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# **Cultural dimensions and corporate social responsibility: A cross-country analysis**

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## **Abstract**

The diffusion of corporate social responsibility (CSR) has witnessed a surge in recent years but the rate of adoption among national business sectors diverges considerably. In this paper we attempt to frame the influence of national culture on CSR by assessing national CSR penetration under well-established cultural dimensions. We offer new evidence on the influence of cultural specificity - proxied by Hofstede's model - on the adoption and endorsement of CSR among national business sectors. Findings suggest that three of the six cultural dimensions affect CSR penetration after controlling for aspects of socioeconomic development. Specifically, elements of long-term versus short-term orientation and indulgence versus restraint affect positively the composite CSR index while uncertainty avoidance has a negative effect. In contrast, the effect of, individualism, power distance and masculinity is found to be insignificant. These findings provide fertile ground to theorists and researchers for a deeper investigation of the impact of parameters that define the cultural specificity of CSR and act as moderators of organizational self-regulation.

**Keywords:** Cultural dimensions; corporate social responsibility (CSR); national index; ranking; Hofstede; cross-country comparison.

**JEL codes:** Q50; Q58; Q59; F55; L25; L60.

## **1. Introduction**

Over the past few decades, the umbrella-term of Corporate Social Responsibility (hereafter CSR) has gained increased resonance internationally, in line with the emergence of the sustainable development discourse and towards the alleviation of contemporary issues that transcend national boundaries. CSR is a concept describing organizations that voluntarily contribute to a cleaner environment and to social prosperity by integrating such non-financial concerns into their business procedures (European Commission, 2001). Under the scope of CSR, firms have not only cost reduction and profit-driven objectives but at the same time they have a set of environmental and social responsibilities with respect to their cumulative impact.

According to the European Commission (2012), ideally the three main CSR components are represented by economic (profit), environmental (planet) and social (people) concerns of performance which are in synchronization with one another. Schmitz and Schrader (2015, p. 28) discuss the conceptual explanations for CSR in two strands of theoretical literature. The first strand argues that firms' social responsible activities help them to achieve only the target of profit maximization. This strand is further distinguished between CSR activities relying on the behavioural model of the homo economicus (stakeholders are assumed selfish, utility-maximizing individuals) and an extension of the behavioural model restricting the assumption of utility maximization of stakeholders and supposing asymmetric structures of social preferences. A second strand considers CSR separately from the profit maximization task. In this way social and environmental activities are independent tasks with corporate decision makers having also social preferences.

Nevertheless, despite the globalized economy has contributed to an escalating pattern of uniformity in the development of for-profit activities worldwide, a similar

pattern pertaining to responsible business conduct is still absent (already stressed by Vogel in 1992). Indeed, the level of penetration and uptake of socially responsible business behaviour differentiates among regions around the world and there is a considerable variation in the penetration of CSR policies, plans and programs among national business systems. Such discrepancy can be attributed to different levels of macroeconomic stability, the relative efficiency of domestic legal/political and other institutional mechanisms, the diverse approaches in policy implementation as well as cultural characteristics of nations and/or geographical regions (e.g. Mittelstaedt and Mittelstaedt, 1997; Wotruba, 1997; Czinkota and Ronkainen, 1998).

Welford (2003; 2005), Jackson and Apostolakou (2010) and Ferguson (2011) provide supporting evidence of the varying levels of CSR penetration among countries. In this respect, Gjolberg (2009a; 2009b) devised a composite index of CSR endorsement of and subscription to international schemes in an attempt to reflect the state-of-the-art in CSR implementation and highlight a comparative perspective in national CSR penetration. In this study, the specific index is extended and the sample of assessed countries is expanded in order to offer a world CSR outlook. Crucially, given that relevant literature is still limited and primarily pertains to few cross-country comparisons we make a contribution to the macro-level CSR research by exploring the influence of salient cultural characteristics of nations defined by Hofstede's dimensional culture framework (1980; 2001; Hofstede et al., 2010) with national CSR (expressed by the proposed CSR index scores).

The structure of this paper is as follows. The next section reviews the relative existing literature. Section 3 discusses analytically the material and the methods used to assess national CSR while section 4 presents and comments on the results derived.

The final sections conclude the study discussing the main findings and implications for management and policy.

## **2. Background**

### *Assessing national CSR*

Numerous scholars have drawn upon comparative political economy or new institutional theory in order to define and classify varying patterns of CSR implementation among national contexts. In a similar vein, a recent wave of conceptual and empirical studies attempt to assess and highlight national specificity perspectives of CSR and emphasize that it represents a global idea influenced and shaped by national cultural, socioeconomic and political dynamics. Roome (2005) reckons that historical elements, civic activism, systems of managerial education and training, past and present social and environmental concerns all shape the social responsiveness of firms and actually form a basic national CSR institutional infrastructure, influenced by an array of social constituents (business, governmental bodies, investors, NGOs, educational institutions, etc.) which dynamically and collectively contribute to the evolutionary path of CSR in a country. Campbell (2007) unfolds eight fundamental preconditions describing a national environment that will determine the level of socially responsible business conduct.

Matten and Moon (2008) develop a fundamental distinction between explicit and implicit CSR with the former to describe voluntary business activities and strategies developed in order to address stakeholders' expectations and demands regarding responsible business conduct while the latter pertains to codified and/or mandatory requirements stemming from sets of values, norms and rules shaped around salient issues with respect to the role of business in society. Gugler and Shi (2009)

argue on a global North-South ‘CSR divide’ in order to pinpoint differences in terms of CSR conceptualization and approaches in engagement evident between developed and less developed countries. In a similar perspective, Jamali and Neville (2011) conceptualize a dipolar of convergence versus divergence in CSR and argue that global convergence in explicit CSR is apparent with the CSR conceptualization to be molded by the historical, cultural, economic, and political contexts that define each country.

Along with such theoretical insights of the national specificity of CSR, empirical research has sought to investigate CSR beyond the firm-level (as the unit of analysis) and towards the macro-level of CSR embeddedness. Welford (2003; 2005) utilizes 20 CSR aspects (based on international conventions, codes of conduct and industry best practices) and provides preliminary evidence of CSR penetration, trends and developments in Europe, North America and Asia. Midttun *et al.* (2006) devise a composite measure to examine CSR embeddedness among 18 developed countries and juxtaposed national CSR trends to long-established institutional structures revealing distinct patterns between countries.

Ioannou and Serafeim (2012) assess the impact of national institutions on corporate social performance and argue that the political, labor, cultural and education systems determine the social performance of firms while the impact of the financial system retains a less significant impact. Finally, Gjolberg (2009a; 2009b) develops a composite index drawing from nine well-established international CSR ‘variable’ referring to socially responsible investment ratings, subscriptions to global CSR initiatives, CSR accounting and reporting schemes and management system standards. The calculation formula was applied to 20 OECD countries pointing out strong cross-national discrepancies as well as offering novel findings between CSR and national specificity.

### *Cultural dimensions*

Members of a given culture share common sets of values which translate into common attitudes, beliefs and identities and are embedded in the societal norms and practices (Hampden-Turner and Trompenaars, 1993; Adler, 2002). National culture can be broadly identified “as values, beliefs, norms, and behavioral patterns of a national group” (Leung et al., 2005, p. 357) and is acknowledged as a fundamental parameter defining and explaining differences in organizational value systems (Hofstede et al., 2010). Geert Hofstede’s seminal work (1980, 2001) on the cultural differences among nations set forth new perspectives in international management and unpacked the dimensional characteristics of culture which was since then treated mostly as a single variable.

Hofstede (1980) defined culture as “...the collective programming of the mind which distinguishes the members of one human group from another” (p. 25). The distinct dimensions of his model address six anthropological problem areas which societies across the world handle differently, reflecting stable patterns of salient characteristics among nations. Hofstede established the differences between cultures by assigning each dimension and country a score on a 0-100 scale and the country-level factor analysis of his study paved the way for the classification of countries across the following cultural aspects:

- Power distance (PDI), describing the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.
- Uncertainty avoidance (UAI), referring to the degree to which the members of a culture feel tolerate uncertain or unknown situations.

- Individualism versus collectivism (IDV), ranging from societies in which the ties between individuals are loose to societies in which people are integrated into strong, cohesive ingroups.
- Masculinity versus femininity (MAS), ranging from societies in which social gender roles are clearly distinct to societies in which social gender roles tend to overlap.
- Long-term orientation versus short term orientation (LTO), indicating societies' time horizon with long-term oriented societies to attach more importance to the future while short-term oriented societies share values related to the past and the present.
- Indulgence versus restraint (IVR), describing the extent to which societal members try to control their desires and impulses with indulgent societies to retain a tendency to allow relatively free gratification of basic and natural human desires while restrained societies to be characterized by a conviction that such gratification needs to be curbed as well as regulated by sets of rigid norms.

Hofstede's national cultural value framework generated a paradigm shift in cross-country research and all subsequent models of culture referred to these dimensions and were in line with this classification of nations (Taras and Steel, 2009; Taras et al., 2009). It remains the most comprehensive framework of national culture perspectives having high external validity as well significant correlations with economic, social and geographic variables (Kogut and Singh, 1988). While authors have criticized that his dataset is outdated (e.g. Holden, 2002; McSweeney, 2002; Shenkar, 2001) Hofstede (2001) maintains that, while cultures do evolve, they tend to shape all together towards the same (cultural) direction but do not converge, with Inglehart (2008) to support such position.



### *CSR and cultural characteristics of nations*

Over the past decade an emerging body of (comparative) research has emerged seeking to identify the role of national culture in CSR engagement. However, national culture, as a critical antecedent of CSR strategies and practice, has so far received little attention in the literature compared to the financial-social performance debate or the investigation of firm- and industry-level factors explaining CSR engagement. This is despite cultural distance among nations being identified of critical importance for the CSR agenda of multinational corporations (Srnrka, 2004), with Carroll (2004) to relevantly stress that the rise of the international enterprise “has set the stage for global business ethics to be one of the highest priorities over the coming decades” (p.114). In this respect, Visser (2008) stresses the need for more comparative work investigating national- and regional-level differences in CSR implementation while Ioannou and Serafeim (2012) find that 35% of total explainable variance in CSR engagement pertains to country-level factors<sup>1</sup>.

Franke and Nadler (2008) also denote that prior tests of the influence of culture on ethical perspectives of business conduct have primarily focused on two or three countries at a time and they call for larger samples of countries for such assessments which can be more informative. Responding to such calls and relying on the GLOBE findings, Waldman *et al.* (2006) examine the relationship between cultural dimensions (i.e. institutional collectivism and power distance) and the CSR values of top-level managers. Likewise, Egri *et al.* (2006) utilize cultural values derived from the World Values Survey and assess individual and national effects on managerial attitudes towards corporate responsibility. Ringov and Zollo (2007) investigate the effect of differences in national cultures (expressed by Hofstede’s model) on corporate non-

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<sup>1</sup> According to Ioannou and Serafeim, sectoral and organizational attributes account for 10% and 55% of variance explained respectively.

financial performance around the world and postulate that countries where power distance, individualism, masculinity, and uncertainty avoidance are intense, they exhibit lower levels of CSR performance.

Ho *et al.* (2012), Peng *et al.* (2012), Gănescu *et al.* (2014) and more recently Thanetsunthorn (2015) also utilize Hofstede’s cultural dimensions and offer fruitful findings on the impact of cultural dynamics on corporate non-financial performance and CSR engagement. Studies indicate a causal relationship between aspects of national culture and socially responsible business conduct but findings are far from conclusive and Thanetsunthorn (2015) points out limitations in the dependent variable (i.e. CSR) selection as well as sample identification shortcomings. Table 1 outlines an excerpt of empirical assessments pertaining to the culture-and-CSR research stream<sup>2</sup>.

**Table 1:** Selection of empirical assessments on culture and CSR operationalization

<b>Authors</b>	<b>Sample identification</b>	<b>National culture operationalization</b>	<b>CSR operationalization</b>
Waldman et al. (2006)	15 countries	GLOBE dimensions of societal culture	Managerial perceptions of CSR values in decision-making.
Egri et al. (2006)	28 countries	World Values Survey	Triple-bottom-line (economic, social and environmental corporate responsibility)
Ringov & Zollo (2007)	23 countries	Hofstede and GLOBE cultural dimensions	Innovest’s Intangible Value Assessment (IVA) scores
Ho et al. (2012)	49 countries	Hofstede’s cultural dimensions	Innovest’s Intangible Value Assessment (IVA) scores
Peng et al. (2012)	Companies included in S&P Global 1200	Hofstede’s cultural dimensions	Dow Jones Sustainability Index
Gănescu et al. (2014)	27 EU countries	Hofstede’s cultural dimensions	Composite index of corporate responsibility towards consumers
Thanetsunthorn (2015)	28 countries of Eastern Asia & Europe	Hofstede’s cultural dimensions	CSRHub scores

<sup>2</sup> For a concise overview of prior research on national culture as a predictor of national CSR engagement see Thanetsunthorn (2015).

### **3. Material and Methods**

#### *National CSR Index*

National CSR scores were obtained from Skouloudis (2014) who extends Gjølborg's (2009) assessment method and utilizes country-level data from a series of sixteen international CSR initiatives, environmental and social standards, 'best-in-class' rankings and ethical investment stock exchange indices (see Table 2). Each one of these data sources indicate the number of organizations included certified, subscribing or formally endorsing the specific CSR 'variable'. The year 2012 was selected as the reference period for data capture and a 'cut-off value' of inclusion in at least four of the sixteen CSR 'sub-indices' was employed (i.e. countries whose business sector had presence in less than four initiatives and ratings were excluded from the analysis). This resulted in 86 out of the 196 countries in the world, spanning from all geographical regions of the world and offering an encompassing worldview of CSR penetration.

#### *National CSR and cultural dimensions*

For our research, a linear model specification was adopted in the form of:

$$y = X\beta + \varepsilon$$

Where  $y$  is a  $(n \times 1)$  vector,  $X$  is an  $(n \times k)$  matrix,  $\beta$  is a  $(k \times 1)$  vector and  $\varepsilon$  is a  $(n \times 1)$  vector. Specifically, in our case our dependent variable  $y$  is the proposed constructed index (NCSRI) and  $X$  is the matrix including the variables representing the cultural dimensions. Namely, individualism versus collectivism (IDV), masculinity versus femininity (MAS), power distance (PDI), uncertainty avoidance (UAI), long-term versus short-term orientation (LTO), and indulgence versus restraint (IVR). To isolate country-level effects on CSR penetration, we controlled for a set of variables proxying differences in institutional efficiency and economic and social conditions among nations. These controls pertain to the Gross Domestic Product growth (GDP\_gr),

macroeconomic stability (MS) measured by the World Economic Forum, the Ease of Doing Business index (EDB) and corruption control (COR) of the Worldwide Governance Indicators project. In this context, the following function was estimated:

$$\text{NCSRI} = f(\text{IDV}, \text{MAS}, \text{PDI}, \text{UAI}, \text{LTO}, \text{IVR}, \text{GDP}_{\text{gr}}, \text{MS}, \text{EDB}, \text{COR})$$

**Table 2:** The ‘variables’ comprising the proposed national CSR index.

<b>Variables</b>	<b>Description and operationalization</b>
<i>Management system standards</i>	
ISO 14001	ISO 14001 is an environmental management system standard <sup>3</sup> developed by the International Organization for Standardization (ISO) which maps out a framework that an organization can follow to set up an effective environmental management system. The variable refers to the total number of organizations per country certified to the standard.
OHSAS 18001	OHSAS 18001 is an occupational health and safety management system standard developed by the Occupational Health and Safety Advisory Services (OHSAS) Project Group and intended to assist organizations to control occupational health and safety risks. The variable refers to the total number of organizations per country certified to the standard.
SA8000	The SA8000 standard is an auditable certification standard for protecting the basic human rights of employees and socially acceptable practices in the workplace, developed by the Social Accountability International (SAI). The variable refers to the total number of facilities per country certified to the standard.
<i>Non-financial accounting and reporting</i>	
Global Reporting Initiative	The Global Reporting Initiative (GRI) Guidelines offer a set of reporting principles, standard disclosures and an implementation manual for preparing sustainability reports by organizations and have become an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. The variable refers to the total number of sustainability reports per country which are registered to the GRI’s Disclosure Database.
Carbon Disclosure Project	Carbon Disclosure Project (CDP) is an international, non-profit organization that works in cooperation with market forces in order to motivate companies to measure, manage and disclose vital environmental information with respect to their greenhouse gas emissions and ultimately to take action in reducing them. The variable refers to the number of companies per country included in the 2012 Global 500 Climate Change Report which have responded to CDP’s questionnaire and provided relevant information.
Greenhouse Gas Protocol	The (GHG Protocol) is an accounting tool for quantifying and managing greenhouse gas emissions with the overall aim of contributing to credible and effective programs for tackling climate change. It offers the accounting framework for nearly every GHG standard and program in the world as well as hundreds of GHG inventories prepared by individual companies. The variable refers to the corporate users of the GHG Protocol per country.
KPMG survey	KPMG’S International Survey of Corporate Responsibility Reporting is a detailed analysis of corporate nonfinancial reporting and includes a descriptive assessment of the current status of the CSR/sustainability disclosure practices among the 100 largest companies in selected countries (N100). The variable refers to the number of N100 companies per country that report on corporate responsibility issues.

<sup>3</sup> For more information on EMSS see among others Halkos and Evangelinos (2002) and Evangelinos and Halkos (2002).

<i>Overarching principles and business-led coalitions</i>	
Global Compact	The Global Compact, developed by the United Nations, is a strategic policy initiative inviting companies to embrace, support and enact, within their sphere of influence, a set of ten universally-accepted principles pertaining to human rights protection, labour standards, benign environmental management and anti-corruption measures. The variable refers to the number of companies per country which are formally endorsing the ten principles.
World Business Council for Sustainable Development	The World Business Council for Sustainable Development (WBCSD) is a global association of companies that aims to promote strategic issues linked to sustainable development and corporate responsibility. It offers a platform for firms to share knowledge, experience and best practices, to advocate the business positions on such issues among various forums, in cooperation with governmental bodies, NGOs and intergovernmental organizations. The variable refers to the number of companies per country which are members of the WBCSD.
<i>CSR and sustainability stock exchange indices<sup>4</sup></i>	
Ethibel Sustainability Index	The Ethibel Sustainability Index (ESI) Excellence Global includes a variable number of shares and collects the best-in-class companies with respect to CSR/sustainability across sectors and regions in Europe, North America and Asia Pacific. It is a free-float weighted index, designed to approximate the sector weights on the S&P Global 1200. The variable refers to the constituents of the ESI Excellence Global.
FTSE4Good Global Index	The FTSE4Good Global Index, created by FTSE International and Ethical Research Services (EIRIS) has been designed to objectively measure the performance of companies around the world that meet globally recognised corporate responsibility standards. It is one of the world's premier indices for socially responsible investing. The variable refers to the constituents of the FTSE4Good Global Index.
Dow Jones Sustainability World Enlarged Index	The Dow Jones Sustainability World Enlarged Index (DJSI World Enlarged) tracks the performance of the top 20% of the 2500 largest companies in the S&P Global Broad Market Index which lead in terms of corporate sustainability. These companies are assessed by RobecoSAM using an annual corporate sustainability assessment. The variable refers to the constituents of the DJSI World Enlarged Index.
ECPI Global ESG Alpha Equity Index	The ECPI Global ESG Alpha Equity Index is composed of the 100 highest market capitalization and highest Environmental, Social and Governance rated and liquid companies. The variable refers to the constituents of the ECPI Global ESG Alpha Equity.
MSCI World ESG Index	The MSCI World ESG Index, a member of the MSCI Global Sustainability indices, consists of large and mid cap companies and provides exposure to companies with high Environmental, Social and Governance performance relative to their sector peers. The variable refers to the constituents of the MSCI World ESG.
<i>CSR rankings</i>	
World's Most Ethical companies	The World's Most Ethical (WME) companies designation, developed by the Ethisphere Institute, recognizes companies that promote ethical business standards and practices internally, exceed legal compliance minimums and shape future industry standards by promoting best practices. At the heart of the evaluation and selection process for Ethisphere's WME companies is a proprietary rating system. The variable refers to the firms which are included in the WME list.
Global 100 Most Sustainable Corporations	The Global 100 Most Sustainable Corporations in the World is a sustainability equity index, maintained by the Corporate Knights advisory group and calculated by Solactive, a German index provider. The variable refers to the constituents which are included in the Global 100.

<sup>4</sup> For a discussion on companies listed and unlisted in the Athens Stock Exchange (ASE) and their differences in drawing more public attention and receiving more extensive media coverage see Halkos and Sepetis (2007).

#### 4. Results

The emergent picture from the assessment is one of deficient CSR penetration and strong variation among countries where most of the assessed nations are still lagging in the endorsement of international CSR schemes. Findings reveal that (approximately) in 19 countries a considerable proportion of companies are active in CSR. In total, twelve countries achieve positive scores; out of which only two pertain to the Eastern Asia and Pacific region (Australia and Singapore) and the rest are European countries. Switzerland is ranked first in the assessment, followed by three Nordic countries (Sweden, Finland and Denmark). Japan and Canada receive an approximately zero score whereas Germany and the USA are assigned negative scores. Saudi Arabia has the lowest score (-37.06) in the assessment while the sample's average score is -18.32. The full list of national scores is presented in the Appendix.

Figure 1 presents the rankings in subgroups of countries, namely developing, developed, Asian, American and European according to the proposed national CSR index. Specifically, applying the calculation formula to the subgroup of developing countries, only Brazil, Colombia and India receive positive scores. Likewise, in the case of developed nations, Switzerland, the Nordic nations, along with the United Kingdom, the Netherlands and Australia are ranked higher than the rest while Spain and Portugal received scores very close to zero. Focusing on the Asian region, Japan and Singapore are ranked first, followed by Hong Kong. In America, it is only Canada that is assigned a positive score, while in Europe Switzerland, the Nordic nations, along with the United Kingdom, the Netherlands, the Iberian Peninsula and France are ranked higher than the others<sup>5</sup>.

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<sup>5</sup> The country scores of the various subgroups are available upon request.

**Figure 1:** Graphical presentation of the NCSRI index in the total sample and the various subgroups of countries

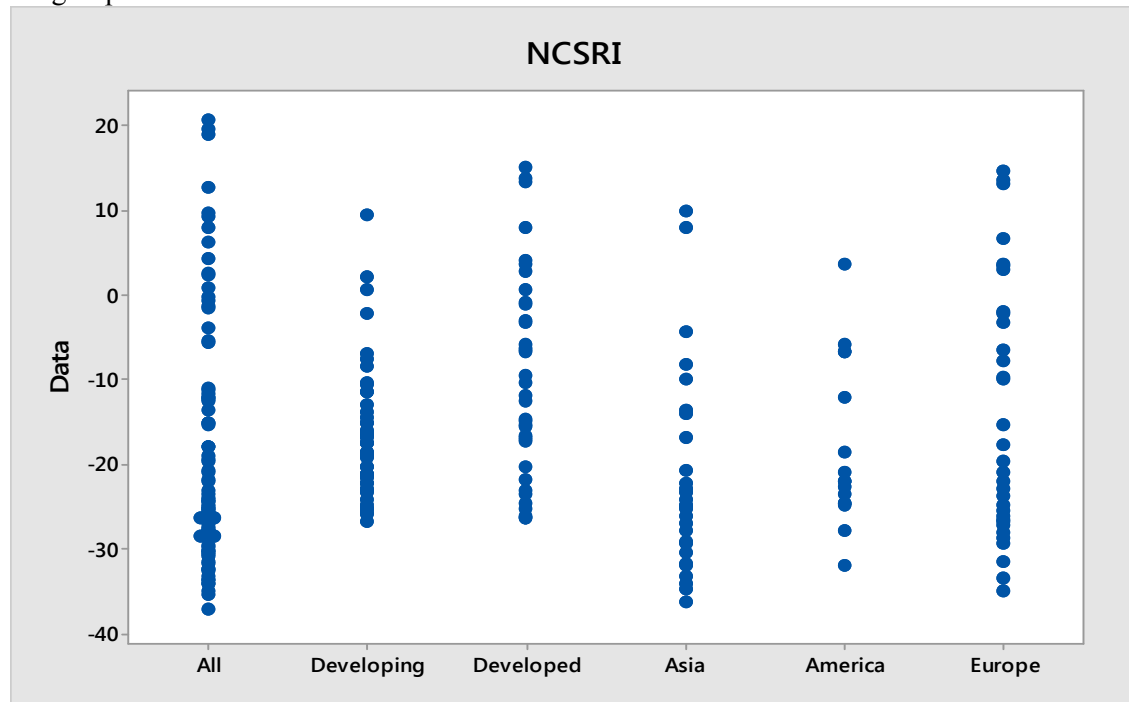


Table 3 presents the descriptive statistics for the proposed index as well as the cultural aspects. It is apparent that there are no large differences between the mean and the median values for the cultural aspects - we find symmetric distributions. In all cases the Jarque-Bera test for normality leads to no rejection of the null hypothesis that the data have a normal distribution. This is also illustrated in Figure 2 presenting the theoretical probability plots of the NCSRI and the cultural dimensions assuming normality.

Table 4 presents the OLS regression estimates for the proposed models formulations. Specifically, the first column presents the full version of the model with all six cultural dimensions included and the second with only those being statistically significant. As shown in Model 1, the variables IDV, LTO and IVR affect positively while MAS, PDI and UAI affect negatively NCSRI. Looking at Model 2 formulation the constant term and the variables LTO and IVR are significant in all significance levels (0.01, 0.05, 0.1). The variable IDV is significant in the statistical levels of 0.05

and 0.1 while the variables MAS and PDI are significant in the statistical level of 0.1. The last column introduces our full model formulation (Model 3), with the consideration of the statistically significant control variables, namely GDP growth, macroeconomic stability, ease of doing business and corruption.

Hofstede suggests controlling for economic development in assessing the effects of cultural traits, because “if ‘hard’ variables predict a country variable better, cultural indexes are redundant” (Hofstede, 2001, p.68). All control variables are statistically significant at least in one conventional significance level with the effect of individualism to become negative and much smaller in magnitude. In this case uncertainty avoidance becomes significant. Table 5 presents the descriptive statistics of the control variables considered in our analysis<sup>6</sup>. The model specifications perform extremely well through all the diagnostic tests applied with no indication of any problem. Specifically, as indicated by the tests we have normality (Jarque-Bera), homoscedasticity (Breusch-Pagan-Godfrey, Harvey, Glejser, White), no specification errors (Ramsey RESET) as well as no ARCH effect.<sup>7</sup>

**Table 3:** Descriptive statistics of the cultural variables examined

<b>Total sample (n=86)</b>							
	NCSRI	IDV	IVR	LTO	MAS	PDI	UAI
Mean	-15.48	45.59	44.67	47.97	49.56	60.95	66.39
Median	-20.16	38.00	42.00	47.50	52.50	64.00	68.00
Maximum	20.64	91.00	100.00	100.00	110.00	104.00	112.00
Minimum	-35.44	12.00	0.00	13.00	5.00	11.00	8.00
Std. Dev.	15.05	22.48	20.81	23.02	19.62	21.01	21.81
Skewness	0.77	0.35	0.44	0.33	0.11	-0.24	-0.39
Kurtosis	2.56	1.95	2.83	2.041	3.91	2.44	2.69
Jarque-Bera	6.98	4.36	2.20	3.74	2.38	1.52	1.98
Probability	0.03	0.11	0.33	0.15	0.30	0.47	0.37

<sup>6</sup> Other control variables such as proxies of political stability, regulatory quality, income inequality, educational attainment and government effectiveness were tested in Model 3 for their impact to NCSRI but were omitted as statistically insignificant.

<sup>7</sup> For details on the tests see Halkos (2006, 2011).



The magnitudes of IDV, LTO and IVR are high while, on the other hand, PDI and UAI have a negative and statistically insignificant effect. In this respect, holding constant the effect of the other variables and considering each variable in turn, a unit increase in IDV, LTO and IVR will result to a 0.19, 0.2 and 0.27 increase in NCSRI respectively. Likewise, holding constant the effect of the other variables and considering each variable in turn, a unit increase (decrease) in MAS and PDI will lead to a decrease (increase) in NCSRI by approximately 0.12 and 0.15 respectively.

**Table 4:** OLS model results and diagnostics tests (P-Values in brackets).

Variables	Model 1	Model 2	Model 3
Constant	-25.4962**	-31.098***	
Individualism versus collectivism (IDV)	0.1883**	0.19897**	-0.048
Masculinity versus femininity (MAS)	-0.1196*	-0.1224*	-0.08232
Power distance (PDI)	-0.1513*	-0.1562*	-0.0819
Uncertainty avoidance (UAI)	-0.0773		-0.1535***
Long-term versus short- term orientation (LTO)	0.2011***	0.2039***	0.122**
Indulgence versus Restraint (IVR)	0.2699***	0.2764***	0.16299**
GDP Growth			-1.1347***
Macroeconomic Stability			-2.5399***
Ease of doing business index			-0.0877***
Corruption			0.2384***
R square	0.562	0.55	0.72
Akaike Information Criterion	7.6324	7.6288	7.2854
Schwarz criterion	7.8646	7.8279	7.6227
Normality test (Jarque-Bera)	2.8356 [0.2422]	1.9378 [0.3795]	0.2543 [0.8806]
Heteroscedasticity test (Breusch-Pagan-Godfrey)	1.013	1.065	1.2781
Heteroscedasticity test (Harvey)	0.6192	0.5259	1.07996
Heteroscedasticity test (Glejser)	1.148	1.1889	1.2856
ARCH effect test	0.0118	0.0432	0.0023
Heteroscedasticity test (White)	1.2878	0.9734	0.8955
Ramsey RESET (quadratic)	1.195	1.5675	2.3732
Ramsey RESET (cubic)	0.8796	1.522	1.4917

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

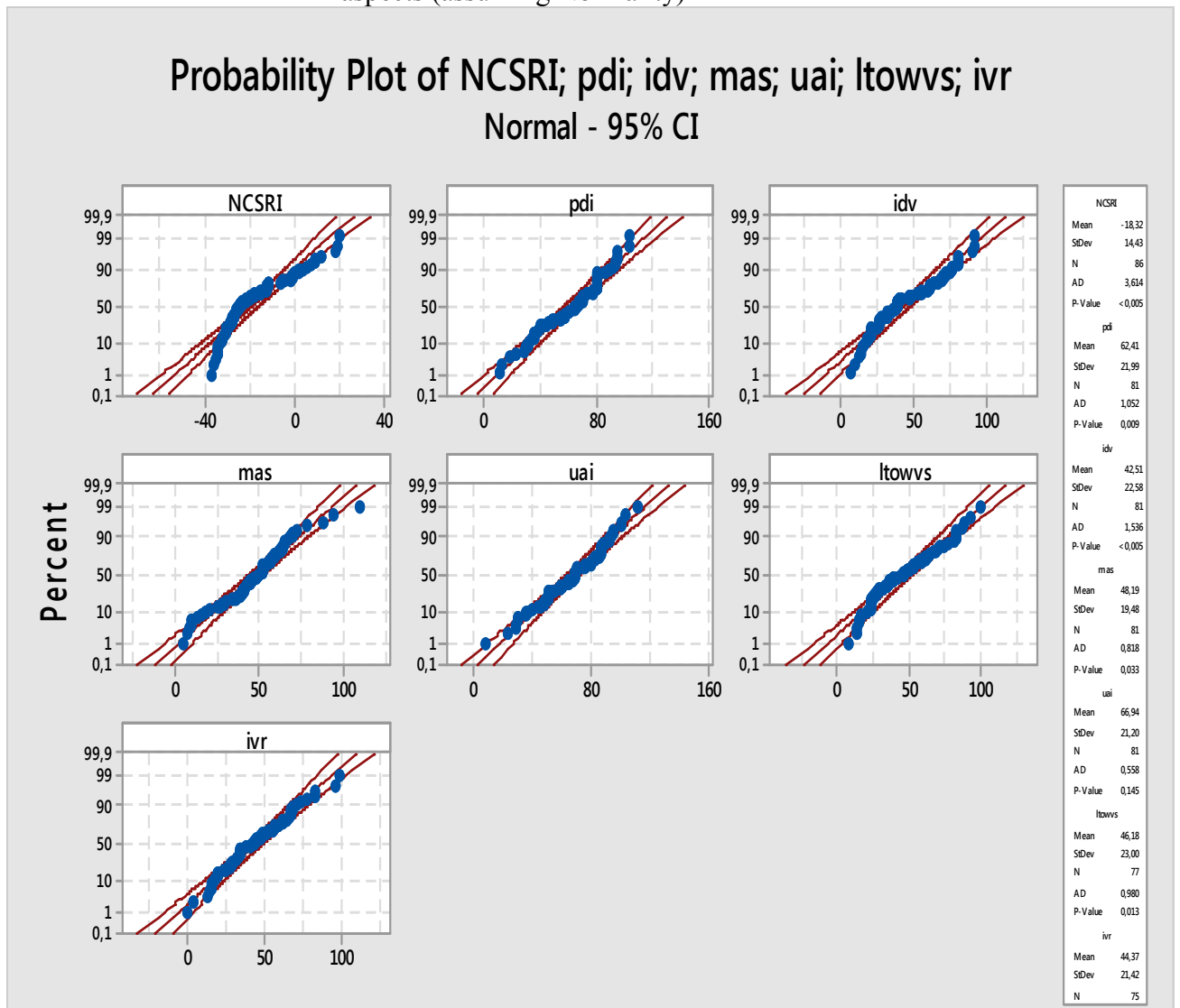
If we consider the full model then all the additional explanatory variables are significant with a negative effect in all case but corruption. In the full specification only UAI, LTO and IVR are significant and with a high magnitude. In this case, holding constant the effect of the other variables and considering each variable in turn, a unit increase in LTO and IVR will result to a 0.12 and 0.163 increase in NCSRI

respectively while a unit increase (decrease) in UAI will lead to a decrease (increase) by 0.154 in NCSRI.

**Table 5:** Descriptive statistics of the significant control variables examined

	GDPGR	MACROSTAB	EASEBUSS	CORRUPTION
Mean	2.46	4.98	61.11	52.35
Median	2.66	4.98	47.50	48.50
Maximum	10.25	6.80	180.00	90.00
Minimum	-6.57	2.82	1.00	19.00
Std. Dev.	3.18	0.96	46.02	20.04
Skewness	-0.48	-0.17	0.60	0.40
Kurtosis	3.26	2.38	2.20	1.91
Jarque-Bera	3.45	1.74	7.35	6.49
Probability	0.18	0.42	0.025	0.04

**Figure 2:** Theoretical probability graphical presentations of NCSRI and cultural aspects (assuming Normality)



## 5. Discussion

Blowfield (2005) asserts that the discourse fostered by contemporary CSR necessitates new and expanded lenses of analysis in which alternative frameworks for exploring the structural dimensions of CSR would be essential. In this respect, Ringov and Zollo (2007) stress that a solid empirical base to link national specificity to CSR is lacking and ‘most of the debate being fueled by conceptual arguments or anecdotal evidence’ (p.477). Responding to such calls, this study attempts to shed light on CSR’s heterogeneity across 86 countries i) by providing empirical evidence on the degree to which the national business sector is actively engaged in global CSR schemes and initiatives and ii) by supporting the proposition that national culture influences CSR penetration. Hence, these findings, exploratory in nature, are timely and relevant, given the paucity of prior literature in this field and advance our understanding of how informal institutional conditions may affect substantive corporate nonfinancial initiatives which aim to ameliorate social welfare.

Current research on CSR is culturally limited despite the fact that nationality has been identified as one of the most critical factors in the business ethics literature (O’Fallon and Butterfield, 2005). The study extends and enriches cultural studies in CSR by offering important insights (for a relatively large sample of countries) on CSR embeddedness as well as on contextual factors that may influence corporate nonmarket strategies. Such factors should be addressed in leveraging organizational resources to support CSR-based competitive advantages and superior international performance. By using secondary data collected from *de facto* international CSR initiatives and all six anthropogenic elements proposed by Hofstede, our assessment indicates that countries with high uncertainty avoidance tend to exhibit lower CSR penetration.

In contrast, countries with high levels of long term orientation and indulgent cultures seem to foster CSR. The influence of power distance, individualism and masculinity is found to be insignificant. These results contradict the main findings of prior studies (see Table 6) which employ the four cultural dimensions of Hofstede's model and find significant effects by power distance, individualism and masculinity on corporate social performance. Yet, these contradicting findings found in the literature signal the need for additional empirical research to understand more completely the suggested link between CSR and national culture.

The multidimensional CSR index applied in this study could improve our knowledge of global CSR trends and developments. The comparatively low scores of countries such as Germany and the USA warrant further investigation, as are the cases of Spain, Portugal and Belgium. Jackson and Apostolakou (2010) indicate that Germany is often considered as a 'CSR laggard' compared to other European countries and that German firms have retained a highly ambivalent stance towards CSR initiatives while the favorable domestic economic climate relative and high level of social integration have contributed to slow public demand for CSR in the country.<sup>8</sup> In contrast, the Nordic nations have a long-standing tradition of being strong welfare states and actively endorsing environmental and social responsibility. Likewise, the UK and the Netherlands have been pace-setters in international CSR governance with companies and organizations from both countries to adopt as well as shape CSR best practices.

Such discrepancies have been attributed to the varying institutional efficiency of countries (Campbell, 2006; Jackson and Apostolakou, 2010) "which in turn may translate into differences in comparative institutional advantages and thereby lead to

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<sup>8</sup> For policy evaluation and economic efficiency see Halkos and Tzeremes (2008, 2009).

the observed aggregate variation of CSR penetration among the assessed nations” (Gjølberg, 2009: 20). The institutional environment in every country sets a series of opportunities and barriers to companies in their decision to engage in CSR activities. Likewise, choosing to operate in countries where CSR penetration is high, an enterprise should effectively meet minimum levels of socially responsible conduct in line with the CSR performance of its domestic competitors. Transnational policy-making can also benefit from such evidence in developing international CSR policy schemes to encounter and manage the strategic ‘exporting’ of socially irresponsible practices to foreign subsidiaries in countries with weak environmental and social responsibility standards (i.e. stand-out cases of less developed countries have emerged as such examples over the past years) over a ‘race to the bottom’ to avoid strict self-regulation arrangements.

**Table 6:** A comparison of findings on CSR and cultural dimensions (adapted from Peng *et al.*, 2012).

Cultural dimensions	Ringov & Zollo, 2007	Ho et al., 2011	Peng et al., 2012	Ioannou & Serafeim, 2012	Thanetsunthorn, 2015 <sup>9</sup>	Present study
PDI	(-)**	(+)**	(-)**	(+)**	(-)**	(-)
IDV	(-)	(-)**	(+)**	(+)**	(-)**	(-)
MAS	(-)**	(+)**	(-)**		(-)**	(-)
UAI	(+)	(+)**	(+)**		(+)**	(-)**
LTO						(+)**
IVR						(+)**

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

Additionally, as (formal as well as informal) institutional conditions do influence organizational behavior (Hall and Soskice, 2001; Judge *et al.*, 2008), decision-makers and governmental bodies could support CSR penetration through culturally-adapted policies for the creation of incentives and reward schemes, capacity-building and awareness raising initiatives or minimum CSR standards (threshold levels). Indeed, transnational policy-making must consider cultural traits as parameters

<sup>9</sup> Findings relying on the community-related aspect of corporate nonfinancial performance.

that shape CSR penetration and develop appropriate regional and/or country-specific policy plans and frameworks that take into account intrinsic characteristics of nations. Policy design for CSR cannot afford to be misinformed of critical or predominant cultural forces that influence business behavior and may hamper effective policy implementation and prove to be obstacles in effective agenda-setting for sustainable development. Likewise, providing culture-specific market intelligence, filling culture-based knowledge gaps and/or disseminating best practices guides may function towards an enabling environment for meaningful CSR implementation.

The study has managerial implications for multinational enterprises since it provides a useful outlook of national CSR terrains and informs the diversification of the CSR programs portfolio in order to shape CSR-based competitive advantages or attract new business partners and opportunities. For instance, in countries where CSR endorsement by the domestic business sector is slack, a foreign company can lead-by-example and become a trend-setter in the domestic market. Operating in a global marketplace may entail ethical dilemmas and CSR-related conflicts stemming from culturally-distant perspectives which CSR management need to recognize in a timely manner and effectively address in order to ensure long-term success of related plans and programs in host countries. Without an awareness of cross-country differences caused by cultural traits, international firms may risk failure in any attempts to generate effective CSR strategies.

From a managerial standpoint, it is also beneficial to develop and expand capabilities through learning in order to acquire local awareness and be able to fully appreciate how people from different cultures interpret their organization's CSR actions and to recognize cultural precursors that have an effect the CSR orientation in each country-market. Such awareness will endorse a global CSR-based mindset and

facilitate flexibility and adaptability over regional/country-specific cultural configurations reflected in business conduct, including stakeholder relationships, organizational hierarchies or ethical norms. Managers need to tackle the different tendencies between home and host country environments to comply with social-cultural pressures and optimize the CSR agenda in such a way that potentially negative effects of a country's culture are counteracted.

Intercultural training for CSR can be utilized to such challenges pertaining to informal institutions, since conceiving what is valued as socially responsible can be of great importance in terms of effective CSR implementation. Training and development programs designed to help executives gain knowledge on cultural differences could contribute to choosing specific strategic postures to CSR implementation that would better fit in certain cultures. Likewise, culturally-adapted governance modes can be introduced in order to respond to new context's cultural influences by maintaining differentiated approaches to CSR and yield valuable implications in gaining related reputational benefits, informing risk and crisis management or reducing potential legitimacy threats.

Our suggestion is in line with Newman and Nollen's (1996) early observation that companies achieve higher levels of performance when their management techniques and practices are matched with host national cultures. Knowing when culture matters to CSR and minimize what is considered cross-culturally unethical or irresponsible can be of value to encounter unexpected conflicts with local stakeholders or to avert organizational behavior and practices which can be seemingly deemed incongruous in a host country.

Studies such as ours can help practitioners to understand how national culture and corporate responsibility intersect but also to guide top management and CSR

executives in evaluating whether a global CSR strategy can be effective or local cultural traits necessitate to develop a regional or country-specific strategy in order to align their CSR vision with the various environments they operate in. For instance, to achieve effective CSR penetration in countries with high uncertainty avoidance (e.g. Brazil) or short-term orientation, organizations could to devise appropriate strategies and practical tools to meet cultural barriers and potentially yield tacit knowledge and nonmarket competences. Likewise, in cultures with highly indulgent behaviors, CSR strategy could be adjusted accordingly in order to achieve better penetration of applied policies, plans and programs.

## **6. Concluding remarks**

With a growing number of companies to develop nonmarket strategies and compete in national business systems distant from their headquarters, it is critical to consider cultural factors when conducting cross-border CSR activities. This is particularly important for international corporations as CSR has been acknowledged as a source of innovations for firms and subsidiaries have been identified as hubs of competence-building and innovative techniques within the host-country business systems (Birkinshaw *et al.*, 2005; Monteiro *et al.*, 2008). Differing perceptions of foreign, culturally distant, stakeholders on business ethics, environmental and social responsibility can create managerial or efficiency bottlenecks. Operating in a variety of complex and culturally distant national terrains predicates that the CSR agenda of the firm needs to be localized, taking into account critical cultural traits of host countries.

If corporations learn how to manage cultural distance they will be better equipped in establishing an effective nonmarket agenda and bolster their CSR performance in diverse national business environments. This might include



emphasizing on some CSR aspect(s) more than others or assigning greater priority to salient stakeholder groups of host countries. With business internationalization to remain a controversial issue and companies are pursuing strong global presence, international CSR management is becoming a key aspect to business practice. Subsidiaries often face more intense and diverse pressures than domestic firms (Kostova and Zaheer, 1999) which makes the orientation towards socially responsible and legitimation strategies a unique opportunity to mitigate such pressures in the host country market.

For the purpose of this study CSR was approached at the macro level of analysis, which is the least studied level of analysis. Nevertheless, national CSR penetration is an inherently dynamic and multi-level process involving (at least) companies (i.e. micro-level), sectors (meso-level) as well as contextual factors of the national environment (i.e. macro-level). To better understand how CSR is becoming part of organizational and strategic routines in a country one has to examine the phenomenon from multiple perspectives employing appropriate proxies for CSR at the various levels of analysis and investigating the interactions occurring between levels (e.g. from the sectoral level to the individual company).

Thus our paper indicates how theoretical development in this field would benefit from merging conceptual insights from the corporate responsibility and cultural values literature. Further research may be warranted to address the conflicting results documented in the literature and develop a more complete picture of the tensions between informal institutions (such as national culture or religious beliefs) on corporate responsibility under multiple levels and perspectives. Our suggestions are in line with Tihanyi *et al.* (2005)'s observation that 'additional research is needed to develop measures of the fundamental differences in culture relevant to organizational

decisions' (p.279). Qualitative research through in-depth or multiple-case studies and ethnographic approaches could increase our understanding of how CSR policies are transferred, embedded and shaped among headquarters and foreign subsidiaries under the scope of cultural heterogeneity. Likewise, longitudinal and action research could be conducted to explore the soundness of our results and allow to observe subtle cultural details that influence CSR thought its implementation phases (i.e. early adoption, development and maturity stages).

Finally, future studies could expand such line of research and explore how national culture evokes different types of responses to stakeholder management and corporate non-financial accountability. Moreover, researchers can focus on subnational heterogeneity of culture (Shenkar, 2012; Beugelsdijk and Mudambi, 2013) and explore how such differences affect the CSR practices and performance among spatially-distant branches of a firm. Indigenous studies in a specific national setting could also serve as a base for deeper understanding of certain national CSR characteristics or unveil critical, country-specific, corporate responsibility behaviors.

Still, beyond these indicative implications, the assessment of national CSR as a multifaceted construct is not without limitations that simultaneously indicate fruitful opportunities for future research. It relies on secondary data and no control on the variables of the overall CSR index was possible. In addition, our operationalization of national CSR pertains to well-established international initiatives and ratings but excludes regional or national CSR schemes which many companies may actively support; future research could consider such schemes as NCSRI variables and also incorporate additional moderator-control variables into the model.

Likewise, Hofstede's data have been criticized as outdated being collected almost 40 years ago (e.g. McSweeney, 2002). Utilizing the GLOBE data, variables of

the World Values Survey or the European Social Survey as well as considering the intra-national variability of culture (e.g. Kirkman *et al.*, 2006; Taras *et al.*, 2009) are areas which would certainly merit further investigation of culture's relevance to socially responsible business conduct. Nevertheless, national culture is considered relatively stable over long periods of time (Dore, 2000; Hofstede, 2001) and Hofstede's model has proved its relevance in predicting cultural dimensions, as evidenced by an extensive stream of empirical studies (e.g. Van Everdingen and Waarts, 2003; Lee and Peterson, 2000; Kirkman *et al.*, 2006).

Finally, there are more than a 100 countries worldwide which are not covered in the assessment, which leaves plenty of room to developing more rigorous constructs to investigate the national CSR index on wider samples or to focus on regional terrains and either replicate or challenge these results. Hopefully, such aspects in assessing CSR and clarifying its links to the cultural as well as other (formal and informal) institutional foundations of countries will be further addressed by researchers through in-depth and comparative studies to increase our understanding towards national patterns of CSR penetration.

## Appendix

**Table A1:** The ranking of 86 countries according to the proposed national CSR index

Country	NCSRI	Country	NCSRI	Country	NCSRI			
1	Switzerland	20.64	30	Greece	-15.36	59	Mexico	-27.36
2	Sweden	19.50	31	Thailand	-17.79	60	Kazakhstan	-27.53
3	Finland	18.99	32	Romania	-17.98	61	Turkey	-27.78
4	Denmark	12.59	33	Malaysia	-18.99	62	Costa Rica	-27.84
5	UK	9.64	34	Hungary	-19.50	63	Ecuador	-28.06
6	Netherlands	9.27	35	Bulgaria	-19.68	64	Pakistan	-28.10
7	Norway	8.04	36	India	-20.64	65	Argentina	-28.37
8	Australia	6.17	37	Lithuania	-20.87	66	Bolivia	-28.37
9	Spain	4.21	38	Slovakia	-21.73	67	Philippines	-29.56
10	France	2.58	39	Taiwan	-22.02	68	Qatar	-29.65
11	Portugal	2.30	40	Croatia	-23.07	69	Belarus	-30.18
12	Singapore	0.77	41	Panama	-23.41	70	Tunisia	-30.26
13	Japan	-0.25	42	Slovenia	-23.83	71	Honduras	-30.43
14	Canada	-0.76	43	United Arab Emirates	-24.17	72	Kuwait	-30.65
15	Belgium	-1.22	44	Serbia	-24.26	73	Kenya	-30.79
16	Italy	-1.56	45	Sri Lanka	-24.39	74	Egypt	-31.45
17	Germany	-3.93	46	Latvia	-24.81	75	Ukraine	-31.66
18	Hong Kong	-5.40	47	Indonesia	-25.03	76	Georgia	-32.26
19	Ireland	-5.70	48	Estonia	-25.12	77	Russian Federation	-32.38
20	USA	-11.02	49	Jordan	-25.19	78	Oman	-32.50
21	Luxembourg	-11.12	50	Bahrain	-25.41	79	Nigeria	-33.13
22	Brazil	-11.74	51	Viet Nam	-25.55	80	Guatemala	-33.51
23	Colombia	-11.99	52	Mauritius	-26.04	81	Syrian Arab Republic	-33.70
24	South Korea	-12.13	53	Czech Republic	-26.25	82	Morocco	-33.94
25	Austria	-12.21	54	Iceland	-26.36	83	Iran	-34.00
26	South Africa	-12.58	55	Poland	-26.36	84	Bangladesh	-34.93
27	Israel	-13.57	56	China	-26.65	85	Venezuela	-35.44
28	Chile	-15.13	57	Peru	-26.66	86	Saudi Arabia	-37.06
29	New Zealand	-15.19	58	Uruguay	-26.98		<i>Average score: -18.32</i>	

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