAC), which since...1961 has grown into a national network...to reactivate the Catholic tradition of charity and promote understanding of a Christian vision in business” (Griesse, 2007, p. 31). The recent history of Brazil has seen business entrepreneurs gathering to discuss the roles and responsibilities of business in society. Notable examples include the group *Pensamento Nacional das Bases Empresariais* (PNBE) formed in 1987; the *Grupo de Institutos Fundacoes e Empresas* (GIFE) formed in the mid-1980s; and the establishment in 1989 of the *Asociacao Brasileira dos Fabricantes de Brinquedos* (ABRINQ) by a leading Brazilian advocate of CSR, Oded Grajew (Raufflet, 2008). More notably, in 1998 Grajew funded the Ethos Institute as an association of companies whose objective was to disseminate the practice of CSR in Brazil, and which currently has more than 1,500 associate firms.³ All these organizations created the conditions for the dissemination of a CSR mentality in Brazil, built on a long-standing tradition of philanthropy inspired by Catholic charity and compassion (Medeiros et al. 2002; Puppim de Oliveira, 2006). By means of publications and workshops, Ethos has worked actively to promote non-financial reporting by its member companies. Another ground-breaking development in Brazil was the decision taken by the main national stock exchange, the São Paulo-based Bovespa, in December 2005 to launch a corporate sustainability index, which currently includes 28 companies demonstrating best ESG practice (Vives, 2012).

The roots of Brazilian firms’ commitment to CSR are not just locally driven however, and observers note that the growing internationalization of the bigger industry players has contributed to boosting CSR policies in the country: “Brazilian companies have gone international, and that’s a new big pressure,[since] when you go abroad, if you prove that you are more inclusive, you get more attention” (Claudio Boechat quoted in Bevins, 2011).⁴ As a consequence of both international and local pressure, Brazilian companies’ social responsibility practice has a degree of sophistication that is unparalleled in Latin America (Scharf, 2008).⁵ Araya (2006) finds that, while CSR reporting in Latin America is immature compared to Western standards, Brazil has made significant progress vis a vis other Latin American countries and a growing number of firms

³<http://fenix.ethos.org.br/ListaAssociadasPorEstado.aspx>, last accessed 12th November 2013.

⁴<http://latintrade.com/2011/05/csr-brazil%E2%80%99s-csr-leaders>, Last accessed 15th November 2013.

⁵<http://www.americasquarterly.org/node/288>, Last accessed 15th November 2013.

have achieved ISI social and environmental certification, joined the UN Global Compact, and adopted GRI standards in their self-reporting activities (Vives, 2012) making Brazil the third largest adopter of GRI standards after the US and Spain in 2011.

Russia

Russia's absolutist tradition from the Tsarist to the Soviet periods, constrained the upsurge of social movements and other civil society organizations to promote social causes and related CSR initiatives (Preuss and Barkemeyer, 2011). While the communist ideology glorified the worker and left very little room for business sector decision making (Apressyan, 1997), paternalism towards employees and other social spheres was common and regulated relationships during the Soviet period and also during Russia's transition to a market economy (Soboleva, 2006). Things did not improve in the 1990s as the state-controlled economy began transition to a market-economy. In addition to the widespread corruption and proliferation of criminal activity, privatization of once public assets increased wealth inequality and contributed to the creation of a new class of oligarchs, who most Russians view as "usurpers of public wealth" (Kuznetsov et al., 2009, p. 39). This weak institutional environment was further exacerbated by the recent authoritarian drift of Vladimin Putin, who has reduced press freedom, and constrained the operations of social movements and NGOs (Rosefielde and Hlouskova, 2007; Crotty, 2009). Thus, contemporary Russia does not seem to be the most favorable institutional environment for the proliferation of bottom-up CSR movements.

However, Russia is also becoming more global, and the growing internationalization of its private and SOEs has exerted considerable global isomorphic pressure (Preuss and Barkemeyer, 2011) to adopt Western CSR standards. These demands have resulted in the promotion of a number of initiatives. For instance, in 2002 the Russian Union of Industrialists and Entrepreneurs approved a Corporate Code of Business Ethics, and many Russian Corporations now have their own business ethics codes (Soboleva, 2006). Also, since 2000, the Ministry of Labour and Social Protection has sponsored the "Russian Organization of High Social Efficiency" contest, which gives companies the opportunity to demonstrate their ESG achievements (in areas such as personnel management, labor conditions and labor protection, development of social partnerships,

promotion of healthy lifestyles, etc.).⁶ In 2001, the Global Compact was launched, and since then, the Russian Union of Industrialists and Entrepreneurs jointly with UNDP has focused its efforts on developing an active network in Russia. In 2008, the UN Secretary-General Ban Ki-moon attended the re-launch of the Global Compact Network in Russia during a meeting with more than 30 top executives from Russian business – although participation of Russian firms in the UN Global Compact is still low. In general, therefore, the Russian Government is believed to provide few incentives for socially responsible behaviors, and the adoption of CSR policies is considered more symbolic than substantial (Soboleva, 2006).

India

Scholars agree that CSR is not a new concept in India, since Indian businessmen traditionally were involved in solving social problems long before the term CSR became part of the management vocabulary (Arevalo and Aravind, 2011). Religion and charity have always been intertwined in India, and even before India's independence in 1947, the business sector made significant contributions to their communities – e.g. by building schools, hospitals, etc. (Arora and Puranik, 2004). Thus, India draws on a deep-rooted indigenous cultural tradition of philanthropy, business ethics, and community embeddedness (see Visser, 2008; Amaldoss and Manohar, 2013). Since Independence, Indian public sector companies have engaged in various state-sponsored CSR activities, and the Indian Government, along with NGOs and the media, has become an agent of change (Narwal and Sharma, 2008). Since India's liberalization in 1991 and especially after 2000, CSR changed in favor of a more Westernized approach, which promotes instrumental adoption of CSR not just for reasons of benevolence but to enhance firm's profitability (Balasubramanian et al., 2005). India is considered by many to have caught up considerably with respect to Western standards. New bodies are emerging including the Corporate Roundtable on Development Strategies for the Environment and Sustainable Development – Business Council for Sustainable Development (CoRE-BCDS) of India (Amaldoss and Manohar, 2013).

In 2007, the Confederation of Indian Industry (CII) and the Global Compact Office signed a Memorandum of Understanding according to which the CII formally strengthened its commitment to advancing the

⁶<http://www.rosmintrud.ru/eng/events/12>, last accessed 12 November 2013.

principles of the UN Global Compact – both in India and around the world. In the same year, the Indian Prime Minister asserted that:

Corporate social responsibility ...should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions. This is part of our cultural heritage. Mahatma Gandhi called it trusteeship....I invite corporate India to be a partner in making ours a more humane and just society... We need a new Partnership for Inclusive Growth based on what I describe as a Ten Point Social Charter...first, we need to have healthy respect for your workers and invest in their welfare... (cited in Lee, 2010, p. 2).

Because of this, some scholars believe that the norms of business philanthropy are well established in contemporary India (Chapple and Moon, 2005). There is also a more critical view suggesting that, in spite of the widespread engagement of large Indian firms and top-tier suppliers of international buyers with international codes of conducts and CSR policies, these firms are not able to guarantee a heightened respect of EGS standards downwards in the local value chain – especially at the level of micro and informal enterprises (Mezzadri, 2014).

China

In the early times, when Confucianism was dominant in China, business organizations were conceived as extensions of families, and responsibility for the social community (the ‘political family’) was fairly taken for granted. Zhan Buddhism and Daoism influenced business practices in traditional Chinese society, and their combination with Confucianism in the 16th-18th centuries, induced a business culture of honesty, diligence and charity (Lin, 2010). The Cultural Revolution (1966-1976), and the subsequent progressive opening of the Chinese economy challenges this approach and has produced profound changes in the Chinese conception of CSR (Gao, 2011). In the traditional communist Chinese society to sometime in the mid-1990s, SOEs were obliged by central government to provide social services to their employees and their family members (e.g. employee protection, education, health services, etc.). These services were provided alongside production activities which were not meant to be profitable. During that period, reference to CSR was not explicit, but analysts consider SOEs’ social services to be the form closest to CSR in that period. After the 1993

Corporatization Reform which was meant to enhance SOEs' market competitiveness and instill a profit-seeking mentality, central government's requirement for provision of social services ceased to be mandatory, and hospitals and schools became a local government responsibility. SOEs continued to provide these social services, but central government ceased to fund those activities (Bo et al., 2009). Alongside these changes, internationalization of the Chinese economy increased – e.g. China entered the WTO in 2001 - and it was progressively more exposed to significant international scrutiny, due in no small part to several accounts of irresponsible behavior by Chinese companies operating abroad (Lin, 2010). This moved CSR up the government agenda, and since 2004 CSR has become a key issue in Chinese academic and policy forums.

In 2005, the Chinese President Hu Jintao proposed the concept of “Harmonious Society” as a guiding principle for policy makers and the business sector. A harmonious society was defined as a society “which gives full play to modern ideas like democracy, rule of the law, fairness, justice, vitality, stability, orderliness and harmonious co-existence between the humankind and nature.” (See, 2009, p. 2) In Chinese Communist Party rhetoric, the ideal of a “harmonious society” came to be synonymous with modern CSR. Other state-led interventions followed. For instance, in 2006 the Company Law stated explicitly (Article 5) that “in the course of doing business, a company must comply with laws and administrative regulations, *conform to social morality and business ethics, act in good faith, subject itself to the government and the public supervision*, and undertake social responsibility.” (Lin, 2010, p. 71, emphasis added).

Over that period also, the two Chinese stock exchanges (Shenzhen and Shanghai) took actions to promote CSR disclosure, and in 2008 the Shanghai Stock Exchange mandated certain listed companies (i.e. companies listed in the Shanghai Stock Exchange Corporate Governance Index, companies listed overseas, and companies in the financial sector) to issue an annual CSR report beginning in the fiscal year 2008. Another landmark intervention occurred in 2008 when the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), the Chinese SOE regulatory body, released its “Guiding Advice on Fulfilling Social Responsibility by SOEs” with the objective of stressing the exemplary role of SOEs in acting out government's CSR agenda, and outlining the principles and the implementation of CSR measures (Lin, 2010; Gao, 2011).

To conclude, the Chinese government has played (and it still does play) a very central role in promoting and shaping the country's CSR agenda, while other stakeholders seem to contribute to only a minor extent to this process (Peiyuan et al., 2007). Although most government directives are not mandatory but are rather indicative of what are considered to be important areas for corporate focus (Marquis and Qian, 2014), it is clear that government sets the boundaries to CSR issues permissible in China – e.g. greater emphasis on environmental than human rights issues.

3. Conceptual Framework

3.1 Legitimacy building and the liability of foreignness and emergingness of BRIC companies: Why is CSR much needed?

In its most profound and implicit meaning – that of business support to communities – CSR has for long been present in most traditional BRIC societies. However, the modern understanding of CSR –involving adoption of CSR reporting and adherence to internationally agreed international principles – has unarguably been associated by many scholars to the growing internationalization of BRIC countries and firms, and their need to mimic Western CSR standards (Gugler and Shi, 2009 among many others). Theoretically, this is explained by the attempts of multinational enterprises (MNEs) to overcome the *Liability of Foreignness* (LOF) they experience when investing abroad. The concept of LOF, which was originally introduced by international business scholars in the 1960s-1970s (e.g. Hymer, 1976), refers to the disadvantaged position of foreign firms in a host country, compared to that of its domestic firms.

LOF has various sources including foreign firms' unfamiliarity with and lack of legitimacy in the host country (Zaheer, 1995). The building of legitimacy is a socially constructed process, constrained and influenced by the information asymmetries suffered by different host countries' stakeholders (e.g. communities, clients, investors, government officials, etc.), which often make judgments based on their stereotype perceptions of the foreign investors and their home country (Kostova and Zaheer, 1999). It is accepted that BRIC MNEs investing abroad carry the burden of the backwardness and to an extent, illegitimacy of their home countries (Hawn, 2013). The additional disadvantage that emerging-market

multinationals tend to suffer as compared to advanced-country firms' investing abroad has been defined as *Liability of Emerginness* (LOE) (Ramachandran and Pant, 2010; Madhok and Kayhani, 2012), and it refers specifically to the extra burden that arises specifically from being an emerging economy firm. The weaknesses of their home countries' institutional and business systems coupled with news about the irresponsible behavior of some of their firms (see e.g. the case of Foxconn in China, or of the scandal about milk adulterated with melanine which caused the death of several infants in China) contributes to the accumulation in the host countries, of negative judgments. In essence: "there is a credibility and legitimacy deficit in the eyes of host country stakeholders, who became even more circumspect due to inefficient or missing knowledge of foreign emerging market multinational firms, their quality and safety standards, and the like" (Madhok and Kayhani, 2012, p. 31)

Firms can overcome LOF/LOE in different ways. One is by exploiting firm-specific advantages (e.g. strong brand, excellent technological capabilities, scale and scope economies, etc.) to outweigh the costs associated with being a foreign firm. Another is by attending to the demands of the host environment via different forms of isomorphism (DiMaggio and Powell, 1983; Zaheer, 1995), which in essence means reducing the institutional distance between home and host country's requirements. BRIC MNEs may not be in a position to count on firm-specific advantages, not least because for many of these firms' investment abroad is aimed at acquiring, rather than exploiting, such advantages (Matthews, 2006; Rugman, 2009; Giuliani et al., 2013a). Therefore, scholars have advanced the idea that BRIC firms try to build legitimacy by complying with international CSR standards (Gugler and Shi, 2009; Campbell et al, 2012).

For instance, reporting initiatives may serve BRIC companies' urgent need to demonstrate greater transparency in their ESG conduct, and to therefore communicate openly and clearly how their ethical values, as well as projects in favor of the environment and society, are aligned with what most Western stakeholders would regard as appropriate and desirable. Similarly, principle-based initiatives may fulfill BRIC companies' necessity to show off their commitment to internationally-agreed codes of conduct, in areas such as human and labor rights, environment and corruption, and to demonstrate that, after all, their ethical values and principles are not dissimilar to those of Western societies.

While commitment to CSR may serve the general goal of reducing the legitimacy gap BRIC companies have with international stakeholders, there are different ways in which this may be undertaken. BRIC firms may privilege certain CSR initiatives to others (e.g. principle vs. reporting initiatives), as certain initiatives may be subject to or react to different types of institutional pressures, as compared to others. As anticipated earlier, we explore here the role played by two types of pressures: the institutional characteristics - defined on the basis of their press and speech freedom – of the host countries where BRIC companies undertake foreign investments, and the pressures coming from within their own home country, where mimetic isomorphism (DiMaggio and Powell, 1983) may play a role in stimulating the adoption of certain CSR initiatives. This is elaborated below.

3.2 Host countries' press and speech freedom

Extant literature has so far claimed that the international expansion of BRIC companies has pushed them to align with certain international CSR standards, and therefore that these firms are subject to significant international isomorphic pressures. However, earlier research has also pointed at the fact that internationalizing firms do encounter different types of institutional pressures depending on the institutional, cultural, geographic and economic features of host countries, which vary widely across the world, with some countries being more demanding than others in terms of expectations about the ESG behavior of investing firms (Kostova et al., 2008; Campbell, 2012). In such a varying context, we expect firms not to conform to international isomorphic pressures *per se*, but rather to react to their host countries' institutional differences and adjust their CSR accordingly. Else said, BRIC firms may use different CSR initiatives instrumentally and strategically with the purpose of achieving their objective of obtaining a license to operate in a particular context.

While some studies have looked at how host-home country institutional distance influence multinational firms' CSR strategies, few studies have looked at how host country characteristics relates to firms' choice on CSR initiatives. An exception is Brammer et al. (2009), whose work on UK firms investing abroad shows

that firms investing in countries with poor political and civil rights will increase their charitable donations, because investment in such countries is likely to induce greater stakeholder pressure and closer scrutiny of the ethicality of the firm's strategy and whether the firm is investing to take advantage of such weaknesses. This study demonstrates that firms may adjust their CSR strategies to specific contexts.

As opposed to Brammer et al. (2009), in this paper we elaborate a different hypothesis, by stating that countries with limited press and speech freedom (which constitute a subcategory of the broader category of civil and political rights) are likely to reduce BRIC firms' commitments into certain CSR activities, particularly reporting CSR initiatives. We base our argument on two considerations. First, when BRIC firms invest in countries that strongly uphold both press and speech freedoms they will need a more sophisticated legitimacy building strategy compared to investments in countries with a poor record of freedoms of speech and press. Press freedom is critical to broadcast corporate irresponsibility and thereby to generate illegitimacy spillovers (Kostova and Zaheer, 1999) into the local context. Second, in countries characterized by strong press and speech freedoms, local stakeholders are more critical of and better informed about any wrongdoing (Baughn et al., 2007; Lattemann et al., 2009; Puncheva-Michelotti et al., 2010), which in turn reflects on firms' reputational capital and local survival. On these ground it is plausible to argue that BRIC firms will need to make extra-efforts to gain legitimacy in such contexts – e.g. by engaging in CSR activities exemplified by excellent transparency and accountability in relation to ESG matters. Hence we propose that, first, the level of host countries' press and speech freedom positively influences BRIC firms' commitment in CSR initiatives, and that some initiatives – particularly so for reporting initiatives oriented at ensuring transparency – may be given more prominence than others in host countries where press and speech freedom is high.

3.3 Home country isomorphic pressures

While international pressure to conform to certain CSR standards may play a significant role in the adoption of CSR policies, existing narratives on CSR adoption in BRIC firms point to the importance of home country

factors. Certainly, as discussed in Section 2, countries' key stakeholders – either in the form of governmental agencies or other institutions/actors (see e.g. the Ethos Institute in Brazil) – may be necessary to give an initial impetus to the adoption of certain CSR initiatives, but what we are interested in here is understanding whether the adoption of certain CSR initiatives may be the result of processes of mimetic isomorphism operating at the country level, as suggested by neo-institutional theories (DiMaggio and Powell, 1983).

Mimetic processes normally stem from uncertainty or the organization facing a problem of ambiguity. In such conditions, “organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate and successful” (DiMaggio and Powell, 1983, p. 152). Narratives on the diffusion of CSR practices highlight that firms operating in a restrictive environment are subject to a contagion or mimetic isomorphism effect resulting in companies emulating the behavior of other firms in the country in relation to adoption of a CSR policy (Matten and Moon, 2008; Rivoli and Waddock, 2011). Also, Aguilera et al. (2007) have suggested that firms have relational motives for engaging in CSR policies, which means that firms undertake particular CSR initiatives in order to be seen as legitimate by other large firms in their home country. This is likely to apply particularly in the case of many emerging economies that are characterized by oligopolistic market structures, and by a dominance of the largest firms. Hence, we expect that such kind of home country isomorphic pressures will play a role in shaping all kinds of CSR instruments BRIC firms adopt in their attempt to become legitimized.

4 Methodology

4.1 Data

Our analysis is based on a new firm-level dataset that includes information on some 60 BRIC country firms. We selected these corporations from the Forbes Global 2000 ranking for 2011. The focus on large corporations is justified by the fact that large firms possess the resources and capacity to invest in CSR policies. We adopt a stratified random sampling approach with equal allocation to select 15 firms from the list of Forbes 2000 firms for each of the BRIC countries. The firms in our sample belong mainly to the energy (43% both extractive and distribution), banking (23%); and metals and mining (18%) sectors. The

remaining 16% firms are active in pulp and paper, electrical equipment, telecommunications, etc.⁷ Our analysis covers the period 2003-2010. For a full list of firms and industries see Appendix A.

4.2 Analysis

4.2.1 Dependent variables

To represent the general involvement of firms into CSR initiatives we construct a composite index (*CSR Index*) measured as the average of the five indicators described below. *CSR Index* reflects the degree of engagement of firms in CSR activities on a scale of 0 to 1, on the basis of the number of initiatives undertaken.

To account for the different CSR initiatives, we have constructed the following indicators:

- 1) *Social Policies*, refers to the firm's "socially responsible policies", which include philanthropic initiatives, donations, and other activities that benefit different types of stakeholders such as employees and the community at large. We are interested in the number of years of the firm's involvement in such initiatives and particularly the start year. We consider this to be an important dimension of CSR because corporate responsibility towards society traditionally has been present in many BRIC firms (Section 2). We retrieved this information via direct contacts with corporations and corporate websites especially the pages dedicated to CSR, commonly identified as "Corporate Social Responsibility," or variations (e.g. "Social Responsibility", "Corporate Responsibility and Sustainability", etc.) *Social Policies* is a dummy variable that takes the value 1 if the firm has undertaken any kind of social policy at time t , and 0 otherwise.⁸
- 2) *CSR Report*, refers to the firm's issuance of a CSR report, either as a separate report or as a section in its annual reports. We scrutinized the reports to avoid including reports that contained no information of value. The variable *CSR Report* takes the value 1 if the firm produced a CSR report at time t , and 0 otherwise.

⁷ Note that these sectors are not necessarily representative of the industry specializations of BRIC countries, but are representative of their biggest public companies covered by the Forbes Global 2000 ranking.

⁸ We are aware that firms' investments in social policies may vary widely, and that our binary variable cannot capture such a variation. Since we could not rely on any objective and reliable investment data on social policies over the period analyzed we use a binary variable. Hence, the variable *Social Policies* is a signal that firms undertake these activities, rather than a measure of how much they spend on them. This also serves the need of homogenizing this indicator – in terms of measurement scale – with the other CSR indicators, which are used to construct the composite index.

- 3) *GRI Report*, based on firms' participation in the GRI. In this case, we collected information on number of years that the firm produced an accountability report following GRI guidelines, from the GRI website and corporate websites. The variable *GRI Report* takes the value 1 if the firm adopted GRI standards at time t , and 0 otherwise.
- 4) *UNGC Member*, which relies on information about each firm's participation in the UNGC. Since firms can be expelled from the UNGC after two years of non-reporting, we collected information on the years when a Communication of Progress was submitted to the UN Global Compact, from the UNGC website. The variable *UNGC Member* takes the value 1 if the firm was a UNGC member at time t , and 0 otherwise. In our sample, we found no cases of non-communication or de-listing.
- 5) *UNGC Contr*, based on information on whether and when our sample firms contributed to the Foundation for the Global Compact. Our index reports only whether a firm contributed (the variable takes the value of 1) or not (0) to the Foundation, without taking account of the amount of the contribution.⁹

Descriptive statistics of these variables are presented in Table 1(a). Figure 1 reports the percentage of firms in our sample that adopted each of the CSR initiatives discussed above at any year in the period 2003 to 2010. As expected, *Social Policies* are well diffused among BRIC firms, which is consistent with narratives on the adoption of philanthropic initiatives towards society in general in these countries. Notice also that the importance of CSR reporting increases over time, with the full sample publishing a CSR report in 2010. However, at the end of the period, only 40% of them were adopting GRI reporting standards. Adherence to the UNGC, and especially financial support for the Foundation, are less common in our sample, with 50% of the firms adhering to the UNGC at the end of the period, and less than 10% of the firms contributing to the UNGC Foundation over the period analyzed.

Figure 1 HERE

⁹ However, as Sethi and Schepers (2013) suggest, corporate support is generally miniscule, especially compared to the annual budgets of contributing firms.

4.2.2 Independent variables

Press Freedom

We develop an indicator that measures the extent to which a firm's portfolio of international investments includes countries with high (or low) protection of political rights to a free press and free speech (*Press Freedom*). To account for the process of firms' internationalization, we rely on three complementary data sources. We use *FDI Markets* as the source for greenfield and brownfield Foreign Direct Investments (FDI), and the *Zephyr* and *SDC Platinum* databases for Mergers and Acquisitions (M&A) where we consider only majority and full stake M&A. To measure host countries' press and speech freedom, we rely on the Cingranelli and Richards (CIRI) Freedom of Speech indicator,¹⁰ which indicates the extent to which free speech and free press are affected by government censorship, including ownership of media outlets. A score of 1 indicates that government censorship of the media is total; 2 indicates that there is some government censorship of the media; and a score of 3 indicates that there is no government censorship of the media in a given year.¹¹ The index *Press Freedom* for firm i at time t is defined as follows. First, we consider the number of countries in which firm i invested up to time t ($\#CNC_{it}$), then we multiply the CIRI press freedom values (1-3) for each investment destination country up to time t , and divide the value obtained by $\#CNC_{it}$. We obtain a variable ranging from 0 if there are no foreign investments, to a maximum of 3. Figure 2 shows that, in our sample, firms from Brazil and India invest in countries characterized by higher press freedom compared to Russia and China. China's investments tend to be concentrated in countries with poor press freedom records, although over time the tendency reduces. Descriptive statistics are presented in Table 1(b).

Figure 2 HERE

Home Country Isomorphism

To measure the home country's mimetic isomorphism, we develop an indicator (*HC Isomorphism*) which, for firm i , is measured as the share of all Forbes Global 2000 firms (2011 edition) belonging to the same country as firm i , that adopted the specific CSR initiative – i.e. Social Policies, CSR Report, GRI Report,

¹⁰ Details of the CIRI Project are available at <http://www.humanrightsdata.org/>

¹¹ Due to the need to distinguish between firms with no foreign investments and those investing in countries with low levels of press freedom, we recoded the index that originally went from 0 to 2.

UNGC Membership, UNGC Contribution - at time t .¹² Descriptive statistics of this variable are presented in Table 1(b).

4.2.3 Control Variables

We also include a set of control variables in the analysis (Descriptive statistics in Table 1c). We account for factors that could explain involvement in CSR policies, based on earlier research. These include firm size (*Size*) based on log number of workers in each year; firm age (*Age*) and ownership status (*SOEs*) - i.e. state (coded as 1) versus private ownership (coded as 0). Ownership status is important because SOEs may have different need to seek legitimacy compared to private firms (Marquis and Qian, 2014). The percentage of SOEs in the Indian sample is 33%; 20% in the Chinese sample and 7% each in the Russian and Brazilian samples. Based on earlier research (Strike et al., 2006; Fischer and Sawczyn, 2013; Surroca et al., 2010), we do also control for firms' performance and risk. To do so we use Return on Equity (*ROE at $t-1$*), measured as the ratio between firm i net income and equity at $t-1$, and we measure firm's risk (*Risk*) on the basis of ROE's volatility (i.e. based on ROE's annual fluctuations around its trend value (extracted by way of non-parametric estimations)). In the model where the dependent variable is *Social Policies*, we do also control for the level of firm's innovativeness (*Patents*) based on the number of family patents (INPADOC)¹³ held by firm i at time t , normalized by the log number of firm i workers in each year.¹⁴ Patent data are retrieved from the PATSTAT database. To control for firms' internationalization we develop a quantitative indicator to measure the number of different countries in which the firm has invested (in the form of greenfield, brownfield, majority, or full stake M&A) in each year during the period 2003-2010 (*International*). Finally, we control for firms' past social irresponsibility (*Social Irresp*), since previous research has suggested that firms with a track record of bad deeds are more likely to invest in different kinds of CSR activities to offset the negative reputation impacts of their earlier irresponsible actions (Mueller and Krausll, 2011; Kotchen and Moon, 2012). To account for the social irresponsibility of firms we draw on Giuliani et al. (2013b) and

¹² In the 2011 Edition of Forbes Global 2000 there are 33 Brazilian firms, 20 Russian, 60 Indian and 133 Chinese firms.

¹³ See <http://www.epo.org/searching/essentials/patent-families/inpadoc.html>, last accessed 6th May 2014.

¹⁴ We controlled for innovation in this model because it is generally understood that the innovative effort of firms may relate to the social and environmental innovations of a firm, and therefore to its capacity to engage in different types of social policies in favor of a wide variety of stakeholders (see e.g. Surroca et al., 2010) We did not use R&D statistics, as it is common in this kind of studies, because such data are unavailable for most BRIC firms.

collect information on events of human rights abuses in which our sample firms have been involved. This information was retrieved directly from the Business and Human Rights Resource Centre (BHRRC), considered the world's leading independent information hub on the positive and negative impacts of corporations on human rights, and was the source used for the Addendum to Special Representative John Ruggie's 2008 report to the UN Human Rights Council (Wright, 2008).¹⁵ Our search resulted in more than a 100 documents, including news and reports providing evidence of events of negative human rights impacts that occurred up to 2010. For each year we coded into our dataset the number of abusing events a firm was involved in at time t . Our indicator *Social Irresp* is the sum of the firm i abusing events up to time t .

We also control for country-specificities (country dummies with Russia as our reference group), since each BRIC country has a different history, and different regulation and internal institutional arrangements which may condition firms' adoption of CSR policies (as discussed in Section 2). We include industry dummies to control for adoption of CSR policies being induced by intra-industry drivers (e.g. industry codes of conducts, industry specificities, etc.) We control for the sectors that we consider to be the most problematic based on earlier research showing that firms in these sectors have negative effects on different types of stakeholders (banking (*Banking*), heavy industries (*Heavy Industry*), pharmaceutical and chemical industry (*PharmaChem*), extractive (*Extractive*) and steel industry (*Steel*)), and may therefore have a different attitude towards CSR compared to firms in relatively less problematic sectors (our reference group of relatively less critical industries, including aerospace, electricity and other utilities, food and beverages, pulp and paper, real estate and telecommunications).

Table 1 HERE

4.3 Estimation Method

We use an unbalanced panel of firms, with a Random Effects (RE) or a Fixed Effects (FE) model estimated using standard techniques (ordinary least squares - OLS - on transformed observations).¹⁶ We estimate the following baseline linear probability model (Model 1):

¹⁵ See Business & Human Rights Resource Centre at: <http://www.business-humanrights.org/Aboutus/Briefdescription>, last accessed 6th May 2014.

¹⁶ We apply the Hausmann test to decide between a RE and a FE (Wooldridge, 2010, p. 328).

$$\text{Pr} (CSR Index_{it}) = \alpha_0 + \alpha_1 \text{PressFreedom}_{it} + \alpha_2 \text{HC Isomorphism}_{it} + \alpha_4 \text{Size}_{it} + \alpha_5 \text{Age} + \alpha_6 \text{SOE}_{it} + \alpha_7 \text{ROE}_{it-1} + \alpha_8 \text{Risk}_{it} + \alpha_9 \text{International}_{it} + \alpha_{10} \text{Social Irresp}_{it-1} + \alpha_{11} \text{Home country Dummies}_i + \alpha_{12} \text{Industry Dummies}_i + \mu_{it} \quad (1)$$

The baseline model is also estimated for each of the other five dependent variables: *Social Policies* (Model 2); *CSR Report* (Model 3); *GRI Report* (Model 4); *UNGC Member* (Model 5); *UNGC Contr* (Model 6). As mentioned earlier, in Model 2 we also control for *Patents*_{it}. In all the estimates *p*-values are calculated on the basis of robust standard errors given the presence of serial and cross-sectional correlation in the errors (we test for this, see Wooldridge, 2010, p. 319). All the models report the statistics of the adjusted R². All the estimates are made in *R* and performed by routines contained in several packages, primarily plm (Croissant and Millo, 2008).

5. Empirical Results

Table 2 shows the results of the estimations which report the factors affecting the level of firms engagement in different types of CSR policies (the correlation table is in Appendix B). First, we estimate Model 1 with *CSR Index* as dependent variable; we find that the more firms invest in countries with more press freedom, the higher is their involvement in CSR initiatives ($\beta=0.031$, $p<0.01$). Next we do find that local isomorphic pressures do also relate to a firm's engagement of CSR activities ($\beta=0.977$, $p<0.01$). Among the results of the control variables it is interesting to notice that the degree of international openness of firms *per se* (*International*) does not relate to firms' engagement in CSR initiatives, pointing at the fact that what matters is the quality and characteristics of host countries – i.e. in the context of this study their level of press and speech freedom. Moreover, we find that past irresponsible behaviors by firms is associated with their higher involvement into CSR policies, in line with earlier research about the instrumental and symbolic use firms make of CSR (Kotchen and Moon, 2012). Also, Chinese and Indian firms engage more intensively in different kinds of CSR initiatives as compared to the reference group of Russian firms, in line with the narratives of Section 2. Our results show also that firms in the banking and heavy industries are less likely to engage in CSR initiatives compared to the reference group.

These results about the general engagement of BRIC firms in a portfolio of CSR initiatives change somewhat if we disaggregate our model dependent variable into different CSR initiatives (Table 2, Models 2-6). We find three sets of results. First, press and speech freedom stays significant only in Model 3 (*CSR Report* is the dependent variable) ($\beta=0.101$, $p<0.01$), which suggests that BRIC firms investing predominantly in countries with high press freedom more likely than firms with investments in countries characterized by lower press freedom to issue CSR reports. Instead, the level of press and speech freedom of the host country is neither related to the adoption of GRI reporting standards (Model 4), nor to the adherence and contribution of BRIC firms to the UNGC (Models 5-6). Second, home country's isomorphic pressures are significantly related to all kinds of reporting and principle-based initiatives (Table 2, Models 3-6), namely CSR reporting ($\beta=0.982$, $p<0.01$), GRI reporting ($\beta=1.284$, $p<0.05$), UNGC membership ($\beta=1.201$, $p<0.01$) and UNGC contribution ($\beta=2.113$, $p<0.05$). These results point at a contagion effect, whereby prior adoption of a given CSR initiative by the largest public companies in their home country stimulates further adoptions by BRIC firms. Third, we find that the adoption of *Social Policies* (Table 2, Model 2) is neither related to the level of press and speech freedom of the host country, nor to home country isomorphic pressures.

Results for some of the control variables are interesting. In none of our models, the degree of firms' internationalization (*International*) is related to the adoption of CSR policies, which contradicts earlier research (see Strike et al., 2006). Moreover, firms with a stronger track record of bad deeds (*Social Irresp*) are more likely to adopt GRI reporting standards ($\beta=0.022$, $p<0.01$), as well as to adhere to and fund the UNGC ($\beta=0.031$, $p<0.05$ and $\beta= 0.091$, $p<0.01$ respectively). Firms with higher ROE volatility (*Risk*) are also more likely to engage in both reporting initiatives (*CSR Report* and *GRI Report*) ($\beta=0.038$, $p<0.05$ and $\beta= 0.064$, $p<0.01$ respectively) in line with the idea that risky operations may lead firms to proactively reduce their risk by engaging in CSR initiatives that improve their legitimacy through higher transparency. Also, unlike suggested by earlier research (Li and Zhang, 2007; Marquis and Qian, 2014) we do not generally find significant differences between SOEs and privately-owned firms, with the exception that SOEs are more likely than privately-owned firms to adhere to the UNGC ($\beta= 0.160$, $p<0.10$) – possibly because they are under direct governmental pressure to do so.

Finally, among the other control variables, note that there are some significant differences across countries in terms of the adoption of CSR reports and GRI standards – i.e. Chinese and Indian firms are more likely to issue CSR reports compared to Russian firms ($\beta=0.243$, $p<0.01$ and $\beta= 0.208$, $p<0.05$ respectively); Brazilian are less likely, and Chinese are more likely than Russian firms to adopt GRI standards ($\beta=- 0.210$, $p<0.05$ and $\beta= 0.244$, $p<0.01$ respectively). We do also find that firms in the heavy and extractive industries are more likely than the reference group to issue CSR reports ($\beta=0.224$, $p<0.01$ and $\beta= 0.205$, $p<0.01$ respectively); firms in extractive industry are also more likely than the reference group to adhere to GRI reporting standards ($\beta=0.147$, $p<0.10$), while the opposite is true for the banking and the chemical/pharmaceutical industries' firms ($\beta=-0.181$, $p<0.10$ and $\beta= -0.197$, $p<0.05$ respectively). Moreover, adherence to the UNGC is less likely in the banking ($\beta=-0.228$, $p<0.10$), heavy industry ($\beta=-0.385$, $p<0.01$) and steel industry firms ($\beta=-0.290$, $p<0.05$), as compared to the reference group.

Table 2 HERE

6. Discussion and Conclusions

In the search for legitimacy, BRIC firms can choose from several CSR instruments. Extant research shows that BRIC firms are not unfamiliar with the concept of corporate philanthropy or of contributing to employees' and community welfare, practices engaged in for a long period based on religious or cultural motivations, or the provisions of an authoritarian communist government. However, as BRIC economies became more global and their business sectors more internationalized, scholars have noted the changing attitude of their firms, which have undertaken diverse international CSR *reporting* and *principle-based* initiatives, including disclosure of their CSR activities through explicit CSR reports, adoption of GRI reporting standards, adherence to the UNGC and the financial contribution to its Foundation. Our paper explored the kinds of CSR instruments BRIC firms are most likely to adopt in response to different home and host country pressures.

We found support for the idea that BRIC firms that internationalize seek to overcome their LOF/LOE when entering a new market using the instrument of CSR reporting. Our study points at the fact that CSR reports

are issued more when BRIC firms' investments are directed towards countries characterized by high levels of press and speech freedoms. Since in these countries the press and watchdog organizations are more active in broadcasting news of corporate wrongdoing, and local populations may be more inclined to think critically, BRIC firms use of CSR reports to enhance their transparency and accountability. In this respect, our results differ from earlier research – i.e. Brammer et al. (2009) who find that UK companies increase their charitable giving when they invest in host countries with low levels of civil and political rights in order to hedge against reputational risks. A plausible interpretation may have to do with the different home country institutional background existing between BRIC and UK firms. In this respect BRIC firms may seek legitimacy by mimicking international practices if this is what the host countries demand – such as in the case of countries with strong press and speech freedom - whereas in countries characterized by an institutional void or by authoritarian regimes and “greedy elites” (Keen, 2003; Collins, 2009), where press and speech freedom are notably poor and repressed, legitimacy is sought through other channels. Hence, in this latter case, the search of legitimacy is not merely a function of isomorphism, but may involve a “political process of interaction, communication, and exchange, which creates a perception about an organization without its necessarily having to implement certain models and practices” (Kostova et al., 2008, p. 1001). In other words, in such contexts, the agency role of individual firms is crucial for negotiating business opportunities and manipulating the host environment to suit their own ends. Hence, in line with critical views on use of a neo-institutional approach to international firms' legitimacy building (Kostova et al., 2008), we find that the host country context influences the way legitimacy is built up, and the role played by CSR in its process of social construction. One of our research contributions is therefore improving the understanding of international business from a neo-institutional perspective (Husted and Allen, 2006; Kostova et al., 2008), by providing support for the idea that internationalizing firms may use different strategies to gain legitimacy, depending on the characteristics of the host country's institutional context.

Our results are also in line with neo-institutional theories in relation to the process of legitimacy building by firms within their own country. We find that all kinds of reporting and principle-based initiatives are subject to a form of mimetic isomorphism (DiMaggio and Powell, 1983), which is coherent also with most BRIC countries' historical accounts of CSR adoption. Based on these results, we can speculate that such

bandwagon effects in the adoption of CSR initiatives are promoted by the initial pressures of key government organizations and NGOs, which since the early 2000s have had an increased interest in promoting the spread of CSR reporting and principle-based initiatives within their own national business sectors. A notable example is the UNGC. Governments of emerging economies support the UNGC because it is viewed as an instrument of “modernization” and greater economic integration (Kell, 2013). Subsequently, firms have adopted the UNGC by imitating each other and in a bid to be legitimized by their home institutions.

A different story, however, is to be told about the adoption of social policies, which appear unrelated to both host and home countries’ recent institutional pressures, but, as our narratives in Section 2 show, may be instead more anchored to the perennial individual commitment that BRIC firms have taken towards society at large – for religious, cultural, institutional and ethical motivations that are idiosyncratic in the history of each country. By identifying a difference between the adoption of social policies and other types of CSR initiatives, our paper contributes to the growing but still limited literature on CSR among emerging market firms (Chapple and Moon, 2005; Baskin, 2006; Visser, 2008; Gugler and Shi, 2009; Marquis and Qian, 2014, among others). We contribute to the understanding of the relationship between BRIC firms’ internationalization and CSR policies, and suggest that BRIC firms may use certain CSR policies in a very instrumental fashion to enter demanding countries, or to please their ruling governments. Our results instead cast some doubts on the substantial value and commitment of BRIC firms to contributing to the global social good. Because we find that it is precisely firms with a past track record of social irresponsibility that are more likely to adopt GRI standards as well as adhere and support the UNGC, we ask whether BRIC firms are really closing the gap with Western ESG practices (assuming that Western ESG practices are more respectful of human rights), or are refining their capacity to only symbolically close this gap. We leave this question open for future research.

The results in this paper should be interpreted with some caution since our analysis has some data limitations. Our study is based on a restricted sample, whose extension we are currently working on. Moreover, similarly to other studies in this area of research (e.g. Strike et al., 2006; Marquis and Qian,

2014), our regression analyses do not control for potential endogeneity due to time-varying omitted variables, which clearly reduces our capacity to prove causality between dependent and independent variables. Next, our measure of internationalization relies only on FDI (greenfield, M&A, etc.) and does not account for firms that export without investing abroad. This would be a serious problem if our sample covered mainly consumer goods (e.g. footwear, textile, consumer electronics, etc.), which can be exported without the need for any foreign investment. However, our sample includes sectors such as the extractive industries, banking, the utilities sectors, etc., where FDI are often the main mode of internationalization. Another important limitation that should be noted is that adoption of CSR initiatives as measured in this paper provides very little information on the substantial involvement of these companies – i.e. in terms of investments undertaken - in pursuing the social good. Earlier research on CSR reports, for instance, shows that firms tend to over-emphasize the positive side of their ESG conduct, while omitting crucial information on their irresponsible conduct (Boiral, 2013). The present study was not designed to investigate the repercussions of CSR initiatives for the effective ESG conduct of such firms, although research in this direction would be valuable (see Giuliani et al., 2013b).

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APPENDIX

A. List of firms included in the study with Country and Industry specifications

FIRM	COUNTRY	INDUSTRY
PetroChina	China	Extractive
ICBC (Industrial and Commercial Bank of China Ltd. (ICBC))	China	Banking
Sinopec-China Petroleum (China Petroleum & Chemical Corporation or Sinopec Lmt)	China	Extractive
Bank of China	China	Banking
CCB-China Construction Bank	China	Banking
Fosun Property Holdings Ltd	China	Real Estate
China Telecom	China	TLC
Bank of Communications	China	Banking
Ping An Insurance Group	China	Banking
Baoshan Iron & Steel	China	Steel
Lenovo	China	TLC
China Merchants Bank	China	Banking
Aluminum Corporation of China (Chinalco)	China	Steel
CLP Holdings	China	Electricity and other Utilities
China Citic Bank	China	Banking
Petrobras-PetroleoBrasil	Brazil	Extractive
Vale	Brazil	Steel
Banco do Brasil	Brazil	Banking
ItauUnibanco (ItauUnibanco)	Brazil	Banking
Eletrobr̃s	Brazil	Electricity and other Utilities
Suzano	Brazil	Pulp and Paper
Tele Norte Leste	Brazil	TLC
MetalurgicaGerdau	Brazil	Steel
CSN-Cia Siderurgica (CompanhiaSider̃rgicaNacional)	Brazil	Steel
Cemig	Brazil	Electricity and other Utilities
BRF-Brasil Food	Brazil	Food and Beverages
Sul America	Brazil	Electricity and other Utilities
Braskem	Brazil	PharmaChem
Marfrig	Brazil	Food and Beverages
Embraer (Embraer-Empresa Brasileira de Aeronautica)	Brazil	Aerospace
Mahindra Satyam (Satyam Computer Services)	India	TLC
Reliance Industries	India	Extractive
Wipro	India	TLC
State Bank of India Group	India	Banking
IndianOil	India	Extractive
Icici Bank	India	Banking
NTPC (National Thermal Power Corporation)	India	Electricity and other Utilities
Steel Authority of India	India	Steel

Tata Steel (Tata Iron & Steel Company Ltd) (TISCO)	India	Steel
Bharti Airtel	India	TLC
Tata Consultancy Svcs	India	TLC
HDFC - Housing Development Finance Corporation	India	Banking
Larsen & Toubro	India	Heavy Industry
Bharat Petroleum	India	Extractive
Infosys Technologies	India	TLC
Gazprom	Russia	Extractive
Lukoil Holding	Russia	Extractive
UES of Russia	Russia	Electricity and other Utilities
Sberbank	Russia	Banking
Rosneft (NK Rosneft' OAO)	Russia	Extractive
Surgutneftegas	Russia	Extractive
TNK-BP Holding	Russia	Extractive
MMC Norilsk Nickel (Mining & Metallurgical Co.)	Russia	Steel
OAO Severstal	Russia	Steel
VTB Bank	Russia	Banking
Sistema JSFC	Russia	TLC
Uralkali	Russia	PharmaChem
Novolipetsk Steel (NLMK)	Russia	Steel
Tatneft	Russia	Extractive
VimpelCom	Russia	TLC

B. Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
1 CSR Index	1																													
2 Social Policies	0.808	1																												
3 CSR Report	0.668	0.418	1																											
4 GRI Report	0.669	0.225	0.424	1																										
5 UNGC Member	0.674	0.21	0.35	0.382	1																									
6 UNGC Contr	0.506	0.053	0.091	0.235	0.361	1																								
7 Press Freedom	0.235	0.314	0.276	0.134	0.013	-0.024	1																							
8 HC Isomorphism CSR Index	0.597	0.474	0.707	0.44	0.414	0.137	0.163	1																						
9 HC Isomorphism Social Policies	0.593	0.545	0.733	0.424	0.384	0.144	0.184	0.943	1																					
10 HC Isomorphism CSR Report	0.558	0.456	0.774	0.463	0.404	0.131	0.174	0.921	0.897	1																				
11 HC Isomorphism GRI Report	0.49	0.263	0.493	0.435	0.371	0.085	0.152	0.891	0.782	0.815	1																			
12 HC Isomorphism UNGC Member	0.536	0.281	0.524	0.375	0.451	0.129	0.166	0.898	0.796	0.818	0.845	1																		
13 HC Isomorphism UNGC Contr	0.41	0.141	0.24	0.274	0.316	0.249	0.103	0.747	0.693	0.58	0.685	0.742	1																	
14 Size	0.228	0.238	0.204	0.063	0.153	0.094	-0.051	0.119	0.184	0.188	-0.006	-0.067	-0.131	1																
15 Age	0.1	0.018	0.118	0.129	0.067	0.057	0.059	0.193	0.177	0.104	0.15	0.186	0.151	0.173	1															
16 SOEs	0.038	0.087	-0.093	-0.077	0.047	-0.038	-0.028	-0.093	-0.096	-0.088	-0.11	-0.037	-0.011	-0.064	-0.021	1														
17 ROE	0.118	0.144	0.149	0.095	0.009	-0.014	0.075	0.129	0.162	0.213	-0.002	0.121	0.064	0.031	0.018	-0.139	1													
18 Risk	-0.018	-0.041	-0.008	0.071	-0.043	-0.004	0.015	0.045	0.026	0.009	0.016	0.068	0.07	-0.048	0.002	0.053	0.154	1												
19 International	0.292	0.148	0.282	0.238	0.21	0.038	0.204	0.175	0.191	0.289	0.129	0.109	0.01	0.356	-0.028	-0.095	0.154	0.07	1											
20 Social Irresp	0.304	0.153	0.214	0.329	0.262	0.396	0.09	0.23	0.226	0.219	0.163	0.144	0.062	0.171	0.064	-0.135	0.065	-0.018	0.195	1										
21 Brazil	0.206	0.127	0.148	0.09	0.138	0.042	0.126	0.48	0.408	0.209	0.528	0.496	0.488	-0.11	0.31	-0.112	-0.219	0.085	-0.143	0.124	1									
22 China	-0.094	-0.016	-0.087	-0.047	-0.123	-0.002	0.097	-0.318	-0.225	-0.191	-0.312	-0.426	-0.28	0.063	-0.092	-0.055	-0.055	-0.082	-0.036	-0.102	-0.308	1								
23 India	0.118	0.086	0.05	0.01	0.132	0.101	-0.025	0.037	0.025	0.006	-0.165	0.199	0.207	-0.081	-0.027	0.172	0.24	0.032	0.093	-0.032	-0.333	-0.352	1							
24 Russia	-0.227	-0.194	-0.107	-0.05	-0.142	-0.14	-0.194	-0.184	-0.195	-0.018	-0.032	-0.252	-0.403	0.126	-0.179	-0.014	0.026	-0.045	0.082	0.014	-0.314	-0.332	-0.359	1						
25 Banking	-0.056	0.044	-0.085	-0.136	-0.16	-0.131	0.102	-0.17	-0.155	-0.11	-0.132	-0.144	-0.073	-0.015	0.252	0.109	-0.076	-0.056	0.002	-0.153	-0.191	0.385	-0.062	-0.134	1					
26 Heavy Industry	-0.079	-0.143	0.029	0.029	-0.061	-0.031	-0.046	0.005	0.002	-0.002	-0.038	0.044	0.046	0.016	0.077	-0.076	0	-0.025	0.019	-0.04	-0.075	-0.08	0.226	-0.081	-0.081	1				
27 PharmaChem	-0.091	-0.106	-0.023	-0.057	-0.01	-0.045	0.055	0.036	0.018	0.056	0.095	0.051	0.01	0.032	0.042	-0.091	-0.045	0.035	-0.089	-0.052	0.03	-0.096	-0.103	0.172	-0.097	-0.023	1			
28 Extractive	0.139	0.068	0.081	0.123	0.092	0.065	-0.21	-0.044	-0.033	0.006	-0.052	-0.088	-0.136	0.155	-0.211	0.078	0.004	-0.082	0.216	0.073	-0.148	-0.157	0.022	0.275	-0.283	-0.068	-0.082	1		
29 Steel	0.113	0.135	0.027	0.043	-0.008	0.131	0.203	0.049	0.046	0.014	0.039	0.02	0.003	0.124	0.048	0.072	0.049	0.012	-0.088	0.385	0.116	-0.088	-0.056	0.033	-0.264	-0.064	-0.076	-0.223	1	
30 Patents	0.13	0.127	0.111	0.101	0.104	0.169	0.055	0.009	0.108	0.069	-0.096	-0.163	-0.148	0.123	-0.103	0.043	-0.033	-0.032	0.071	0.05	-0.103	0.33	-0.123	-0.103	-0.125	-0.032	-0.018	0.085	0.108	1

Table 1. Descriptive Statistics

<i>Variable</i>	<i>Min</i>	<i>Max</i>	<i>Mean (Proportion)</i>
<i>Dependent Variables</i>			
<i>CSR Index</i>	0	1	0.301
<i>Social Policies</i>	0	1	(0.637)
<i>CSR Report</i>	0	1	(0.333)
<i>GRI Report</i>	0	1	(0.168)
<i>UNGC Member</i>	0	1	(0.173)
<i>UNGC Contr</i>	0	1	(0.054)
<i>Independent Variables</i>			
<i>Press Freedom</i>	0	3	1.73
<i>HC Isomorphism CSR Index</i>	0	0.618	0.200
<i>HC Isomorphism Social Policies</i>	0	0.939	0.424
<i>HC Isomorphism CSR Report</i>	0	0.917	0.246
<i>HC Isomorphism GRI Report</i>	0	0.697	0.110
<i>HC Isomorphism UNGC Member</i>	0	0.455	0.113
<i>HC Isomorphism UNGC Contr</i>	0	0.091	0.020
<i>Control Variables</i>			
<i>Size</i>	-2.450	15.810	9.830
<i>Age</i>	0	202	40.100
<i>SOEs</i>	0	1	(0.229)
<i>ROE</i>	-0.420	1.391	0.167
<i>Risk</i>	0	10.038	0.128
<i>International</i>	0	58	6.38
<i>Social Irresp</i>	0	27	0.992
<i>Banking</i>	0	1	(0.25)
<i>Heavy Industry</i>	0	1	(0.017)
<i>PharmaChem</i>	0	1	(0.033)
<i>Extractive</i>	0	1	(0.20)
<i>Steel</i>	0	1	(0.17)
<i>All other industries (Aerospace, Electricity and other Utilities, Food and Beverages, Pulp and Paper, Real Estate, TLC)</i>	0	1	(0.33)
<i>Patents</i>	0	53.59	1.407

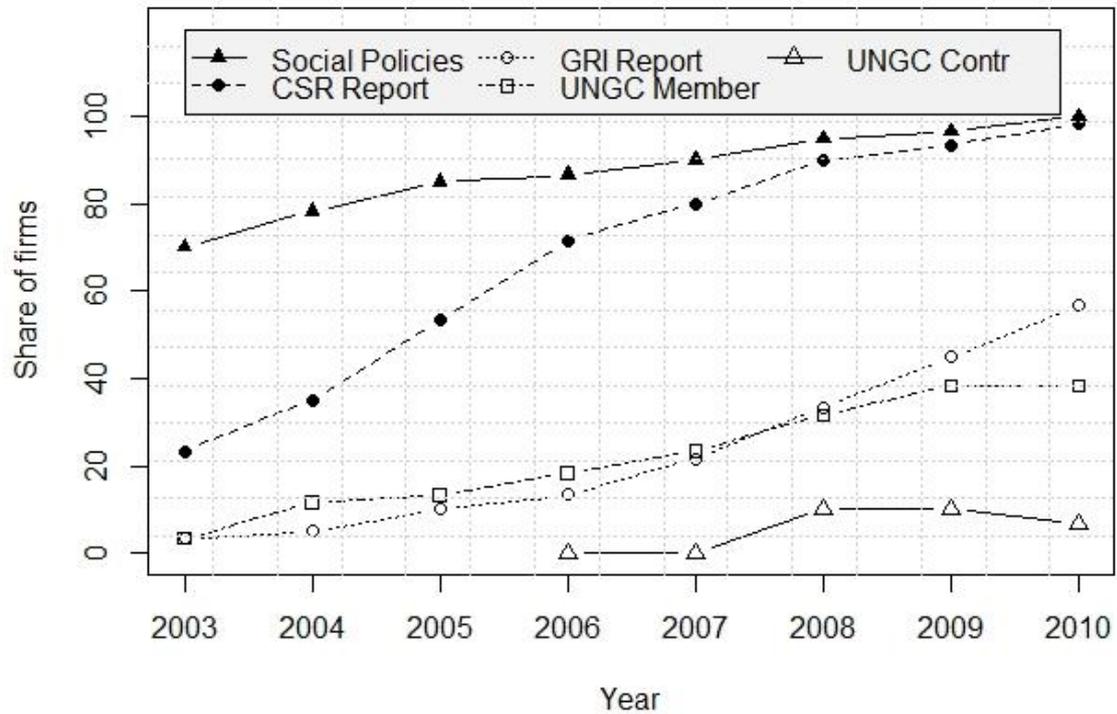
Table 2 Results of Regression Analyses

Model	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable	<i>CSR Index</i>	<i>Social Policies</i>	<i>CSR Report</i>	<i>GRI Report</i>	<i>UNGC Member</i>	<i>UNGC Contr</i>
Model	(RE)	(FE)	(RE)	(RE)	(RE)	(FE)
<i>Press Freedom</i>	0.031*** (0.012)	0.027 (0.025)	0.102*** (0.030)	0.023 (0.022)	-0.004 (0.022)	-6.51e-03 (2.04e-02)
<i>HC Isomorphism</i>	0.978*** (0.128)	-0.148 (0.315)	0.983*** (0.106)	1.284*** (0.216)	1.201*** (0.315)	2.11e+00** (9.74e-01)
<i>Size</i>	0.010 (0.012)	0.005 (0.048)	0.018 (0.024)	-0.033* (0.020)	0.050** (0.024)	4.34e-05 (2.32e-02)
<i>Age</i>	0.001 (0.001)	0.024 (0.020)	0.001 (0.001)	0.002*** (0.001)	0.001 (0.001)	-1.20e-02 (9.44e-03)
<i>SOEs</i>	0.004 (0.039)	0.087 (0.059)	-0.112 (0.074)	-0.029 (0.058)	0.160* (0.095)	-
<i>ROE</i>	-0.087 (0.079)	-0.040 (0.180)	-0.171 (0.186)	0.026 (0.172)	-0.256 (0.197)	-9.59e-02 (1.28e-01)
<i>Risk</i>	0.017*** (0.005)	-0.013 (0.011)	0.038** (0.017)	0.064*** (0.013)	-0.013 (0.017)	4.45e-03 (7.90e-03)
<i>International</i>	0.001 (0.002)	0.007 (0.009)	-0.001 (0.004)	0.006 (0.004)	0.003 (0.005)	-4.71e-03 (3.38e-03)
<i>Social Irresp</i>	0.013* (0.007)	-0.001 (0.021)	-0.005 (0.004)	0.022*** (0.007)	0.031** (0.012)	9.10e-02** (2.68e-02)
<i>Brazil</i>	-0.016 (0.061)	-	0.087 (0.107)	-0.210** (0.094)	0.021 (0.126)	-
<i>China</i>	0.149*** (0.046)	-	0.244*** (0.082)	0.244*** (0.078)	0.131 (0.113)	-
<i>India</i>	0.130** (0.052)	-	0.209** (0.082)	0.079 (0.077)	0.113 (0.123)	-
<i>Banking</i>	-0.089** (0.042)	-	-0.049 (0.074)	-0.182*** (0.066)	-0.228* (0.123)	-
<i>Heavy Industry</i>	-0.152*** (0.049)	-	0.225*** (0.085)	0.087 (0.070)	-0.386*** (0.106)	-
<i>PharmaChem</i>	-0.157 (0.119)	-	-0.262 (0.203)	-0.197** (0.088)	0.018 (0.095)	-
<i>Extractive</i>	0.070 (0.050)	-	0.206*** (0.080)	0.147* (0.082)	-0.060 (0.138)	-
<i>Steel</i>	-0.042 (0.071)	-	0.083 (0.092)	-0.087 (0.107)	-0.290** (0.139)	-
<i>UNGC Member</i>	-	-	-	-	-	7.62e-02 (6.37e-02)
<i>Patent</i>	-	0.007 (0.005)	-	-	-	-
Num observations	456	456	456	456	456	294
Adjusted R ²	0.425	0.125	0.431	0.289	0.280	0.175
F statistic	20.439(df =17;438)***	6.680(df =10;386)***	20.938(df =17;438)***	11.113(df =17;438)***	10.611(df =17;438)***	7.431(df =9;225)***

Note: *** p-value < 0.01; ** p-value < 0.05; * p-value < 0.1; standard errors in brackets.

FIGURES

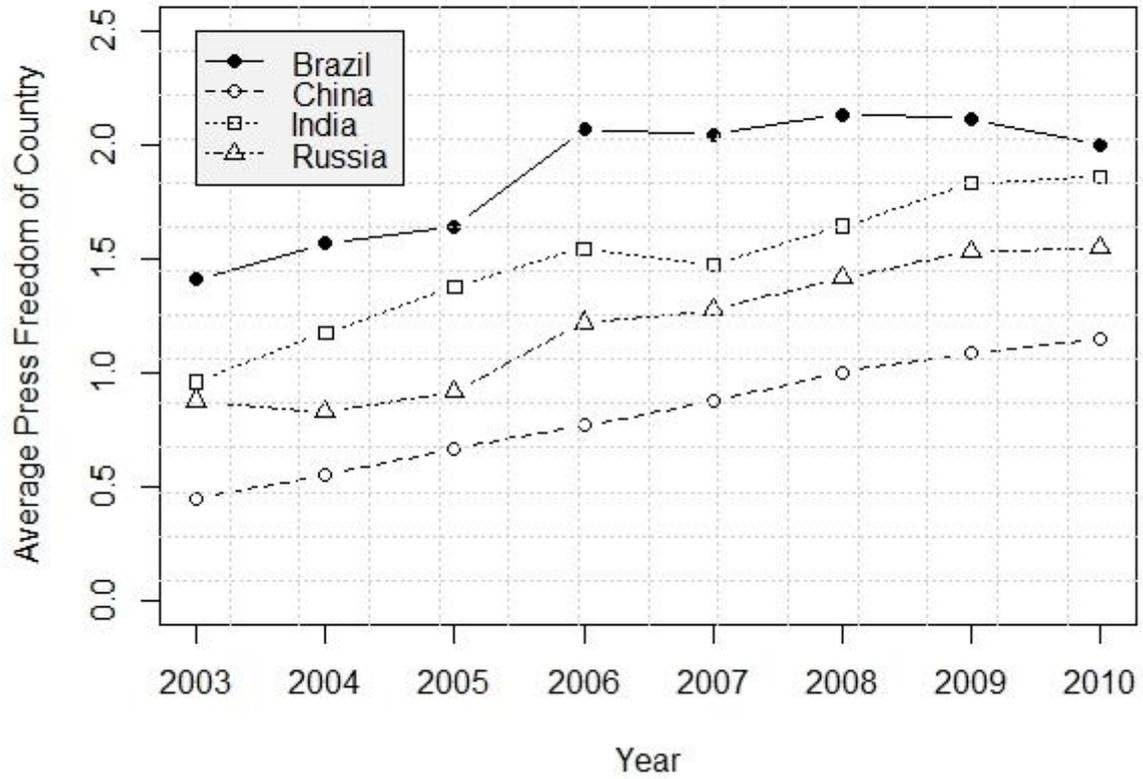
Figure 1 Adoption of Different Types of CSR Initiatives



Note: The vertical axis reports the share of firms in the sample that have adopted a given CSR initiative by year. Data are based on the full sample.

Source: Authors' own elaboration.

Figure 2 Press and Speech Freedom of Host Countries



Note: The vertical axis reports the average value of the Press Freedom indicator by year by BRIC country.

Source: Authors' own elaboration.