Varieties of CSR: Institutions and Socially Responsible Behaviour

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ABSTRACT

A central concern within contemporary socio-economics has been on the relationship between national institutional configurations and societal outcomes. In this paper, we assess the relationship between legal origin and a range of correlated indicators of social responsibility, focusing on socially responsible investing and voluntary charitable giving. We found that in Common Law contexts, lower levels of social responsibility than in Civil Law contexts, other than in the area of charitable giving, where the converse was the case. We explore the reasons for this distinction, and for the different patterns encountered in post-socialist Central and Eastern Europe. Based on the findings, we identify directions for future research.

Keywords: Legal origin, Corporate social responsibility, Socially responsible investing, Charitable giving, Comparative institutional analysis.

INTRODUCTION:

This is a study on the relationship between legal origin and Corporate Social Responsibility (CSR). We supplement this with an analysis of the effects of corruption on voluntary giving. Legal origin is defined according to the widely deployed categories of La Porta, Lopez-de-Silanes and Shleifer (2008), which divides countries into legal families, according to whether corporate law is primarily the result of legislation or judicial decisions. Meanwhile, voluntary CSR and country giving rates are derived from the Global Competitiveness Report (Porter, Schwab, Sala-i-Martin, & López-Claros, 2004); Porter, Schwab, & López-Claros, 2005) and the World Giving Index (CAF, 2010) respectively, and corruption from the World Bank Worldwide Governance index (2010). A central theme in the existing academic literature has been the relationship between institutions, and the relative resource allocations and power accorded to different players. There are relatively few studies on the relationship between institutional context and corporate social responsibility practices (Brammer, Jackson, & Matten, Corporate social responsibility and institutional theory: New perspectives on private governance, 2012). This study adds to the literature through bringing new data to the table, and focusing on a wide range of countries, and confirms the persistence of national difference, with CSR being more widespread in civil law countries.

It has been argued that corporations are experiencing increased pressures to align their business with ethical norms and practices, balancing CSR practices with business and ethical norms and values (Jawahar & McLaughlin, 2001); (Makkinen & Kourula, 2012). Yet, there are many different indices of corporate social responsibility that aim to intermesh economic and ethical principles in the context of wider business decisions (Brown & Forster, 2013); (Gjølberg, 2009). CSR prac-tices can be broadly distinguished along the economic, ethical, and environmental dimensions (Carroll, 1991); (Schwartz & Carroll, 2003). The former includes not only codes of conduct/corruption, risk and crisis management, and customer and investment relations (Jackson & Apostolakou, 2010), but also overall patterns of investment (Bengtsson, 2008). The ethical dimensions of CSR range from labour practices to social reporting, and environmental from energy efficiency to environmental marketing.

While there is no scarcity of discussions regarding the social and ethical roots of CSR and its implication for the
performance of companies (Brown & Forster, 2013; Kiessling, Isaksson, & Yasar, 2016), only a limited amount of comparative work linking CSR to institutional settings exists (Tatoglu, Bayraktar, Sahadev, Demirbag, & Glaister, 2014; Brammer et al., 2012; Campbell, 2007), deploying one or other of the capitalist archetypes identified within the literature on comparative capitalism (Jamali & Mirshak, 2007; Matten & Moon, 2008). A central theme in the literature has been seeking to focus on differences between mature economies where shareholder rights are paramount (developed Common Law/Liberal Market Economies [LMEs]), and those where shareholder rights are weaker and those of other stakeholders stronger (developed Civil Law/Coordinated Market Economies [CMEs]). In contrast to the Varieties of Capitalism and similar approaches to comparative capitalism, legal origin theory has limitations in that it accords primacy to a single institutional character. However, the national categories that form the centre of such analysis (civil vs common law) can be applied to all economies, whether developed or not.

### Table 1: Distribution of sample by legal origin

<table>
<thead>
<tr>
<th>Legal Origin</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>English Common Law (30 countries)</td>
<td>Australia, Bangladesh, Botswana, Canada, Cyprus, Ghana, Hong Kong, India, Ireland, Israel, Jamaica, Kenya, Malawi, Malaysia, Malta, New Zealand, Namibia, Nigeria, Pakistan, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, Trinidad and Tobago, Uganda, United Kingdom, United States, Zambia, Zimbabwe</td>
</tr>
<tr>
<td>German Civil Law (7 countries)</td>
<td>Austria, Germany, Japan, South Korea, Luxembourg, Switzerland, Taiwan</td>
</tr>
<tr>
<td>Scandinavian Civil Law (5 countries)</td>
<td>Denmark, Finland, Iceland, Norway, Sweden</td>
</tr>
<tr>
<td>French Civil Law (35 countries)</td>
<td>Algeria, Argentina, Belgium, Bolivia, Brazil, Chad, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, France, Gambia, Honduras, Greece, Indonesia, Italy, Jordan, Madagascar, Mali, Mexico, Morocco, Mozambique, Netherlands, Panama, Paraguay, Peru, Philippines, Portugal, Spain, Tunisia, Turkey, Uruguay, Venezuela</td>
</tr>
<tr>
<td>State socialist origin (19 countries)</td>
<td>Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russian Federation, Serbia, Slovak Republic, Slovenia, Ukraine, Vietnam</td>
</tr>
<tr>
<td>Islamic-Civil Law (2 countries)</td>
<td>Bahrain, United Arab Emirates</td>
</tr>
</tbody>
</table>

**Sources:** La Porta et al. (1998), Botero et al. (2004) and author’s own research.

The vast majority of comparative CSR research has been conducted in developed economies, while insights from developing, mixed and ‘transitional’ post-socialist countries have been scant (Jamali & Mirshak, 2007; Tatoglu et al., 2014). This paper aims to contribute to this lacuna by exploring the effect of legal origin on two distinct areas that have been widely considered as key features of CSR: socially responsible investing (SRI) and charitable giving (Hill, Ainscough, Shank, & Manullang, 2007; Jamali & Mirshak, 2007).

A common feature of both the Legal Origin approach and the classic literature on comparative capitalism is that there is a focus on institutional feature and societal level outcomes (Thelen, 1999; (Peters, 2005; Hall & Soskice 2001; (Hothey & Pedersen, 2012); La Porta et al., 2008; Wood, Dibben, & Ogden, 2014); actors respond to em-bedded societal structures and associated relations to generate broad patterns of economic growth and variations in relative stakeholder prosperity. Such analysis is firm centered in that it assumes firms play a central role in responding to institutional pressures and, in acting both individually and in concert, contribution to overall societal outcomes (Hall & Soskice 2001; La Porta et al., 2008; Whitley 1999; Wood et al., 2014). This research is founded on such assumptions in that we explore the relationship between setting and overall CSR outcomes, which, of necessity, must have been the result of decisions by significant numbers of firms to adopt particular patterns of behavior (c.f. Wood et al., 2014). At the same time, we recognize that a closer analysis of CSR behavior at the level of the individual firm would yield a much nuanced and diverse picture, with potentially the choices of large players, or those concen-trated within specific regions, outweighing those of others.

More specifically, the paper aims to explore in more detail whether CSR is more likely to be promoted through
shareholder primary, which is a characteristic of developed Common Law countries/LMEs, or in contexts where institutional mediation between different sets of stakeholder interests is more pronounced (developed Civil Law/CMEs). Based on composite indices created for 98 countries around the world, we use linear regression analysis to test hypotheses examining impact of legal origin and corruption control on voluntary CSR dimensions. The paper examines voluntary CSR by two dimensions based on composite indices created: socially responsible investment (SRI) and charitable giving index. Hence, we estimate two sets of regression models which also include interactions between different control variables.

The remainder of this paper is structured as follows. In the next section we provide a critical review of relevant literature on institutional theory, comparative institutionalism and CSR that serves as a basis for development of our hypotheses. Further, the paper’s methodology is outlined and this is followed by the discussion of study results and their implication for our proposed hypotheses. The last section provides a conclusion and outlines avenues for future research.

REVIEW OF RELEVANT LITERATURE:

Forms of comparative institutional analysis and stakeholder allocations:

In this paper, we deploy the categorizations developed by La Porta et al. (1998) from within the rational-hierarchical literature, which remains one of the most influential ways of comparing national systems across the developing and developed world. La Porta et al. (1998), La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000) contend that it is legal origin that determines private property rights. In practical terms, this means that in Common Law countries, shareholders are more likely to be able to reign in managers and ensure that they adhere to a value maximization agenda (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 1998); hence, such contexts may be referred to as shareholder dominant. In contrast, in Civil Law countries, the greater rights accorded to other stakeholders means that shareholders cannot be assured of their dominance, or that their profit maximization agenda will be rigorously followed by managers (La Porta et al., 1998). Within the most developed countries, these categories broadly correspond with the well-known liberal market economy/coordinated market economy dichotomy of the Hall and Soskice (2001) Varieties of Capitalism approach, although the legal origin approach is more easily extended to cover the developing world, and transitional economies. Table 1 summarizes their categorization of different countries according to legal origin. La Porta et al. (1998) suggest that French Civil Law origin countries come closest to the Civil Law ideal, followed by German and then Scandinavian law.

In line with the mainstream economics and finance literature, La Porta et al. (1998, 2000) hold that, if left to their own devices, managers will drift away from the shareholder value maximization agenda, to engage in empire building, in the interests of personal reward and prestige. In doing this, they will naturally seek to collude with employees and other stakeholders (Botero, Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2004). This approach assumes that stakeholder and owner rights are a zero sum game (Goergen, Brewster, & Wood, 2009). Should one side win, the other will invariably lose out (Goergen, Brewster, & Wood, 2009). This argument is a development of the basic Friedmanite idea that the usage of firm resources on CSR represents a misdirection of what rightly belongs to shareholders.

Botero et al. (2004) argue that in Common Law systems, firms divert resources to promote the well being of non-owner interest groupings through two basic mechanisms. The first is ‘neglect’; owners simply have less legal clout to supervise managers as their agents, allowing the latter to divert organizational resources in unproductive directions (Botero et al., 2004; La Porta et al., 2000). The second is through active legal compulsion. Botero et al. (2004) argue that laws governing worker rights (and, by implication, those of other stakeholders) will tend to be particularly strong in contexts where formal owner rights are weak. In property rights, but also they are likely to be further diluted by other legislation, reinforcing the Civil Law legal tradition. Conversely, in Common Law countries, there is likely to be less legislation compelling owners to direct more resources to other stakeholder groupings.

Setting and corporate social responsibility (CSR):

In making strategic choices firms are directed both through formal rules and informal conventions and pressures (Amable, 2003, p.34; (North, 1990). (Matten & Moon, 2008) posit that within the owner dominant Common Law settings explicit CSR is more common, and in Civil Law contexts, where stakeholder rights are stronger, implicit CSR is more predominant. They define explicit CSR as voluntary initiatives and strategies “which combine social and business value” (Matten & Moon, 2008, p. 409). In other words, they are both a ‘gift’ of the firm that may be withdrawn at any time, and their rationale may combine a desire to contribute to society with hard-nosed business logic. Implicit CSR is where firms are impelled by formal and informal institutions to
address issues of concern by stakeholders (Matten & Moon, 2008). In other words, socially responsible behavior will not solely reflect the law; in addition to formal regulation, informal rules and conventions are likely to determine CSR outcomes. This would suggest the need for close attention to be paid to possible differences between voluntary and involuntary or systemically implicit dimensions of CSR when making usage of composite measures.

**Responsible stakeholder capitalism (or the mediating effects of civil law):**

It can be argued that in contexts where owner rights are mediated by those of other stakeholders, firms are more likely to be socially responsible (Jackson & Apostolakou, 2010). A key feature of Civil Law countries is that power is divided between a wide range of interest groupings. For instance, institutional theorists assert that in contexts with stronger rights bestowed to other stakeholders and interest groups, institutional actors such as nongovernmental organizations (NGOs) can be particularly effective and successful in monitoring corporate beha-viour, influencing the policy-making process, and thus exerting presure on firms to be more socially responsible (Campbell, Institutional analysis and the paradox of corporate social responsibility, 2006).

It is also acknowledged that specific stakeholder orientated Civil Law countries – for example, Germany and the Scandinavian countries – are leaders when it comes to environmental responsibility (Lynes & Andrachuk, 2008). Strong welfarist policies encourage firms to adopt high standards, resulting in a superior environmental and social performance (Gjølberg, 2009, p. 610). It has been further suggested that the systemic mediation of corporate power with stakeholder interests allows for the adoption of a longer-term view that necessarily encompasses issues of environmental sustainability and responsible investing (Gjølberg, 2009). Hence, firms are more likely to promote employment conditions that contribute to employee well-being, more responsible relations with customers and suppliers, and more environmentally friendly business practices (Gjølberg, 2009).

The branch of organisational institutionalism, which places more focus on societal norms, emphasises that such socially responsible behaviour may be more pronounced in Civil Law contexts also because of embedded normative standards in such environments, where organiza-tions have “implicit commitment” to act in more socially responsible ways to other stakeholders (Campbell, 2006, p. 933), (Matten & Moon, 2008).

**Owner rights and CSR:**

Within the finance literature, a dominant strand of thinking suggests that when property rights are stronger (i.e. Common Law countries), shareholders will be better equipped to restrain managers from excessive empire building, and the vanity projects (La Porta et al., 1998, 2000). Although CSR spend does not necessarily denote an agency failing, certain types of CSR spending may do so. Essentially, it is held that the business of business is to make money, with inap-propriate CSR – which does not immediately contribute to the enhance-ment of the bottom line – being essentially theft of shareholder resources in order for managers to promote themselves and enhance their prestige (Friedman, 1997).

Economic institutional analysis, through its focus on regulations and institutional design, further suggests that acts of deregulation, which entail decrease in monitoring and enforcement activities, may reduce organizations’ socially responsible behaviour and even result in some behaving in socially irresponsible ways (Campbell, 2006), (Campbell, 2007); (Demirbag, Frecknall-Hughes, Glaister, & Tatoglu, 2013); (North, 1990). Thus, it could further be argued that in Common Law countries, less attention will be devoted to socially responsible activities, not only on account of formal regulation, but also because of generally weaker formal ties between stakeholders, and more limited discretion accorded to management to pursue agendas other than profit maximization. Less encompassing institutional frameworks lead to organizations doing little more than the bare minimum (De Castro, Meyer, Strong, & Uhlenbruck, 1996); (O’Hagan, 2002). Organizations that act in a responsible manner are likely to face the constant undercutting of their position by less principled competitors, forcing a ‘race to the bottom’ (Mellahi & Wood, 2004a). ‘Soft rules’ on their own are unlikely to be able to deter opportunism (Mellahi & Wood, 2004a). As owners face fewer institutional constraints, they are more likely to pursue narrow short-term interests in investment decisions (Gouvevitch & Shinn, 2006). These discussions inform our first hypot-hesis:

**Hypothesis 1:** In Common Law (owner-dominant) settings, overall levels of social responsibility will be lower than in Civil Law Countries.

Alternatively, it could be argued that CSR can assume greater importance in liberal markets. Within common law countries the state cannot be relied on to the same extent to stabilize relations between communities and firms through providing a durable social infrastruc-ture (Habermas, 1976); Mellahi & Wood, 2004b). Yet, some dialogue and trust is necessary to make exchange relations work (Habermas, 1976); Mellahi & Wood, 2004b). Hence, corporate philanthropy emerged and persisted “as an ideological movement intended to legitimize the power of large corporations” (Mitchell, 1989); (Oberman, 2000). (Jackson & Apostolakou, 2010) argue that, in
the developed Common Law countries (LMEs), firms are likely to be more socially responsible in CSR, reflecting primarily instrumental motives on the behalf of firms, who are particularly sensitive to investor and customer pressures, and whose room for maneuver is less restricted by insider interests (that is, managers or workers) within the firm (Aguilera, Williams, Conley, & Rupp, 2006). Given this, it could be argued that firms are more likely to implement measures that are prompted by specific and immediate crises of legitimacy. Such measures could encompass ‘greenwashing’, centering on environmental marketing and the high profile adoption of a limited range of environmental measures than a comprehensive change in policies (Mellahi & Wood, 2004a), (Mellahi & Wood, 2004b); (Mellahi, Morrell, & Wood, 2010). Existing literature would suggest such practices are indeed more common in contexts where property owner rights are the strongest and/or the legitimation crisis particularly severe (Burnell & Ware, 2007); (Heart, 1995); (McCarthy & Puffer, 2008).

To put it differently, firms are more likely to implement measures that are prompted by specific and immediate crises of legitimacy. Most typically, this takes the form of charitable or quasi-charitable giving (Mellahi, Morrell, & Wood, 2010). An example of the latter would be junk food manufacturers making highly publicized, yet carefully calculated, donations to schools and to promoting children’s sports (Mellahi, Morrell, & Wood, 2010). Others would be oil companies making donations to ostensibly independent charitable foundations or NGOs that focus on denying global warming, and pharmaceutical companies to ‘patient rights’ groupings that vociferously demand state funding for expensive drug cures. Similarly, instrumental and widespread are donations to charitable foundations or think tanks with close links to specific political parties. Giving to more objectively charitable causes may also serve instrumental motives. Again, an example would be junk food manufacturers sponsoring international sporting events to encourage an association of their brand with health, well-being and athletic prowess.

Furthermore, it could be asserted that in such contexts firms may be more socially responsible for reasons other than simply legitimation. Firstly, socially responsible investing has been promoted as good for business (Hill et al., 2007), and hence, it could be argued that it is more likely to be encountered in lightly regulated contexts where property owners are freest to pursue new opportunities as and when they arise. Socially responsible investing may represent a sound business decision, given the increased consumer demand for responsibly sourced products (Klassen & McLaughlin, 1996). Secondly, within contexts where property owner rights are weaker, resources have to be shared across a wide range of entrenched stakeholder interests. This may make it difficult to divert resources towards new directions (Jackson & Apostolakou, 2010). For example, organized labour may be hostile if a proportion of the share of resources potentially allocatable to workers is diverted to meet an increasingly important environmental agenda. Any benefits accruing from the latter are likely to be spread across society at large, whilst the upfront costs will be shoudered by the immediate stakeholders in the firm.

Thus, whilst owners may be better equipped to prevent managers from directing resources away from immediate profits, they may be forced to do so in order to overcome legitimation crises generated by the system (Habermas, 1976; (Heart, 1995). In other words, whilst firms may be less inclined to engage in a range of socially responsible behavior, they are nonetheless likely to do so in a single area, charitable giving. This aims to enhance the firm’s political clout, facilitate marketing and generally enhance the image of the firm in order to offset instances of adverse publicity. As noted earlier, Matten and Moon (2008) argue that in liberal market/shareholder dominant contexts firms are likely to practice explicit CSR, choosing to give in a manner that often is nonetheless at least partially informed by profitability concerns. This argumentation results in our second hypothesis:

**Hypothesis 2**: Voluntary charitable giving is likely to be more pronounced in Common Law countries than in Civil Law ones.

**Corruption and social responsibility**: Whilst socialist legal origin might suggest particularly weak property owner rights (Makhmadshoev, Ibeh, & Crone, 2015), such countries are undergoing a protracted and complex transition process that may make such a categorization no longer useful. La Porta et al. (2008) acknowledge this, by suggesting that such systems are drifting back to the German civil law roots. Other accounts, such as (Lane & Myant, 2006), highlight the very protracted nature of the transition these economies are undergoing and the extent to which institutional coverage remains fluid and shifting. Again, within much of the developing world, there is a distinction between formal institutional configurations and institutional capabilities on the ground (Wood & Frynas, 2006). In both instances, fluidity and uneven institutional coverage opens greater opportunities for corruption, allowing firms to buy their way out of regulations deemed burdensome, but at the same time, opening up legitimacy crises. Hence, we explore the effects of corruption on CSR, as this sheds further light on the distinctions between
societies with broadly similar legal frameworks, but with important distinctions in terms of how rules operate on the ground.

A neglected dimension of institutional theory and CSR is the relationship between corruption control and CSR activities. Some studies have shown that good corporate governance is not possible in an environment of deep-seated corruption (Black & Tarassova, 2003); (Mellahi, Demirbag, & Wood, 2012). While institutional factors help to establish the rules of the game through which firms gain legitimacy in the marketplace, corruption distorts these rules (Luo, 2006); (Rodriguez, Siegel, Hillman, & Eden, 2006). When corruption is not controlled by institutional mechanisms, firms may be forced to control cost and therefore allocate fewer resources for social purposes. In the absence of high corruption, however, firms will be more lenient for social and philanthropic purposes (Baughn, Bodie, & McIntosh, 2007); (Luo, 2006). Therefore, it is argued that illicit acts in a corrupt environment increase transaction costs for firms and jeopardize their CSR activities and re-investment (Williamson, 2000); (Demirbag, McGuinness, Wood, & Bayyurt, 2015); (Wood & Demirbag, 2015). Countries, on the other hand, have different norms and standards concerning corrupt practices. For instance, it is argued that bribery or kickbacks are often culturally ingrained as an acceptable practice (Luo, 2006). As Luo (2006) further argues, firms’ philanthropic contribution to society may decrease in response to increased corruption perception. The logic behind this argument is based on Giddens’ structuration theory. It is asserted that corporate philanthropic contributions may decrease if there are no incentives for CSR activities. Fear of governmental and political embezzlement may reduce philanthropic contributions and hence CSR activities in a highly corrupt environment (Luo, 2006). (Campbell, 2006) further argues that the pattern of interaction between firms and their stakeholders is very important for managers’ perception of their business environment. Firms’ political behavior, therefore, is inseparable from managers’ corruption perception in a country. Thus, our third hypothesis is as follows:

Hypothesis 3: CSR activities will be more pronounced in countries where managers perceive higher corruption control by institutional mechanisms.

METHODOLOGY:

Data:
In this paper, we use two different sources of data to examine CSR activities, both of which are based on surveys of executives and individuals. We would argue that CSR is a multifaceted concept therefore requires examination through different dimensions. Due to the nature of this study, our measures incorporate the first and third approach as summarized in the variables section. Therefore, we use two different sources of data to capture two different dimensions of CSR, namely socially responsible investment (SRI) and voluntary giving. These two indices are composite measures which aim to capture multifaceted nature of the concept we examine in this study. Details of these two data sources and created indices are explained in the following section. Data set used in this paper is compiled from three different sources. The nature of our research question requires a global or a dataset covers a significant proportion of countries around the world. There is no single database to cover voluntary CSR practices around the world. Secondly, we aim to examine different legal system’s impact on voluntary CSR dimensions. World Competitiveness report is a comprehensive global report produced annually, and it has been used by a number of studies for different research questions (Chan, Isobe, & Makino, 2008); (Demirbag & Glaister, Factors determining offshore location choice for R & D projects: A comparative study of developed and emerging regions, 2010); (Fogel, 2006); (Van der Vliert, 2003). It provides data on CSR activities in general, but particularly on socially responsible investment in its 2005 edition. World giving survey has started at a global level only after 2010, which enabled us to cover a second dimension of voluntary CSR. We also use world governance indicators by World Bank, which enables us to control for income, corruption control level in countries included in this study. Similarly, this is a widely used in studies of global or comparative nature and considered to be a highly reliable data source (Ault & Spicer, 2014). In total, we cover 98 countries in this study. A distribution of these countries by their legal origin is provided in Table 1. Voluntary CSR related data (SRI) was compiled from the Global Competitiveness Report (Porter et al., 2004, 2005). Country giving index (world giving index percentage score for each country) was compiled from the World Giving Index (2010). This is the earliest year for data collection on voluntary giving at a global scale; hence we could not go as far as back to 2005. Since we are using the giving index as a separate dependent variable to test a different dimension, having two different data collection dates do not affect our results as each of these indices are used in different regression models. We further explored the relationship between corruption control and propensity to engage in socially responsible behavior; greater corruption is likely to promote irresponsibility in other areas (Satter, 2004). Corruption control related data were compiled from the World Bank’s Worldwide
Governance Index, which reports aggregate and individual governance indicators globally over the period of 1996–2010 (World Bank, 2010). Legal systems of countries sampled in this study were created based on La Porta et al. (1998) and (Botero et al. 2004) and authors’ own research. La Porta et al. (1998) and (Botero et al. 2004) classify 85 countries according to their legal origin. We used CIA’s The world fact book (https://www.cia.gov/library/publications/the-world-factbook/) (Central Intelligence Agency, 2017), and The Cornell University Legal Information Institute (https://www.law.cornell.edu/wex/legal_systems) (Cornell University Legal Information Institute, 2017) to identify legal origins of remaining 13 counties included in our sample for analyses.

The following section describes how variables were compiled and calculated from these three different sources. **Variables:**

Brammer et al. (2008) argue that genuine social responsibility is difficult to measure; it is hard to disentangle what is really voluntary, and the underlying motives for it (Hopkins, 2005); (Jackson & Apostolakou, 2010); (Turker, 2008). Firms may do ‘good deeds’ for the wrong reasons. In contrast, (Singer, 1995) argues that the motivations do not matter; what matters is the end result, and whether the overall well being of society (and the planet) is advanced through such actions. In this paper, we assume the latter, as it is the only feasible starting point for comparing cross-national data, although we recognize the limitations of an inherently utilitarian starting point. (Abbott & Monsen, 1979) argue that there are three measures for social responsibility. The first is the extent of social reporting, the recording of activities that have some or other socially responsible dimension. However, the challenge here is to have an objective measure of socially responsible activities and attributes. The second is reputa-tional surveys, where individuals are asked to rank the CSR ranking of individual corporations (Abbott & Monsen, 1979, p. 503). However, this assumes survey respondents possess good information as to the activities of specific firms (Abbott & Monsen, 1979). A third is content analysis of media reports, and or the attention and detail given to reporting CSR activities in annual reports (Abbott & Monsen, 1979, p. 504). The third and first dimension both incorporate a number of sub possible areas. These could include environmental issues, health and safety, equal opportunities, product safety and disclosure (Abbott & Monsen, 1979, p. 505). (Marquez & Fombrun, 2005, p. 306) provides a similar list, but also adds community relations, and interna-tional activities. There are several ratings agencies who compile rankings of individual firms based on such measures; however, some very controversial companies do relatively well in certain rankings, and there is much debate surrounding the validity of metrics of responsible compiled for commercial ends (c.f. Marquez & Fombrun, 2005). Moreover, such ratings often lack proper theoretical justification (Turker, 2008 p. 414). 3.2.1. Dependent variables

**Socially responsible investment (SRI):**

The first CSR dimension this paper focuses on is socially responsible investing (SRI), which is rapidly growing in developed and developing economies and considered as a key feature of CSR activity (Hill et al., 2007); (Krumshick, 2003). SRI can be broadly conceptualized as the relative propensity of the firm to embed financial objectives in ethical and social commitments (Munoz-Torres, Fernandez-Izquierdo, & Balaguera-Franch, 2004). In this light, it can be argued that SRI represents a concrete diversion of resources towards economic, social and ethical ends and can be considered as a particularly good measure of genuine commitment of the firm to social and ethical values (Sparkes & Cowton, 2004). Within the bracket of socially responsible investment is the environmental dimension that experienced growing interest of CSR practitioners and academics alike (Baughn, Bodie, & McIntosh, 2007); (Ioannou & Serafeim, 2014); Klassen & McLaughlin, 1996). We create an index of voluntary SRI practices of companies reported in the Global Competitiveness Report (Porter et al., 2005). This a composite index of several variables that incorporate a voluntary dimension. These variables are: ‘prevalence and effectiveness of environmental reporting’, ‘prevalence of environmental marketing’, ‘prevalence of environmental management systems’, ‘prevalence of corporate environmental reporting’, ‘importance of environmental management for companies’, ‘prioritization of energy efficiency’, ‘importance of environment in business planning’, and ‘prevalence of socially responsible investing’. A composite index was created by a factor analysis of these variables (Table 2 and the index was labeled as country SRI index. The SRI index appears to have a high reliability (Crombach’s alpha:0.98) and explanatory power (a total explained variance of 89.9%).

**Charitable Giving:**

The second dependent variable used in this paper aims to capture another voluntary dimension. Many dimensions of CSR behavior incorporate both voluntary and involuntary practices, making it difficult to discern if a practice follows strictly the ethical ethos of improving the social and ethical life of relevant stakeholders and the society in general, or if it is an involuntary product of context specific rules and obligations (Brown & Forster, 2013). Whilst SRI and environmental issues may often be the product of the latter, charitable giving
represents a relatively ‘free’ choice of firms. In this way it can be argued that charitable giving readily deploys to suit instrumental concerns, and has assumed greater importance given the erosion of institutionalized solidarity within such contexts (see Brammer, Pavelin, & Porter, 2008; Brammer et al., 2012; (Godfrey, 2005). Hence, this article argues that a caveat is in order here. There is not necessarily a rigid dichotomy between charitable giving and other forms of

Table 2: Factor scores for Voluntary CSR- component matrix

<table>
<thead>
<tr>
<th>Factor loadings</th>
<th>Eigen value</th>
<th>% of variance explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevalence environmental marketing</td>
<td>0.949</td>
<td>6.29</td>
</tr>
<tr>
<td>Prevalence of environmental management systems</td>
<td>0.935</td>
<td></td>
</tr>
<tr>
<td>Prevalence of corporate environmental reporting</td>
<td>0.946</td>
<td></td>
</tr>
<tr>
<td>Importance of corporate social responsibility</td>
<td>0.951</td>
<td></td>
</tr>
<tr>
<td>Prioritization of energy efficiency</td>
<td>0.961</td>
<td></td>
</tr>
<tr>
<td>Importance of environment in business planning</td>
<td>0.932</td>
<td></td>
</tr>
<tr>
<td>Prevalence of socially responsible investing</td>
<td>0.966</td>
<td></td>
</tr>
</tbody>
</table>

Crombah’s alpha = 0.981; KMO = 0.899.
Bartlett’s test of sphericity = 1238.27; Significance = 0.000

corporate philanthropy. Shareholders or owners may believe in the genuine worth of a particular cause, whilst other measures, for example, environmental ones, may make for both more effective resource utilization and enhance corporate reputation. At the same time, in contexts where there is a strong emphasis on shareholder value, it is likely that, at least in part, voluntaristic corporate practices are particularly likely to be prompted by concerns for the bottom line (Goergen, Brewster, & Wood, 2009); La Porta et al., 1998; (Roe, 2003). Charitable giving (giving index percentage score) was compiled from World Giving Index created by Charities Aid Foundation (CAF, 2010). World Giving Index takes into account all three charitable behaviors in the survey (CAF, 2010). These are whether the respondent donated money to an organization, volunteered time to an organization, and helped a stranger or someone they did not know who needed help (CAF, 2010). The giving index has been created by calculating an average of the three measures in order to come up with an overall country score.

Independent Variables:

Corruption control (log corruption): Corruption control is one of six composite indices created to measure governance around the world by the World Bank. Worldwide Governance Indicators are also known as Kauffman’s index. The WGI draw on data from 31 different sources that provide information on various aspects of governance (http://info.worldbank.org/governance/wgi/resources.htm). We used log transformed version of this measure in regression models.

Legal systems: These are dummy variables created for countries covered in this paper. Legal systems of countries were classified into one of the five groups used by La Porta et al. (1998) and Botero et al. (2004).

Control Variables:

GDP per capita in terms of purchasing power: We use GDP per capita in purchasing power from the World Bank (2005 and 2010). We used the log transformed version of this measure in regression models.

High SRI: The regression model has a dummy called “high” which takes a value one if SRI index is high (in this case positive) and a value of zero if SRI index is low (negative).

The reason 0 is the cut off value comes from the distribution of SRI: Mean = 0, Median = -0.08, min = -2.31, max = 2.30. A rough Gaussian distribution of the variable centered around 0, and hence we use this as the threshold.
Our analyses indicated that there are high level of correlations between GDP per capita, corruption, and many other country level variables therefore we decided to use only GDP per capita (purchasing power) and high SRI as control variables. High correlations suggest the new variables may add little explanation in regression models (Knack & Keefer, 1995).

RESULTS:

Table 3 shows descriptive statistics and correlation coefficients of dependent and independent variables in the study. The pairwise correlations do not seem to present serious multicollinearity problems for the multivariate analysis, as none of the variables have correlation that might distort estimation.

In order to examine the impact of institutional level factors (corruption control and legal origin) on voluntary CSR dimensions, 6 regression models were estimated with the dependent variables being voluntary SRI index and giving index. The effects of independent variables on each of the dependent variables of voluntary SRI and voluntary giving indices are shown in Tables 4 and 5, respectively.

The effects of independent variables on SRI index were tested in models 1, 2 and 3 of Table 4. In model 2 of Table 4, we examine interaction effect between high SRI and log of GDP per capita which is measured by purchasing power (PPP). Similarly, the interaction of high SRI and corruption control (log corruption) is tested in model 3 of Table 4. In both models 2 and 3 (in Table 4) we use a dummy called “high” which takes a value of one if SRI index is high (in this case positive) and a value of zero if SRI index is low (negative). For each of the regression models, variance inflation factors (VIF) were examined to determine the existence of multicollinearity. None of the VIF scores were above 2.9, indicating that multicollinearity is not a problem with these data (Hair, Black, Babin, Anderson, & Tatham, 2006).

The model 1 of Table 4 reveals that Scandinavian legal system has the highest effect on voluntary SRI index ($\beta = 1.447; p \leq 0.000$) while it is followed by the German legal system ($\beta = 1.404; p < 0.000$) which corroborates H1. The English legal system appears to have the least impact on SRI index ($\beta = 0.587; p < 0.000$). The (state) socialist legal origin system on the other hand, does not have any statistically significant effect on voluntary SRI index in this model. The corruption control index appears to have a high impact on voluntary SRI index of countries sampled for this study ($\beta = 0.890; p < 0.000$). In other words, in countries where corruption is more closely controlled, firms are more likely to be socially responsible, hence providing partial support to H3.

In order to examine differences between the high and the low SRI index countries we create an artificial control group (in this case high SRI countries) to see if the main effects change compared to the whole sample. Therefore, we test the interaction of logGDP with the dummy variable created for high SRI index countries (high), but the dummy variable itself is not included in the regression. This interaction tests to see if the effect of logGDP on SRI index changes if we consider only those countries where SRI index (therefore the level of CSR adoption) is high. We see there is very little change in the way all variables affect SRI index, except that the magnitude of logGDP coefficient is now smaller (0.285 < 0.490). Similarly, we examine the interaction effect of high SRI adoption with corruption control (high*logCorr), once again, there is very little change, except that the impact of logCorr is lower (0.666 < 0.89). Both sets of interactions show that the impact of

### Table 3: Correlation Matrix

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>SRI index</th>
<th>Corruption control</th>
<th>Giving index</th>
<th>Log GDP per capita</th>
<th>English</th>
<th>German</th>
<th>Scandinavian</th>
<th>French</th>
<th>Socialist</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRI index</td>
<td>0.00</td>
<td>1.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corruption control</td>
<td>57.88</td>
<td>27.32</td>
<td>0.56</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Giving index</td>
<td>32.11</td>
<td>11.52</td>
<td>0.45</td>
<td>0.21</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>4.01</td>
<td>0.51</td>
<td>0.56</td>
<td>0.61</td>
<td>0.33</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>English</td>
<td>0.13</td>
<td>−0.00</td>
<td>0.36</td>
<td>−0.14</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>German</td>
<td>0.43</td>
<td>0.20</td>
<td>0.17</td>
<td>0.30</td>
<td>−0.15</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scandinavian</td>
<td>0.38</td>
<td>0.23</td>
<td>0.18</td>
<td>0.35</td>
<td>−0.13</td>
<td>−0.06</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>French</td>
<td>−0.19</td>
<td>−0.08</td>
<td>−0.17</td>
<td>−0.12</td>
<td>−0.39</td>
<td>−0.17</td>
<td>−0.15</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4: Regression Results-Legal origin impact on socially responsible investment (SRI index)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th></th>
<th>Model 2</th>
<th></th>
<th>Model 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>Log Corruption control</td>
<td>0.890</td>
<td>3.229**</td>
<td>0.544</td>
<td>3.151**</td>
<td>0.337</td>
<td>3.005**</td>
</tr>
<tr>
<td>English legal system</td>
<td>0.587</td>
<td>3.726***</td>
<td>0.280</td>
<td>0.111***</td>
<td>0.337</td>
<td>3.005**</td>
</tr>
<tr>
<td>German legal system</td>
<td>1.404</td>
<td>5.036***</td>
<td>0.915</td>
<td>4.654***</td>
<td>0.926</td>
<td>4.641**</td>
</tr>
<tr>
<td>Scandinavian legal system</td>
<td>1.447</td>
<td>4.514***</td>
<td>0.985</td>
<td>4.381***</td>
<td>0.988</td>
<td>4.338**</td>
</tr>
<tr>
<td>Socialist legal system</td>
<td>−0.139</td>
<td>−0.779</td>
<td>−0.0718</td>
<td>−0.587</td>
<td>−0.064</td>
<td>−0.552</td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>0.490</td>
<td>2.948**</td>
<td></td>
<td></td>
<td>0.287</td>
<td>2.719**</td>
</tr>
<tr>
<td>Log GDP * high</td>
<td></td>
<td></td>
<td>0.285</td>
<td>11.182***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log Corruption C *high</td>
<td></td>
<td></td>
<td>0.666</td>
<td>11.161***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F statistic</td>
<td>25.18***</td>
<td></td>
<td>70.69***</td>
<td></td>
<td>69.1***</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.609</td>
<td>0.813</td>
<td>0.810</td>
<td></td>
<td>0.798</td>
<td></td>
</tr>
<tr>
<td>Adj R²</td>
<td>0.584</td>
<td>0.802</td>
<td>0.798</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson</td>
<td>1.856</td>
<td>1.916</td>
<td>2.049</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < 0.1. **p < 0.05. *** p < 0.01.

Table 5: Regression Results-Legal origin impact on voluntary charitable giving (Giving index)

<table>
<thead>
<tr>
<th></th>
<th>Model 4</th>
<th></th>
<th>Model 5</th>
<th></th>
<th>Model 6</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
<td>β</td>
<td>t</td>
</tr>
<tr>
<td>Log Corruption control</td>
<td>−2.166</td>
<td>−0.583</td>
<td>2.428</td>
<td>0.685</td>
<td></td>
<td></td>
</tr>
<tr>
<td>English legal system</td>
<td>8.992</td>
<td>4.2***</td>
<td>6.681</td>
<td>2.91***</td>
<td>7.949</td>
<td>3.62***</td>
</tr>
<tr>
<td>German legal system</td>
<td>3.139</td>
<td>0.835</td>
<td>3.279</td>
<td>0.811</td>
<td>1.623</td>
<td>0.422</td>
</tr>
<tr>
<td>Scandinavian legal system</td>
<td>5.369</td>
<td>1.242</td>
<td>5.202</td>
<td>1.126</td>
<td>3.577</td>
<td>0.815</td>
</tr>
<tr>
<td>Log GDP per capita</td>
<td>9.228</td>
<td>4.071***</td>
<td></td>
<td></td>
<td>7.198</td>
<td>3.448***</td>
</tr>
<tr>
<td>Log GDP * high</td>
<td></td>
<td></td>
<td>1.392</td>
<td>2.629**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log Corruption C *high</td>
<td></td>
<td></td>
<td>1.605</td>
<td>1.360</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>2.099</td>
<td>−0.279</td>
<td>24.945</td>
<td>4.427***</td>
<td>1.505</td>
<td>0.188</td>
</tr>
<tr>
<td>F statistic</td>
<td>13.94***</td>
<td></td>
<td>11.37***</td>
<td></td>
<td>14.42***</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.468</td>
<td>0.417</td>
<td>0.476</td>
<td></td>
<td>0.443</td>
<td></td>
</tr>
<tr>
<td>Adj R²</td>
<td>0.434</td>
<td>0.381</td>
<td>0.443</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson</td>
<td>2.434</td>
<td>2.266</td>
<td>2.363</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**p < 0.05; ***p < 0.01

The key variables, logGDP and logCorr have a reduced impact for high SRI adoption countries compared to low SRI adoption countries. This is something similar to a nonlinear (concave) impact.

In models 4, 5 and 6 of Table 5 however, we test independent variables impact on voluntary giving index. Models in Table 5 display a similar pattern to models presented in Table 4 albeit with some changes in signs of coefficients. Coefficients of English/Common Law legal origin and corruption control in Model 4 are both positive and significant (p < 0.000) indicating that the English/Common Law legal origin creates the highest voluntary giving, hence confirming H2. The state socialist legal origin system however shows a negative signed coefficient which implies that it has a negative impact on voluntary giving index. Surprisingly, both the German and the Scandinavian legal system do not seem to have any statistically significant impact on voluntary giving index. The interaction effect of logGNP with “high” which shows once again that the impact of logGNP is decreased for countries with higher values of SRI index (1.39 < 9.22). We also examine the interaction effect of logCorr with higher values of SRI, but, in this instance, neither the main effect of logCorr nor the interaction are significant.

DISCUSSION:
As suggested by the first hypothesis, there is a relationship between institutional context, and, more explicitly, legal origin – and implicitly shareholder vs. stakeholder rights – and CSR. And, reflecting stronger shareholder rights (and, possibly, a greater restraint on the pursuit of esteem and prestige by managers), organizations operating in contexts with a Common Law legal origin give significantly less attention to CSR. Hence, Hypothesis 1 is supported.

However, the direction of causality is not strictly on the lines suggested by La Porta et al. (1998, 2000). More specifically, the latter would suggest that firms would disburse more organizational resources in directions other than for the narrow pursuit of immediate share-holder value in contexts where owner rights were weakest. Hence, CSR should be more prominent in French Civil Law ones than German or Scandinavian ones, which infuse some features of Common Law; Scandinavian law represents the Civil Law orientated system where shareholder rights are the strongest (albeit still weaker than Common Law). Why would this be the case? La Porta et al. (1998, 2000) approach, as noted earlier, is a rational hierarchical one, where owner and other stakeholder rights represent a zero sum game (Goergen et al., 2009). This approach discounts the possibility of complementarity, of win–win situations where the sum of inputs is greater than a review of their component parts would suggest. Although Amable (2003) country distinctions broadly respond to those of La Porta et al. (1998), the former, derived from cluster analysis of a wide range of societal and economic metrics, sees them as discrete categories; this would suggest that, rather than being diluted Civil Law systems that accord relatively more rights to property owners, the Scandinavian countries are associated with particularly well-developed accommodations between shareholders and other stakeholders, that constrain their ability to act autonomously of each other, yet allow for synergies, whereby each side can gain benefits greater than if they had selfishly pursued their individual interests. Again, Germany – and the Rhinelands more generally – are depicted by the literature on comparative capitalism to be associated with more deeply embedded stakeholder rights than in France and other countries with classic French civil law systems (Amable 2003; Hall & Soskice, 2001). Again, this would suggest that, contrary to La Porta et al. (2008), the strongest stakeholder rights (and, by implication higher levels of social responsibility) are not necessarily a reflection of weak owner rights or institutional inefficien-cies; it is possible for accommodations between the two to take place, made possible by complementarity (Hall & Soskice, 2001).

Engaging in socially responsible activities do not necessarily mean that shareholders lose out, even if the reasons for their adoption are not strictly instrumental. For example, it is possible that some investors may assume that part of their duty is to promote local economic development and sustainability (e.g. some of the shareholders of the Volkswagen group; the Robert Bosch Foundation), whilst performing such a role may in turn, facilitate in building customer loyalty within the said region. Similarly, ethical investors may demand high standards of health and safety as a desirable goal in its own right, which, in turn, may enhance employee commitment, with ultimate productivity gains. The research revealed that, in some institutional settings, such complementarities appear more likely (Wood & Frynas, 2006); (Wood, Dibben, & Ogden, 2014). However, it is also apparent that there is considerably more that defines setting than simply property owner rights. This is particularly so since categories such as the ‘purer’ French Civil Law tradition are very diverse ones, encompassing countries at a wide range of stages of development, and with considerable variations in the capabilities of the state to enforce legislation.

However, the clear patterns that emerged when comparing differ-ences between countries in Western Europe were less apparent in looking at post-state-socialist central-eastern Europe. More specifically, we found that a socialist legal origin system did not have impact on voluntary CSR activities. There are two possible explanations for this. The first is that categories such as ‘(state) socialist legal origin’ or ‘transitional’ are not very helpful in looking at countries within the region. Such categories assume strong path dependence and discount the very real changes that have taken place within different countries some twenty five years after the end of state socialist rule. There is a considerable body of literature that suggests that some countries have converged with more mature capitalist archetypes (Havrlyshyn, 2006). For example, there is a growing body of literature that concludes that Estonia and other Baltic Republics are now a full-fledged LME or shareholder dominant model, and Slovenia a CME or stakeholder model, differences in legal origin notwithstanding (Alas & Tafel, 2008); (Kovaliov & Streimikiene, 2008); (Lane & Myant, 2006); (Mygind, Demina, Gregoric, & Kapelyusnikov, 2006); (Übius & Alas, 2010).

It has been argued that during the transition CSR basically evolved as a response of business to globalization, moulded by specific circumstances (Mizobata, 2010); (Polishchuk, 2009). Privatization sig-nificantly affected the form CSR assumed, but varying according to country. In some cases like Russia, privatization was particularly dramatic. Such “big bang” privatization (Chen, 2009) greatly trauma-tized the Russian population...
who correctly perceived the outcomes as a deeply unfair deal. This brought great mistrust in government and, even more so, in big businesses with consequent serious legitimation crisis (Kuznetsov, Kuznetsova, & Warren, 2009). In other countries like Slovenia, Baltic Republics, etc., the process was less traumatic due to their generally better economic situation (Mygind et al., 2006). Even if the privatization process undergone varied, the transition to the market economy brought a general and deep rethinking of the role of all stakeholders, and the state in particular.

For reasons noted above, legitimation crises may result in some highly focused CSR activities. Within highly corrupt states in the region – a category that would almost certainly encompass Russia, Moldova, Ukraine, Kosovo, and possibly Serbia – high profile individuals, engaged in large-scale primitive expropriation, and then sought to entrench their right to ill-gotten gains through conspicuous philanthropic projects. The latter has ranged from the restoration or building of Orthodox churches to ‘giving’ financial handouts to highly peripheralized clans, urban centres or even entire regions (Satter, 2004). Mizobata rightly points at the dual character of philanthropy in Russia acting as public policy and business strategy. (Mizobata, 2010, p14). In countries with weak institutional environment and low level of law observance, it seems natural that CSR perception would be quite different from the one adopted in Western countries, and, it can be argued, more akin to ‘public relations exercises’ (Kuznetsov et al., 2009).

This leads us on to our second hypothesis. As suggested by legitimation approaches, charitable giving was most pronounced in Common Law legal systems. It is likely that legitimacy gaps prompting such giving were, at least in part, a lack of willingness to engage in responsible behavior in other areas. In contrast, in Civil Law contexts, there was not a statistically significant relationship between legal family branch (e.g. German, Scandinavian) and proclivity towards charitable giving. This would probably reflect the outcome of different counter-tendencies. The first is that firms in such contexts are less likely to be prompted into charitable giving by legitimacy concerns. Closer and denser ties with a wide range of stakeholders mean that the firm is more likely to take account of their wishes in the first place. Second, and opposed to this, taking account of shareholder concerns will, of necessity, involve allocating some organizational resources and/or capabilities to meeting their concerns, which may or may not entail charitable giving.

But, given the relationship between a Common Law legal origin and charitable giving, what about other settings where legitimacy crises are likely to be encountered? In countries with a socialist legal origin, charitable giving was the least, although this finding appears to mask a great deal of internal diversity. Within most national contexts in the region, painful economic reforms have imposed great austerity, forcing many established firms into bitter battles for survival, with meager profits limiting the capacity to give. But, within the criminal periphery, legitimacy-prompted charitable giving is likely to be more significant, but instrumentally focused, cost effective, and short-termist than in Common Law contexts, where a somewhat longer-term view is possible (Satter, 2004). As Matten and Moon (2008) note, weak civil society and a parasitic relationship between firms and government may combine with a lack of a tradition of responsible conduct by firms to militate against socially responsible behavior; indeed, in very corrupt contexts, there are strong disincentives to altruism in that gifts may be easily misappropriated (Satter, 2004). A culture of pervasive corruption may serve to debase behavior in other areas. Indeed, we found that in countries where corruption is more closely controlled, firms are more likely to be socially responsible, broadly proving our third hypothesis. At the same time, the regression coefficients on the relationship between corruption and voluntary giving are highly diffuse. This could reflect the extent to which there are counter-incentives: donations to causes favoured by corrupt elites could provide one channel for firms to curry favour with politicians.

There are certain limitations to this research, which serve to highlight possible future directions and priorities. Firstly, the usage of La Porta et al., (1998, 2000) measure of owner and stakeholder rights is not unproblematic (Armour, Deakin, Lele, & Siems, 2009); (Armour, Deakin, Sarkar, Siems, & Singh, 2009). In particular, it assumes a very strong path dependence, which discounts the possibilities for major institutional redesign, or for one institutional archetype to converge with another. Indeed, La Porta et al. (2008) suggest that state socialist legal origin countries of central and Eastern Europe are drifting back to their Germanic legal origin roots; in contrast, the literature on comparative capitalism would suggest that, some of these economies have moved close to the LME idea (Lane & Myant, 2006). In line with earlier work on comparative institutional analysis, this study focuses on the relationship between context and broad socio-economic level outcomes, approaching the firm as a transmission belt between the two (Hall & Soskice 2001; La Porta et al., 2008; Wood et al., 2014); this enabled the coverage of a very wide range of countries, from many of which, firm level data on CSR is relatively scarce. We recognize that the usage of firm level data would provide a very much more nuanced and finely grained picture, and that this constitutes a further limitation of this research.
It is also apparent that there is considerably more that defines setting than simply property owner rights. Why then did we not employ one of the alternative country categorizations devised within the literature on comparative capitalism? As noted above, varieties of capitalism approaches have historically been dichotomous and orient-tated towards the most developed countries, with only limited attention being accorded to systems that strictly conform neither to the share-holder/liberal market or stakeholder/coordinated archetypes, nor to the great diversity within the latter category (Aguilera & Jackson, The cross-national diversity of corporate governance: Dimensions and determinants, 2010); (Dore, 2000); Hall & Soskice, 2001). Again, multi-variety approaches (see for example, (Amable, 2003); (Whitley, 1999) remain Eurocentric, limit-ing their applicability elsewhere,1 and, within Western and Southern Europe, Amable’s categories in any event broadly correspond with those of La Porta et al. (2008), France excluded. Moreover, a focus only on Europe would make it difficult to draw conclusions on the relation-ship between shareholder dominant setting and CSR, given the relatively few examples of such systems on the continent. Finally, this study does not explore changes over time. However, whilst more pessimistic accounts of institutional change in more stakeholder orientated institutional settings suggest systemic decay (Streeck, 2009), the research found continued difference between context and practice; in general, firms in stakeholder orientated settings remained more responsible than those in shareholder dominant ones.

CONCLUSION:

The research revealed a close relationship between institutional setting and corporate social responsibility. More specifically, within contexts where owner rights were stronger, firms were less likely to spend more on a range of voluntary CSR measures. However, the converse is not directly true. In national contexts where the Civil Law ideal is most pronounced, that is those of French legal sub-family, voluntary CSR spending (whilst significantly more than in shareholder dominant rights settings) is less than in more mixed or diluted Civil Law traditions, such as Scandinavian or German law. In part this could be accounted for by the sheer diversity of the former category, but it is also likely to reflect the possibilities of complementarity. For example, within the German context, large manufacturing firms reap the benefits of high productivity that comes with strong employee commitment; in part, this reflects superior terms and conditions of service, but also safe and pleasant working environments, and close ties between firms and communities.

In short, firms operating in Common Law contexts are less likely to take CSR seriously. However, there is one exception to this general rule, in the area of voluntary charitable giving. Countries of Common Law legal origin – that is where owner rights are strongest – are more likely to engage in the former. Firms in such contexts are most likely to be closely orientated to maximizing shareholder value, with managers having relatively less discretion to direct organizational resources in other directions. Given this, it is likely that giving will be instrumen-tally intended to promote profitability, to facilitate marketing and/or resolve wider crises of legitimacy. In contrast, in contexts where owner rights are weaker, managers have greater autonomy to direct organiza-tional resources in directions other than the maximization of share-holder value. What this finding points to is confirm the tension between business-driven and multi-stakeholder forms of CSR (Brammer et al., 2012). An epitome of the former is charitable giving especially when used to promote causes that serve corporate interests and/or provide legitimacy, and of the latter environmental responsibility, in other words, that the firm seeks to reduce the externalization of the costs of its activities on the community at large.

Whilst we did encounter significant differences between Civil Law and Common Law systems, no clear pattern emerged between (state) socialist legal origin and the propensity of firms to engage in CSR. It is likely that this reflects the diversity of this category, and the extent to which countries in the region have diverged into different paths (Lane & Myant, 2006); (Lane & Wood, 2009). In some, property owner rights have become stronger, and others, they have become systemi-cally re-mediated through focused institutional redesign. Still others have degenerated into criminal states (Satter, 2004). What the region does have in common is that charitable giving is relatively low. This probably reflects the limited resources available to firms battling to cope with external shocks and ongoing crises of competitiveness. It may also, within criminal states, reflect excessive, self-destructive, short-termism, in contrast to the more sophisticated approaches of property owners in stable Common Law systems, and the greater ability to co-opt powerful interests to suit corporate agendas, regardless of public pressure. It also highlights the limitations of models that assume strong path dependence, and the need for comparative analysis to incorporate an understanding of the dynamics of systemic change (Boyer, 2006); (Wood & Demirbag, 2012).

The study revealed that the Civil Law stakeholder model retains distinct features, even if as Matten and Moon (2008) suggest, there may be a long-term tendency towards more explicit CSR in the most developed...
economies in the former category. The same goes for countries that fall into the broad state socialist legal origin category. Finally, we found that socially responsible behavior was more likely in settings where there is a stronger control on corruption; high levels of corruption that go unchecked may well debase behavior in other areas. In other words, if firms are accustomed to being able to buy their way out of problems with regulators, they may feel less need to have to placate the public at large.

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