Drivers of National Differences on Corporate Social Responsibility: The Role of Dominant Ethical Thought

Jamey A. Darnell
Clinical Assistant Professor
Smeal College of Business
Penn State University
417 Business Building
University Park, PA 16802
United States
814-863-0740

Michelle R. Darnell
Clinical Associate Professor
Smeal College of Business
Penn State University
United States
814-867-1845

Shalini S. Gopalkrishnan
Visiting Professor
Menlo College
1000 El Camino Real
Atherton, CA 94027
United States
650.543.3940

Abstract

In this paper we aim to extend the nascent literature on national differences in CSR that has only examined a small number of countries. We use data from a relatively new and under-utilized source, namely, Bloomberg data on ESG performance spanning 187 countries. To extend beyond GDP as an explanation of variation between countries, we examine and find support for alternative measures to GDP (i.e. measures of well-being) such as happiness, freedom, and social support, and conceptually link these measures to specific ethical frameworks. We find evidence for what we call dominant ethical thought as an antecedent to CSR.

Keywords: corporate social responsibility, ethics, institutional theory, values, well-being

Introduction

In this paper we aim to extend the nascent literature on national differences in Corporate Social Responsibility (CSR). Specifically, we address a gap in the literature, which we believe is both conceptual and empirical, by heeding the call for additional empirical work on the antecedents of CSR (e.g. Young & Makhija, 2014) and the incorporation of expanded data on a large number of countries (e.g. Ioannou and Serafeim, 2012). Grounded in the Institutional Theory approach to CSR, we introduce an additional theoretical explanation for the variation in CSR across nations, which we refer to as 'dominant ethical thought'. Specifically, these social standards pertaining to ethical values are conceptually additional mechanisms by which CSR activity emerges. We argue that these antecedents are important for understanding CSR as globalization continues to advance. International markets and reporting requirements are converging at rapid pace, potentially making current theoretical and conceptual explanations insufficient for future analysis. Additionally, we examine data from a relatively new and under-utilized source, namely, Bloomberg Intelligence data on Environmental, Social, and Governmental (ESG) performance to address an empirical gap in the literature.

The luxury good argument (e.g. Eccles, Ioannou, and Serafeim,2014) relating to Corporate Social Responsibility (CSR) is one possible explanation for national variances. For example, one might speculate that only rich countries can indulge in these activities. However, Chapple and Moon (2005) found that cross country variation in CSR could not be explained by differences in economic development.

They argue that there must be other national factors, but these factors have not been fully identified. The national social context has been theorized to influence CSR activities (Aguilera, Ganapathi, Rupp, and Williams, 2007), and some empirical evidence has been found to support this (e.g. Jackson and Apostolakou, 2010). However, studies in this area have largely focused on social institutions (e.g. Ioannou and Serafeim, 2012).Rather than primarily examining the role of social institutions at the national level, we investigate cultural aspects at the national level relating to what we call 'dominant ethical thought' in an attempt to find ethical indicators. Specifically, we argue that these thoughts about ethics are antecedents to the development of social institutions and are, therefore, relevant to the discussion of national differences ex-ante in CSR.

It has previously been argued that corporate activity and outcomes of that activity are impacted by social beliefs, values, relations, constraints, and expectations that are presented in both formal and informal rule systems (e.g. Crossland & Hambrick, 2011; Ioannou and Serafeim, 2012).However, there has been a call to develop a more "nuanced understanding and a more comprehensive theoretical argument characterizing the relative impact of such institutions on CSP" (Ioannou and Serafeim, 2012, pp. 857-858).In response to this call, we propose that the nation level institutions identified by Ioannou and Serafeim (2012), namely the political, education, labor, and financial institutions, are influenced by cultural dominance of ethical thought and then, subsequently, engagement in CSR. Interestingly, with respect to cultural institutions, Ioannou and Serafeim (2012, pp. 852) found that Absence of Corruption has the largest economic effect on Corporate Social Performance (CSP) across all the independent variables that they investigate, with an estimated effect on CSP of 0.13.We propose that this finding can be further understood by considering what we call 'dominant ethical thought'. Historically, social institutions are conceptually framed such that "the individual is always cause as well as effect of the institution" (Cooley,1902/1956, pp. 314), that social institutions are "subjectively formed, become crystallized" and then are reinforced back upon individuals (Scott, 2014, pp. 14). In this way, we argue that dominant ethical thoughts, as subjectively held values, are antecedents to social institutions understood as "stable, valued, recurring patterns of behavior" relating to the distribution of financial, political, and labor resources (Huntington, 1969, pp. 12). Previously, it has been argued that 'societal standards' determine what are proper CSR activities (e.g. Buehler & Shetty, 1974; Campbell, 2007; Maignan & Ralston, 2002), but where exactly do these standards come from? Our contention is that some of these standards may be ethical standards, and these ethical standards can be traced back to specific ethical frameworks or theories intended to guide individual ethical decision making.

Consideration of dominant ethical thought enables an extension beyond reliance upon GDP as an explanation of CSR variation between countries. Given our consideration of four basic frameworks for ethical thought, we conceptually link alternative measures to GDP (i.e. measures of well-being), such as happiness, human development, freedom, and equality, to variations in CSR at the national level. This approach gives relevance to a greater set of available data that can develop the burgeoning body of literature on explaining variation in CSR across nations. Furthermore, Ioannou and Serafeim (2012) state that there is a lack of comparable data relating to Corporate Social Performance (CSP) across a large number of countries. Only a limited number of studies on the subject exist and many have examined only a small number of countries (Ioannou and Serafeim, 2012). To address this shortcoming, we use archival data from Bloomberg Professional Services on ESG to measure our dependent variable (DV) CSR, which spans 187 countries. For our independent variables (IVs), including GDP and alternative measures of GDP (e.g. happiness index), we use archival data from sources such as the World Happiness Report and the World Bank. We also investigate the influence of legal system (civil law v. common law) as IVs to investigate a possible stakeholder vs. shareholder orientation at the national level. We use regression analysis to test the hypothesized relationships between variables.

The rest of this paper is organized as follows. First, we review relevant prior literature on the subject of international CSR. Second, we discuss the theoretical development of our hypothesis. Third, the methods used in this empirical study are explained as well as the results presented. Finally, in the discussion and conclusion we comment on implications and limitations of our findings.

Prior Literature

The notion of businesses having social responsibilities (i.e. responsibilities beyond those to owners) has been examined in academic literature since at least the 1950s, if not before (e.g. de Bakker, Groenewegen, & den Hond, 2005). This construct is often referred to as corporate social responsibility (CSR), although it is not distinct to organizations with a corporate legal structure. CSR activities can be described as those with social ends that go above and beyond the minimum required or expected of firms. This view is encapsulated by the widely used McWilliams and Siegel (2001, pp. 117) definition of CSR: "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." More recently, firms have begun to include CSR activities not only in their operations but also in their business models (Ioannou & Serafeim, 2015). Specifically, many firms are engaging in CSR activities classified into three major dimensions: environmental, social, and governmental. These dimensions are commonly referred to by the acronym ESG.

Historically, many academic researchers and practitioners contended that the purpose of a business organization was only to create value for owners or shareholders. Furthermore, this value was solely defined as profits. This economic perspective can be described by Milton Friedman's profit ethic commonly referred to as Shareholder Theory (Friedman, 1970). However, since the mid1980s, management researchers have been increasingly focused on Stakeholder Theory. This approach, first popularized by R. Edward Freeman (1984), differs from the traditional paradigm that emphasizes only the maximization of shareholder value, by asserting that a business organization has a responsibility to all of the various stakeholders of the firm (e.g. employees, customers, society, etc.). Stakeholder theory emphasizes value creation for all stakeholders, not just owners, with the concept of value left purposely ambiguousin order to account for the different interests of various stakeholders. Ioannou and Serafeim (2015) state that there has been a steady emergence of a stakeholder oriented institutional logic regarding CSR, at the expense of the traditional agency based logic (i.e. shareholder orientation or profit maximization). Furthermore, they argue that CSR activities occur in an institutional context where the initiatives are perceived as serving managerial interests rather than shareholder interests. Because CSR can be described or defined in terms of societal or stakeholder expectations, an institutional-stakeholder lens is also ideal for examining CSR on an international level (Matten & Moon, 2008). While CSR has been the norm in research and practice in the U.S. for a few decades, internationally the topic of CSR has only recently become commonplace (Matten & Moon, 2008).

Top level managers are very aware that stakeholder expectations for CSR vary significantly across nations and regions (McWilliams, Siegel, & Wright, 2006), and over the last decade there has been more of a focus on the antecedents of CSR, especially for firms operating in the global economy (McWilliams et al., 2006). Aguilera et al. (2007) theorized that firms operating in different national locations would experience varying degrees of stakeholder pressure to engage in CSR related activities. Similarly, Maignan and Ralston (2002) found significant variation across national domains in stakeholder pressure to engage in CSR activities, and Chapple and Moon (2005) found that multinational firms adjust their CSR activities based on the national locale where they have operations. It has been argued that national differences in CSR can be explained by differences in so called national business systems (e.g. Matten & Moon, 2008). Within the National Business Systems (NBS) context, there are two main types of capitalist economies: liberal market economies and coordinated market economies (Hall & Soskice, 2003). Liberal market economies (LMEs) are characterized by diverse ownership, equity financing, low inter-firm cooperation, flexible labor markets, etc. Coordinated market economies (CMEs) on the other hand can be described as having primarily large institutional ownership, debt financing, rigid labor markets, etc.

The National Business Systems perspective does help explain differences between implicit and explicit CSR (Matten & Moon, 2008), but it may not be sufficient as globalization progresses. Matten & Moon (2008) argue that traditionally LME systems are more characteristic of explicit CSR and CMEs are more characteristic of implicit CSR. Explicit CSR is described as voluntary firm activities, in an individualistic context, that combine social and business interests to address some societal interest. Implicit CSR on the other hand consists of values and norms that result in expectations for firms to address stakeholder issues in a more collective than individual manner. In other words, the presence of CSR is more explicit, or identified and communicated, by firms operating in LME systems whereas in CME systems CSR is more implicit and present at the institutional level. There has been a trend in the CME systems toward more explicit CSR (Matten & Moon, 2008). However, irrespective of CSR being explicit or implicit, the antecedents to CSR remain unclear. Our contention is that the dominant ethical views in a country will influence the CSR expectations. For example, dominant ethical thought could be an antecedent to how national markets are set up, explaining why some societies have traditionally favored the LME system (e.g. the U.S., Canada, and Australia) or the CME system (e.g. France, Germany, etc.), as well as why some societies have chosen non-capitalist economies. The data in our studies include countries with varying degrees of economic freedom. Additionally, with the rapid advance of globalization and subsequent convergence of international and national economic markets, ethical thought may be an additional explanation for national differences in CSR.

Institutional Theory draws attention to the importance of considering wider normative social structures that serve to legitimate the existence of organizations (Parsons, 1956/1960); consideration of normative structures on a global level can increase understanding of antecedents to CSR, and add to the growing literature on CSR on an international scale. Two potential hindrances in this area are (1) the need for a construct to measure normative structures across culturally diverse societies and (2) a lack of data across multiple countries.

With respect to the need for a universal construct, education has been suggested as a source of normative pressures, which in turn encourages the global spread of CSR (Matten & Moon, 2008). While education may grow and reinforce pressure for social institutions to conform to socially accepted norms, as supported by Institutional Theory, there remains a question as to which norms, and values supported by these norms, influence CSR in particular.By postulating the existence of dominant ethical thought, we rely on traditional ethical theories that postulate universally valid frameworks and provide a means to identifying and measuring potential antecedents across otherwise culturally diverse communities, on an international scale.

With respect to the second potential hindrance, existing studies on the subject of international CSR are limited, and many have examined only a small number of countries (Ioannou and Serafeim, 2012). For example, there has been significant variation in CSP, a measure of CSR defined as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (Wood, 1991, pp. 693), across countries (Ioannou & Serafeim, 2012), though there is a lack of comparable data across a large number of countries. Data from Bloomberg, based on ESG disclosures, could be a suitable proxy for CSP at the national level and covers a large number of countries thus addressing the empirical gap in the literature.

Theoretical Development

Institutional Theory provides considerable insight into how normative pressures, namely pressures pertaining to how things should be done or what constitutes legitimate means to pursue valued ends (e.g. Scott, 2014), influence social institutions. However, there remains some difficulty in understanding the relationship between shared values and CSR due to the ambiguity that surrounds both 'value' and 'CSR'. Beginning with the latter, early definitions of CSR include reference to the discretionary meeting of social demands: "social responsibility implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values, and expectations of performance" (Sethi, 1975, pp. 62).Expectations placed on corporations are wide ranging, though Carroll (1979) offered four primary categories of expectations, which remain a part of contemporary discussions on CSR (e.g. Bice, 2017): legal, economic, ethical, and discretionary. It is understood that these categories are not mutually exclusive, however, narrowing focus onto specific types of responsibilities may help to identify necessary, though perhaps individually insufficient, antecedents to CSR behaviors. Simultaneously, by decreasing the breadth of inquiry into CSR, increased depth of analysis can be pursued, which responds to the recognition that the challenge of understanding CSR includes underdeveloped theory and empirical methods as well as limited measurement tools (e.g. Crane et al., 2008; Jamali 2008; McWilliams & Siegel, 2000; Waddock and Graves, 1997).

The ethical dimension of CSR has been described as fundamental (Enderle, 2010), though inquiry into this dimension of business activity is not fully captured by consideration of CSR literature alone. Indeed, much work on the normative dimension of business is subsumed under the heading of 'Business Ethics' (Enderle, 2010). Research that connects normative demands with CSR behavior is thereby complicated by the fact that Business Ethics and CSR, while intertwined, are treated as distinct disciplines that are historically built upon different methodologies; Business Ethics is heavily influenced by western philosophy (Enderle, 2010) a discipline dominated by theoretical arguments, while CSR, and the connection between values and CSR through the lens of Institutional Theory, is typically dominated by empirical research.

Despite distinction between ethical and empirical methodologies, there is evidence of empirical usefulness to critically reflect on ethical theory (e.g. Boal and Peery, 1985; McDonald and Morris, 1993; Fritzsche and Becker, 1984), and ethical theory has been used to explain empirical findings (e.g. Kohlberg, 1969; Hogan, 1970; Forsyth, 1980). In this paper, we follow in such tradition of bridging Business Ethics and CSR by focusing on the ethical demands that arise from a given society and theorizing dominant ethical thought as an antecedent of CSR behaviors.

The category of ethical expectations within CSR specifically refers to social expectation that firms will consider and respond to factors other than purely profit motive (e.g. Bird and Velasquez, 2006; Carroll, 1998; Donaldson and Dunfee, 1999; Jones et al., 2005; Garriga and Melé, 2004; Joyner and Payne, 2002; Snider et al., 2003), with these other factors being distinctly ethical in nature. We accept as given that the expression of a demand logically entails the valuation of what is demanded, i.e. the person making the demand places importance on what is being demanded, otherwise effort would not be given to demand it in the first place. By restricting our focus in this project specifically to the ethical dimension of CSR, it is reasonable that CSR will be demanded within societies that place value on, and have developed norms around, ethical behaviors. We describe such societies as those with dominant ethical thought. The question thus arises, what would constitute markers of a society with dominant ethical thought?

Numerous studies have demonstrated that ethical judgements are culturally influenced (e.g.Thorne and Saunders, 2002), and Whipple and Swords (1992) found that country, or more broadly environment, is an important factor in differentiating judgments relating to normative expectations. As such, inquiry into the assignment of ethical responsibilities to organizations involves consideration of social environments that might influence the role of ethics in the decisions and actions of business managers. While acknowledging cultural influence on ethical decision making and action, there must remain some consistent attribute across sets of values and norms that allow us to identify them as distinctively ethical. Following the reliance upon western philosophy throughout the historical development of literature in Business Ethics, we too focus on values and norms that align with traditional western philosophical treatments of ethics.

Literature in Business Ethics has regularly included reference to three normative philosophical frameworks: Consequentialism, Deontology, and Virtue Ethics. These same frameworks were used by Chakrabarty and Bass (2015) in their early development of an "ethics based CSR". We build upon the work of Chakrabarty and Bass (2015) by considering historical philosophical writings within these frameworks, to identify specific values in consequentialist deontological, and virtue approaches to ethics, which in turn can be used to develop markers of communities likely to place high normative expectations on organizations.

Ethical Frameworks

Ethical frameworks provide a description of ethics, as well as prescribe behaviors by providing specific decision making processes intended to support the development and maintenance of an ethical community. Consequentialist, Deontological, and Virtue approaches to ethics are standard in Business Ethics literature. Values present in specific theories that exemplify these approaches are commonly relied upon in literature to articulate and defend ethical responsibilities that are assigned to corporations in theory. Following this reasoning, strong presence of these same values in a community might yield higher expectations of corporations to satisfy ethical responsibilities, beyond what is legally required, in practice.

Consequentialism emphasizes that the moral value of an action is determined by the consequences that result from that action (Anscombe, 1958). More specifically, consequences are measured against some standard that has been established as constituting moral goodness (Mackie, 1990). The standard theory taken to exemplify a consequentialist approach to ethics is Utilitarianism, with a classic proponent being John Stuart Mill (1861/2007). Utilitarianism is a common framework in business ethics, "because of the systematic approach it takes in the representation of problems, in effect taking a familiar 'cost-benefit' approach to ethical dilemmas" (Gandz and Hayes, 1988, pp. 657).

Looking more specifically at the values implied by Utilitarianism, Mill argues that "the creed which accepts as the foundation of morals, utility, or the Greatest Happiness Principle, holds that actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness" (1861/2007, pp. 6). What, exactly, constitutes happiness is left as an open question by Mill, though he does further insist that the "standard is not the agent's own greatest happiness, but the greatest amount of happiness altogether" (1861/2007, pp. 10). While happiness itself remains an ambiguous concept, it is clear that those who follow a Utilitarian framework value happiness and would have normative expectations that others should engage in behaviors designed to maximize happiness for the greatest number of affected parties. Theoretically, this has resulted, for example, in calls for organizations to monitor executive pay with respect to how pay structures for select individuals impact all stakeholders (DesJardins, 2013). Practically, we would expect a community that places high value on happiness as a dominant ethical thought will set expectations for corporations to consider more than their own 'happiness', but also the happiness of others impacted by their behaviors.

In sharp contrast to Consequentialism, a Deontological approach to ethics emphasizes that the normative value of an action is dependent on something other than the consequences of that action. Deontological approaches typically require alignment of the agent's intent for performing the action with a universal moral principle (e.g. Brady and Wheeler, 1996;Hunt and Vitell, 1986) A classic development of this framework is provided by Immanuel Kant (1785/2012), who is heavily relied upon within business ethics literature by such prolific scholars as Norman Bowie (2017) (see also Arnold and Harris, 2012, for a collection of articles on Kantian business ethics by a variety of distinguished scholars).Kant argues that such consequences as “well-being and contentment with one’s condition, under the name of happiness” is not itself necessarily indicative of ethical behavior, noting there is a need for a good will to direct all of our actions to a moral end (1785/2012, pp. 9). While happiness is set as a telos of ethics even for Kant, indication of commitment to ethics is established only when an agent’s intent is to act out of a sense of duty to the so-called Categorical Imperative, for which there are three distinct formulas.

These imperatives are interchangeable (Wood, 2007), though we focus on two formulas, which we recognize as explicitly drawing attention to the social-economic interactions within a community: the Formula of Humanity (FH) and the Formula of Kingdom of Ends (FKE).

FH is given as “act so that you use humanity, in your own person as well as in the person of other, always at the same time as an end and never merely as a means” (Kant, 1785/2012, pp. 41). For Kant, the intrinsic value of a person derives from the presence of good will, which is possible because of the inherent freedom and reason that is distinct in persons. Following FH, individuals who rely upon a Kantian approach to ethics would more specifically place value on behaviors that are grounded in respect for all persons, which includes respecting persons’ abilities to use their own reason and freedom to make choices in their lives. In this study we measure freedom at the individual level which is aggregated for a national score. The concept is further developed in FKE, which posits an ethical community as one in which there is a “systematic union of several rational beings under common law” or a “Kingdom of Ends” (Kant, 1785/2012, pp. 45). One implication of FKE is an acceptance that all members within an ethical community have an equal responsibility to be, and have the ability to fulfil the responsibility of being, a giver of moral law.

Furthermore, the fulfillment of this responsibility will allow for a systematic union of all members in the community, such that all individual interests will be coordinated. Following FKE, individuals who rely upon a Kantian approach to ethics will value active involvement of every member of a community in the coordination of interests of all community members, and will reasonably expect that others will freely engage in such involvement. Theoretically, we see these values assigned to organizations as, for example, an insistence that reliance on child labor be evaluated (DesJardins, 2013) to ensure children are given an opportunity to become educated and develop their abilities to eventually make their own choices, and that the interests of the organization are aligned with broader interests of the community, families, and individuals. In practice, we would expect a community that includes respect for persons, to the point of seeking establishment of a kingdom of ends, within its dominant ethical thought will expect decisions made at the corporate level to respect persons and coordinate all community interests.

While Brady and Wheeler (1996) argue the distinction between consequentialist and deontological approaches is of foundational importance in business ethics, virtue based approaches have also influenced the development of business ethics (e.g., Koehn 1995, 1998; Murphy, 1999; Moore, 2005; Whetstone, 2001). A virtue based approach to ethics emphasizes the need for moral agents to develop a character that ultimately supports the individual’s ability to flourish, which in turn also enables society to flourish and maintain a social environment that is supportive of individual persons. Virtue ethics is originally based on the work of Aristotle (350 BCE/ 1999), who argued “every action and decision is done for good” (Aristotle, 350 BCE/1999, pp. 7), and that more specifically the polis, or city-state, is established for the sake of helping individuals live good or happy lives (350 BCE/1999). The good life, in turn, is one that arises from the development of virtuous character (Aristotle,350 BCE/1999). In an ideal city-state, every citizen will possess moral virtue and the resources to engage in virtuous behavior (Aristotle 350 BCE/ 1997). Following Aristotle’s theory, social conditions that support the flourishing of individuals are valued. Theoretically, this has been linked to calls for social institutions to consider how their policies and procedures impact character development of individuals within the community, and contribute to the abilities of individuals to live a good life; for example, how advertisements impact children’s ability to develop into flourishing adults. (DesJardins, 2013). Similarly, we would expect a community that includes virtue as dominant ethical thought will expect organizations to support the community, display such virtues as generosity, and maintain stability within the community.

Recognizing that the categories of responsibilities that are often associated with CSR are not mutually exclusive, we also adopted a broader consideration of ethical responsibilities by considering Stakeholder Theory in addition to the above normative frameworks explicitly arising from classical western philosophy. Although not originally intended as such, Stakeholder Theory is recognized as issuing ethical responsibilities to businesses (Freeman, Wicks, & Parmar, 2004), and emphasizes the need to maximize value for all of an organization’s stakeholders by striving to avoid tradeoffs. This orientation is often contrasted with the so–called shareholder orientation, associated with the views of Milton Friedman (1970) (also e.g. Clarkson, 1995; Cooper, 2004; Donaldson and Preston, 1995; Waddock and Smith 2000), by drawing attention to organizational activities that align with ‘‘community norms and laws’’ (Dunfee, 2008, pp. 354). A Stakeholder approach to ethical expectations of corporations complements the preceding normative frameworks. For example, William Evan and Edward Freeman, writing about Stakeholder Theory, have argued that decisions to maximize stakeholder value could involve reliance on Kantian ethics, with businesses guided toward policies that respect the humanity of all stakeholders rather than simply maximizing profits for shareholders (Evan and Freeman, 1988). The inclusion of institutional theory in framing the analysis includes interdependencies and interactions among various stakeholders which is important to understanding CSR in a societal context (Matten & Moon, 2008).

Normative Influence on Organizations

Research in the discipline of Neo-Institutionalism has confirmed that "organizations require more than material resources and technical information if they are to survive and thrive in their social environment. They also need social acceptance and credibility" (Scott, Reuf, Mendel and Caronna, 2000, pp. 237). This acceptance and credibility is exemplified by accreditation and certifications by standard setting bodies (Casile and Davis-Blake 2002; Ruef and Scott 1998), but there is evidence that a country's social environment, considered broadly, must be taken into consideration to establish credibility. Normative structures within societies serve to legitimate the existence of organizations, with those organizations that serve more highly esteemed values perceived as more legitimate (Parsons, 1953). In this way, there is a distinct so-called normative pillar of institutionalism, which stresses the importance of a logic of appropriateness of means to pursue valued ends (Scott 2014, pp. 64-66). From this, there is a suggestion that organizations make decisions related to CSR within a broad social context, which is supported by the research into international differences in CSR by Jackson & Apostolakou (2010). While Neo-Institutionalism has a rich history of exploring the role of values as a form of external demand (Scott, 2014),the relationship between values and organizational decision making needs to be further clarified. For example, Scott's treatment of the normative pillar of institutionalism has been criticized as not properly differentiating normative and cognitive logics (Thornton, Ocasio & Lounsbury, 2012). Many studies in the management literature have used a very narrow conceptualization of institutional theory, which is not sufficient for analyzing the environment in which multinational corporations (MNCs) operate (Kostova, Roth, &Dacin, 2008). There is a need for increased consideration of the role of values as a formal antecedent to organizational choices and behaviors.

Organizations are influenced by external forces that both reinforce values, "conceptions of the preferred or desirable, together with the construction of standards to which existing structures or behaviors can be compared and assessed" as well as norms, which "define legitimate means to pursue valued ends" (Scott, 2014, pp. 64). In this paper, we postulate these external forces may in part be characterized more specifically as dominant ethical thought, having commitment to behaviors that are described, as well as prescribed, in established ethical theory. By appealing to ethical theory to identify values, and considering the practical application of these values into communities, we suggest that those societies reporting conditions that conceptually link to the prescriptions of ethical theory will show a positive correlation to CSR activity. Most generally, the reasoning is that in those communities in which there is a high routine of 'ethical behavior', organizations will also engage in more CSR activity.

Specifically, drawing on the literature summarized above, we focused on four normative frameworks to identify dominant ethical thought: Utilitarianism, Kantian ethics, Aristotelianethics, and Stakeholder Theory. We further theorize that societies characterized by a strong presence of ethical values, defined by the above frameworks, will be highly routinized by ethical norms, which in turn will influence the legitimacy of organizations. Those organizations seeking legitimacy in societies with dominant ethical thought will also need to conform their behavior to prevailing ethical values and norms by engaging in normative CSR.

Starting with Utilitarianism, happiness is established as a primary ethical value. Those societies that report high levels of happiness, on a Utilitarian framework, are characterized as highly ethical. We describe such a society more empirically as having dominant ethical thought, which we hypothesize to be an antecedent to CSR. Thus,

Hypothesis 1: Happiness/well-being is positively related to CSR.

Happiness is intertwined with the concept of well-being and sometimes the terms are used interchangeably (Diener, 2000). As noted in the summary of normative frameworks above, the concept of happiness is left ambiguous in Utilitarianism. In an attempt to capture this ambiguity present in the theory, we further consider measurements of affect (e.g. feelings, moods, etc.)to address a broader range of feelings people experience. Positive affect, frequently experiencing positive emotions, has long been considered a related (but distinct) construct to happiness (Lyubomirsky, King, and Diener, 2005). Negative affect (i.e. negative emotions) has been found to often exhibit an inverse relationship to positive affect (Lyubomirsky et al., 2005). Furthermore, both positive affect and negative affect have been considered integral parts of individual well-being (Diener, 2000) and are therefore relevant to our analysis of alternative measures of well-being.

Hypothesis 2a: Positive affect is positively related to CSR.
Hypothesis 2b: Negative affect is negatively related to CSR.

Kantian ethics establishes ethical behavior as that which follows FH or FKE. In accordance with FH, the normative imperative is to respect persons as intrinsically valuable, respecting persons' abilities to use their own reason and freedom to make choices in their lives.

As such, we attribute dominant ethical thought within those communities that report high levels of freedom, and predict higher engagement in CSR in these communities as organizations attempt to seek legitimacy:

Hypothesis 3: Freedom/liberty is positively related to CSR.

In accordance with FKE, there is a moral expectation for all persons to not only recognize but more strongly issue moral law, enabling a voluntary coordination of interests among all parties. We thereby attribute dominant ethical thought within those communities that report high levels of trust in the abilities of others to legislate in a cooperative manner:

Hypothesis 4: Trust is positively related to CSR.

Relying on an Aristotelian framework, an ethical community is generally characterized as one designed to support individuals, so that they can flourish. From this, we attribute dominant ethical thought within those communities that report high levels of social support to achieve a good life:

Hypothesis 5: Social Support is positively related to CSR.

The concept of 'social support' is somewhat vague, and we sought more specific examples of what constitutes a virtuous community from with Aristotle's own writings. One named virtue by Aristotle is generosity, thus we also considered that as a more explicit antecedent of CSR:

Hypothesis 6: Generosity is positively related to CSR.

Aristotle also writes that a virtuous community will be stable, with as few factions and divisions among its citizens as possible (Aristotle, 350 BCE/1997).We attempt to capture this stability and lack of fragmentation as confidence in the government:

Hypothesis 7: Confidence in national government is positively related to CSR.

To empirically capture dominant ethical thought from a Stakeholder or Shareholder orientation, we look to existing literature and build on the concepts of explicit and implicit CSR in order to evaluate the national institution of a legal system and how it relates to CSR. Prior research on National Business Systems, and by extension explicit and implicit CSR, is relevant to evaluating a dominant stakeholder or shareholder orientation. Jackson and Apostolakou (2010) found that LME countries had higher CSR scores than CME countries on the overall CSR score reported as well as on the social and environmental dimensions (the governmental dimension was not tested). They argue that the CSR activities in the more liberal economies are a substitute for institutionalized stakeholder involvement.

Government activities of creating and enforcing laws significantly influence firm CSR activities in an international context (Aguilera, et al. 2007). These government activities are manifested in a country's legal system, which is created and maintained by people and influenced by ethical standards; governmental motivations related to CSR can be moral in nature (Aguilera et al. 2007). In many cases, governments are comprised of the people in a nation and these people have certain ethical beliefs. Therefore, it stands to reason that a country's legal system is reflective, at least somewhat, of dominant social thought on ethics and values. A country's legal system is also reflective of shareholder or stakeholder orientation, it being commonplace in finance literature to usea country's legal system, specifically common law and civil law systems, to empirically measure for a stakeholder or shareholder orientation (e.g. La Porta et al., 1997).

Research on CME and implicit CSR emphasize the presence of collectivism, which appears to be very similar to both a Stakeholder orientation as well as a communitarianism approach to corporate governance. Both stakeholder orientation and communitarianism view a business organization as a social organization comprised of relationships. Furthermore, a communitarianism approach to corporate governance, often associated with a civil law legal system, implies a stakeholder orientation (Bradley, Schipani, Sundaram, & Walsh, 1999).

As described in the section on ethical frameworks, above, we included consideration of Stakeholder Theory as providing insight into an example of dominant ethical thought. Indeed, we would attribute dominant ethical thought to those communities in which emphasis is placed on stakeholder relationships. However, combining Stakeholder Theory as an ethical framework, with research on CME and implicit CSR, we find that the values associated with Stakeholder Theory are embedded into civil law legal structures. Because upholding of values associated with stakeholder theory are then legally required by countries with a civil law legal structure, conformity by an institution with those values would no longer constitute CSR, defined as beyond that which is required by law (McWilliams and Siegel, 2001).

More precisely, because CME systems are associated with implicit CSR, and as our data on CSR comes from company reports, government agencies, etc., we would expect to not see evidence for explicit CSR if a stakeholder view were dominant in a society. We argue that if a Stakeholder view is dominant then CSR will be captured by the legal system of a country and will, therefore, be implicit. As such,

Hypothesis 8: Civil law legal systems are negatively related to CSR.

If a shareholder orientation is dominant, then CSR will not be captured by the legal system, and will, therefore, be explicit if present. Prior research on LMEs and explicit CSR (e.g. Matten and Moon, 2008), demonstrates anemphasis on individuality in LMEs, and appears to be very similar to the perspective of organizations contained within Shareholder Theory. In Shareholder Theory, there is a lack of focus on group responsibility and indirect relationships, with instead an emphasis on contractual responsibilities to return profits to owners, which we interpret as individualistic in nature. Furthermore, a contractarianism view of a firm is as a collection of contracts or transactions, and Bradley at al. (1999) have shown that a contractarianism approach to corporate governance, associated with common law legal systems, implies a shareholder view. In such an environment, individual decision making and choices are expected. When applied to decisions related to taking responsibility for actions, we reason that a more individualistic environment provides a greater opportunity for dominant ethical thought to influence organizations' engagement in CSR.

Hypothesis 9: Common law legal systems are positively related to CSR

Sample, Data Collection, and Methods

Heeding the call for data on more countries, we attempted to maximize the number of countries included in the combination of our various data sets. Ultimately, this left us with a final sample of 155 countries, as complete data for our independent variables were unavailable for 32 countries and incomplete data on our dependent variable was found for seven countries. Available data spans the time period of 2010 to 2016. On average for the surveys used to collect data for our IVs, data was randomly collected from about 1000 people ineach country in each year, and aggregated to form a national number. All variables are measure at the national level.

Dependent Variable

In this study, we use a global archival dataset from Bloomberg, specifically the ESG Country Risk tool from Bloomberg Professional Service. Bloomberg collects data on 42 Key Performance Indicators (KPIs) that they have deemed critical to understanding the long term sustainability prospects of a country. The KPIs are all classified as either environmental, social, or governance indicators. The data on these KPIs gathered from a wide variety of sources including, but not limited to, other Bloomberg units, the U.S. government, and the World Bank. These sources include data at the individual level, aggregated to a national score, and institutional level (including both national and international institutions). Bloomberg then calculates for each country the percentile rank on a KPI as well as an overall score and rank. The weights for each KPI were set equally for this study, and include all three ESG dimensions. Specifically, we use the composite score for our dependent variable, which is a proxy for CSR. Following a very recent trend in CSR research we conceptualize CSR as our outcome variable, which we hypothesize is being influenced by our predictor variables measuring ethics. The ESG data spans the years 2010 to 2016.

Independent Variables

It is very difficult to find sufficient independent variables that are not collinear due to the vast amount of data included in the Bloomberg ESG calculation. To measure our independent variables, we use archival data in the World Happiness Reports (Helliwell, J., Layard, R., & Sachs, J., 2016) from 2010 to 2016 and legal system classifications from a foreign law encyclopedia. The independent predictor variables include measures for economic factors (control variable), Freedom/Liberty, Happiness, Positive & Negative Affect, Social Support, Trust, Confidence in National Government, and legal system. Data on most of these variables are collected from the World Happiness Report (WHP) as conducted by the Gallup organization as part of the Gallup World Poll (GWP). This international poll was conducted annually from 2005 to 2016, and aggregates individual responses to comprise a national score.

To measure happiness, we use a composite called the Cantril Life Ladder (Helliwell, Huang, & Wang, 2016), which is created by averaging responses in the Gallup World Poll to the following question: “please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?” For positive and negative affect we also use measures from the GWP. Our negative affect measure is comprised of three negative affect items in the GWP.

They are worry, sadness and anger, respectively measured by responses to “Did you experience the following feelings during A LOT OF THE DAY yesterday? How about Worry?”, “Did you experience the following feelings during A LOT OF THE DAY yesterday? How about Sadness?”, and “Did you experience the following feelings during A LOT OF THE DAY yesterday? How about Anger?” Positive affect is measured by three items in the GWP: happiness, laugh, and enjoyment, respectively measured by the responses to the following three questions: “Did you experience the following feelings during A LOT OF THE DAY yesterday? How about Happiness?”, “Did you smile or laugh a lot yesterday?”, and “Did you experience the following feelings during A LOT OF THE DAY yesterday? How about Enjoyment?”

To measure freedom/liberty we use a scaled item called “freedom to make life choices”. Specifically, this survey from the GWP asked respondents: “are you satisfied or dissatisfied with your freedom to choose what you do with your life?” Trust is measured by the question “Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?” The measure is comprised as the percentage of respondents saying that most people can be trusted, excluding those who did not provide an answer.

For social support, generosity, and confidence we also use data from the GWP. Social support (or having someone to count on in times of trouble) is the national average of the binary responses (either 0 or 1) to the question “If you were in trouble, do you have relatives or friends you can count on to help you whenever you need them, or not?” Confidence in national government is measured by the questions: “Do you have confidence in each of the following, or not? How about the national government?”Generosity is the residual of regressing the national average of response to the GWP question “Have you donated money to a charity in the past month?” on GDP per capita.

For legal system and the measurement of a stakeholder or shareholder view, we look to a traditional source in finance literature on international legal systems, and use categories as outlined by La Porta, Lopez-de-Silanes, Shleifer, &Vishny (LLSV) (1996,1997). They used data primarily from a source called Foreign Law: Current Sources of Codes and Basic Legislation in Jurisdictions around the World (Reynolds and Flores, 1989). The LLSV categories include English Common Law, as well as French, German, or Scandinavian origin civil law. We use data to categorize legal systems from the 2007 edition of this encyclopedia of foreign laws, which is the most recent version we could find.

For economic data we use Gross Domestic Product (GDP) per capita as our control variable. This is gathered from the World Bank’s World Development Indicators (WDI) and transformed logarithmically to standardize the data. GDP is measured via Purchasing Power Parity (PPP) at constant 2011 international dollar prices.

Summary Statistics

We are able to obtain data on most countries for all seven years resulting in a total of 931 observations for our dependent variable. There is a wide variety of scores for the different countries. Mean ESG worldwide is 48.89 with a minimum of 12.30 in Somalia and a maximum of 69.00 in Sweden. Summary statistics by variable can be seen in table one and show a wide variety of scores for our independent variables. For all our independent variables except Trust, we are able to include 1,200+ observations. For Trust, however, the data was a bit sparse and we were only able to achieve 583 observations.

Table 1 – Descriptive Statistics

Variable	N	Mean	Std. Dev.	Min	Max
ESG	931	40.89	11.75	12.30	9.00
GDP	1,385	9.20	1.18	6.35	11.81
Happiness	1,420	5.42	1.121	2.68	8.01
Positive Affect	1,403	0.70	0.10	0.36	0.94
Negative Affect	1,409	0.26	0.082	0.08	30.70
Freedom	1,386	0.72	0.14	0.25	0.98
Trust	583	0.24	0.15	0.031	0.66
Social Support	1,408	0.81	0.11	0.29	0.98
Generosity	1,328	0.00	0.15	-0.32	0.54
Confidence	1,225	0.46	0.17	0.06	0.97

Examining the correlations presented in table two, we are able to obtain preliminary evidence for our hypotheses. All of the independent variables, except Negative Affect and Confidence in National Government, have positive correlations, as hypothesized, though all not at statistically significant levels. Negative Affect is hypothesized to have a negative correlation with ESG, and a negative correlation is shown in the correlation matrix.

However, Confidence in National Government has a negative correlation with ESG, which was not hypothesized. Further investigation is needed on the relationship between Confidence in National Government and CSR. This is addressed in the discussion section, below.

Table 2 – Correlations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ESG (1)	1.00									
GDP (2)	0.77**	1.00								
Happiness (3)	0.73**	0.69**	1.00							
Positive Affect (4)	0.43**	0.24*	0.64**	1.00						
Negative Affect (5)	-0.28*	-0.19*	-0.33*	-0.36*	1.00					
Freedom (6)	0.60**	0.45**	0.62**	0.70**	-0.42**	1.00				
Trust (7)	0.43**	0.50**	0.44**	0.13*	-0.42**	0.37**	1.00			
Social Support (8)	0.54**	0.54**	0.61**	0.48**	-0.48**	0.57**	0.40**	1.00		
Generosity (9)	0.26*	0.24*	0.47**	0.48**	-0.19*	0.43**	0.47**	0.21**	1.00	
Confidence (10) in National Govt.	-0.01	0.04	0.07	0.21*	-0.33**	0.32**	0.24*	0.03	0.16*	1.00

†,*,**,***. Significant at the 0.1, 0.05, 0.01, and .001 level (2-tailed)

Regression Analysis Results

We first run a linear regression model (N = 907) with GDPas a control, the result of which can be seen in table three. The model is significant at the 0.001 level. As expected, and consistent with prior research, a substantial portion of variance is explained by GDP(65%). Upon adding other variables, we find an increase of 15% - 16% explained variance. We next run a model (1) with all independent variables except trust and common law, which results in an R-Squared of .80 that is significant at the 0.001 level. We run separate models (N = 768) for Civil Law and Common Law as they are both dummy variables. We also run a model with Trust (N = 294) included lastly, as the sample size is reduced significantly. Model (2) swaps out Civil Law for Common Law and results in an R-Squared of .81, also significant at the 0.001 level. Model (3), incorporating trust, results in an R-Squared of .73, which is also significant at the 0.001 level.

Table 3 – Linear Regression Analysis

Model	(0) N = 907		(1) N = 768		(2) N = 768		(3) N = 294	
DV:ESG	Coef.	Se	Coef.	Se	Coef.	Se	Coef.	Se
Consequentialism								
Happiness			1.53***	0.33	1.58***	0.32	2.35***	0.60
Positive Affect			-4.97*	2.64	-5.74†	2.58	4.08	4.97
Negative Affect			-12.78***	2.93	-12.97***	2.84	-5.77	4.46
Deontology								
Freedom			12.30***	2.18	12.01***	2.13	22.26***	3.55
Trust							4.17	2.67
Virtue Theory								
Social Support			0.73	2.61	2.41	2.55	-9.70*	4.36
Generosity			-0.69	1.46	-3.03*	1.43	-7.18**	2.39
Confidence in National Govt.			-4.88***	1.35	-5.56***	1.32	-9.09***	1.84
Stakeholder/ Shareholder Orientation								
Civil Law			-0.61	0.44				
Common Law					3.28***	0.51		
Country Controls								
GDP	7.90***	0.19	7.02***	0.28	6.86***	0.27	5.71***	0.56
R-squared	0.65***		0.80***		0.81***		0.73***	

†,*,**,***. Significant at the 0.1, 0.05, 0.01, and .001 level (2-tailed)

Since there could be issues with data across years for the same country, we also run a regression with fixed effects for year as a robustness check. We follow the same pattern of analysis as in our linear regression. We first start with a baseline model (0) only including the control variable GDP, then a model (1) with all independent variables except Trust and Common Law, next a model (2) switching out Civil Law and Common Law, and lastly a model (3) including Trust. The results are qualitatively similar to those for the linear regression, but this gives us confidence that controls across years are not contaminating the relationships.

In order to find evidence in support of Consequentialism as a dominant ethical thought that influences CSR, we hypothesize that happiness/well-being is positively related to CSR. Happiness has a coefficient of 1.58 (model 2) that is significant at the 0.001 level supporting hypothesis one. We also hypothesize that Positive Affect is positively related to CSR and Negative Affect is negatively related to CSR. We are unable to find support for Positive Affect at the .05 (or less) level, but we did find support for Negative Affect having a negative correlation with CSR. Negative Affect has a coefficient of -12.97 (model 2) that is significant at the .001 level. Hypothesis 2a is not supported, but hypothesis 2b is supported.

To find evidence for Deontology as a dominant ethical thought that influences CSR, we hypothesize that freedom\liberty is positively related to CSR, and we found support at the .001 level. In fact, Freedom has the largest coefficient of 12.30 (model 1) out of all our independent variables. Hypothesis three is supported. We also hypothesize that trust is positively related to CSR, however, we are unable to find any support at the .05 (or less) level. This could be due to the small sample size and further investigation is warranted. Hypothesis four is not supported.

In support of Virtue Theory as a dominant ethical thought that influences CSR, we hypothesize that social support is positively related to CSR. We are unable to find support for a positive relationship at the .05 (or less) level. Hypothesis five is not supported. We also hypothesize that Generosity and Confidence in National Government are positively related to CSR. However, we find statistically significant negative relationships for both variables. Thus, hypothesis six and seven are not supported either.

In support of a Stakeholder Orientation influencing CSR, we hypothesize that civil law legal systems are negatively related to CSR as compared to common law. We do not find any support for this relationship when examining all Civil Law systems together. Hypothesis eight is not supported in the most general sense. However, when examining the four Civil Law systems separately in relation to common law, as defined by LLSV, we do find some evidence to support hypothesis eight. Table four shows the results of this additional analysis. Both French Civil Law and Other Civil Law have statistically significant negative relationships with CSR as hypothesized. However, Scandinavian Civil law has a statistically significant positive relationship with CSR with respect to Common law. German Civil Law on the other hand has no detectable significant relationship. To find support for Shareholder Orientation influencing CSR, we hypothesize that Common Law systems are positively related to CSR. In contrast to Civil Law we do find a statistically significant positive relationship between Common Law and CSR in relation to Civil law. In model two Common Law has a coefficient of 3.28 significant at the .001 level. Hypothesis nine is supported.

Table 4 – Civil Law Systems Analysis using Linear Regression

Model	(1) N = 661		(2) N = 259	
DV:ESG	Coef.	Se	Coef.	Se
Consequentialism				
Happiness	1.43***	0.34	1.65*	0.71
Positive Affect	1.64	2.75	8.49	5.41
Negative Affect	-16.39***	3.02	-13.57**	4.78
Deontology				
Freedom	11.05***	2.20	20.67***	3.80
Trust			0.99	2.90
Virtue Theory				
Social Support	2.96	2.78	-6.89	4.82
Generosity	-2.71†	1.53	-5.68*	2.78
Confidence in National Govt.	-6.78***	1.38	-9.61***	1.97
Stakeholder/ Shareholder Orientation				
French Civil Law	-4.35***	0.54	-1.47	1.05
German Civil Law	-0.03	0.83	1.49	1.56
Scandinavian Civil Law	1.39	1.06	4.77*	2.06
Other Civil Law	-1.56*	0.65	-1.20	0.90
Country Controls				
GDP	6.15***	0.32	5.81***	0.75
R-squared	0.83***		0.73***	

†,*,**,***. Significant at the 0.1, 0.05, 0.01, and .001 level (2-tailed)

Discussion and Conclusion

Our study extends the literature beyond GDP as an explanation for national variations in CSR. We identify and test alternative measures of well-being (other than GDP) and find evidence linking them to CSR. We also extend the literature by examining dominant ethical thought as an antecedent to social institutions and CSR. We identify and test indicators of dominant ethical thought, or widely accepted social standards pertaining to ethical values, and relate them to CSR. We also heed the call for studies using data on a large number of countries and fill an empirical gap in the literature with our sample including155 countries.

We are able to find evidence for a positive relationship between Happiness and CSR. This suggests the possibility that a feeling of personal well-being translates into engagement in activities that further social interests. However, our results for affect and CSR are mixed. We are not able to find evidence for a positive relationship for Positive Affect and CSR, but we do find evidence for a negative relationship for Negative Affect and CSR. With respect to our findings related to positive affect, we speculate the specific questions posed in the GWP may have cultural biasor may not adequately capture cultural differences. For example, smiling and laughing are likely influenced by different cultural norms across countries pertaining to public expression of feelings. Despite lack of support in this study, additional measures of positive affect should be explored to explain CSR variations across nations. Consistent with our explanation of our findings on the relationship between happiness/well-being and CSR, it is reasonable that feelings of worry, sadness, or anger about one's individual situation hinder engagements that further social interests.

We are able to find evidence for a strong relationship between freedom and CSR. This conceptually makes sense as CSR is defined, by McWilliams and Siegel (2001), to not be something required by law. Therefore, individuals or firms must be free to choose whether or not to engage in CSR activities. Beyond the empirical need for freedom to behave in ways beyond what is formally mandated, freedom has been theoretically posited in this study, from a deontological framework, as an ethical commitment. The specific ethical theory relied upon to identify Freedom as a marker of dominant ethical thought emphasizes that moral agents have a duty to use their freedom in ways that respect other persons as valuable beyond mere means for achieving some other desired end (Kant, 1785/2012). Evidence of cultural commitment to respecting other persons is deserving of more attention as a fundamental value that supports the development of social institutions linked to higher CSR engagements, such as absence of corruption (Ioannou and Serafeim, 2012). An international setting, compared to a domestic one, provides a superior context in which to examine CSR, as freedom should have more variation across countries with different political and legal systems, as well as diverse cultures.

Empirical evidence for CSR being influenced by Virtue Theory asa dominant ethical thought has proven to be elusive in this study. The inclusiveness of the dependent variable ESG, limits our options for empirical evidence. Some promising measures from the World Happiness Report like Healthy Life Expectancy at Birth could not be included because of collinearity. Contrary to our hypotheses, we found significant negative relationships between Generosity, Confidence in National Government and CSR.

An alternative explanation is that in more generous countries CSR is not an expectation or norm, with expectations placed on individuals to engage in socially responsible activities as opposed to organizations or institutions. An alternative explanation for Confidence in National Government is that in countries where the people do not have confidence in the government as a competent social institution, they may expect (business) organizations to fill the gap. Despite our findings in this study, there remains a strong conceptual link between Virtue Theory and Institutional Theory and, therefore, CSR. Institutional Theory focuses on stable, recurring patterns of behavior that are valued (Huntington, 1969), and Virtue Theory seeks to explain the value that drives behavioral choices and encourage habit making of behaviors that promote established value (Aristotle, 350 BCE/1999).We believe that more alternative measures should be sought that might better capture this theoretical relationship between Virtue Theory, Institutional Theory, and CSR. These measures might more precisely capture the concept of virtue as explained by Aristotle. For example, while we sought evidence of 'social support', this concept is quite vague. Future studies might focus on Aristotle's more specific comment that, for example, a common system of education for all the citizens is present in an ideal community (Aristotle, 350 BCE/1997).

Our evidence for a Stakeholder or Shareholder Orientation is mixed. We find support for a positive relationship between Shareholder Orientation, as measured by a Common Law system, and CSR. However, we do not find evidence for Civil Law systems as a whole, though there is evidence for French and Other Civil Law systems having a negative relationship with CSR in support of our hypothesis of a stakeholder orientation being negatively correlated with CSR. It could be the case that Civil Law is too broad of a measure and that there are variations within these cultures that are not accounted for with this variable. For example, it could be that Scandinavian and German cultures have a Shareholder Orientation rather than a Stakeholder one despite having a Civil Law system; the effect of the legal system might be moderated by other expectations of engagement in socially responsible activities. Another alternative is that disclosure of CSR is changing and having a significant impact on the concepts of implicit and explicit CSR, and this may not be reflected in our data. For example, recently the European region has begun requiring CSR disclosures as part of the overall reporting requirements for public corporations whereas this is not required in the United States. Some organizations or countries may have had different rates of adopting reporting requirements prior to the EU mandate. Additional alternative measures for Stakeholder and Shareholder Orientation should be sought.

Our study is limited in the number of years of data, and further longitudinal studies could corroborate our findings. Ultimately, we do find evidence supporting our introduction of dominant ethical thought as an antecedent (pre-institutional) factor that influences CSR, though our consideration of specific ethical frameworks is limited. Our ethical theories are primarily Western European in nature. Subsequent studies could be undertaken using theories from nonwestern cultures. An additional potential limitation is that we use ESG data as a proxy for CSR, as this is a trend in research and practice. However, at some point ESG may become a distinct construct from CSR. Also, as previously mentioned, we had difficulty finding suitable independent variables that do not overlap with the expansive ESG measure. Included in the Bloomberg ESG data are factors relating to freedom in the business environment. It is possible that this freedom does account for some of the positive relationship we find between ESG and what we were more specifically measuring, namely perceptions of individual freedom.

Although we conceptualize CSR as an outcome of ethics, it is entirely possible that the reverse relationship is true. An experimental analysis would need to be undertaken to truly evaluate causality and the direction of any causality. Another empirical issue is that of endogeneity. Our ethical variables are measured at the individual level and aggregated to form a national score. It is unknown whether or not the individuals who constitute the survey results are a part of any relevant social institutions (national or international). Furthermore, although there are clearly differences across the societies, individuals do make up the institutions (and subsequently institutional logics) and are simultaneously influencing and influenced by the institutions.

Existing literature suggests social institutions play a role in predicting and explaining engagement in CSR, though the antecedents of these institutions, which shape the values that stabilize and normalize social behaviors, have not been adequately addressed. This study offers an initial method for investigating those values that influence social institutions and CSR engagement, by postulating dominant ethical thought to be a plausible antecedent. This dominant ethical thought can be identified by markers suggested within specific ethical theories, and measured using existing ESG data. In addition to potentially explaining and predicting CSR engagement, consideration of dominant ethical thought may also translate into increased cultural understanding, which has strategic implications for managers. Managers of Multinational Corporations (MNCs) need to consider local ethical thought relating to CSR when engaging in operations around the world. The local vs. global dilemma exists for many international management activities, but it may be more pressing considering that many MNCs use CSR as a way to establish local legitimacy. A greater understanding of the local culture should lead to greater legitimacy.

Research on CSR is by no means complete, as there is a strong need for additional theoretical and empirical explanations (e.g. Aguinis & Glavas, 2012). This may be even more pertinent for current and future research on CSR if globalization continues and the convergence of markets and reporting requirements make some explanations, like differences in national business systems and implicit/explicit CSR, less relevant. Dominant ethical thought provides an explanation for some antecedents of CSR thereby elucidating some additional mechanisms by which CSR activity emerges.

Acknowledgements: an early version of this paper was presented at the 7th International CSR Conference in Berlin, Germany.

References

Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations. *The Academy of Management Review*, 32(3): 836-863.

Aguinis, H. &Glavas, A. (2012) What We Know and Don't Know About Corporate Social Responsibility: A Review and Research Agenda. *Journal of Management*, 38(4), 932-968.

Anscombe, G. E. M. (1958). Modern moral philosophy. Retrieved from http://www.pitt.edu/~mthompso/mmp.pdf.)

Arnold, D.G. & Harris J.D. (Eds.). (2012). Kantian Business Ethics. Northampton, MA: Edward Elgar Publishing.

Aristotle (1997). *Politics*. (Peter L. Phillips Simpson, Trans.). Chapel Hill, NC: UNC Press. (Original work published 350 BCE)

Aristotle (1999). *Nicomachean Ethics*. (Terence Irwin, Trans.). Indianapolis, IN: Hackett. (Original work published 350 BCE)

Bice, Sara (2017). Corporate Social Responsibility as Institution: A Social Mechanisms Framework. *Journal of Business Ethics*, 143(1): 17-34.

Bird, F. & Velasquez, M. (2006). *Just Business Practices in a Diverse and Developing World*. London: Palgrave Macmillan.

Bloomberg for Environmental, Social & Governance Analysis. (2016). Bloomberg Finance L.P.

Bowie, N. (2017) *Business Ethics A Kantian Perspective*,(2nd Ed.).New York: Cambridge University Press.

Brady, F. N. and Wheeler G. E. (1996). An empirical study of ethical predispositions.*Journal of Business Ethics*, 15(9): 927–940.

Bradley, M., Schipani, C. A., Sundaram, A. K., & Walsh, J. P. (1999). Challenges to Corporate Governance. *Law and Contemporary Problems*, 62(3): 9-86.

Buehler, V. M. & Shetty, Y.K. (1974). Motivations for corporate social action. *Academy of Management Journal*, 17(4): 767-771.

Carroll, A.B. (1998). The Four Faces of Corporate Citizenship. *Business and Society Review*, 100/101(1): 1-7.

Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3): 946-967.

Casile, M. & David-Blake, A. (2002). When accreditation standards change: Factors affecting differential responsiveness of public and private organizations. *Academy of Management Journal*, 45: 180-195.

Chakrabarty, S.&Bass, E.A. (2015). Comparing Virtue, Consequentialist, and Deontological Ethics-Based Corporate Social Responsibility: Mitigating Microfinance Risk in Institutional Voids. *Journal of Business Ethics*, 126(3): 487-512.

Chapple, W. & Moon, J. (2005). Corporate Social Responsibility (CSR) in Asia: A Seven-Country Study of CSR Web Site Reporting. *Business and Society*, 44(4): 415-441.

Clarkson, M.B.E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *The Academy of Management Review*, 20(1): 92-117.

Cooley, C. H. (1902/1956). *Social Organization*. Glencoe, IL: Free Press.

Cooper, S. (2004). *Corporate social performance: A stakeholder approach*. New York: Routledge.

Crane, A., McWilliams, A., Matten, D., Moon, J. & Siegel, D. (Eds.) (2008). *The Oxford Handbook of Corporate Social Responsibility*. Oxford: Oxford University Press.

Crossland, C. & Hambrick, D. C. (2011). Differences in managerial discretion across countries: How nation-level institutions affect the degree to which CEOs matter. *Strategic Management Journal*, 32(8): 797-819.

de Bakker, F. G. A., Groenewegen, P., & den Hond, F. (2005). A Bibliometric Analysis of 30 Years of Research and Theory on Corporate Social Responsibility and Corporate Social Performance. *Business and Society*, 44(3): 283-317.

DesJardins, J.R. (2013). *An Introduction to Business Ethics*. New York: McGraw Hill.

Diener, E. (2000). Subjective well-being: The science of happiness and a proposal for a national index. *American Psychologist*, 55(1): 34-43.

Donaldson, T. &Dunfee, T.W. (1999). *Ties that Bind: A Social Contracts Approach to Business Ethics*. Cambridge, MA:Harvard Business School Press.

Donaldson, T. & Preston, L.E. (1995). The stakeholder theory of the corporation: concepts, evidence and implications. *The Academy of Management Review*, 20(1): 65-91.

Dunfee, T. W. (2008). Stakeholder theory: Managing corporate social responsibility in a multiple actor context. In Crane, A., McWilliams, A., Matten, D., Moon, J., &Siegel, D. S. (Eds.), The Oxford handbook of corporate social responsibility (pp. 346-362). Oxford, UK: Oxford University Press.

Eccles, R. G., Ioannou, I., &Serafeim, G. (2014). The Impact of Corporate Sustainability on Organizational Processes and Performance. *Management Science*, 60 (11): 2835-2857.

Enderle, Georges (2010). Clarifying the Terms of Business Ethics and Corporate Social Responsibility. *Business Ethics Quarterly*, 20(4): 730-732.

Evan, W.M. & Freeman, R.E. (1993). A stakeholder theory of the modern corporation:Kantian capitalism. In G.D. Chryssides& J. H. Kaler (Eds.), An Introduction to business ethics (pp. 97-106). Boston, MA, Cengage.

Freeman, R. E. (1984). *Corporate Strategy: A stakeholder approach*. Boston: Pitman.

Freeman, R.E., Wicks, A.C., &Parmar, B. (2004). Stakeholder theory and 'the corporate objective revisited'. *Organization Science*, 15(3): 364-369.

Friedman, M. (1970), September 13. The Social Responsibility of Business is to Increase Its Profits. *New York Times Magazine*.

Gandz, J. &Hayes, N. (1988). Teaching Business Ethics. ***Journal of Business Ethics*. 7(9):** 657–669.

Garriga, E. &Melé, D. (2004). Corporate social responsibility theories: Mapping and territory. *Journal of Business Ethics*, (53): 51-71.

Hall, P. A. & Soskice, D. (2003). Varieties of Capitalism and Institutional Change: A Response to Three Critics. *Comparative European Politics*, 1: 241-250.

Helliwell, J. F., Huang, H., & Wang, S. (2016). New Evidence on Trust and Well-being (NBER Working Paper No. 22450). Cambridge, MA: National Bureau of Economic Research.

Helliwell, J., Layard, R., & Sachs, J. (2016). *World Happiness Report 2016*. New York: Sustainable Development Solutions Network.

Hunt, S.D. &Vitell, S.J. (1986). The general theory of marketing ethics: A revision and three questions. *Journal of Macromarketing*, 6(1): 5-16.

Huntington, S. (1969). *Political order in changing societies*. New Haven, CT: Yale University Press.

Ioannou, I. &Serafeim, G. (2012). What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies*, 43: 834-864.

Ioannou, I. &Serafeim, G. (2015). The Impact of Corporate Social Responsibility on Investment Recommendations: Analysts' Perceptions and Shifting Institutional Logics. *Strategic Management Journal*, 36:1053-1081.

Jackson, G. &Apostolakou, A. (2010). Corporate Social Responsibility in Western Europe: An Institutional Mirror or Substitute? *Journal of Business Ethics*, 94: 371-394.

Jamali, D. (2008). A stakeholder approach to corporate social responsibility: A fresh perspective into theory and practice. *Journal of Business Ethics*, 82(1): 213-231.

Jones, P., Comfort, D.,Hillier, D. &Eastwood, I. (2005). Corporate social responsibility: a case study of the UK's leading food retailers. *British Food Journal*, 107(6): 423-43.

Joyner, B.E. & Payne, D. (2002). Evolution and Implementation: A Study of Values, Business Ethics and Corporate Social Responsibility. *Journal of Business Ethics*, 41(4): 297-311.

Kant, Immanuel. (2012). *Groundwork for the metaphysics of morals.* (Mary Gregor and Jens Timmermann, Trans.). Cambridge, MA: Cambridge University Press. (Original work published 1785).

Koehn, D. (1995). A role for virtue ethics in the analysis of business practice. *Business Ethics Quarterly*, 5(3), 533–539.

Koehn, D. (1998). Virtue ethics, the firm, and moral psychology. *Business Ethics Quarterly*, 8(3), 497–513.

Kostova, T., Roth K., &Dacin, M. T. (2008). Institutional Theory in the Study of Multinational Corporations: a Critique and New Directions. *Academy of Management Review*, 33(4): 994-1006.

La Porta, R., Lopez-De-Silanes, F., Shleifer, A., &Vishny, R. W. (1996). Law and Finance (NBER working paper 5661). Cambridge, MA: National Bureau of Economic Research.

La Porta, R., Lopez-De-Silanes, F., Shleifer, A., &Vishny, R. W. (1997). Legal Determinants of External Finance. *The Journal of Finance*, 52(3): 1131-1150.

Lyubomirsky, S., King, L., &Diener, E. (2005). The Benefits of Frequent Positive Affect: Does Happiness Lead to Success? *Psychological Bulletin*, 131(6): 803-855.

Mackie, J. L. (1990). Ethics: Inventing right and wrong. London: Penguin.

Maignan, I. & Ralston, D. A. (2002). Corporate social responsibility in Europe and the U.S.: Insights from business' self-presentations. *Journal of International Business Studies*, 33(3): 497-514.

Matten, D. & Moon, J. (2008). "Implicit" and "Explicit" CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility. *The Academy of Management Review*, 33(2): 404-424.

McWilliams, A., & Siegal, D. (2000). Corporate social responsibility and financial performance: correlation or miss-specification? *Strategic Management Journal*, 21(5), 603-609)

McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *The Academy of Management Review*, 26(1): 117-127.

McWilliams, A. Siegel, D. S. & Wright, P. M. (2006). Corporate social responsibility strategic implications. *Journal of Management Studies*, 43(1): 1-18.

Mill, J.S. (2007). *Utilitarianism*. Mineola, NY: Dover. (Original work published 1861)

Moore, G. (2005). Corporate character: Modern virtue ethics and the virtuous corporation. *Business Ethics Quarterly*, 15(4), 659–685.

Murphy, P. E. (1999). Character and virtue ethics in international marketing: An agenda for managers, researchers and educators. *Journal of Business Ethics*, 18(1), 107–124.

Parsons, T. (1953). A revised analytical approach to the theory of social stratification. In R. Bendiz& S. M. Lipset (Eds.), *Class, Status and Power: A Reader in Social Stratification*(pp. 92-129). Glencoe, IL: Free Press.

Parsons, T. (1956/1960). A sociological approach to the theory of organizations in T. Parsons (Ed.) *Structure and Process in Modern Societies* (pp. 16-58). Glencoe, IL: Free Press.

Reynolds, T. & Flores, A. (1989). *Foreign Law: Current Sources of Basic Legislation in Jurisdictions of the World* (2007 ed.). Littleton, CO: Rothman and Co.

Ruef, M. & Scott, W.R. (1998). A multidimensional model of organizational legitimacy: Hospital survival in changing institutional environments. *Administrative Science Quarterly*, 43: 877-904.

Scott, W. R. (2014). *Institutions and Organizations: Ideas, Interests, and Identities*. Thousand Oaks, CA: Sage.

Scott, W.R., Ruef, M., Mendel, P.J., &Caronna, C.A. (2000). *Institutional change and healthcare organizations: From professional dominance to managed care*. Chicago: University of Chicago Press.

Sethi, S. P. (1975). Dimensions of corporate social responsibility. *California Management Review*, 77(3), 58-64.

Snider, J., Hill, R. P., & Martin, D. (2003). Corporate social responsibility in the 21st century: A view from the world's most successful firms. *Journal of Business Ethics*, 48(2): 175-187.

Thorne, L. & Saunders, S.B. (2002). The Socio-Cultural Embeddedness of Individuals' Ethical Reasoning in Organizations (Cross-cultural Ethics). *Journal of Business Ethics*,35(1):1–14.

Thornton, P.H., Ocasio, W. & Lounsbury, M. (2012). *The Institutional Logics Perspective: A New Approach to Structure and Process*. New York: Oxford University Press.

Waddock, S. and Graves, S. (1997). The corporate social performance-financial performance link. *Strategic Management Journal*, 18(4): 303-319.

Waddock, S. and Smith, N. (2000) Relationships: the real challenge of corporate global citizenship. *Business and Society Review*, 105(1): 47-62.

Wheeler, B. (1996). An Empirical Study of Ethical Predispositions.*Journal of Business Ethics*, 15(9): 927-940.

Whetstone, J. T. (2001). How virtue fits within business ethics. *Journal of Business Ethics*, 33(2), 101–114.

Whipple, T.W. & Swords, D.F. (1992). Business Ethics Judgments: A Cross-Cultural Comparison. *Journal of Business Ethics*, 11(9): 671-678.

Wood, A. W. (2007). *Kantian Ethics*. New York: University Press.

Wood, D. J. (1991). Corporate Social Performance Revisited. *Academy of Management Review*, 16(4): 691-718.

Young, S. L &Makhija, M. V. (2014). Firms' corporate social responsibility behavior: An integration of institutional and profit maximization approaches. *Journal of International Business Studies*, 45: 670-698.