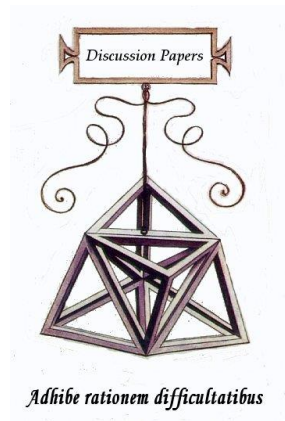




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Larger, more internationalized, better behaved? A configurational study of emerging market multinational enterprises' involvement in corporate wrongdoing

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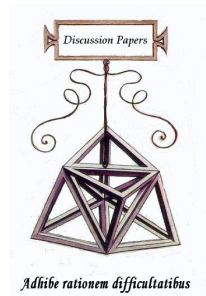
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Larger, more internationalized, better behaved? A configurational study of emerging market multinational enterprises' involvement in corporate wrongdoing

Abstract

We study emerging market multinational enterprises' (EMNEs) involvement in corporate wrongdoing, focusing on multiple explanatory antecedents identified by the literature, yet not explored from a configurational perspective. We use fuzzy set qualitative comparative analysis (fsQCA) to examine firms from eight emerging markets between 2003 and 2012. We uncover three equifinal configurations of corporate wrongdoing, all involving highly internationalized EMNEs: (1) the struggling state owned EMNE – a large, old, underperforming SOE, operating in home and host markets with high quality institutions; (2) the striving EMNE - a young, small, high performing EMNE, operating in home and host markets with low quality institutions; (3) and the careless state owned EMNE - an old, large, high performing SOE, operating in home and host markets with low quality institutions. Our findings enrich existing and often conflicting theoretical explanations through a configurational perspective, shedding light on the causal conjunctions between EMNEs' internationalization, home and host markets institutions, and the other antecedents of wrongdoing identified by the literature. We contribute to the EMNEs literature by studying the antecedents of involvement in wrongdoing, which can potentially threaten their efforts to overcome the liability of origin and acquire legitimacy with international stakeholders.

Keywords: Corporate wrongdoing; emerging market multinationals (EMNEs); fuzzy sets qualitative comparative analysis (fsQCA); institutions; internationalization; state owned enterprises (SOEs).

JEL: F23, M14, K40

INTRODUCTION

Emerging market multinational enterprises (EMNEs) play an increasingly important role in the world economy, and feature amongst the global leaders in their respective industries, such as Embraer (aerospace, from Brazil), Gazprom (gas, from Russia), Infosys (IT services, from India), AB InBev (alcoholic beverages, from South Africa), and Huawei (telecommunication equipment, from China) (Luo & Tung, 2018). Internationalization creates a dual challenge for EMNEs. On the one hand, they have incentives to offset the negative reputation associated with being based in an emerging economy, or “liability of origin” (Ramachandran & Pant, 2010), by signaling their intention to become good global corporate citizens, for example by adopting Corporate Social Responsibility (CSR) policies (Marano, Tashman, & Kostova, 2017). On the other hand, internationalization entails dealing with a growing set of stakeholders and institutions (Surroca, Tribo, & Zahra, 2013), and managing complex bureaucratic structures (Strike, Gao, & Bansal, 2006), all of which increase the risk of involvement in corporate wrongdoing.

Corporate wrongdoing is business conduct that reportedly causes harm to some of the firm’s stakeholders, and can thus taint a firm’s reputation (Greve, Palmer, & Pozner, 2010; Palmer, 2012)¹. In this study, we explore the antecedents of EMNEs’ wrongdoing because regardless of whether it is intentional or not, wrongdoing can have severe consequences, threatening not only EMNEs’ finances, but also their “license to operate” across international markets (Kölbel, Busch, & Jancso, 2017). Our definition of corporate wrongdoing encompasses the entire range of business-related human rights infringements detailed by the 1948 Universal Declaration of Human Rights (UNDHR) and subsequent covenants and treaties (see Nieri & Giuliani, 2018; Wettstein, Giuliani, Santangelo, & Stahl, 2019 for a discussion). Human rights infringements include different types of labor rights abuses, such

¹ In this study we use the terms “corporate wrongdoing”, “wrongdoing” and “wrongful conduct” interchangeably.

as the use of child labor, labor discrimination, and union busting; violations of the rights to land and life perpetrated against indigenous communities to acquire access to natural resources; and instances where business conduct causes harm to people living near its facilities, including the contamination of freshwater sources and farmland.

There is a rich literature on EMNEs in international business (IB), which, although not discussing explicitly wrongdoing, provides a theoretical starting point for our analysis (Hernandez & Guillén, 2018; Meyer & Peng, 2016). IB scholars show that the quality of home and host markets institutions shape the behavior of EMNEs (Meyer & Peng, 2016). For example, we know that the degree of internationalization and host markets entered influence the extent to which firms decouple CSR reporting from their actual practices (Eun-Hee & Lyon, 2015; Marquis & Qian, 2014; Tashman, Marano, & Kostova, 2019; Wijen, 2014). However, there are competing theoretical arguments on the effects of internationalization, and home and host markets institutions on business conduct (Aguilera, Marano, & Haxhi, 2019).

Some studies, such as Spencer & Gomez (2011), draw from neo-institutional theory, suggesting that firms based in home countries with higher quality institutions should be less likely to get involved in wrongful business conduct because domestic stakeholders' pressure extends to foreign operations. A U.S. firm is likely to be subject to much media coverage of its wrongdoing in foreign countries, resulting in potential damages to its brand, relationship with home customers, stock market valuation, and possibly in legal suits in different jurisdictions. Accordingly, an EMNE based in a home market with low quality institutions should be expected to be more involved in wrongdoing. Other scholars argue that firms adapt mimetically to the institutional context where they operate, entailing that the likelihood of wrongdoing depends on the quality of institutions of host markets. It follows that we should expect higher levels of wrongdoing in firms that have operations in host markets with low

quality institutions, even if these firms originate from home markets with high quality institutions (Hillman & Wan, 2005; Surroca et al., 2013). EMNEs that enter host markets with high quality institutions, on the other hand, should, according to this perspective, try to avoid involvement in wrongdoing as part of their efforts to offset their “liability of origin” (Fiaschi, Giuliani, & Nieri, 2017; Marano et al., 2017).

Our review of the management literature on the “dark side” of business offers several other antecedents of wrongdoing besides the quality of home and host markets institutions, including firm performance, size, age, and state ownership (Aguilera, Judge, & Terjesen, 2018; Baucus, 1994; Greve et al., 2010). However, empirical evidence on these antecedents is inconclusive, especially with regards to EMNEs (Palmer, Greenwood, & Smith-Crowe, 2016), and yields competing theoretical explanations, ranging from rational choice to neo-institutional perspective (Greve et al., 2010; Palmer, 2012).

In sum, the literature has so far identified different, and in some cases opposite, ways by which internationalization, home and host markets institutional pressures, and organizational antecedents could influence EMNEs’ involvement in corporate wrongdoing. We argue that this debate is inconclusive because the causal factors recognized by different literatures combine in a causal conjunctural fashion with each other generating multiple, asymmetric causal paths linked to this phenomenon.

To advance the debate on corporate wrongdoing by EMNEs, we study how the antecedents identified by different theories combine and interact in configurations that are equifinally linked to the outcome, using fuzzy set qualitative comparative analysis (fsQCA) (Fiss, 2011; Misangyi, Greckhamer, Furnari, Fiss, Crilly, & Aguilera, 2017). We conceive configuration as “any multidimensional constellation of conceptually distinct characteristics that commonly occur together” (Meyer, Tsui, & Hinings, 1993: 1175). In other words, a configuration is a number of contextual antecedents that must be in place simultaneously for

wrongdoing to occur. Indeed, what still needs to be investigated is how the combination of several factors, both at the firm and country level, may affect firms' involvement in corporate wrongdoing and its intensity. In this vein, Misangyi et al. (2017) suggest that when causal relationships are complex, and empirical evidence inconclusive, it is important to analyze equifinality, that is, the combination of paths that can lead to the same outcome, in our case corporate wrongdoing.

For the empirical application, we rely on a novel dataset of 245 large and public firms from a set of emerging markets (Brazil, China, India, Malaysia, Mexico, Russia, South Africa and Thailand), observed over the period 2003-2012. The outcome we study, *Corporate wrongdoing*, captures the intensity of firms' involvement in wrongdoing controversies. To perform our analysis, we examine seven antecedents grounded in the literature on EMNEs and on corporate wrongdoing (see Table 1 in the Methods section): home market institutions, host markets institutions, internationalization, firm's performance, size, age, and being a state owned enterprise (SOE). We uncover three configurations of antecedents of wrongdoing. First, *the struggling state owned EMNE* – an old, large, underperforming SOE, based in a home market with high quality institutions, highly internationalized, which invested in host markets with high quality institutions. Second, *the striving EMNE* - a young, small, highly internationalized firm, operating in home and host markets with low quality institutions, which is performing very well. Third, *the careless state owned EMNE* - a large, old, highly internationalized SOE, based in a home market with low quality institutions, with operations in host markets with low quality institutions.

Our contribution is twofold. First, we advance research on EMNEs by exploring the antecedents of their involvement in wrongdoing. This is important because wrongdoing has several layers of strategic implications for the firms' ability to escape their "liability of origin" in their effort to become leading global players (Marano et al., 2017). Corporate

wrongdoing by EMNEs is also of interest for the stakeholders affected by it, and the regulators in charge of sanctioning and preventing wrongful conduct. Second, theoretically, we shed light on the complex conjunctions in which internationalization, home market institutions, and host markets institutions combine with organizational factors generating different configurations of antecedents of wrongdoing. This is, to our knowledge, the first attempt to empirically study the determinants of wrongdoing using a method which, via a configurational and equifinal causal logic, allows to bring together different theoretical factors to yield an encompassing explanation of the phenomenon.

The rest of the paper is organized as follow. First, we outline the literature on corporate wrongdoing in order to highlight the causal conditions to be included in the empirical analysis. Then, we set out the context for the study which we investigate using fsQCA. We conclude by discussing the implications for research and practices.

THEORETICAL FRAMEWORK

Home and Host Markets Institutions, Internationalization, and Corporate Wrongdoing

The IB literature shows that the quality of home market institutions influences, amongst others, EMNEs strategy and performance, though not explicitly discussing wrongdoing (Meyer, Estrin, Bhaumik, & Peng, 2009; Ramamurti, 2012). The management literature on wrongdoing points that low quality home market institutions could lead to wrongdoing because they reduce the costs of engaging in such conduct: over-complex regulations may create ambiguity regarding what constitutes wrongdoing or not (Wettstein, 2009); an inefficient, under-resourced, and unaccountable judiciary may increase the likelihood of wrongdoing not being sanctioned (Surroca et al., 2013); and high levels of corruption, which create mechanisms to circumvent both regulation and sanctions for wrongful conduct (Keig, Brouters, & Marshall, 2015). On the contrary, being based in a home market with high quality institutions shapes business conduct at home and abroad

because even acts committed abroad can be sanctioned at home (Martin, Cullen, & Johnson, 2007; Spencer & Gomez, 2011). It follows that the EMNEs most involved in wrongdoing should be those based in low quality institutions home markets.

Internationalization, however, exposes firms to different institutional pressures, leading to institutional duality (Hillman & Wan, 2005). In line with the famous saying “When in Rome do as Romans”, multinational enterprises adapt to the environment where they operate, mimicking the behavior of local organizations, a phenomenon defined as “institutional isomorphism” (DiMaggio & Powell, 1983; Salomon & Wu, 2012; Yiu & Makino, 2002). Multinational enterprises may choose where to internationalize precisely to benefit from host markets institutional settings (Aguilera et al., 2019; Kostova, 1999). EMNEs have been argued to internationalize to escape from macro-economic and regulatory uncertainty at home (Witt & Lewin, 2007), and to improve their corporate governance by being exposed to more sophisticated and transparent codes of behavior abroad (Siegel, 2009).

In sum, internationalization, and in particular entering host markets with high quality institutions, should reduce the extent to which EMNEs get involved in corporate wrongdoing through different mechanisms: incentives to gain legitimacy with international stakeholders (Crilly, Ni, & Jiang, 2016; Marano et al., 2017), mimetic behavior (Spencer & Gomez, 2011), higher likelihood of being caught wrongdoing (Fiaschi et al., 2017; Keig et al., 2015), and higher costs associated with wrongdoing (Surroca et al., 2013). Yet, the interplay between home and host markets institutions and internationalization remains empirically and theoretically unclear. First, there are plenty of examples of wrongdoing controversies occurring in host markets with high quality institutions. Second, highly internationalized EMNEs with presence in host markets with high quality institutions might have more incentives to avoid wrongful conduct, but they may not be able to avoid getting involved in wrongdoing, even if they intend to, because internationalization makes their organizational

structures more complex and harder to monitor (Kostova & Roth, 2002; Kostova, Roth, & Dacin, 2008; Strike et al., 2006). We thus include internationalization, and the quality of both home and host markets institutions as causal antecedents of wrongdoing in our model.

Firm-level Antecedents of Corporate Wrongdoing

Performance. Some studies of corporate wrongdoing rely on rational choice and behavioral theory of the firm to argue that low performance should be associated with a higher likelihood of wrongdoing. Firms may attempt to recover from low performance by knowingly engage in risk-taking strategies such as wrongful conduct (Harris & Bromiley, 2007; Xu, Zhou, & Du, 2018) that may have positive performance outcomes, like dumping their waste illegally instead of treating it (Baucus & Near, 1991; Crane, 2013; Staw & Szwajkowski, 1975). Mishina and colleagues (2010) uncover that high performance can also be associated to wrongdoing. Their argument is that high levels of performance create expectations and future performance targets difficult to achieve. Firms may attempt to keep their performance in line with expectations by cutting corners and even, in some instances, institutionalizing wrongful conduct. We include performance as one of our causal antecedents, taking stock of the fact that opposite, asymmetric, causal mechanisms may be in place, particularly when other factors, such as home market institutions and firm size, interact to define causality in a combinatorial manner.

Organizational Resources: Size and Age. Prior research use firm size as a proxy for organizational resources, with the initial argument that more resourceful firms should have more means to invest in wrongdoing prevention (Martin et al., 2007). Large size makes firms more visible: their actions are likely to be more easily detected and prosecuted which creates incentives for investing in wrongdoing prevention (Ashforth & Gibbs, 1990). Therefore, smaller EMNEs could be expected to be more involved in wrongdoing. As with other antecedents, the opposite causality could also be argued - larger firms have more complex

organizational structures, and tend to be more decentralized, both of which increase the challenges of preventing accidental wrongdoing from occurring (Baucus & Near, 1991; Finney & Lesieur, 1982; Strike et al., 2006). Larger firms might have slack resources necessary to absorb legal expenses, court fees, punitive awards, and similar costs of wrongdoing. Hence, firms that are larger may commit wrongdoing out of cold calculation that, even where found and sanctioned, the cost of sanctions might be lower than the benefit accrued through their wrongful conduct (Clinard & Yeager, 1980).

Age matters too. Older firms should be better placed at avoiding wrongdoing (Kelley, Ferrell, & Skinner, 1990), because they can learn from their past mistakes (Zahra, Priem, & Rasheed, 2005). Multinational enterprises may, for example, improve their monitoring of international operations in order to minimize the risk of involvement in wrongdoing in the future (Campbell, 2007). From a neo-institutional perspective, younger and smaller firms might be more dependent on their stakeholders, such as investors, clients, and regulators, which could push them to be more careful to avoid wrongful conduct. Just as EMNEs may behave better than firms from advanced economies to offset the “liability of origin”, smaller firms may do the same to address the “liability of smallness” (Stinchcombe, 1965) and younger firms to compensate for the “liability of newness” (Singh, Tucker, & House, 1986). This could suggest that larger, older firms might be more prone to wrongdoing than smaller younger ones (Tang, Qian, Chen, & Rui, 2015). As with the other antecedents discussed, prior research proposes opposite causal mechanisms for firm size and age; we thus include them in our model without expecting a specific causal link to wrongdoing.

Ownership: The Role of the State. Ownership is a key determinant of business behavior, and in particular where the owner is the state (Musacchio, Lazzarini, & Aguilera, 2015). State ownership influences the propensity to internationalize, and the markets targeted when expanding abroad (Mariotti & Marzano, 2019). SOEs are deemed to “have legitimacy

and receive support or even protection from the government agencies that have founded them” (Li & Zhang, 2010: 794). SOEs’ home government may bail out firms’ losses related to wrongdoing, reducing their negative consequences (Chen, Cumming, Hou, & Lee, 2016). The political connections of SOEs can increase information asymmetries so that stakeholders have a more limited knowledge about their business activities (Hou & Moore, 2010), and the attention of regulatory scrutiny maybe deflected from dubious corporate conduct (Chen, Firth, Gao, & Rui, 2005; Stuart & Wang, 2016). SOEs are prevalent in emerging markets (Bruton, Peng, Xu, Stan, & Ahlstrom, 2015; Marquis & Raynard, 2015). Kowalski, Buge, Sztajerowska, & Egeland (2013), for instance, suggests the shares of SOEs among the Forbes Global 2000 companies exceed 50% for China, India and Indonesia and are at 39% and 19% for Russia and Brazil, respectively. Thus, we include state ownership in our model, expecting SOEs to be associated with wrongful conduct, and studying its interaction with the other antecedents we outlined in this section. The next section discusses sample and methods.

METHOD

Sample

Our sample includes the 245 largest publicly traded companies from Brazil, China, India, Malaysia, Mexico, Russia, South Africa, and Thailand according to Forbes Global 2000 (2012 ed.). We select these countries on the basis of their being amongst the largest and fastest-growing emerging economies (Marquis & Raynard, 2015), and home to the largest EMNEs (UNCTAD, 2014). We focus on public firms because of their international status, potentially significant impact on society, and higher likelihood of wrongful conduct being reported extensively in the press and by Non-Governmental Organizations (NGO). Our analysis covers the period 2003–2012, and relies on an unbalanced panel of 2401 firm-year observations. To research corporate wrongdoing, we use the Business and Human Rights Resource Centre (BHRRC), the world’s leading independent information hub providing data

on the positive and negative impacts exerted by corporations on human rights (Avery, 2009), and most common source used by international law scholars (Bernaz, 2016; Ruggie, 2008; van den Herik & Letnar Cernic, 2010, among others). The BHRRC collects daily business and human rights news and reports from multiple sources, publishing lists of wrongdoing controversies subject to a minimum credibility criterion (which excludes blind attacks on companies).

FsQCA

To investigate our research question, we use fsQCA, a method particularly appropriate when causation is complex, different conditions may produce identical results, and there are different theoretical explanations for the same phenomenon (Fiss, 2007; Grandori & Furnari, 2008; Misangyi et al., 2017), as is the case with the causal antecedents of corporate wrongdoing by EMNEs (Palmer et al., 2016). FsQCA uses set-theoretic logic, based on Boolean algebra, to identify the causal conditions associated with an outcome and provides techniques to identify patterns between set membership and outcome (Crilly, 2011). Put differently, fsQCA explicitly casts causal relations along all three lines of complexity highlighted by earlier configurational theories in management, defining causal complexity as composed by “equifinality, conjunctural causation, and causal asymmetry” (Schneider & Wagemann, 2012: 78). This approach enables to study how multiple causal attributes combine into distinct configurations to produce an outcome of interest (conjunctural causation), and assess whether multiple configurations are linked to the same outcome (equifinality). IB researchers have used fsQCA to study institutional diversity (Jackson & Deeg, 2008); institutional support for high-technology industry (Pajunen, 2008); varieties of capitalism (Judge, Fainshmidt, & Brown, 2014; Schneider, Schulze-Bentrop, & Paunescu, 2010); the drivers of stakeholders and shareholder orientation (Crilly, 2011); and the antecedents of opportunism in market entry (Verbeke, Ciravegna, Lopez, & Kundu, 2018).

Calibration. The first step in performing fsQCA is to calibrate set membership, in order to transform conventional variables into fuzzy membership scores ranging from 0 to 1. Different from quantitative approaches that treat all variance as equally important, the aim of calibration is to identify meaningful grouping of cases (Ragin, 2008), which requires substantive knowledge of the cases considered, or a strong theoretical background (Rihoux & Ragin, 2008). In this paper, we follow prior research (Ragin, 2000, 2008) and use a three-level scale where 0 represents full non-membership of a set, 1 represents complete membership of a set, 0.5 represents intermediate level of membership of a set where there is the level of maximum ambiguity regarding whether a case is more in or more out of the set. Since cases with fuzzy set membership scores of 0.5 cause difficulties when intersecting fuzzy set, Ragin (2008) recommends avoiding the use of it. To address this issue, we add a constant of 0.001 to all the variables with fuzzy set membership scores smaller than 1 (Fiss, 2011). For each calibration, we set these thresholds based on extant theory and substantive knowledge and use the direct method of calibration on the fsQCA software to transform the measures into set membership (Fiss, 2011; Ragin, 2008).

Truth table. The second step involves the construction of the truth table to identify the combinations of causal conditions associated with the outcome. This is the list of all logically possible combinations. Since we are considering seven causal conditions, the truth table produces 2^7 combinations. Given that not all the possible combinations are covered by the firms considered, and in order to identify those that are relevant, we delete those that are not associated with any firms in the dataset. Then, since we are considering a big sample of firms, we set the frequency threshold to three, as suggested by Fiss (2011), which allow us to retain more than 98% of the cases. We specify the threshold for the consistency which measures the degree to which a combination of causal conditions is reliably associated with the outcome (Ragin, 2008), in our case, the intensity of firms' involvement in corporate

wrongdoing. An efficient consistency threshold may range from 0.75 to 0.95 (Ragin, 2006). We use a very conservative approach, choosing a threshold of 0.95.

Solutions. The next step involves an algorithm to generate a more parsimonious understanding of the drivers of firms' involvement in wrongful business conduct (for more details, see Ragin 2008). Then, the fsQCA software produces three solutions (Fiss, 2011): a complex solution (i.e. it produces the most complicated results), an intermediate solution (i.e. it reports results that are a compromise between inclusions of no or any logical reminder in the counterfactual analysis), and a parsimonious solution (i.e. it produces the most concise result since if a causal condition is considered as redundant it is eliminated from the configuration leading to the occurrence of the outcome). Following Fiss (2011), in the interpretation of the results we consider both the intermediate and parsimonious solutions in order to identify the core (those identified by both the solutions) and peripheral (those that appear in only the intermediate solution) causal conditions that contribute to the outcome.

Sensitivity analyses. We perform a number of sensitivity analyses to examine the stability of our configurations: following the suggestion of Epstein, Duerr, Kenworthy and Ragin (2008), we replicate the analysis with a consistency threshold of 7, 14 and 17, which generate similar solutions. We keep the threshold of 0.95 because it is more precise (Schneider & Wagemann, 2006).

Outcome: Corporate wrongdoing

Our outcome measures the intensity of involvement in wrongdoing controversies. The first step to operationalize our outcome was searching the BHRRC for instances of wrongdoing linked to the firms in our sample in each year, which generated more than three thousand documents, including news and reports, providing evidence of wrongful conduct. We codified the information on corporate wrongdoing to produce a dataset documenting each wrongdoing event (hereafter "event"), including a brief description of the event, the year(s) in

which the event took place, the year that the event is known to have started, the year when it is considered to have ceased, and the year when the event was first denounced or reported. For each event we downloaded the document(s) containing full news or reports of the controversy(ies). Based on these documents, we identify 739 events involving the firms in our sample, related to different types of controversies in the cohort 2003-2012.

We cross-checked our coded information from the BHRRC against a “controversy reports” produced by Sustainalytics, a different source documenting environmental, social and governance (ESG) indicators used in prior IB research (Surroca et al., 2013). We chose Sustainalytics because, compared to other ESG data providers, it tracks emerging market companies since 2009. We find a good convergence between BHRRC records and Sustainalytics data for the period 2009-2012, suggesting that our data source is reliable and comprehensive.

The measurement of firms’ involvement in wrongful conduct is known to be sensible to at least three caveats. First, media attention, that is, firms that are more frequently report on are more likely to get caught if committing wrongdoing than less visible firms (Marquis & Qian, 2014; Mishina et al., 2010). Second, some sectors, such as extractive industries, are by their very nature more bound to generate harmful impacts than others. Third, time. To account for these caveats, we follow Giuliani, Nieri, Salvati and Fiaschi (2019) and use a M-quantile regression approach which provides a corporate wrongdoing index that ranges from 0 to 1, with 0 and 1 respectively indicating lower and upper boundaries of involvement in wrongdoing. We use this methodology to condition the number of controversies (as reported by the codification of BHRRC data) in which each firm has been involved in, during each year, to media exposure, industry and time. We measure companies’ *Media exposure* as the number of news items/articles mentioning firm i at time t (source: Lexis Nexis, considering all the news in english language). Additionally, we take into account industry characteristics,

by grouping firms according to the extent to which a given industry is more or less likely involved in wrongful conduct (Dougherty & Olsen, 2014; Giuliani & Macchi, 2014; Wright, 2008): the reference group (*Industry dummy I*) includes firms in the extractive (oil, mining and steel), the second group (*Industry dummy II*) includes retail, banking, chemicals and pharmaceuticals, and the third group (*Industry dummy III*) includes cosmetics, pulp and paper, aerospace, automotive, heavy industry, telecommunications (TLC), food and beverages, electricity, real estate, health care. Finally, we consider *Time dummies* in order to take into account the time trend in the reporting activities of the wrongful business conduct.

Therefore, our outcome variable *Corporate wrongdoing* is an index ranging from 0 to 1, whereby 1 is the maximum intensity of involvement in wrongdoing, conditioned to *Media exposure*, *Industry dummies* and *Time dummies*, whereas 0 means that the firm has never been involved in wrongdoing in the years examined hereby.

Causal antecedents

Our causal antecedents are grounded in the literature on corporate wrongdoing (Aguilera et al., 2018; Baucus, 1994; Greve et al., 2010) and EMNEs (Luo & Tung, 2018; Marquis & Raynard, 2015; Meyer & Peng, 2016), as illustrated in Table 1 which summarizes how we treat such variables in our empirical analysis. Table 1 also includes the literature justifying the choice of the two factors we use to condition our outcome, media exposure and industry.

Home Market Institutions. To measure the quality of home market institutions we built a meta index of the six Worldwide Governance Indicators (WGI), namely *Voice and accountability*, *Political stability and absence of violence*, *Government effectiveness*, *Regulatory quality*, *Rule of law*, and *Control of corruption*². The World Bank develops these indices by aggregating several hundred individual variables, drawn from 31 data sources collected by 25 organizations (Kaufmann, Kraay, & Mastruzzi, 2011). Because the six WGI

² See WGI at <http://info.worldbank.org/governance/wgi/index.aspx#doc>, last accessed July 20, 2018.

indices are highly correlated, we follow prior research (Globerman & Shapiro, 2003; Tashman et al., 2019), developing a meta-index, estimated from the first principal components of the indices. Since we are considering only eight countries, we allocate the membership according to the distribution of our variable. Therefore we allocate full membership to 0.18 (the value of the 75th percentile), partial membership to 0.16 (the median value), and absence of membership to 0.14 (the value of the 25th percentile).

Host markets institutions. To measure the quality of institutions of host markets, we identify the countries where the firms have operations through their foreign direct investments (FDI), using FDIMarkets data on greenfield and brownfield FDI, and Zephyr (Bureau van Dijk) and SDC Platinum (Thomson Reuters) data on mergers and acquisitions. We measure the host markets' institutional qualities computing a meta-index estimated from the first principal components of the WGI. The variable *Host markets institutions* for firm i is then defined as the average of the quality of institutions of the host markets where the firm has operations³. To allocate the membership values, we compute the meta index for all the countries covered by the World Bank Survey. Then, we consider the value of the 75th percentile to define the full membership (i.e. 8.74), the median for the partial membership (i.e. 6.55), and the value of the 25th percentile for absence of membership (i.e. 5.30).

Internationalization. We operationalize internationalization as the number of countries where the firm has invested up to year t , based on FDIMarkets (for greenfield and brownfield investments), Zephyr and SDC Platinum data (for mergers and acquisitions investments). Full membership (1) is accorded when the firm has invested in at least four foreign countries (namely, the level of our variable at the 75th percentile), partial membership (0.5) when the firm is present in only one foreign country, non-membership (0) is accorded when the firm is a domestic one.

³ In order to distinguish between domestic firms and firms investing in countries with an institutional quality score equal to 0, we rescaled the WGI data so that the variable *Host markets institutions* assumes value 0 when the firm is a domestic one. That is, when the firm does not face any host markets institutional pressure.

Performance. We measure firm's performance as Return on Assets (ROA) because it is less volatile and less sensitive to heterogeneity in firms' financial structures than other measures, such as Return on Equity, and for this reason is used conventionally for this kind of estimation (Harris & Bromiley, 2007; Mishina et al., 2010, among many others). To allocate the membership value, we consider the value of ROA at industry level (Misangyi & Acharya, 2014)⁴. Firms with a performance above that of its industry peers are considered in the set of full membership, those with a performance lower than that of their industry peer are considered in the set of absence of membership, while those with a performance equal to that of the industry peers are in the partial membership set.

Size. We proxy firm's size by the log of the number of workers at time t . To define the allocation to the membership set, we rely on the distribution of the variable firms' size (log of the number of employees) of the firms included in the Forbes 500 Emerging Countries ranking: the value of the 75th percentile (i.e. 10.86) defines the full membership (1), the median value (i.e. 9.96) the partial membership (0.5), the value of the 25th percentile (i.e. 8.91) the value of non-membership (0).

Age. We measure firm age as the number of years since the firm's foundation. A firm with at least 105 years (which is the value of the 75th percentile) is coded as full membership (1), while 30 (i.e. the median value of our variable) a firm with partial membership (0.5), and finally a firm with less than 5 years (which is the number of year until which a firm is considered as new, Verbeke et al., 2018; Zahra, Ireland, & Hitt, 2000) as non-membership (0).

State Owned Enterprise. It is a dummy variable that takes the value 1 if the firm is state owned at time t , and 0 otherwise. We assign value 1 both in case the state has the full

⁴ We relied on Datastream for firms and industry financial data. Moreover, we use Thomson Reuters Business Classification to match each firm with its industry peers at <http://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/trbc-fact-sheet.pdf>. last accessed July 20, 2018.

control over the firm or it is the largest shareholder (Tihanyi et al., 2019). We retrieve the data from Datastream and corporate websites.

[Table 1 about here]

Table 2 shows the descriptive statistics of our variables and the correlation matrix.

[Table 2 about here]

To further validate our choice of causal model, we tested it using more conventional methods, that is a linear regression model, verifying that each antecedent we identified from the literature was correlated with our dependent variable. Table 3 shows that all the antecedents are correlated in statistically significant ways to corporate wrongdoing, which provides further support to the fsQCA model.

[Table 3 about here]

RESULTS

Table 4 reports the consistency and coverage scores. Consistency measures how well the solution corresponds to the data (Ragin, 2006), and it is calculated for each configuration separately and for the solution as a whole. This measure can range from 0 to 1, 1 entailing a perfect consistency between theoretical consistency and the data. Solution coverage measures the empirical importance of the solution as a whole (Ragin, 2006). The configurations' coverage is composed of raw and unique coverage: the former is the extent to which each configuration can explain the outcome, the latter is a measure of the share of the outcome explained by a given configuration.

[Table 4 about here]

We find three configurations of antecedents associated with a high intensity of corporate wrongdoing that comply with the fsQCA methodological requirements as expressed by coverage and consistency, theoretical grounding, and empirical plausibility (Misangyi et al., 2017; Ragin, 2008). For transparency reasons, in the parsimonious

solutions we report the core conditions as well as the peripheral conditions that feature in intermediate solutions. We do not rely on the core-peripheral distinction in the interpretation of the results since it is relevant only in the cases where theory indicates that the core conditions should be more important than peripheral conditions theoretically. The latter choices are in line with prior research (Crilly, 2011; Dwivedi, Joshi, & Misangyi, 2018; Greckhamer, Furnari, Fiss, & Aguilera, 2018; Mellewigt, Hoetker, & Lütkevitte, 2018). Figure 1 displays the three configurations.

All of the configurations represent highly internationalized EMNEs. This is consistent with the argument that internationalization increases the risk of getting involved in wrongdoing (Strike et al., 2006), and it highlights the importance of this phenomenon for IB research. Two out of three of the configurations represent SOEs, which is in line with the argument that state ownership may shield business from the consequences of wrongdoing (Chen et al., 2005), though we show that it is older and larger SOEs with specific combinations of other antecedents that are associated with high intensity of wrongdoing.

Configuration I: *The struggling state owned EMNE* - a large, old, highly internationalized SOE, based in a home market with high quality institutions⁵, with operations in host markets with low quality institutions, which is going through a period of negative economic performance. This configuration seems to confirm the idea that firms internationalize to markets where the quality of institutions is not dissimilar from home (Cuervo-Cazurra & Genc, 2008). It illustrates that having entered host markets with high quality institutions does not, per se, prevent an EMNE from getting involved in wrongdoing.

⁵ As described in the Method section, we are interested in capturing the effects of variation in the quality of home market institutions since emerging markets are not all alike (Marquis & Raynard, 2015). For this reason, we do not use “absolute” measures, calibrating this antecedent within our sample, so that “high quality home market institutions” means the countries in our sample which have the highest quality institutions (e.g. Brazil, Malaysia, South Africa). Contrary, “low quality home market institutions” means the countries in our sample which have the lowest quality institutions (e.g. China, India, Russia). We calibrate differently the quality of host markets institutions because in this case there is greater variation to be captured, that is, the firms observed internationalized to countries comprising the whole range of quality of institutions.

The EMNE represented here is highly internationalized. According to a neo-institutional perspective, a highly internationalized EMNE with operations in high quality institutions host markets, should be associated with less wrongdoing. First, this EMNE should have strong incentives to acquire legitimacy with global stakeholders by behaving well, that is, by not committing wrongdoing (Surroca et al., 2013). Second, the EMNE should adapt mimetically to the institutional context of host markets with high quality institutions, which, again, would entail minimizing involvement in wrongdoing. Third, although based in an emerging economy, the home market of this EMNE has high quality institutions in comparison to the home markets of other EMNEs, which could entail pressure from domestic stakeholders to avoid wrongdoing. This configuration shows that an explanation of wrongdoing focusing only on home and host markets institutions may fail to capture some of the situations in which EMNEs get involved in wrongful conduct, unless examining the interactions between institutional factors and other antecedents.

This configuration could be interpreted through a rational choice theory lens. Here, the EMNE might have engaged in wrongdoing in order to recover its performance, for example cutting costs by seizing land illegally instead of complying with local regulations, or cutting corners on preventive measures. State ownership, in conjunction with large size and old age, reduces incentives for wrongdoing prevention because it provides firms with diplomatic and financial support for managing the consequences of wrongdoing (Chen et al., 2016; Hou & Moore, 2010). Thus, the EMNE represented in this configuration might have estimated that, because it is a large, old, underperforming SOE, the consequences of wrongdoing controversies would be lower than the performance benefits obtained. In this case performance recovering priorities prevail over incentives stemming from home and host markets institutions, because involving an EMNE that has specific resources to manage wrongdoing controversies, linked to its state ownership, size, and age – an explanation that

bridges rational choice with the literature on SOEs and the importance of ownership for corporate governance (Mariotti & Marzano, 2019).

An example from our sample of this configuration is Sime Darby, a Malaysian conglomerate owned by the state, founded in the year 1910, highly internationalized, with operations in several advanced economies such as U.S. and Australia, and a ROA below that of its industry peers. Sime Darby has been involved in multiple wrongdoing controversies, such as the violation of the Roundtable on Sustainable Palm Oil principles in Liberia, France and Indonesia, and allegations of criminal breach of trust in connection with the acquisition of native customary rights land in Sarikei (Sustainalytics, 2014a).

Configuration II: *The striving EMNE* - a privately owned, young, small, highly internationalized EMNE, based in a home market with low quality institutions, with operations in host markets with low quality institutions, which is performing well. This configuration provides theoretical support to the neo-institutional explanation of wrongdoing, though enriching it with contextual factors. Neither home, nor host markets institutions create sufficient incentives for avoiding wrongdoing, resulting in high involvement in wrongdoing controversies. This EMNE might assume that it will not be sanctioned at home for its high levels of wrongdoing because of a weak rule of law, corruption, inefficient judiciary, and the fact that some home stakeholders, such as NGOs, might not be free to exert pressures against it (Fiaschi et al., 2017; Keig et al., 2015). The EMNE internationalized to host markets with low quality institutions, where it faces similar conditions to those experienced in the home market, such as corruption and uncertain regulations, and it may even benefit from them (Cuervo-Cazurra, Ciravegna, Melgarejo, & Lopez, 2018), for example by being able to bribe its way out of a wrongdoing controversy.

The home and host markets institutions interplay, however, provides only a partial explanation because the firm is performing well. This configuration is also theoretically

aligned with the argument that high performing firms may engage in wrongful conduct to sustain their high performance at all costs, keeping up with future performance expectations (Mishina et al., 2010). The EMNE in this configuration is not an SOEs, thus it may be under strong shareholders' pressure to sustain performance, and likely to be led by managers whose career is linked to the financial returns they generate (Bruton et al., 2015). This EMNE might be stretching its organizational resources because it is highly internationalized, young, and small. High levels of wrongdoing here might stem from prioritizing performance, combined with low quality home and host markets institutions, and the challenge of managing international expansion for a young and small EMNE.

An example from our sample is Zijin Mining Company, a small and young Chinese privately-owned company, which operates mines and other extractive activities in several host markets with low quality institutions such as Bolivia, Peru, Russia, Tajikistan, Kyrgyz Republic and Philippines. In the period we examine Zijin Mining was performing very well, achieved higher returns than the industry average, and yet, it has been involved in several controversies over workers and communities in Myanmar, Peru and China (Sustainalytics, 2014b).

Configuration III: *The careless state owned EMNE* - an old, large, state owned EMNE based in a home market with low quality institutions, highly internationalized, with operations in host markets with low quality institutions, which is performing well. This configuration is again consistent with neo-institutional theory. As for *Configuration II*, low quality institutions provide insufficient incentives for avoiding wrongdoing at home and abroad. Performance, ownership and age and size provide nuance to the neo-institutional argument. In this case, there is no performance-recovery motive similar to that observed in *Configuration I*. State ownership should shield managers from the pressures to meet high performance targets in the future that could explain wrongdoing for the privately held EMNE

of *Configuration II*. It is possible that wrongdoing in this configuration is the consequence of careless behavior: insufficient investment in wrongdoing prevention because of a combination of low quality home and host markets institutions, and with awareness that state ownership can alleviate the consequences of wrongdoing especially for large old SOEs, and a large, highly internationalized organizational structure that makes it harder to avoid accidental wrongdoing from occurring.

An example from our sample is Larsen & Toubro Ltd., a large Indian state owned company founded in 1938 providing construction services, which operates activities in Bangladesh, Brazil, China, Indonesia, Malaysia, Oman, Saudi Arabia and South Africa. In the period we examine Larsen & Toubro Ltd was performing very well, achieved higher returns than the industry average, and yet, it has been involved in several wrongdoing controversies, for example allegations of discriminatory practices against female workers in Bhutan (Sustainalytics, 2014c).

[Figure 1 about here]

DISCUSSION AND CONCLUSIONS

In this paper, we study wrongdoing by EMNEs, analyzing the role of several causal antecedents identified from the literature: home and host markets institutions, internationalization, firm performance, size, age and state ownership. We examine a sample of 245 firms from Brazil, China, India, Malaysia, Mexico, Russia, South Africa and Thailand, for over a decade, involving 739 wrongdoing events. To our knowledge, this is one of the first attempts to study empirically the causal antecedents of corporate wrongdoing by EMNEs.

We uncover three configurations of antecedents of corporate wrongdoing, which bridge different theoretical explanations through a combinatorial equifinal perspective. The three configurations involve highly internationalized EMNEs, suggesting that

internationalization, (as in *Configuration I*), does not, *per se*, deter EMNEs from being involved in wrongdoing. Our findings do not support the thesis that the more EMNEs internationalize, the more they will attempt signaling good corporate citizenship (Kostova et al., 2008; Marano et al., 2017). On the contrary, the configurations support the argument that highly internationalized firms might be more involved in wrongdoing (Strike et al., 2006).

An interesting finding regarding EMNEs is the sustained importance of *state ownership*. Our first and third configuration include large, old, SOEs, that is, firms that should have sufficient organizational knowledge and resources to avoid wrongful conduct. Drawing from a recent meta-review on the topic (Tihanyi et al., 2019), SOE managers operate under different career incentives, and this might make them less concerned with wrongdoing, and more concerned with either recovering performance (*Configuration I*), or maintaining high performance (*Configuration III*). The backing of the state might also have a perverse effect by reducing the reputational and financial damage that wrongdoing can cause. This finding suggests that more research is needed to clarify the way in which SOEs react to institutions in different settings, and in different performance circumstances. The three configurations also indicate that it is the older, larger, more established SOEs that engage in wrongful conduct, perhaps because these have developed the organizational knowledge that helps them manage wrongdoing events better, possibly, again, through more effective ways to leverage ties with the state.

Two of our configurations support the neo-institutional interpretation of wrongdoing, depicting firms based in home markets with low quality institutions, highly internationalized, with operations in host markets with low quality institutions. Thus, we advance the neo-institutional perspective by illustrating that institutions do *not* have an umbrella effect, but rather influence business behavior in conjunction with other factors. We provide nuance to the argument, anchored in neo-institutional theory, that EMNEs attempt to offset the “liability

of origin” by “doing good”. While most of the extant research leans toward the “pollution heaven hypothesis”, arguing that companies are likely to commit wrongdoing in host markets with low quality institutions (Surroca et al., 2013), *Configuration I* shows that EMNEs may be committing high levels of wrongdoing even if operating in home and host markets with high quality institutions. *Configuration I* suggests that the neo-institutional perspective might apply differently to SOEs. That is, an old, large, underperforming SOE might be less preoccupied with the “liability of origin” because state ownership reduces the extent to which legitimacy to operate depends on stakeholders (Hou & Moore, 2010).

Our study also speaks to the literature that has looked at performance as a key driver of wrongdoing. Our findings show that performance can indeed have opposite effects: firms may commit wrongful conduct to recover from poor performance, (*Configuration I*), and also a “performance aspirations” effects, where it is also high performing firms that engage in wrongdoing to keep performance in line with aspirations of carrying out being high performers in the future (*Configuration II*). We find some support to the “performance aspirations” stream of literature (Mishina et al., 2010), showing that the privately held EMNEs involved in high levels of wrongdoing in our sample, are, indeed, also performing well (*Configuration II*), and only one of the configurations in our results depicts low performing firms (*Configuration I*). We illustrate that “performance aspiration” motives work in conjunction with institutional pressures. Sustaining performance might push firms to commit more wrongdoing for the EMNEs operating in home and host markets with low quality institutions, where the likelihood of sanctions, and their costs, is low (*Configuration II* and *Configuration III*). In markets with high quality institutions, it is underperforming EMNEs that are associated with higher levels of wrongdoing (*Configuration I*). The privately held EMNEs committing high levels of wrongdoing of *Configuration II* are also young and small, suggesting complementary effects between performance, age, and size. *Configuration*

II represents an EMNE that has successfully expanded internationally at a young age, and is pursuing performance at all costs, compromising its ability to avoid wrongdoing, or actively committing it. This combined causation is possibly sustained by a calculation that the costs of wrongdoing will be lower than its benefits, because it is based in a home market with low quality institutions, and it operates in host markets with low quality institutions.

The main limitation of our study is that, empirically, we capture a sample of firms from eight emerging economies – extending the research to a larger number of home countries would be interesting to verify whether it is possible to uncover different behaviors. We examine the largest public firms from these eight economies, which limits the extent to which we can theorize about smaller firms, especially the sort of small domestic businesses that dominate in developing economies. Finally, as with all studies of wrongful conduct, we rely on externally reported abuses, which underestimate the extent of wrongdoing that may occur, especially when perpetrated by small, less visible firms, and in countries where the rule of law is weak. We believe, nonetheless, that this is an important step towards advancing the understanding of corporate wrongdoing by EMNEs, and how it is related to their international expansions. Interesting avenues for further research include, amongst others, studying more in depth the nature of the economy where the firms are based, for example by including sets of countries with different varieties of capitalist systems in place; a more fine-grained analysis of the specific types of wrongful acts committed; a study of whether and how entry mode has effects on wrongful conduct by subsidiaries; and longitudinal studies of the causal link between wrongdoing controversies and subsequent performance metrics.

In sum, our study seeks to add to the rich body of work on EMNEs and their critical role in the global economy. Our study clarifies our current understanding of corporate wrongdoing by EMNEs which has been characterized by a lack of theoretical consensus, partly explained by the limitations of correlational thinking. We highlight the complexity of

wrongdoing's causal antecedents and present the different configurational paths associated to this organizational outcome, i.e., corporate wrongdoing by EMNEs. We show that EMNEs may engage in high levels of wrongdoing in different situations, stemming from the interaction of the institutional drivers of EMNE behavior identified in the IB literature and the organizational antecedents of wrongdoing discussed in the management literature. We demonstrate that there are clear different paths to corporate wrongdoing and that both institutional and organizational factors matter but in different ways depending on the configurations.

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TABLES

Table 1. Contextual antecedents of business conduct in the literature

Antecedents	Main results	In this paper
Home Market Institutions	<u>Home market with low quality institutions associated with wrongdoing</u> Domestic firms based in home market with low quality institutions should be more likely to engage in wrongdoing because of mimetic pressures and lower stakeholders' power to influence their actions due to lower freedoms of expression and reporting (Martin et al., 2007).	Measured: meta-index estimated from the first principal components of the six WGI indices of the firm's home country
	<u>Home market with low quality institutions associated with incentives to avoid involvement in wrongdoing controversies</u> Internationalizing firms based in home market with low quality institutions have incentives to "do good", or show that they do, in order to establish their legitimacy with stakeholders, thus offsetting the "liability of origin" (Marano et al., 2017).	
	<u>Home market with high quality institutions associated with wrongdoing</u> Firms may respond to stringent home market regulations by committing wrongdoing abroad, in host markets with lower quality institutions (Surroca et al., 2013).	
Host Markets Institutions	<u>Host markets with low quality institutions associated with wrongdoing</u> Firms may engage in wrongdoing acts in host markets with low quality institutions, calculating that they may be less likely to get sanctioned for it because of corruption and inefficiency of courts and public agencies monitoring their behavior, compounded with lower accountability resulting from civil society being less free to report on business behavior (Fiaschi et al., 2017; Keig et al 2015; Surroca et al., 2013).	Measured: average of the meta-index estimated from the first principal components of the six WGI indices of the countries where the firm has invested up to time t
Internationalization	<u>Internationalization associated with wrongdoing</u> MNEs may incur in wrongdoing due to the challenges of managing international operations (Strike et al. 2006). <u>Internationalization associated with incentives to prevent wrongdoing</u> Internationalizing creates incentives for EMNEs to avoid doing harm in order to acquire legitimacy and offset the liability of origin (Fiaschi et al., 2017; Marano et al., 2017).	Measured: number of countries in which the firm has internationalized up to time t
Performance	<u>Low performance associated with wrongdoing</u> Low performing firms engage in wrongdoing to escape from their position of underperformance (e.g. Baucus & Near, 1991; Staw & Sz wajkowski, 1975; Xu et al., 2018). <u>High performance associated with wrongdoing</u> High performing firms are more likely to be involved in wrongdoings to keep up with their aspirations of being high performers (Mishina et al., 2010).	Measured: firm's ROA at time t

Size	<p><u>Larger firms associated with wrongdoing</u> Larger firms (a) can easily absorb the fines accrued by wrongdoing (Clinard & Yeager, 1980; Yeager, 1986) because they have slack resources, and may hence commit it in a calculated attempt to profit from it; (b) have to manage higher complexity (Finney & Lesieur, 1982); and (c) are more decentralized (Baucus & Near, 1991; Strike et al., 2006), which makes it harder to monitor operations effectively as to avoid wrongdoing from occurring.</p> <p><u>Larger firms associated with incentives to avoid involvement in wrongdoing controversies</u> Larger firms have more resources to invest in wrongdoing prevention, and have more incentives for doing so because they are more visible, and have an already established reputation at stake (Martin et al., 2007).</p>	Measured: number of employees at time t
Age	<p><u>Younger firms associated with wrongdoing</u> Older firms should have more experiential knowledge allowing them to avoid getting involved in wrongdoing controversies (Kelley et al., 1990).</p> <p><u>Younger firms associated with incentives to avoid involvement in wrongdoing controversies</u> Younger firms have incentives to avoid wrongdoing in order to establish their legitimacy with stakeholders, offsetting the liability of newness (Tang et al., 2015).</p>	Measured: number of years since firm's foundations
SOEs	<p><u>State ownership associated with wrongdoing</u> SOEs depend less on societal stakeholders than private firms because their legitimacy depends on the state, so they face lower consequences for wrongdoing (Chen et al., 2016). SOEs might be more likely to engage in wrongful conduct since the attention of regulatory scrutiny maybe deflected from dubious corporate conduct (Stuart & Wang, 2016) and they may be better able to absorb the costs of sanctions for wrongdoing behavior (Li & Zhang, 2010).</p>	Measured: dummy variable that takes value 1 if the firm is owned by the state, 0 otherwise
Media exposure	Not all firms are equally subject to press and NGOs' scrutiny, hence some firms' wrongdoings may be reported more frequently simply because they are more on the spotlight, not because they are more harmful than other firms (Fiaschi et al., 2017; Mishina et al 2010).	Controlled for in the corporate wrongdoing index: number of articles citing the firm at time t
Industry	The involvement in wrongdoing is more likely to occur in some industries than in others. There are industries that by their very nature are inherently more exposed to harmful impacts – extractive industries being a case in point (Dougherty & Olsen, 2014; Giuliani & Macchi, 2014; Wright, 2008).	Controlled for in the corporate wrongdoing index: dummies for highly, moderately, less problematic industries

Note: This table shows the theoretical antecedents of wrongful conducts in order to highlight the different theoretical causal mechanisms that determine firms' involvement in wrongdoing.

Table 2. Descriptive statistics and correlation matrix

Variables	Min	Max	Mean	s.d.	1	2	3	4	5	6	7
1 Corporate Wrongdoing	0	1	0.55	0.25	1						
2 Home Market Institutions	0.12	0.19	0.16	0.02	-0.10	1					
3 Host Markets Institutions	0	10.63	4.38	3.83	0.12	-0.08	1				
4 Internationalization	0	38	3.13	5.30	0.25	0.04	0.39	1			
5 Performance	-0.37	1.51	0.07	0.08	-0.08	0.00	0.03	0.02	1		
6 Size	0.25	19.10	9.83	1.60	0.21	0.17	0.29	0.38	-0.07	1	
7 Age	1	205	41.38	34.17	0.15	-0.44	0.14	0.16	-0.08	0.03	1
8 State Owned Enterprise	0	1	0.41	0.49	0.03	0.22	-0.17	-0.04	-0.16	0.09	-0.08

Table 3. Regression results

<i>Dependent variables</i>	<i>Corporate Wrongdoing</i>
Home Market Institutions	0.03*** (0.01)
Host Markets Institutions	-0.01*** (0.00)
Internationalization	0.07*** (0.01)
Performance	-0.20*** (0.07)
Size	0.03*** (0.00)
Age	0.02*** (0.01)
State Owned Enterprise	0.02* (0.07)
Number of firms	245
R ²	0.11

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

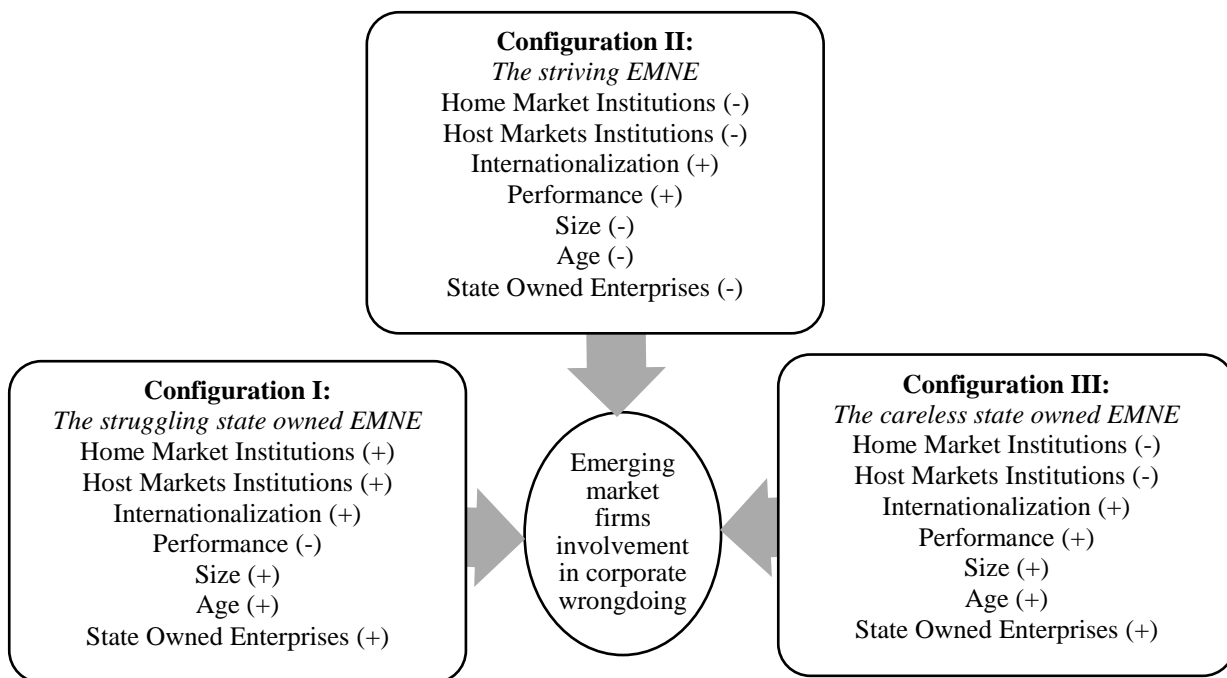
Table 4. Configurations linked to high intensity of corporate wrongdoing

Causal conditions	Configuration I <i>The struggling state owned EMNE</i>	Configuration II <i>The striving EMNE</i>	Configuration III <i>The careless state owned EMNE</i>
Home Market Institutions	●	⊗	⊗
Host Markets Institutions	●	⊗	⊗
Internationalization	●	●	●
Performance	⊗	●	●
Size	●	⊗	●
Age	●	⊗	●
State Owned Enterprise	●	⊗	●
Raw coverage	0.05	0.04	0.06
Unique coverage	0.05	0.02	0.04
Consistency	0.96	0.95	0.95
Solution coverage: 0.13			
Solution consistency: 0.95			

Note: ● core causal condition (present); ● peripheral causal condition (present); ⊗ core causal condition (absent); ⊗ peripheral causal condition (absent). This format of presenting the result from the fsQCA is based on Fiss (2007). Each column represents a combination of causal conditions (i.e. a configuration), leading to high intensity of corporate wrongdoing.

FIGURE

Figure 1. Configurations of antecedents leading to high intensity of corporate wrongdoing.



Note: The configurations represent the three combinations of antecedents equifinally linked to high intensity of emerging market firms' involvement in wrongful conduct. The signs (+) and (-) denote how each antecedent appears in each configuration that in our sample was linked to the high occurrence of wrongdoing.

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