MNEs' CSR Decoupling: How Host-Country Stakeholder Pressures Matter

Abstract

The literature suggests that organizations tend to use corporate social responsibility (CSR) as a means to establish and enhance legitimacy, particularly when they operate internationally. Meanwhile, organizations that adopt voluntary business codes or CSR initiatives, such as the United Nations Global Compact (UNGC), may decouple symbolic CSR claims from actual CSR performance. Despite extensive research on organizational decoupling and the legitimation strategies of multinational enterprises (MNEs), we have limited understanding of how host-country conditions affect MNEs' CSR decoupling. Building on the idea of decoupling in institutional theory and the research on corporate adoption of voluntary codes of conduct, this paper analyzes how host-country stakeholder pressures will discourage CSR decoupling of MNEs that adopt the UNGC. We also identify several country-level contingencies that moderate MNEs' responses to host-country stakeholder pressures. We test our theory using an international sample of the UNGC signatories during the period 2007-2018. Our main analyses rely on a dataset containing 4,359 observations for 305 listed firms from 36 home countries, with negative CSR events (i.e., corporate violations of the UNGC principles) taking place in 117 host countries. The results support our predictions.

Keywords: Decoupling; MNEs; corporate social responsibility; the UN Global Compact; host country stakeholder pressures

INTRODUCTION

In recent decades, a growing number of organizations have recognized the importance of corporate social responsibility (CSR) to value creation for the organizations per se, their various stakeholders, and the society at large (Burke & Logsdon, 1996; Kurucz, Colbert, & Wheeler, 2008; Brown & Forster, 2013). Stakeholders are paying more attention to the social and environmental responsibility of firms, apart from firms' economic implications (Orlitzky, Siegel, & Waldman, 2011; Savitz, 2013). In order to establish and maintain legitimacy conferred by external constituents, organizations are increasingly using CSR reporting or the adoption of voluntary CSR initiatives to signal that they are good corporate citizens who are willing and able to comply with the normative expectations around social responsibility and sustainability (Marano, Tashman, & Kostova, 2017; Jamali, 2010; Perez-Batres, Doh, Miller, & Pisani, 2012). In particular, multinational enterprises (MNEs) strategically adopt CSR practices for legitimacy management when expanding internationally (Reimann, Rauer, & Kaufmann, 2015; Rathert, 2016; Marano et al., 2017; Tashman, Marano, & Kostova, 2019). Yet, we have limited understanding of whether and the extent to which MNEs' stated CSR activities are aligned with, or decoupled from, their actual CSR performance. Although prior research has examined how home country institutional quality and firms' internationalization will influence multinationals' CSR decoupling (Tashman et al., 2019), the drivers and contingencies of MNEs' CSR decoupling behaviors are still under-explored.

Decoupling occurs when firms claim to adopt a policy or program as a response to institutional pressures, but do not substantively implement the practices (Meyer & Rowan, 1977; Westphal &

Zajac, 1998, 2001). As a strategic choice firms use to seek and preserve legitimacy, decoupling "enables organizations to maintain standardized, legitimating, formal structures while their activities vary in response to practical considerations" (Meyer & Rowan, 1977: 357). In the context of CSR, decoupling allows firms to display symbolic conformity to normative pressures by adopting socially or environmentally responsible practices without commensurate actions. CSR decoupling is viewed as a symbolic strategy for legitimation, or a deliberate discrepancy between firms' communication and implementation of socially desirable practices (Weaver, Trevino, & Cochran, 1999; Tashman et al., 2019). To promote firms' positive societal and environmental impact, voluntary CSR programs and business self-regulations have been initiated and widely accepted over the last two decades. The voluntary CSR programs, or self-regulatory codes, are non-state-based governance institutions that define management standards for responsible business practices (Berchicci & King, 2007; Waddock, 2008; Vogel, 2010; Perez-Batres et al., 2012), such as the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC). Voluntary CSR programs, while being extensively adopted around the globe, have constantly been speculated to be a breeding ground for CSR decoupling (Jamali, 2010; Perez-Batres et al., 2012; Pope & Wæraas, 2016). Still, there is little empirical evidence on how and under what conditions firms adopting a voluntary CSR initiative would decouple their symbolic and substantive actions.

In this study, we integrate the research on international management and voluntary CSR codes, to examine what drives or constrains MNEs' CSR decoupling. A closer examination of the actual implementation of voluntary business codes is important, given that these voluntary CSR initiatives are increasingly institutionalized around the world. Specifically, we focus on MNEs that adopt the UN Global Compact (UNGC), the world's largest voluntary CSR initiative. Previous research has studied the decoupling of voluntary certifications, e.g., ISO 9000, ISO 14001, and Forestry Stewardship Council certification in the forestry industries (Sandholtz, 2012; Aravind & Christmann, 2011; Bowler, Castka, & Balzarova, 2017). However, decoupling behaviors of the UNGC participants are still less examined. Like many other voluntary CSR initiatives, the UNGC has constantly been criticized to lack mechanisms to monitor compliance, and have unclear standards and procedures to evaluate performance or impose sanctions. Self-regulatory codes such as the UNGC are legitimacy-conferring instruments, potentially giving rise to firms' symbolic conformity or decoupling behaviors (Jamali, 2010; Perez-Batres et al., 2012). The UNGC signatories may merely symbolically adopt the UNGC principles and requirements while failing to fulfil their commitment, thereby they decouple to establish apparent conformity to institutional pressures. Given that research conclusions about the efficacy of the UNGC in shaping corporate responsible practices remain elusive, we know little about whether and to what extent the UNGC signatories' CSR reporting is aligned with their actual CSR performance, nor do we have a sufficient understanding of what influences these firms' CSR decoupling in an international context.

Prior works have explained the influence of home country conditions on MNEs' CSR activities or potential decoupling behaviors. For instance, weak home-country institutional quality will increase emerging markets MNEs' CSR decoupling (Tashman et al., 2019). Mounting home-country stakeholder pressures can lead MNEs to transfer irresponsible practices to foreign subsidiaries (Surroca, Tribó, & Zahra, 2013). Yet, the impact of host-country conditions on MNEs' CSR decoupling is relatively less explored. Due to globalization and the inherent nature of multinationality, MNEs are subject to increased and diverse stakeholder pressures in the host markets when expanding internationally. The objective of this study is to explore the relationship between host country stakeholder pressures and CSR decoupling of MNEs adopting the UNGC. Specifically, we argue that greater host-country stakeholder pressures, going with more external monitoring and scrutiny, will reduce CSR decoupling in MNEs that committed to the UNGC principles. We further investigate how institutional distance and normative distance between home and host countries may attenuate the negative relationship between host-country stakeholder pressures and CSR decoupling, as well as how host-country press freedom may strengthen this relationship.

Our study contributes to the decoupling literature and the research on the effectiveness of global voluntary initiatives in several ways. First, we extend prior work on MNEs' CSR decoupling by calling attention to the impact of host-country condition, i.e., the mitigating effect of host country stakeholder pressures on MNEs' CSR decoupling. Specifically, we provide insight into how increased information disclosure and hence stakeholder scrutiny in the host country may shape firms' decoupling activities in response to institutional and stakeholder pressures. Second, we further understanding of the relative efficacy of the UN Global Compact on encouraging positive corporate practices by assessing decoupling behaviors among the UNGC participants. We go beyond the conventional focus of prior work on whether adoption of the UNGC program influences CSR performance, to examine under what conditions the UNGC adopters decouple

CSR claims from CSR performance. Third, we provide theory and empirical evidence of the relationship between host country stakeholder pressures and MNEs' CSR decoupling based on a longitudinal dataset of a global sample. This study represents one of the few empirical tests of organizations' strategic responses to host country environments.

To test our hypotheses, we rely on a comprehensive dataset on a global sample of the UNGC participants and their non-signatory counterparts from 2007 to 2018. To address potential sample selection bias, the broader sample for the Heckman's (1979) selection model includes 25,455 observations for 1,950 firms from 41 home countries, with negative CSR events (i.e., violation of the UNGC principles) taking place in 182 host countries. The final dataset for the main analyses contains 4,359 observations for 305 firms from 36 home countries, with negative CSR events (i.e., the firms' violation of the UNGC principles) occurring in 117 host countries. The rest of this paper is organized as follows. In the next section, we briefly review the relevant literature and develop our hypotheses. We then describe our data and empirical strategy, and we present main results. After that, we discuss the implications of our major findings, limitations of this study, and avenues for future research.

THEORY AND HYPOTHESES

Decoupling

Organizations face external pressures in their institutional environment to conform to social expectations and demands of a wide variety of stakeholders. Through responding to institutional and stakeholder pressures, conforming firms obtain stakeholder support and gain legitimacy that improves their access to resources, survival, and growth (Suchman, 1995; Meyer & Rowan, 1977;

DiMaggio & Powell, 1983; Dowling & Pfeffer, 1975; Ashforth & Gibbs, 1990; Zimmerman & Zeitz, 2002). Firms respond to external pressures by adopting policies and programs that show their conformity to social norms and values, yet may fail to implement them. Research in institutional theory has described how organizations decouple the ceremonial adoption of policy from actual practices, in order to protect their discretion in internal operation and core activities in a context of institutional complexity (Meyer & Rowan, 1977). Decoupling occurs when firms symbolically comply with external expectations without substantial changes in organizational practices (Fiss & Zajac, 2006). Nevertheless, the ceremonial conformity or symbolic management of firms, aiming to seek and maintain legitimacy, may instead threaten or even decrease legitimacy due to firms' overstated claims (Ashforth & Gibbs, 1990; MacLean & Behnam, 2010;).

Organizational decoupling is believed to be not only an emergent but also an intentional response (Crilly, Zollo, & Hansen, 2012), namely, an "intended incongruence between organizational talk and actions to satisfy a broad set of organizational stakeholders while protecting organizational activities" (Laguecir & Leca, 2021: 2). Prior research has identified decoupling as a strategic response firms employ to "preclude the necessity of conformity", thereby disguise the fact of "nonconformity behind a facade of acquiescence" (Oliver, 1991: 154). The literature has examined how and when firms are more likely to decouple symbolic actions in corporate governance from actual practices, by espousing yet not implementing them (Westphal & Zajac, 1998; 2001). The competing tensions between technological pressures for adaptation and institutional pressures for legitimacy from shareholders and analysts will trigger a firm to decouple the legitimizing symbolic practices from substantive technological investments (Benner &

Ranganathan, 2012). Institutional conformity and decoupling pave the way for impression management tactics of radical social movement organizations, which are used to protect the organizations' image and enhance organizational legitimacy (Elsbach & Sutton, 1992).

In the context of CSR, firms are faced with the conflicting pressures between economic efficiency and social value creation. In response to normative pressures, a for-profit firm may decouple its symbolic and substantive CSR actions by displaying its compliance with socially valued practices but it actually does not attempt to fully implement them. Such misalignment between stated and actual responsible practices is also referred to as "window dressing", "CSR-washing", or "greenwashing", since firms communicate positively their commitments to adopt social and environmental policies, yet failing to produce positive social and environmental impact (Weaver et al., 1999; MacLean & Behnam, 2010; Pope & Wæraas, 2016; Lyon & Maxwell, 2011; Delmas & Burbano, 2011; Guo, Tao, Li, & Wang, 2017). There are several factors that motivate firms to engage in CSR decoupling. First, ceremonial or symbolic conformity characterized by adopting socially accepted structures and procedures facilitates firms to seek and preserve legitimacy conferred by external constituents, alleviates the detection of inconsistencies, and even masks illegitimate activities (Jamali, 2010; Elsbach & Sutton, 1992). Second, as a tactic for impression management (Marquis, Toffel, & Zhou, 2016), decoupling allows firms to signal to external stakeholders the firms' efforts to follow socially valued practices such as the 'green' values for environmental protection, thereby acquire acceptance and endorsement from a broader range of constituents in the immediate environment (Walker & Wan, 2012; Egels-Zande´n,, 2014).

Organizations not only respond differently to external normative pressures, but may also decouple in different ways. One form of CSR decoupling is firms' exaggeration of CSR performance in their CSR disclosures (Delmas & Burbano, 2011; Kim & Lyon, 2015). In such a case, firms with "green promise" can have poor environmental performance, because they over-promise through positive communication about environmental performance (Delmas & Burbano, 2011; Guo et al., 2017). Another form of CSR decoupling is selective disclosure, where a firm selectively reveals the positive information about its environmental or social performance, "without full disclosure of negative information on these dimensions, so as to create an overly positive corporate image" (Lyon & Maxwell, 2011: 9). Selective disclosure is a symbolic strategy firms use to "obscure their less impressive overall performance" (Marquis, Toffel, & Zhou, 2016: 483), by purposefully communicating information about positive performance dimensions while withholding negative ones. Following previous research (e.g., Delmas & Burbano, 2011; Tashman et al., 2019), we conceptualize CSR decoupling as the misalignment between a firm's communication about CSR performance and its actual CSR performance.

Voluntary Self-Regulatory Codes and CSR Decoupling

Related to CSR decoupling, there is a growth in discussions about the effectiveness of voluntary management standards or private governance institutions that are supposed to promote CSR. Global private governance institutions, also called civil regulations, business self-regulation, or international accountability standards, are non-state based, voluntary codes of conduct that define standards for responsible business practices (Berchicci & King, 2007; Waddock, 2008; Jamali, 2010; Vogel, 2010). Such voluntary business codes and standards are 'soft law' characterized by non-legal forms of regulation, which intends to stimulate best corporate practices and improve corporate performance in environment, social, and governance (ESG) areas (Vigneau, Humphreys, & Moon, 2015; Simpson, Power, & Klassen, 2012; Sandholtz, 2012; Jamali, 2010). For example, the voluntary business codes cover industry-level initiatives or third-party auditing (Goerzen, Iskander, & Hofstetter, 2021); voluntary certifications or international certifiable standards such as the ISO certifications and Forestry Stewardship Council (FSC) certification in the forestry sector (Sandholtz, 2012; Aravind & Christmann, 2011; Christmann & Taylor 2006; Simpson et al. 2012; Bowler, Castka, & Balzarova, 2017); CSR reporting initiatives including the Global Reporting Initiative; and principle-based voluntary business codes like the UNGC. The emergence of the voluntary codes of conduct and management standards not only exert increased normative pressures for firms to contribute to good CSR performance, but also give rise to the potential prevalence of CSR decoupling among the adopters of such initiatives. In this study, we focus on the UN Global Compact, the world's largest voluntary CSR initiative, and the decoupling behaviors of the UNGC signatories.

Launched in 2000, the UN Global Compact proposed ten principles of responsible businesses in the areas of human rights, labour, environment and anti-corruption. Until the end of 2021, there are over 19,000 participants of the UNGC program, including both public and private firms, as well as non-governmental organization (NGOs). Nonetheless, the efficacy of the UNGC on promoting firms' responsible practices is elusive (Berliner & Prakash, 2014, 2015), and the credibility of the UNGC signatories' performance disclosures has increasingly raised doubts and concerns from external audiences. Why would CSR decoupling occur, particularly for the participants who made commitment to implement the UNGC principles? First of all, for both participants of the UNGC and their non-signatory counterparts, there is information asymmetry between firms and their external constituents, which allows the firms to strategically display apparent conformity to normative expectations, without substantive fulfilling of their claims (Meyer & Rowan, 1977; Fiss & Zajac, 2006; Crilly, Hansen, & Zollo, 2012; Desai, 2016). Due to the lack of sufficient information about firms' actual implementation of stated practices, especially firms' intentional concealing of negative performance dimensions, stakeholders tend not to detect firms' symbolic actions or decoupling behavior (Christmann & Taylor, 2006; Marquis et al., 2016; Crilly et al., 2012). Furthermore, for the UNGC signatories in particular, decoupling is more likely to occur when the mechanisms to monitor compliance is absent (Jamali, 2010; Delmas & Burbano, 2011; Sethi & Schepers, 2014). The UNGC program has been frequently criticized to be vague in performance evaluation standards and be in lack of monitoring mechanism to hold the participants accountable (Knudsen, 2011; Sethi & Schepers, 2014). Research has called for further examination of the decoupling behaviors of the adopters of voluntary codes such as the UNGC (Jamali, 2010; Pope & Wæraas, 2016).

Host Country Stakeholder Pressures and MNEs' CSR Decoupling

Globalization not only increases institutional and stakeholder pressures for firms to adopt voluntary CSR initiatives, but also render firms more visible to external scrutiny of their actual impact in society. Early work has examined how home country institutional quality will influence emerging market MNEs' CSR decoupling (Tashman et al., 2019). Yet, we have little understanding of how host-country conditions will affect a multinational's stated and actual CSR performance. In this study, based on a global sample of the UNGC signatories, we propose that increased host country stakeholder pressures will mitigate an MNE's CSR decoupling. Stakeholder pressures not only shape a firm's CSR strategic choices, such as decisions to symbolically or substantively adopt a voluntary initiative, but also drive a firm's CSR actions (Perez-Batres et al., 2012; Crilly et al., 2012). For example, external stakeholder pressures will enhance a firm's internalization of proactive environmental practices, rather than superficial adoption of the practices, and will improve firm environmental performance (Testa, Boiral, & Iraldo, 2018; Kassinis & Vafeas, 2006). For MNEs that operate in different host countries and are exposed to a wider range of stakeholder expectations, gaining and preserving legitimacy from local stakeholders in the host environments is critical to the firms' resource acquisition, stakeholder endorsement, and survival. Further, if a multinational faces legitimacy challenges from stakeholders in one host country, it may lead to negative legitimacy spillovers to other hosts (Kostova & Zaheer, 1999). We expect that the more diverse and intense stakeholder pressures in the host countries confronted by MNEs will reduce the firms' engagement in CSR decoupling.

The literature on organizational legitimacy and decoupling has emphasized the influence of minimizing external inspection and evaluation on firms to protect their core activities and preserve legitimacy; and organizations attempt to avoid external scrutiny and detection of decoupling, which may lead to legitimacy crisis and stakeholder sanctions (Meyer & Rowan, 1977; Oliver, 1991). However, with the increased information communicated to stakeholders and hence growing monitoring and assessment of a firm's activities, the firm facing such pressures tends to reduce decoupling (Lyon & Montgomery, 2013; Oliver, 1991). External stakeholders' monitoring plays a significant role in driving corporations to act in socially responsible ways (Campbell, 2007). For example, increased information availability and stakeholder censure through social media will reduce firms' decoupling behaviors (Lyon & Montgomery, 2013). Scrutiny of external constituents makes it difficult for firms to decouple activities, particularly those concerning letigimation (Ashforth, & Gibbs, 1990). Organizations that are subject to higher scrutiny and monitoring of external constituents are more likely to be evaluated according to their conformity to institutionalized norms, and hence less likely to engage in decoupling (Edelman, 1992; Campbell, 2007; Crilly, Hansen, & Zollo, 2016; Marquis et al., 2016). For instance, in the situation where CSR reporting is signaled by the government as a legitimate and important activity, the extent to which a firm's CSR reporting is symbolic is dependent on the likelihood of a firm being monitored by government actors (Marquis & Qian, 2014). Persistent scrutiny over time has been found to be related to substantive CSR (Perez-Batres et al., 2012). Organizations will improve compliance outcomes of self-regulation adoption when they are heavily monitored (Short & Toffel, 2010). Therefore, we argue that growing stakeholder pressures in the host countries, accompanied by increased information disclosure and wider scrutiny, will render MNEs less likely to pursue CSR decoupling.

Increased monitoring and detection of external stakeholders, and hence the threat of legitimacy crisis and negative stakeholder sanctions, will reduce the motivation, as well as limit the ability, of firms to engage in decoupling. When a multinational is detected to engage in specific forms of illegitimate or socially unacceptable behaviors, e.g., toxic emissions that harm the natural environment and local communities, the ensuing negative publicity may lead firms to increasingly lose stakeholder support, along with "confidence and good faith" of stakeholders (Meyer & Rowan, 1977). In the absence of such critical intangible resources and capabilities derived from stakeholder acceptance and endorsement, multinationals operating in the host countries may lose the trust of local consumers and the cooperation of local partners and suppliers. Negative stakeholder sanctions, such as boycotts and protests, will undermine corporate image and reputation, brand equity, and even the firms' survival in the host markets. In addition to inspection and evaluation, external beholders will impose increased transparency and social control activities which may restrict the firms' ability to decouple substantive CSR actions from symbolic commitments (MacLean & Behnam, 2010; Lyon & Montgomery, 2013; Haack, Martignoni, & Schoeneborn, 2021; Meyer and Rowan 1977). To illustrate, negative media attention and scrutiny of firms' failure to fulfil commitments to ethical programs will trigger organizational responses that "demonstrate their intentions for future good behavior" (Weaver, Trevino, & Cochran, 1999: 542). Thus, we expect that when MNEs have committed to the UNGC program, the multiple stakeholder pressures and scrutiny of host markets will encourage the firms to improve subsequent CSR performance following the UNGC standards and requirements, and hence decrease CSR decoupling.

Overall, given the nature of multinationality, MNEs are subject to stronger and more diverse stakeholder pressures of the host countries. This poses increased risks of external inspection and detection, as well as threats of legitimacy loss and negative sanctions, which might strengthen the firms' real compliance with the adopted CSR policy (MacLean & Behnam, 2010; Marquis et al., 2016; Testa et al., 2018). We predict that rising host-country stakeholder pressures will be associated with reduced CSR decoupling in the UNGC signatories.

Hypothesis 1: *Host-country stakeholder pressure is negatively related to CSR decoupling of MNEs that adopt the UN Global Compact.*

The Moderating Role of Institutional Distance

The international business (IB) scholarship has well documented how different dimensions of cross-national distances will affect firms' strategies and performance (e.g., Xu & Shenkar, 2002; Ghemawat, 2001; Eden & Miller, 2004; Salomon & Wu, 2012). The extant literature usually approached cross-national distance based on an institutional perspective, in order to capture the extent to which countries are different in multiple dimensions of distances, such as economic, geographic, political, institutional, and cultural distances (Berry, Guillén, & Zhou, 2010). Institutional pressures and institutional distance between home and host countries are important drivers of MNEs' CSR activities (Husted, & Allen, 2006; Campbell, Eden, & Miller, 2012). Greater distance between the home and host countries may constrain MNEs' willingness or ability to engage in CSR (Campbell et al., 2012), or deter the standardization of environmental policies in the MNE (Aguilera-Caracuel, Aragón-Correa, Hurtado-Torres, & Rugman, 2012). Institutional distance is one of the major sources of information asymmetry, thus the host environment may have less information about the MNEs and hence less scrutiny of the MNEs' practices (Kostova & Zaheer, 1999; Eden & Miller, 2004). When host countries' information exchange and stakeholder scrutiny in foreign firms' symbolic actions are decreased with the greater institutional distance, MNEs' motivation to strategically respond to host country stakeholder pressures through improving their substantive CSR actions should be weakened.

MNEs also face the liability of foreignness, arising from unfamiliarity with the host countries and the multi-dimensional cross-national distances (Zaheer, 1995). The liability of foreignness creates additional costs for MNEs to do businesses across the border, and makes the firms lack legitimacy in the host markets, due to the host constituents' unfamiliarity and even stereotypes of the foreign firms. The hosts may even use different legitimacy standards to judge the MNEs, which may lead to delays in legitimation (Kostova & Zaheer, 1999). As a firm's home and host countries are more institutionally or economically distant, the firm faces greater liability of foreignness and various costs, making it more difficult and costly for the firm to respond to host stakeholders' expectations regarding CSR (Campbell et al., 2012). In contrast, as the firm's home and host countries are closer in institutional norms or cultural values, the legitimacy criteria between the countries may be more similar, which enables the firm to address legitimacy challenges relatively easier and respond faster to the demands of host-country stakeholders. Therefore, we expect that when home and host countries are more institutionally dissimilar, MNEs' response to host-country stakeholder pressure by reducing CSR decoupling is weaker. MNEs will respond more strongly to host country stakeholder pressures when the host country is less distant. Namely, as institutional distance between home and host countries increases, the negative association between host country stakeholder pressures and firms' CSR decoupling will be attenuated.

Hypothesis 2: *The institutional distance between home and host countries will weaken the negative relationship between host-country stakeholder pressure and CSR decoupling of MNEs that adopt the UN Global Compact.*

The Moderating Role of Normative Distance

Normative pressures constitute an important area of the macro institutional environment of a country, shaping firms' social and environmental performance, as well as response strategies (Marano & Kostova, 2016; Durand, Hawn, & Ioannou, 2019; Hartmann, Inkpen, & Ramaswamy, 2021). Distinct from the formal regulatory institutions giving rise to coercive pressures, the normative elements of institutional environment shape the 'ought to' behavior of firms and assess legitimacy on a moral basis (DiMaggio & Powell, 1983; Scott, 2013). For example, a normative environment where CSR is institutionalized will render firms more likely to behave in a socially responsible way (Campbell, 2007). The global governance institutions and voluntary business codes account for a significant part of the normative aspects of institutions. The voluntary diffusion of such non-state based governance institutions, through more firms' adoption of the rules and standards, shows that a country's normative institutional environment is evolving to embrace corporate social responsibility (Jamali, 2010; Buchanan & Keohane, 2006). The proliferation of the voluntary governance codes and standards, composing a country's CSR profile, therefore represents a key dimension of a country's normative institutional quality (Dau, Moore, & Newburry, 2020). As an alternative element of institutional distance, normative distance refers to the extent to which the normative institutional quality is different between the home and host countries (Xu & Shenkar, 2002; Dau et al., 2020).

Normative distance differs from other measures of institutional distance in terms of the implications for MNE behaviors such as internationalization and country choice strategies (Xu & Shenkar, 2002; Dau et al., 2020). MNE practices straying from social attitudes or defying societal expectations may be more sensitive to normative distance than regulatory distance surrounding legal requirements (Xu & Shenkar, 2002). Similar to the logic of information asymmetry and knowledge exchange applied to institutional distance, greater normative distance between the home and host countries will also negatively affect MNEs' motivation or ability to improve CSR as a response to host country stakeholder pressures. For the host country that is normatively distant, the standards implementation procedure and criteria of legitimation are less congruent with those of the firm's home country. This will not only impede the host stakeholders from evaluating and detecting a foreign firm's illegitimate behaviors, but will also cause difficulty and confusion for the firm to understand or conform to the normative pressures of the host markets. Thus, we predict that MNEs are more likely to respond to host country stakeholder pressures when the home and host countries are normatively adjacent. As normative distance between home and host countries increases, the negative association between host country stakeholder pressure and CSR decoupling should be weaker.

Hypothesis 3: *The normative distance between home and host countries will weaken the negative relationship between host-country stakeholder pressure and CSR decoupling of MNEs that adopt the UN Global Compact.*

The Moderating Role of Host Country Press Freedom

In addition to the different facets of cross-national distances, we further propose that host countries' press freedom is another key contingency that will shape MNEs' responses to host country stakeholder pressures around CSR. Press freedom in the host country embodies the level of freedom that citizens and news media have, to express ideas and communicate information. Host country press freedom facilitates the local stakeholders' access to information and media coverage of an MNEs' illegitimate or negative CSR events, which increases host country stakeholders' scrutiny, as well as the probability of stronger assessments of corporate culpability (Lange & Washburn, 2012; Fiaschi, Giuliani, & Nieri, 2017). This brings more attention of the local constituents and further increases an MNE's visibility in the host markets. Thus, greater press freedom in the hosts not only can combat information asymmetry, but also can enhance the local stakeholders' monitoring and inspection of MNEs' symbolic or illegitimate behaviors. Under such conditions, in order to preserve or restore corporate image and legitimacy, the firms will respond more pronouncedly to the increased host-country stakeholder pressures through adjusting their substantive CSR actions. On the contrary, in countries with less freedom of communicating and imparting information, an MNE will be less exposed to stakeholder evaluation and detection, and hence lower risks of legitimacy loss and less pressures to respond to the local constituents' expectations.

Further, adopters of voluntary CSR policies, who communicate more CSR engagement, may attract more attention and scrutiny of critical constituents than the non-adopters (Fiaschi et al. 2017; Morsing & Schultz, 2006; Ashforth & Gibbs, 1990). Stakeholders tend to particularly scrutinize organizations that lack "the support of traditions and norms" (Ashforth & Gibbs, 1990: 182). For example, firms that engage in animal testing, which is deemed as illegitimate and irresponsible by stakeholders; or firms that suffer the liability of newness, or by extension, liability of foreignness. Therefore, we expect that MNEs that adopt the UNGC principles while failing to fulfill their commitment are subject to more scrutiny of the host country constituents, since both the higher press freedom of the hosts and the firms' own identity of being multinational would magnify the effects of host-country stakeholder scrutiny. Moreover, the stronger press freedom in the hosts will facilitate the flow of information and negative publicity of MNEs. The increased negative publicity not only induces more stakeholder sanctions and loss of stakeholder support, but also gives rise to negative legitimacy spillovers to other host countries (Kostova & Zaheer, 1999). As a result, MNEs feel more urgent and necessary to respond to host-country stakeholder pressure through improving CSR performance or abating symbolic practices, thereby reducing CSR decoupling. We propose that as host-country press freedom increases, the mitigating effect of host country stakeholder pressures on MNEs' CSR decoupling should be strengthened. Namely, host-country press freedom will intensify MNEs' responses to host-country stakeholder pressures through adjusting their decoupling behaviors.

Hypothesis 4: *Host-country press freedom will strengthen the negative relationship between host-country stakeholder pressure and CSR decoupling of MNEs that adopt the UN Global Compact.*

METHODS

Sample and Data

We test our hypotheses in a global sample of the UNGC signatories during the period 2007-2018. Due to the lack of financial, as well as Environment, Social, and Governance (ESG), data for private firms, we focus on the publicly listed firms that adopt the UNGC program. Our data are obtained from multiple sources. The initial sample firms are identified from Refinitiv Eikon database that have financial and ESG metrics available. The negative CSR incidents, i.e., corporate violation of the UNGC principles taking place in the host countries for a focal firm, are retrieved from RepRisk database. *CSR reporting* is drawn from firms' self-reported implementation status of the UNGC principles in four CSR areas: human rights, labour, environment, and anti-corruption. The UNGC signatories are required to communicate their progress annually to stakeholders on the Global Compact website, by submitting a Communication on Progress (COP) describing how well they have engaged and performed in the four CSR areas. Then the firms' COPs will be classified as one of the four levels (i.e., GC Advanced, GC Active, Leaner, and Non-communicating status), based on their own report and self-assessment. Thus, a firm's *CSR reporting* is measured with the designated engagement level based on the COP that reflect their self-reported CSR engagement, ranging from one (worst) to four (best). We collected all the signatories' COPs, namely their United Nations Global Compact Initiative (UNGCI) reports. The UNGCI report keeps a record of a signatory's status of communication progress, time of adopting or being delisted from the UNGC program, ownership type, and country of origin, among others. The measure of *normative distance* is also extracted from the UNGCI reports, as we compute the total number of the UNGC signatories within a country and use this aggregated variable as a proxy for a country's normative institutional environment. Data on cross-national institutional distance are drawn from Berry et al. (2010). To measure host-country press freedom, we rely on the annual Press Freedom Index published by Reporters Without Borders. Other country-level variables, such as host-country market size and economic development, are retrieved from the World Bank datasets.

Variables and Measures

Dependent variable. Following previous research (e.g., Tashman et al., 2019), we operationalize *CSR decoupling* as the difference between *CSR reporting* and *CSR performance*. As noted earlier, we rely on the UNGCI reports, the COP of the UNGC signatories in particular, to measure *CSR* *reporting*. Namely, *CSR reporting* has the values ranging from 1 to 4, which is a designated CSR engagement level based on the signatory firm's self-reported CSR engagement according to the firm's commitment to the four CSR areas (ten principles) stipulated by the Global Compact. *CSR performance* is measured using a firm's performance scores particularly in the four CSR areas corresponding to the UNGC program - labour, human rights, environment, and anti-corruption, which are obtained from the Refinitiv Eikon database. We standardized each of the four scores and computed an average score as the proxy for *CSR performance* in our study. A higher value of *CSR decoupling* indicates a greater discrepancy between the UNGC signatory firm's commitment claims and actual compliance.

Independent variable. Following prior studies (e.g., Surroca et al., 2013), we use the sum of all controversial, negative CSR events pertaining to a focal firm reported by the global media, to proxy stakeholder pressure. Specifically, we measure *host-country stakeholder pressure* with the total number of negative CSR events, i.e., the incidents of violating the UNGC principles taking place in a focal host country in a given year for a focal firm.

Moderators. Following previous research (Berry, Guillén, & Zhou, 2010), we operationalize *cross-national institutional distance* using the Mahalanobis method including nine dimensions in administrative, cultural, demographic, economic, financial, geographic, global connectedness, knowledge, and political distances. We standardize each of the nine distance dimensions and then calculate the average of the standardized values (e.g., Zhou & Wang, 2020). As documented in prior research (Dau et al., 2020), the normative institutional environment constitutes an important dimension of the macro environment of a country, which influences firms' social responsibility over time. We first measure the normative institutional environment of a country using the total number of firms that are active UNGC signatories within a country in a given year. This measure of normative institutional environment represents a country's overall CSR profile and signals a country' CSR reputation (Dau et al., 2020). Then we measure *normative distance* with the difference of the normative institutional environments between the home and host countries. We measure *host-country press freedom* using the annual Press Freedom Index published by Reporters Without Borders (obtained from https://rsf.org/en).

Control variables. We control for *firm age* using the number of years since the company has been listed. We control for *firm size*, measured as the natural logarithm of a firm's total assets. *Firm financial performance* is measured with the return on assets (ROA): net income divided by total assets. We control for a company's *debt ratio*, computed as the ratio of long-term debt to total assets. We control for a firm's intangible resources and capabilities: *research and development* (*R&D) intensity*, measured as the ratio of R&D expenditures to total sales, as well as *advertising intensity*, measured with the ratio of advertising expenses to total sales. We control for a firm's *capital intensity* as the ratio of total assets to total revenue. We also control for *host-country market size* using the natural logarithm of population. *Host-country economic development* or national wealth is controlled as the natural logarithm of the country's gross domestic product (GDP). In addition, all specifications include industry, country, and year fixed effects.

Estimation Methodology

Since our hypotheses tests are focused on firms that are signatories of the UNGC program, our analysis may suffer from endogeneity arising from sample selection bias. To address this concern, we use Heckman's (1979) two-stage selection model. As noted earlier, our main sample contains public companies that are the UNGC signatories. In the Heckman first-stage, we use a Probit model in which the dependent variable is a dummy indicating whether a firm is a UNGC signatory (*UNGC DUM*), thereby we estimate a firm's probability to join the UNGC program in a larger sample that covers all the listed companies available in Refinitiv Eikon database, including both the UNGC signatories and non-signatories. The first-stage regression model has 25,455 observations for 1,950 firms from 41 home countries, with negative CSR events (i.e., violation of the UNGC principles) taking place in 182 host countries. The Heckman first-stage model included all explanatory and control variables as in the main analyses except for normative distance, cross-national institutional distances, and host-country press freedom, due to relative less of data points. We chose the variables for the first-stage specification, following the guidance of data availability and our objective to maximize the number of observations. Additional tests for the first-stage model containing all the independent variables as in the main analyses produce similar results. We also used the total number of UNGC signatories in a firm's home country (*Home-country UNGC total*), a country's CSR profile (Dau et al., 2020), as the exclusion restriction, because at least one variable in the first-stage model should not be included in the second stage (Certo, Busenbark, Woo, & Semadeni, 2016). *Home-country UNGC total* as a dimension of the normative institutional environment (Dau et al., 2020) may influence a firm's decision to adopt the UNGC program, but do not directly affect a firm's CSR performance and decoupling.

Based on the first-stage modeling, we computed the inverse Mills ratio (IMR) that are included in the second stage to account for self-selection and obtain unbiased coefficients. In the second stage, we included the IMR in all of our model specifications that use robust standard errors clustered by firm. For robustness tests, we use robust standard errors clustered by the firm and host country. The final dataset for the main analyses has 4,359 observations for 305 firms from 36 home countries, with negative incidents in terms of violation of the UNGC principles occurring in 117 host countries. Following Aiken and West (1991), we standardized the continuous variables to address possible multicollinearity concerns with the moderation effects. To reduce possible reverse causality, we lagged all independent and control variables by one year.

RESULTS

Table 1 presents the descriptive statistics and correlation matrix of all variables in the first and second stages of the Heckman model respectively. Panel A is for the broader sample of the UNGC signatories and non-signatory firms, with 25,455 observations for the Heckman first-stage model. Panel B is for the main analyses, with 4,359 observations in the second-stage regressions. The mean value of *UNGC DUM* is 0.521, indicating that about 52.1% of all the listed companies in the broader sample are the UNGC signatories at least for one year. As expected, *host-country stakeholder pressure* is negatively correlated with *CSR decoupling*. Substantial variance across the sample firms is observed for the focal variables. The maximum variance inflation factor (VIF) value is 5.76 and the mean VIF is 1.87, well below the threshold value of 10 proposed by Kennedy (1998), suggesting that multicollineariy is not an issue in our study.

Insert Tables 1 and 2 about here

Results of the Main Analysis

Table 2 reports the results of our main analyses for hypotheses testing. Model 1 is the baseline model with all control variables only. In model 2, we enter the main explanatory variable: *Host-country stakeholder pressure*. The coefficient of *Host-country stakeholder pressure* is negative and significant (β=-0.016, p=0.014), suggesting that firms' CSR decoupling may be lower when host country stakeholder pressure is high. Thus, hypothesis 1 is supported. A one-standard-deviation increase in the host country stakeholder pressure corresponds to a 29.9% decrease in firms' CSR decoupling. Models 3, 4 and 5 add the three moderators respectively. We introduce the interaction term of *host-country stakeholder pressure* and *cross-national institutional distance* in model 3. The coefficient of this interaction term is positive and significant (β=0.063, p=0.011), indicating that the negative association between host-country stakeholder pressure and firms' CSR decoupling is weaker as the institutional distance between the firms' home and host countries increases. Namely, when a firm's home and host countries are more institutionally (or culturally, or geographically) distant, the firm's response to host-country stakeholder pressure through reducing CSR decoupling is weaker. These results provide support for hypothesis 2.

Insert Table 3 about here

Model 4 adds the interaction term between *host-country stakeholder pressure* and *normative distance*, which also shows a positive and significant coefficient (β=0.032, p=0.040). This result suggests that the negative relationship between host-country stakeholder pressure and firms' CSR decoupling is attenuated, as the normative environments of home and host countries are more dissimilar. Therefore, hypothesis 3 is confirmed. Taken together, hypotheses 2 and 3 indicate that the mitigating effect host country stakeholder pressures have on firms' CSR decoupling becomes weaker when the firms' home and host countries have much different macro environment in terms of regulative, cultural, and normative social pressures. As shown in model 5, the interaction term between *host-country stakeholder pressure* and *host-country press freedom* is negative and significant (β=-0.017, p=0.030), which suggests that host-country press freedom will intensify firms' response to host-country stakeholder pressure by reducing CSR decoupling. Therefore, hypothesis 4 is supported.

Results of the Post Hoc Analysis

Because globalization increases the "strength, number, and diversity of stakeholders' pressure" (Surroca et al., 2013), the globalization degree of a host country may increase information availability and disclosure for various stakeholders, thereby amplifying the negative relationship between host-country stakeholder pressure and firms' CSR decoupling. We examined the moderating role of host countries' globalization degree, as a post hoc analysis. *Host-country globalization degree* was measured using the KOF globalization index which captures a country's degree of globalization in the economic, social and political dimensions. The KOF globalization index has a variable for the meta-index and a set of variables for the sub-indexes in trade, financial, interpersonal, informational, cultural, and political areas. For the sake of brevity, we briefly summarize the results of the moderating effects of the host countries' overall globalization, as well as the economic, political, social, and interpersonal globalization. We found that the coefficients of *host-country stakeholder pressure,* testing the main effect, are all negative and significant across all models. The coefficients of the interaction terms between *host-country stakeholder pressure* and the variables of *host-country globalization degree* are all negative but with different pattern of significance.

The interaction terms with the meta-index and three sub-category indexes of economic, political, and social globalization are all negative but not statistically significant. Among them, the social globalization index seems to have a relatively marked moderating effect (β=0.008, p=0.112), where the p-value shows a marginally significant effect. Thus, we further examined the sub-area under the category of social globalization: the interpersonal globalization degree. The interaction term is negative and significant (β=-0.015, p=0.022), suggesting that host-country interpersonal globalization indeed moderates the negative association between host-country stakeholder pressure and firms' CSR decoupling. These results indicate that when the host country's degree of globalization, particularly the social (interpersonal) globalization degree, is higher, a firm's response to host-country stakeholder pressures via reduced CSR decoupling is stronger. The magnifying effect of host countries' globalization degree on firms' strategic responses to stakeholder pressures merits further discussions in future research.

Robustness Checks

We conducted several additional analyses to check the robustness of our results. First, we used an alternative dependent variable by creating an ordinal measure of *CSR decoupling* (e.g., Tashman et al., 2019). The ordinal variable of *CSR decoupling* has values ranging from one to five, where greater value indicats higher degree of decoupling. We then employed alternative model specifications, i.e., random effects ordered logistic models, to validate our main findings. The results of ordered logistic regressions are presented in Table 3, which are highly consistent with our major findings reported in Table 2. Further, we used different clustering to check whether our results hold. Specifically, we re-run the models clustered by the firm and host country, instead of clustering by firm as in our main analysis, obtaining qualitatively the same results. Last, we repeat our specifications excluding the selection parameter (IMR) estimated from the Heckman first-stage model, and the results are similar to those in the main analyses.

DISCUSSION AND CONCLUSION

Research on the drivers of MNEs' CSR practices and decoupling behaviors has mostly focused on the institutional context of multinationals (Rathert, 2016; Marano & Kostova, 2016; Tashman et al., 2019). While a good understanding of the interactions between MNEs and their institutional environments is important, a further exploration of the influence on CSR actions of host country conditions other than institutions is necessary as well (Wiig & Kolstad, 2010; Reimann et al., 2015; Rathert, 2016), given that MNEs are exposed to more and diverse stakeholder scrutiny in the international context. In this study, we move past the question of whether firms decouple their symbolic and substantive CSR actions and have instead analyzed how and when host country conditions would facilitate or deter MNEs to engage in CSR decoupling. In particular, we seek to understand the link between host-country stakeholder pressures and CSR decoupling behaviors of MNEs that adopt the UN Global Compact, the world's largest voluntary CSR initiative. Drawing on the decoupling literature and the research on voluntary codes of conduct, we developed a theory and empirically examined how and the conditions under which the UNGC signatories would more likely to decouple symbolic commitment from their actual CSR performance, in response to host-country stakeholder pressures. We find that higher host-country stakeholder pressures, accompanying with increased scrutiny and inspection, will be negatively related to CSR decoupling of MNEs that committed to the UNGC program. Our findings also suggest that greater institutional and normative distances between home and host countries will attenuate the negative relationship between host country stakeholder pressures and the firms' CSR decoupling, whereas higher press freedom in the host countries will enhance corporate responses to host country stakeholder pressures through reducing CSR decoupling.

Our study makes contributions to the IB and decoupling literatures in the following ways. First, building on the perspectives that organizations can decouple program adoption from practice implementation in order to earn legitimacy (Meyer & Rowan, 1977; Westphal & Zajac, 1998, 2001; Crilly et al., 2012, 2016; Haack & Schoeneborn, 2015), we identified the mechanisms of how increased information availability and scrutiny, and hence greater stakeholder pressures of the host countries, will affect MNEs' motivation and ability to engage in CSR decoupling. Though organizations can use decoupling as a strategic response to institutional pressures (Meyer & Rowan, 1977; Oliver, 1991) and employ the voluntary CSR initiatives as legitimacy-conferring instruments (Jamali, 2010; Perez-Batres et al., 2012), organizational efforts to seek legitimacy through decoupling may ultimately result in the loss of legitimacy (Ashforth & Gibbs, 1990; MacLean & Behnam, 2010). Our findings provide support for the link between host country stakeholder pressures and MNEs' CSR decoupling, and help enrich our understanding in the drivers of organizational decoupling, by underscoring the effects of information disclosure and legitimacy perceptions of stakeholders (MacLean & Behnam, 2010; Lyon & Montgomery, 2013).

Second, we draw attention to host country conditions and identified the host country stakeholder pressure as a key determinant of MNEs' CSR decoupling. Our study extends prior work on the effects of home country institutions (e.g., Tashman et al., 2019) and broadens the decoupling literature by analyzing the mitigating effect of host country stakeholder pressures on multinationals' decoupling behaviors. We further identified three country-level contingencies, i.e., cross-national institutional and normative distances, as well as host country press freedom, that may moderate the negative link between stakeholder pressures of the hosts and multinationals' CSR decoupling. Future work could explore other potential host-country factors that may prompt or restrict a foreign firm's ceremonial conformity to normative pressures. Third, we advance the research on the efficacy of voluntary business codes and global governance institutions (Perez-Batres et al., 2012; Berliner & Prakash, 2014, 2015; Sethi & Schepers, 2014) by examining the UNGC signatories' decoupling in an international context. Our theory and empirical results imply that the inherent nature of multinationality of MNEs and hence growing exposure to detection and scrutiny of stakeholders in various host markets will render the firms less apt to decouple their ceremonial compliance with the UNGC program from substantive CSR performance.

Our findings also have practical implications. Given the significant impact of host country stakeholder pressures, arising from increased information availability and scrutiny of stakeholders in the hosts, managers should recognize the potential benefits or drawbacks of stakeholders' awareness and perception of legitimacy when the firms adopt voluntary CSR practices for legitimacy concerns. If the firms indeed align their communication with implementation of CSR practices, they would benefit from their true compliance through gaining more stakeholder acceptance and endorsement, since globalization facilitates the spread of information and the publicity of a firm's CSR activities. In contrast, when a firm attempts to adopt voluntary CSR programs merely for enhancing legitimacy, while decoupling its symbolic and substantive actions, it should realize the potential risks of being caught, negative stakeholder sanctions and even loss of legitimacy. Further, though previous work has emphasized how poor institutional quality of the home country will positively affect CSR decoupling in the emerging market MNEs (Tashman et al., 2019), we contend that host country stakeholder pressures play a role in shaping CSR decoupling among both advanced and emerging markets firms. Managers should notice that even though developing or emerging markets may be a 'pollution haven' that facilitates corporate illegitimate activities, the firms operating in such countries are still subject to serious scrutiny and inspection of local stakeholders, which should deter the firms' willingness or ability to engage in illegitimate and decoupling behaviors.

Limitations and future research

We acknowledge several limitations in this study and present directions for future work. First, due to the lack of financial and ESG performance metrics on small and private firms, our sample are restricted to public listed companies. Our findings should be interpreted with caution, and may not be generalized to non-listed firms that adopt the UNGC program. Further, we focus on merely one voluntary CSR initiative, the UN Global Compact, thus our theory and empirical results may not necessarily be applied to other voluntary business codes. Second, constraints on data availability of individual scores in CSR reporting hindered us from testing firms' decoupling in single CSR areas under the four categories of the UNGC principles. With the improvement of data disclosure in the future, we encourage researchers to disentangle firms' decoupling in single CSR areas, i.e., in dimensions of human rights, labour, environment, and anti-corruption respectively. Future research could also extend our work by addressing the decoupling of other self-regulatory institutions such as the GRI, or MNEs' decoupling when engaging with the Sustainable Development Goals (SDGs). Third, it is possible that firms similarly engaging in decoupling, but they "decouple across practices" (Benner & Ranganathan, 2012: 229). Firms can also selectively disclose their positive environmental and social practices while withholding negative ones (Lyon & Maxwell, 2011; Marquis et al., 2016). Analyzing firm decoupling in single CSR dimensions could help us better understand why and to what extent corporate symbolic management would vary across CSR issues. In so doing, future studies can also assess how firms prioritize CSR initiatives and stakeholder claims (Brown & Forster, 2013).

Furthermore, firms can selectively engage in different types of CSR, which is an important strategic response for firms to balance the tension between external legitimacy and internal discretion (Luo & Wang, 2021). Similarly, organizations may selectively decouple their ethical policy from actual practice in some subset of organizational activities but not others (Heese, Krishnan, & Moers, 2016). Conversely, selective coupling refers to organizations selectively incorporate elements of the competing institutional logics (Pache & Santos, 2013). Thus, a firm adopting CSR initiatives can decouple or recouple its practices from commitment in selected areas, thereby having varied levels of decoupling across different CSR areas over time (Egels-Zande´n, 2014). For instance, firms from extractive industries that decouple greatly in environmental areas may implement well the policies of employee relations or prioritize the practices in terms of local communities. An interesting area of future research could revolve around the mechanisms of how a firm decouple or couple selectively in a wide range of CSR practices, and how the process of selective decoupling varies across organizations and even across industries.

As the incipient results of our post hoc analyses suggest, a host country's globalization degree, especially the social (interpersonal) globalization, may moderate MNEs' strategic responses to stakeholder pressures in the hosts. As the host country is globalized increasingly, a firm and its activities tend to be exposed to a growing number of stakeholders and hence under greater scrutiny. Future work could extend our analyses and provide a finer-grained discussion of the mechanisms of how a country's globalization degree would moderate firms' CSR activities and decoupling. Moreover, the literature has started to pay attention to "reverse decoupling" whereby firms intentionally conceal their certification status and downplay their CSR engagement in order to avoid being detected as decouplers or hypocrites (Carlos & Lewis, 2018). Related to that, when operating in a deregulated environment, firms are more likely to engage in brownwashing, i.e., undue modesty in ESG disclosures by understating their CSR accomplishments (Kim & Lyon, 2015). Future research could build on our theoretical framework and further examine the drivers of corporate 'brownwashing' and the contingencies of firms' substantive implementation without making symbolic claims. Given that decoupling is transitory, and transparency plays a significant role for substantive CSR (Haack & Schoeneborn, 2015; Haack, Martignoni, & Schoeneborn, 2021), we encourage future studies to conduct qualitative case studies and provide more nuanced understanding of the process of CSR decoupling, recoupling, and/or reverse decoupling across multiple CSR issues over time, as well as how increased transparency and information disclosure would affect such process.

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Table 1. Descriptive Statistics and Correlations [a]

Panel A: Heckman first-stage variables

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1	UNGC DUM	0.521	0.500	1										
2	Home-country UNGC total	176.876	186.169	0.249	1									
3	Host-country stakeholder pressure	5.752	10.563	0.037	-0.022	1								
4	Host-country market size [b]	17.762	1.698	-0.043	-0.052	0.107	1							
5	Host-country economic development [b]	27.364	1.907	0.001	0.031	0.074	0.820	1						
6	Firm size [b]	24.206	1.609	0.287	0.125	0.088	-0.017	0.029	1					
7	Debt ratio	1.080	1.455	-0.040	0.038	-0.033	-0.010	0.011	0.093	1				
8	Firm age	32.359	47.871	0.058	0.046	0.005	0.011	0.007	0.110	0.013	1			
9	Firm financial performance	0.043	0.081	-0.038	-0.048	0.005	0.033	0.001	0.022	-0.158	0.030	1		
10	R&D intensity	0.053	0.394	-0.033	-0.027	-0.013	0.002	0.009	-0.154	-0.035	-0.019	-0.152	1	
11	Capital intensity	2.375	3.819	-0.099	0.007	-0.025	-0.025	0.001	0.095	0.211	-0.041	-0.189	0.361	1

Note: n= 25,455 observations for 1,950 firms. [a] Unstandardized data. [b] Natural logarithm.

Panel B: Heckman second-stage variables

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1	CSR Decoupling	-0.273	1.016	1												
2	Host-country stakeholder pressure	9.685	18.982	-0.023	1											
3	Cross-national institutional distance	0.036	0.345	-0.056	0.029	1										
4	Normative distance	103.793	213.664	0.081	-0.062	-0.043	1									
5	Host-country press freedom	-33.764	22.126	0.045	0.019	-0.289	-0.077	1								
6	Host-country market size [b]	18.121	1.541	-0.037	0.091	0.247	-0.142	-0.338	1							
7	Host-country economic development [b]	27.865	1.744	0.014	0.073	0.016	-0.188	-0.044	0.842	1						
8	Firm size [b]	24.897	1.180	0.140	0.085	-0.160	0.009	0.103	-0.026	0.065	1					
9	Debt ratio	0.954	1.068	0.115	-0.036	-0.016	0.016	0.061	-0.018	0.043	0.035	1				
10	Firm age	33.001	38.401	-0.123	-0.019	0.124	0.075	-0.053	0.062	0.044	-0.057	0.075	1			
11	Firm financial performance	0.042	0.062	-0.099	-0.025	0.174	-0.027	-0.150	0.126	0.038	-0.154	-0.202	0.039	1		
12	R&D intensity	0.027	0.060	-0.004	-0.058	0.029	-0.068	-0.076	0.127	0.130	-0.082	-0.035	0.029	0.054	1	
13	Capital intensity	1.796	1.634	0.047	-0.039	-0.089	0.049	0.067	-0.020	0.032	0.044	0.083	0.038	-0.199	0.359	1

Note: n= 4,359 observations for 305 firms. [a] Unstandardized data. [b] Natural logarithm.

Table 2. Results of the main analyses on CSR decoupling [a]

	(1)	(2)	(3)	(4)	(5)
Cross-national institutional distance	-0.089	-0.082	-0.098^{+}	-0.083	-0.080
	(0.056)	(0.056)	(0.057)	(0.056)	(0.056)
Normative distance	0.049	0.049	0.049	0.043	0.050
	(0.031)	(0.031)	(0.031)	(0.031)	(0.031)
Host-country press freedom	0.019	0.021	0.021	0.019	0.026
	(0.018)	(0.019)	(0.019)	(0.019)	(0.019)
Host-country market size [b]	0.048	0.051	0.049	0.044	0.049
	(0.038)	(0.037)	(0.037)	(0.037)	(0.037)
Host-country economic development [b]	-0.046	-0.044	-0.042	-0.039	-0.041
	(0.034)	(0.034)	(0.034)	(0.034)	(0.034)
Firm size [b]	0.308**	0.315**	0.319**	0.315**	0.316**
	(0.105)	(0.105)	(0.105)	(0.104)	(0.105)
Debt ratio	0.105	0.104	0.102	0.103	0.103
	(0.072)	(0.072)	(0.072)	(0.072)	(0.071)
Firm age	-0.175**	-0.174**	-0.174**	-0.174**	-0.174**
	(0.065)	(0.064)	(0.064)	(0.064)	(0.064)
Firm financial performance	0.056	0.053	0.054	0.054	0.053
	(0.069)	(0.069)	(0.069)	(0.069)	(0.069)
R&D intensity	0.117	0.112	0.117	0.118	0.118
	(0.273)	(0.271)	(0.270)	(0.271)	(0.271)
Capital intensity	-0.077	-0.080	-0.082	-0.084	-0.082
	(0.110)	(0.110)	(0.109)	(0.110)	(0.110)
IMR	0.122**	0.126**	0.127**	0.126**	0.127**
	(0.045)	(0.046)	(0.046)	(0.046)	(0.046)
Host-country stakeholder pressure		-0.016*	-0.020**	-0.002	-0.008
		(0.007)	(0.006)	(0.008)	(0.007)
Host-country stakeholder pressure × Cross-national institutional distance			0.063*		
			(0.025)		
Host-country stakeholder pressure × Normative distance				0.032*	
				(0.015)	
Host-country stakeholder pressure × Host-country press freedom					-0.017*
					(0.008)
Intercept	-0.297***	-0.295***	-0.296***	-0.297***	-0.299***
	(0.061)	(0.061)	(0.061)	(0.061)	(0.061)
Country fixed effects	Yes	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes
R^2	0.3676	0.3686	0.3694	0.3694	0.3691
N	4359	4359	4359	4359	4359

Note: [a] All continuous variables are standardized. [b] Natural logarithm. Clustered robust standard errors are in parentheses.
$^{+}$ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3. Results of robustness checks: Ordered logistic models with alternative dependent variable [a]

	(1)	(2)	(3)	(4)	(5)
Cross-national institutional distance	-0.263*	-0.243+	-0.289*	-0.247*	-0.238+
	(0.124)	(0.124)	(0.125)	(0.124)	(0.124)
Normative distance	0.070	0.068	0.068	0.045	0.074
	(0.055)	(0.055)	(0.055)	(0.055)	(0.055)
Host-country press freedom	0.033	0.037	0.038	0.031	0.053
	(0.038)	(0.038)	(0.038)	(0.038)	(0.039)
Host-country market size [b]	0.008	0.014	0.014	-0.009	0.008
	(0.087)	(0.087)	(0.087)	(0.087)	(0.087)
Host-country economic development [b]	0.016	0.021	0.024	0.037	0.031
	(0.078)	(0.078)	(0.078)	(0.079)	(0.079)
Firm size [b]	0.910***	0.933***	0.946***	0.933***	0.937***
	(0.102)	(0.103)	(0.103)	(0.103)	(0.103)
Debt ratio	0.328***	0.324***	0.318***	0.322***	0.320***
	(0.065)	(0.065)	(0.064)	(0.065)	(0.065)
Firm age	-0.751***	-0.747***	-0.750***	-0.748***	-0.746***
	(0.080)	(0.080)	(0.080)	(0.080)	(0.080)
Firm financial performance	0.304***	0.297***	0.298***	0.297***	0.299***
	(0.080)	(0.080)	(0.080)	(0.081)	(0.081)
R&D intensity	-0.041	-0.046	-0.037	-0.024	-0.026
	(0.339)	(0.339)	(0.339)	(0.340)	(0.339)
Capital intensity	-0.134	-0.146	-0.149	-0.158	-0.152
	(0.137)	(0.137)	(0.137)	(0.138)	(0.137)
IMR	0.272***	0.282***	0.285***	0.281***	0.284***
	(0.043)	(0.043)	(0.043)	(0.043)	(0.043)
Host-country stakeholder pressure		-0.038**	-0.052**	0.008	-0.019
		(0.015)	(0.016)	(0.020)	(0.017)
Host-country stakeholder pressure × Cross-national institutional distance			0.164**		
			(0.063)		
Host-country stakeholder pressure × Normative distance				0.108***	
				(0.030)	
Host-country stakeholder pressure × Host-country press freedom					-0.057*
					(0.023)
LR chi2	2437.92***	2444.77***	2451.92***	2457.82***	2451.19***
N	4364	4364	4364	4364	4364

Note: [a] All continuous variables are standardized. [b] Natural logarithm. Standard errors are in parentheses. + $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$