The Cultural Influence on CSR

An In-depth Analysis of The Relationship Between Hofstede's Cultural Dimensions and Different Types of CSR Engagements
Abstract

CSR is becoming increasingly important in modern business. It is also a growing field in academic research. The purpose of this study was to investigate the relationships between culture and different types CSR engagement. The study was based on the Hofstede’s national culture dimensions combined with CSRHub’s categorizations of CSR. Further, a quantitative research method was adopted, in the form of a multiple linear regression analysis and a positivistic methodology was followed. The conclusion of this paper was to accept the research question that one or more of Hofstede’s 6 cultural dimensions has a significant correlation to any of CSRHub’s CSR categories. These findings are important for the individuals that make up the market, for corporations and for future academic research.
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1. Introduction

The purpose of this chapter is to introduce the thesis through a funnel approach in order to give the reader the knowledge needed to understand the further chapters of the thesis.

The first conceptualizations of CSR can be traced back to the 1950’s and 1960’s. However, the very first roots of CSR can be traced back another 100 years to the industrial revolution. During this time, firms were focused on making workers more productive in their factories, and along came the criticisms of employment of women and children (Carroll, 2008). It was during this time period that issues regarding employees initially got raised. One might even argue that this is the first time the debate regarding the responsibilities of firms was raised. This debate led into what is called the “corporate period” (1930 to present) where “the corporations began to be seen as institutions, like the government, that had social obligations to fulfill” (Carroll, 2008). According to a poll that was conducted during 1946 by Fortune magazine where they asked business executives (called businessmen back then) if they had any responsibilities beyond making a profit from their business actions. The specific question that was asked was “‘do you think that businessmen should recognize such responsibilities (social responsibilities) and do their best to fulfill them?’” where 93.5% answered “yes” (Bowen, 1953). According to Carroll, “These results seem to support the idea that the concept of trusteeship or stewardship was a growing phenomenon among business leaders”.

Corporate social responsibility has been receiving substantial attention during the past decades, with researchers realizing that firms have more levels of responsibility apart from being profitable. However, even though CSR is getting more and more relevant for researchers to study, most researchers differ on the definitions, approaches and scope of CSR. But the majority of business executives sees the value in CSR for firms to effectively address social issues (Ho, Wang & Vitell, 2011). This claim can be illustrated through a McKinsey study about CEOs and their views on corporate responsibility, as cited by Franklin (2008) that showed that 95% of the CEO’s said that “society now has
higher expectations of business taking on public responsibilities than it did five years ago”. Further, according to a 2016 report from the US forum for sustainable and responsible investment- sustainable, responsible and impact investing in the US has increased by 33% during the last two years and increased 14-fold since 1995.

Hence, since CSR being an umbrella term, Halkos and Skouloudis explains CSR as “firms pursue not only profit-driven objectives and cost reductions, but they also hold a set of responsibilities over their cumulative impact on the environment and society at large”. Further, they add “CSR describes organizations which voluntarily contribute to environmental conservation and social well-being by incorporating related (non-financial) concerns into their business planning and daily procedures”.

With CSR as the foundation that discusses a firm's’ responsibilities, one can also measure the performance of firms’ CSR activities. This is called corporate social performance (CSP), and this sub topic of CSR has received tremendous attention in the last few decades due to the realization that “a company exists not only as an economic entity but also has other social responsibilities to various stakeholders and the environment” (Ho et al, 2011). However, as Ho et al (2011) also states, “the interpretation of what the domain of corporate social responsibility is and the implementation (measured by corporate social performance) may be different in each country due to cultural differences. Culture has been identified as one of the most important differentiators in cross-cultural ethics”.

There are a few factors that explains the phenomena as to why CSP differs from country to country. Previous research has given many suggestions as to why this is, for example Peng, Dashdeleg & Hsiang Lin (2014) suggests different institutions as huge contributors to what drives differences in CSP. In these suggested institutions, laws, firm size, competition and national culture are found to be significant drivers. Further, these findings are supported by Habisch, A., Jonker, J., Wegner, M., & Schmidpeter, R. (2005) in their book “Corporate Social Responsibility Across Europe” where they argue that national culture has an important effect on the features of business and structural mindsets in organizations which then had an influence on CSR orientation.
in a specific country. So, there has indeed been a growing body of literature of research that attempts to name the key factors that determines CSR practices, or namely CSP.

From this base, a specific subtopic within CSR, namely the relation between different types of CSR engagements and national culture will be explored. Firms in different countries does not have same CSP (Roome, 2005), meaning that domestic firms in China may not have the same CSP as domestic firms in Sweden. This is well established amongst several indexes that measures firms CSP such as Gjølberg’s national index and Dow Jones Sustainability World Enlarged Index Skouloudis et al. This research gives us an understanding of what Hofstede dimensions has a significant correlation to CSP, but it tells nothing about what type of CSR engagement, such as environment, employees, governance or community that has a correlation to the Hofstede dimensions.

In this thesis, a CSR index called CSRHub will be used to measure the CPR amongst firms in different countries. Data from four different types of CSR engagement, namely environment, employees, governance or community will be used to see how firms perform in different types of CSR engagement. This will then allow us to see what CSR category has a significant correlation to the different cultural dimensions proposed by Geert Hofstede in his model Hofstede’s 6 cultural dimensions.

Since the objective of this paper is to investigate the exact impact that national culture has on different types of CSR engagement, this paper is very much drawn upon insights from findings in previous research regarding CSR and national culture. First, this thesis reviews the literature in the subject, followed by the chosen hypotheses. Second, this paper provides a large set of data collected from two databases along with brief rationales for the choice of said databases. Third, the statistics for the research variables along with the findings of the study are provided. Fourth, a summary added interpretation of the findings of the research are proposed, followed up by implications, limitations, discussions and suggestions for future research.

1.2 Problem

Since CSR is an umbrella term that covers a vast amount of organizational behaviour and values, it becomes a bit open ended to do research and use CSR as one broad term.
Even though the previous literature on CSP and its relation to national culture successfully identifies which of Hofstede’s cultural dimensions has a significant correlation to CSR, it is still unclear exactly what type of CSR engagement that the different Hofstede cultural dimensions correlates to. Hence, the only understanding that currently exists, is that there are correlations between CSP and Hofstede’s 6 cultural dimensions. However, there is no research that tells us exactly what national culture dimension influence what type of CSR engagement.

It should be noted that only two sources found significant findings of the effect of Power distance, Individualism, Masculinity and Uncertainty avoidance on CSP (Ho et al. 2012; Peng et al. 2012) and only one study included all 6 dimensions in their research but only found significance in the effect of Uncertainty avoidance, Long term orientation and Indulgence (Halkos & Skouloudis, 2017). Additionally, all of these findings are very contradicting.

Halkos and Skouloudis (2017) said that “research on CSR is culturally limited despite nationality being identified as a highly critical factor in the business ethics literature”. Hence, whilst researchers understand the importance of CSP and culture, not a lot of effort has been put in to empirically testing the nature of the relationship (Ho et al. 2012). Ringov and Zollo (2007) also raises this issue and states that “Unfortunately, as of today, we do not have a solid empirical base to link national culture to corporate responsibility, most of the debate being fueled by conceptual arguments or anecdotal evidence from cross-country case studies”.

There seems to be a consensus amongst researchers in this field that the proven relationship between CSR and national culture is fairly limited, and that this encourages a deeper analysis of this subtopic in the field. To summarize, based on suggestions and the identified gaps, the problem of this thesis is that there are not enough well documented results that show exactly what national culture dimension that influence what type of CSR. This is an important are to investigate since many of the cited sources says that previous findings are limited, and this extension in the field seems to be the next logical step to expand this field and add to the existing knowledge base.
1.2 Purpose

The purpose of this thesis is to study the relationship between national culture and different types of CSR engagement by testing the relationship between various countries’ CSP and their cultural dimensions.

Thus, the following hypothesis is proposed:

*Does one or more of Hofstede’s 6 cultural dimensions have a significant correlation to any of CSRHub’s CSR categories: community, employees, environment and Governance?*

1.3 Delimitations

In this thesis, the aim is to explore the relationship between national culture and different types of CSR engagements. This thesis is not attempting to explain all of the factors that affect the existence of CSR. A decision was made to neglect some countries in the study, thus minimizing the scope to a certain extent. The rationale behind this is that the CSR index that will be used, CSRHub, does contain enough data on some countries to be able to make a reasonable conclusion about the CSP activity in these countries. This thesis does not use any other sources that measures CSP because it is important that the CSP data collection methods and evaluation is consistent. CSP data collecting methods does differ from index to index.
2. Frame of reference

The purpose of this chapter is to provide in-depth information of the previous research and to form the frame of reference by explaining the theories that will be used in this study.

2.1 Definitions

Corporate social performance

A firm does not either commit to CSR or not, it is not that black and white. But rather, there is a spectrum of how well they perform in CSR activities, where some do it well and others don’t. There are indexes that measures and quantifies CSP such as Gjølberg, Dow Jones Sustainability World Enlarged Index and CSRHub. This means that a firm’s CSP will land somewhere on this spectrum. On CSRHub, the index that is used for this thesis, a firm can receive a score of 0 - 100 on their CSP. In the previous literature on this topic, this phenomenon is defined with different terms. Peng et al. (2012) uses the terms as CSR commitment to explain this, Skouloudis et al. uses the terms CSR endorsement CSR engagement to explain this. For simplicity the term CSP will be used to describe where a will firm land on this spectrum. In the context of this thesis, a scale from 1 - 100 will be used to express where a firm will land on this spectrum.

Corporate social responsibility engagement

When it comes to CSR there are many different types of aspects to it. The CSR-index that will be used for this thesis, CSRHub, divides CSR into four different categories, community, employees, environment and governance. What type of CSR a firm engages in is described as: what type of CSR the firm engages in.
Table definitions

For simplicity, the Hofstede dimensions have all been abbreviated in our tables. Masculinity will be called MASC, individualism will be called IND, uncertainty avoidance will be UA, power distance will be PD, long term orientation will be LTO and finally indulgence will be INDULG.

Literature review method

There are several important steps of doing a systematic literature search. One of the more basic steps of this procedure is to define the scope for the search. Some factors that often limit the scope is time and geography (Collis & Hussey, 2014). Since this thesis will be using theories (such as Hofstede’s national culture, and CSR) that extends back to many years ago, setting a limit in time as to where to exclude sources, were not done. Another implication was whether to exclude sources based on geography. Again, any such limit was not set and the reason being is that in this research, countries from all over the globe will be included so to limit sources based on geography would not make sense.

The methods of the literature review took mainly two forms: database searching and reference list studying. The two databases that were used was google scholar and Jönköping University’s library page, with any combinations of keywords such as “CSR”, “national culture” and “Drivers of CSR”. Further, when key sources had been identified, the reference lists of the key sources were used to proceeded to analyze further studies in our field. The strategy for what materials to use was to look for data that would provide us with theories or models that effectively would help us structure our very own hypothesis.

2.2 Previous research

Several researchers have been trying to define the scope of CSR and CSP (Carroll 1979; Ringov and Zollo 2007; Ho et al 2012; Peng et al 2012). It was discussed by Carroll (1979) that CSP involves a connection of 3 dimensions: (1) social issues involved, (2) philosophy of corporate social responsiveness and (3) corporate social responsibility.
Very importantly, this is the first study in the field that builds a model for firms and society that “incorporates different competing perspectives” (Ho et al, 2012). Corporate social responsiveness refers to the actual action plan of the top management to respond to social issues, where social issues refers to the functionality of responsiveness that firms should address.

When Carrol mentions his first factor, social issues involved, he claims that the major problem with defining the issues that should be addressed by firms is constantly changing, and that they do differ from industry to industry. Thus, several managerial approaches that "generally" addresses social issues has been created and adopted. Over time these social issues do not only change, but more issues that firms are expected to address appears. Even though exactly what social issues should be addressed varies from industry to industry, it does also to some extent vary from firm to firm within the same industry, there is no agreement as to what social issues should be addressed and how they should be prioritized amongst firms (Carroll, 1979 p502).

Carrol’s second factor, philosophy of responsiveness, is generally described as social responsiveness. This is the idea that a firm can engage on a spectrum from "doing nothing" to "doing much". Carroll explains that this does to a big extent explain a firm taking action " Corporate social responsiveness, which has been discussed by some as an alternative to social responsibility is, rather, the action phase of management responding in the social sphere". (Carroll, 1979 p502).

When Carroll (1979, p499) discusses his 3rd factor, he states that corporate social responsibility of businesses “embodies the economic, legal, ethical, and discretionary categories of business performance”. Under an umbrella term defined as this, firms do not only chase profit objectives but they also hold a set of values over their aggregated impact on society and the macroenvironment at large (Halkos & Skouloudis, 2017). However, Schmitz and Schrader (2015) identifies two strands in the literature regarding firms CSR motivation.

The first strand of literature argues that the reason why firms engage in CSR activities is because of their own self-interest, they want to maximize their profits and engaging in
CSR is the best way to do so. The second strand of theoretical literature argues that firms view CSR as a separate issue from the objective of profit maximization. The firm sees environmental and social activities as independent objectives, and that the firm is aware that pursuing these objectives can possibly lead to a trade-off between profit maximization and social and environmental objectives (Schmitz and Schrader, 2015). Furthermore, with the two strands presented by Schmitz and Schrader (2015), there does seem to be a collective understanding among previous researchers that there is an inability to collectively decide upon a final motivation for firms engaging in CSR (Ho et al. 2012; Halkos & Skouloudis, 2017; Peng et al, 2014).

Additionally, to the first conceptualization of CSP presented by Carroll (1979), researchers have tried to measure the importance of CSP. As mentioned, the first strand of the research has looked upon the relationship between financial performance and CSP (Hill, R. Paul, Ainscough, T., Shank, T., & Manullang, D. (2007); Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Further, there is growing support for this idea that CSP has a positive correlation to financial profits (Ho et al. 2012). For example, Hill et al (2007) investigated the relationship between CSR and company stock valuation across different regions of the world and concluded that “being viewed as socially responsible by investors may impact positively the valuation of firms over the long run providing them with the opportunity “to do well while doing good””. Similarly, Orlitzky et al (2003) findings supports this position as well. In their meta-analysis of a total of 52 studies that covered a total sample size of 33,878 firms, they concluded that there is indeed a positive relationship between CSP and financial performance.

The second identified strand argue that firm’s motivation for CSR is not profit driven. Aupperle, K.E., Caroll, A.B. and Hatfield, J.D. (1985) says that humans are to some extent driven by social preferences, such as fairness and inequity aversion. They argue that individuals will to a certain extent be inclined to pursue social goals even though they might be in conflict with economic interests.

Further, this notion that there are different motivations for firms to engage in CSR is not unique to Schmitz and Schrader. Professor Eric C. Chaffee has written an article for Harvard Law School that effectively explains the origins of CSR. Chaffee takes the
position that the reason as to why firms CSR engagement motivation is unclear is because the “essential nature of the corporate form is not well understood”. He also states that there are two justifications for CSR. “Two justifications are commonly offered by corporate managers for undertaking such behavior. First, some managers argue that engaging in such behavior is appropriate because it is good for business, and second, some managers argue that engaging in such behavior is the right thing to do” (Chaffee, 2017).

Evidently, when it comes to firms being socially responsible, most managers would agree that this makes sense from a business perspective. However, the implication with the first strand that states that the motivation for CSR is because it is good for business, is that it fails to explain why firms should engage in sustainable activities when it does not generate further profits. Chaffee (2017) gives a very good example that illustrates this implication “For example, if management is asked to choose between two courses of action, one that is socially responsible and the other that is not, and if both courses of action would generate the same amount of profit, most corporate managers would be unable to articulate why they should choose the socially responsible course of action”.

Hence, many corporate managers would not be able to motivate when their firm should engage in sustainability when the financial outcome is uncertain. This would lead to managers claiming the second strand as a motivation for CSR engagement i.e if it is the ethically correct, or “the right thing to do”. Chaffee argues that it is here where the real problem arises. He states that this reasoning behind CSR motives is based on managers intuition and has very limited theoretical foundation. He ends his point by saying “Simply put, the idea that corporations should engage in socially responsible behavior may be generally accepted, but it is far from understood” (Chaffee, 2017).

However, Chaffee continues to provide some theories that has been used to describe the essence of firms and thus helps to add clarity as to why firms engage in CSR for different reasons. The first essentialist theory is called Aggregate Theory. In this theory the corporate entity is the aggregate sum of individuals within it. Some interpretations of this theory have even extended to include parties such as creditors, customers and even the public (Chaffee, 2017). According to this theory, all interests and moral
Compasses of the individuals are aggregated and thus acts as the basis for all the actions and decisions taken by the firm. This theory stems back to an article published in 1937 called *The nature of a firm* where the view of a firm was changed into more of an aggregated perception that laid the basis for what has now become *Aggregate theory* which today is the dominant theory among scholars and economists (Chaffee, 2017).

A second theory to explain why firms engage in CSR is called *Artificial Entity Theory*. By this theory, “corporations are artificial entities that completely owe their existence to the government” (Chaffee, 2017). Hence, the government is highly involved in the firms’ corporate behavior and in regulating their activities. Under this theory, the government has high power and if the corporation would not play according to the rules set up by the government, they will have the power to punish disobedient firms.

### 2.2.1 CSP’s relation to culture

Further, there has been researchers that have proposed what specific factors affects why there are differences in CSR between nations. According to Peng, Dashdeleg and Chih, these factors are firm-level factors (FLF), industry-level factors (ILF) and national-level factors (NLF). In their paper, they were able see how much each of these factors affect the differences of CSP in various countries. FLF explained 55%, ILF explained 10% and NLF explained 35% of the difference in CSP of firms in the different nations. The authors define the different factors as following: (FLF) explains firm size and past performance, (ILF) explains intensity of competition and (NLF) explains laws, NGO density and national culture. However, the authors emphasized that there has been little attention paid to informal structures such as national culture (Peng, et al. 2014).

Further, more extensive research within the second strand has been done. Here, the focus has been to try to prove the importance of environment with regards to CSP. More specifically, national culture. An in-depth analysis of the relationship between national culture and CSR was done by Halkos and Skouloudis in their paper from 2017 “Revisiting the relationship between corporate social responsibility and national culture: A quantitative assessment”. The method of this research was based on Hofstede’s national culture dimensions and Maria Gjølbergs CSR index from her study:
“Measuring the immeasurable?: Constructing an index of CSR practices and CSR engagement in 20 countries”. With this quantitative analysis, they were able to see which of the 6 cultural dimensions that had the strongest correlation to firms specific CSR engagement. Their findings were that "long-term vs short-term orientation" as well as "indulgence vs restraint" had a significant positive correlation to CSR engagement, whilst uncertainty avoidance had a significant negative correlation to CSR. Further, they found that Power distance, Individualism and Masculinity were insignificant. In this paper, they added the latest research findings in this field and tries to add validity to previous findings such as Ringov and Zollo (2007), Ho et al. (2012) and Peng et al. (2012).

Further, Ringov and Zollo (2007) suggests that “companies based in countries characterized by higher levels of power distance, individualism, masculinity, and uncertainty avoidance exhibit lower levels of social and environmental performance”. In their paper, they empirically investigate the effects of diversity in national cultures and social performance of a total of 463 firms from 23 countries in Asia, Europe and North America. The index criteria used for CSR in this research was measured by “a firm's Intangible Value Assessment (IVA) score as of February 2005 as issued by the Innovest Group” (Ringov & Zollo, 2007). Further, the dimensions used to define social and environmental performance was those of Hofstede’s national culture dimensions and the GLOBE project dimensions. However, the findings were merely that power distance and masculinity had a negative effect on CSR engagement and the rest of the dimensions were insignificant.

Furthermore, the findings of Ho et al. (2012) are very inconsistent with most research results in the field. In this study the authors investigated the relationship between national culture and firms’ CSR engagement. The tests were based on a global database in which there was a total of 3680 firms from different countries in Europe, Asia and North America. To measure national cultural values the Hofstede framework was used. In this study the authors found that Power distance, Masculinity and Uncertainty avoidance had a significant positive correlation with CSR whilst Individualism had a significant negative correlation which is contradicting to previous findings. Apart from this finding, they also conclude that European firms tends to outperform both North
American firms and Asian firms in how well they are performing in their respective CSR activities.

Finally, Peng, et al. (2014) also explores the relationships between national culture and CSR engagement. The basis for CSR was data collected from 1189 firms from datasets of Dow Jones Sustainability Index (DJSI) as well as Compustat Global Vantage, more precisely S&P Global 1200 index. In this paper the authors defined the cultural scores according to the Hofstede framework, and based on regression analysis the findings are that there are negative relationships between power distance and masculinity on CSR. Additionally, there are also positive coefficients between individualism and uncertainty avoidance on CSR. Interestingly enough, these findings support the findings of Ringov and Zollo (2007) and are completely contradicting to that of the findings of Halkos and Skouloudis (2017).

2.2.2 Culture

Hofstede defines culture as “the collective programming of the mind distinguishing the members of one group or category of people from others” (Hofstede, 2019). Further, Leung, Bhagat, Buchan, Erez and Gibson (2005) define culture “as values, beliefs, norms, and behavioral patterns of a national group”. Both of these definitions explain culture is quite an abstract idea which could be difficult to measure, but Hofstede has created a model that quantifies culture into 6 categories. This is the framework used to define culture in the research done by Peng et al., Skouloudis et al and Ringov et al, most previous research in the field of CSP and culture has explored the relationship of national culture and CSP from the perspective of Hofstede’s 6 dimensions model. It is also the model used in this thesis to define culture.

There are some studies that used the GLOBE project as a framework for national culture (Waldman, D., Luque, M.S., Washburn,N., House, R., Adetoun,B., Barrasa, A., . . . Wilderom, C,P,M., 2006;Kabasakal, Dastmalchian,Karacay & Bayraktar, 2012). The GLOBE project is a project where different leadership prototypes is investigated in different regions of the world. It is a cross cultural study that explores the relationship between leadership styles, societal culture and organizational processes. It uses nine
dimensions. It covers 62 societies and divides them into ten clusters (Kabasakal et al. 2012). However, according to (Waldman et al. 2006) only 15 countries provides complete data that allowed for accurate findings.

### 2.3 Theory

This thesis has used two frameworks, Hofstede’s culture dimensions and CSRHub. These two frameworks are defined by directly citing them from the respective authors was made. The aim with choosing to cite them directly from the authors is that it should be communicated in a the clearest and most precise way possible and show them as the author's intended. If this the frameworks were to be rewritten with our own words, then the definition of the frameworks would get further away from this goal, and it would require more work. Furthermore, an elaboration of the contexts that the respective frameworks exist in, a motivation as to why they were chosen, and some potential weaknesses of the frameworks was also made.

#### 2.3.1 Hofstede’s 6 dimensions of national culture

Due to the fact that most of the studies that have explored the relationship between CSP and national culture have used Hofstede’s 6D model, and that only two studies included all dimensions, it makes sense to use Hofstede’s as a basis for this thesis as well, and include all 6 dimensions. Furthermore, since CSRHub’s index (the CSR index used in this thesis) covers a lot more than 15 countries, and Hofstede’s 6 dimensions covers more than 70 countries (Hofstede, 2019), the scope of the study will be greater than if another culture model were to be used. Using Hofstede’s model instead of GLOBE will enable the thesis to include more countries. So, to make the study as extensive and conclusive as possible, Hofstede’s cultural dimensions was chosen over the GLOBE project due to its advantage in data size (Holden, 2002). Another strength of using the Hofstede national culture dimensions is that it will enable us to use Hofstede-insights.com as a source of data, where the statistics are based upon the well-recognized studies of Geert Hofstede. However, there has been some criticism towards the Hofstede’s model. The main criticism stems from the argument that culture changes all the time and some critics suggest that the model’s data set is outdated. And while
Hofstede himself agrees with this to a certain extent, he does argue that even though culture tends to continuously develop over time, cultures tend to develop in the same direction, they don’t tend to converge (Hofstede, 2001).

This model is a tool that quantifies culture. The model divides culture into 6 specific values. It shows a country's preferences of acting in one way rather another. These values do have some interesting implications when it comes to government as expressed by Ghemawat and Reiche in their study “National Cultural Differences and Multinational Business” (2011), they show a difference between power distance, and big autocratic government. A high score in power distance tends to mean that a country has a big government, and a low score that the country has a small government.

Hofstede has analyzed 6 anthropological areas that has troubled societies throughout history and is used to explain and define differences in organizational and cultural values. Each country can get a score of 0 - 100 on each of the dimensions, which allows us to quantify the culture of each country in the study in each of the 6 dimensions. The following are the 6 dimensions that outlines the model:

- **Power Distance (PD)** “This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people.” (Hofstede, 2019)

- **Individualism versus Collectivism (IND)** “The high side of this dimension, called Individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families.” (Hofstede, 2019)

- **Masculinity Versus Femininity (MASC)** “The Masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness, and material rewards for success. Society at large is more competitive. Its opposite, Femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented.” (Hofstede, 2019)

- **Uncertainty avoidance (UA)** “The Uncertainty Avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals
with the fact that the future can never be known: should we try to control the future or just let it happen?” (Hofstede, 2019)

- **Long Term Orientation Versus Short Term Normative Orientation (LTO)**
  “Every society has to maintain some links with its own past while dealing with the challenges of the present and the future. Societies prioritize these two existential goals differently.” (Hofstede, 2019)

- **Indulgence Versus Restraint (INDULG)** “Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.” (Hofstede, 2019)

### 2.3.2 CSRHub

CSRHub is a website that provides information regarding responsibility and sustainability ratings amongst different firms around world. CSRHub offers some major advantages as a main data source. First, the CSRHub database covers about 8500 firms from 104 different countries. In total, there are about 41 million aggregated pieces of data regarding CSP from 291 different data sources. So, there is a broad range of data going into the rankings. Secondly, CSRHub solves their rankings according to methodological and informational biases. Since CSRHub has such an incredibly large pool of data, combined with their methods of processing and adjusting data to remove biases, CSRHub should be considered to be a realistic and representative database regarding the social performance of firms in the available countries. It is also worth noting that the data used for this thesis was purchased from CSRHub. A further explanation of CSRHub’s methods are provided in the following paragraphs:

CSRHub rank firms based on 4 categories, that each have 3 subcategories which makes it a total of 12 subcategories. Category 1 which is “Community” consists of subcategories: Community development, product and human rights & supply chain (Appendix 1). Category 2, “Employees”, consists of subcategories: compensation & benefits, diversity & labor rights and training, health & safety (Appendix 2). Category 3, “Environment”, consists of: energy & climate change, environment policy &
reporting and resource management (Appendix 3). Finally, category 4, “Governance”, consists of subcategories: board, leadership ethics and transparency & reporting (Appendix 4).

CSRHub maps all elements of the data they gather into one or more of these 12 subcategories, and those issues that does not fit into either one of those gets categorized as “a special issue” (CSRHub, n.d.). CSRHub gives one example that explains this method “For instance, if a data source reports that a company is involved in Burma, we include this information in our Leadership Ethics subcategory and in our “Involved in Burma” special issue”. Further, they state that they have mapped a total of 5000 elements (CSRHub, n.d.).

When this is done, CSRHub continues to convert each of their sources and enumerate them into a scale of 0-100, with 100 being the most positive result possible. What CSRHub then does, that is of great importance, is that they normalize the scores from the different data sources to eliminate biases. They explain this as the following: “By analyzing the variations between our sources, we can determine their biases. We then adjust all of the scores from a source to remove bias and create a more consistent rating.”

Further, CSRHub weight each source based upon their estimation of its value and credibility. Then, they proceed to combine all of the available data of a firm and generate ratings at the subcategory level which is then followed by aggregating those further to the main category level. Lastly, they trim out the firms that does not contain enough information, about 140.000 firms are trimmed out due to a lack of scoring that would provide an accurate score (CSRHub, 2019). To finalize, they research each firm based on location and business description as well as their websites, to create industry and country averages.

This thesis will be using CSRHub’s 4 main categories in our study: community, employees, environment and governance. This is how CSRHub defines these categories:
• **Community** “The Community Category covers the company’s commitment and effectiveness within the local, national and global community in which it does business. It reflects a company’s citizenship, charitable giving, and volunteerism. This category covers the company’s human rights record and treatment of its supply chain. It also covers the environmental and social impacts of the company’s products and services, and the development of sustainable products, processes and technologies” (CSRHub, 2019).

• **Employees** “The Employees category includes disclosure of policies, programs, and performance in diversity, labor relations and labor rights, compensation, benefits, and employee training, health and safety. The evaluation focuses on the quality of policies and programs, compliance with national laws and regulations, and proactive management initiatives. The category includes evaluation of inclusive diversity policies, fair treatment of all employees, robust diversity (EEO-1) programs and training, disclosure of workforce diversity data, strong labor codes (addressing the core ILO standards), comprehensive benefits, demonstrated training and development opportunities, employee health and safety policies, basic and industry-specific safety training, demonstrated safety management systems, and a positive safety performance record” (CSRHub, 2019).

• **Environment** “The Environment category data covers a company’s interactions with the environment at large, including use of natural resources, and a company’s impact on the Earth’s ecosystems. The category evaluates corporate environmental performance, compliance with environmental regulations, mitigation of environmental footprint, leadership in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies, disclosure of sources of environmental risk and liability and actions to minimize exposure to future risk, implementation of natural resource conservation and efficiency programs, pollution prevention programs, demonstration of a strategy toward sustainable development, integration of environmental sustainability and responsiveness with management and the board, and programs to measure and engage stakeholders for environmental improvement” (CSRHub, 2019).
• **Governance** “The Governance category covers disclosure of policies and procedures, board independence and diversity, executive compensation, attention to stakeholder concerns, and evaluation of a company’s culture of ethical leadership and compliance. Corporate governance refers to leadership structure and the values that determine corporate direction, ethics and performance. This category rates factors such as: are corporate policies and practices aligned with sustainability goals; is the management of the corporation transparent to stakeholders; are employees appropriately engaged in the management of the company; are sustainability principles integrated from the top down into the day-to-day operations of the company. Governance focuses on how management is committed to sustainability and corporate responsibility at all levels” (CSRHub, 2019).

### 2.4 Central limit theorem

The central limit theorem states that as a sample size gets larger, it tends to distribute more in line with a normal distribution, so the larger a sample size is, the more accurately it can approximate the entire population. Since using all of the firms that exist within a country is quite unreasonable and could entail this thesis including hundreds of thousands of firms. The central limit theorem is quite helpful in this regard as stated by LaMorte, W. (2016) “The central limit theorem states that if you have a population with mean μ and standard deviation σ and take sufficiently large random samples from the population with replacement, then the distribution of the sample means will be approximately normally distributed. This will hold true regardless of whether the source population is normal or skewed, provided the sample size is sufficiently large (usually n ≥ 30).” Which show us that a reasonable limit to firms per country is 30, since this will still approximate a normal distribution and approximate the entire population quite accurately.
3. Methodology

In this chapter, research philosophy, research design and research approach will be discussed. This will reflect the methodological chosen by the authors.

3.1 Research philosophy

When Brunninge (2005) rationalized his standings on the choice of research methodology he stated that “my methodological choices are a consequence of my research interest and the questions I am investigating”. So, since methodology is based on the nature of the study the choice of methodology is entirely relative to research questions and “prior work” in the field. So, taking this into consideration, the methodology of this study is a product of our purpose and the identified research questions. Hence, one could say that our methodology reasonings can be put on a spectrum where the tail ends are the most extreme cases of positivist and interpretivist approaches.

The first step when doing research is to specify the research philosophy that will be used. This is crucial since the research philosophy describes how the authors view the world. Collis & Hussey (2014) provides one definition of research philosophy as “a set or system of beliefs stemming from the study of the fundamental nature of knowledge, reality and existence”. In this study, positivism will be the main research philosophy. Positivism depends upon objective, quantifiable observations of a phenomenon, that can then be under examination for statistical analysis (Crowther, 2009). Positivism is one of two main paradigms, where the other being interpretivism. Positivism is underpinned by the idea that “reality is independent of us and the goal is the discovery of theories, based on empirical research” (Collis & Hussey, 2014). Hence, under positivism, theories are the basis of logic and allow theories to be tested.

Therefore, to explore the phenomenon of how national culture impacts different types of CSR engagements, it is appropriate for this study to be quantitative study to assess said
relationship since the data that will be used from Hofstede’s cultural dimension and CSRHub is purely quantitative. This will allow the analysis to be more objective than if an interpretivist approach were to be chosen instead. Furthermore, a positivistic research philosophy is the status quo in this field, which is supported by the fact that all of the other studies that this thesis is based upon has been quantitative with a deductive approach, such as Skouloudis et al., Ringov et al., Ho et al.

It is worth mentioning that even though the research methodology will be positivistic, the findings will be interpreted and discussed. An attempt to explain why the findings are as they are and linking it back to previous theory will also be made. Since the findings will be discussed and explained, and since this would not necessarily entail positivistic research, some interpretivist perspectives will be used.

3.2 Research design

The research design refers to the big picture of the strategy of the authors. More specifically, how the authors integrate different parts of the study in a logical and coherent way. This strategy constitutes the blueprint for the thesis with regards to analysis, measurement and collection of data.

This will be experimental study. An experimental study is used to investigate relationships between variables, where independent variables are used to observe the effect on a dependent variable. One of the major strengths with experimental designs is that the researchers are better equipped to control for confounding variables, that is, variables that may alter the effect of another variable (Collis & Hussey, 2014). Since this will be an experimental study, the study will be designed according to a cross-sectional structure. Cross-sectional studies are defined as “Cross-sectional studies are designed to obtain research data in different contexts, but over the same period of time” (Collis & Hussey, 2014). The point of a cross-sectional design is to allow for a specific snapshot in time, of a specific research phenomenon to be made. However, cross-sectional studies only explain if there is a correlation between the variables or not, it does not explain as to why the correlations exist. Since the research design reflects the assumptions and positions taken in the research philosophy, a cross-sectional structure is the most fitting structure for this research.
3.3 Research approach

Deductive reasoning will be used in this thesis. A deductive research is one where concepts and theories are constructed and then tested by statistical tests, i.e. empirical observation (Collis & Hussey, 2014). A deductive approach is appropriate for this thesis since it aims to explain a causal relationship between independent and dependent variables. Deductive approaches are basic forms of reasoning, they start off with a hypothesis, and then pursues a logical and specific way to conclude that said hypothesis. In general, deductive approaches moves from a stated theory, to specific observations.
This chapter will discuss the data analysis method, data collection, ethical considerations, statistical model and finally sampling. This will provide a discussion of specifically what actions were made in the method and why.

The concept CSR will be divided into four different categories, in accordance to the CSR index that will be used, CSRHub. These categories are: community, employees, environment and governance. This will allow us to not only see what Hofstede cultural dimensions has a correlation to CSR, but what type of CSR each Hofstede dimension is correlated to, thus providing a deeper analysis of this topic. Some previous research has found that some Hofstede cultural dimensions did not have a significant correlation to CSR, but the correlations are contradicting overall across this field. However, in this thesis, all of the cultural dimensions will still be used based on the rationale that the body of literature on this specific topic is currently not that strong, and that this study will be using a different CSR index than the previous researchers did to rank the CSP of the different countries used in the study.

4.1 Data analysis method

This thesis will be using an inferential statistical test. Inferential statistics are “statistical tests that lead to conclusions about a target population based on a random sample and the concept of sampling contribution (Collis & Hussey, 2014). The two main types of inferential analysis will be in form of correlations and regressions between the different variables. The main purpose of using inferential analysis is to be able to draw conclusions based on the population sample.

4.2 Data collection

The data that will be collected for this study will be data regarding firms CSR activities within a country. CSRHub has given the firms a score of 0 - 100 in each of the four categories: environment, governance, employees and community. The process will be
that a country will be chosen, the next step will be to see how many firms are listed in that country in CSRHub’s index. If it is 20 or more, then the country and the firms inside it will be investigated further.

If the information regarding firm size is available for at least 20 firms within the respective country, then these firms will be used in our data set to represent that country, and if there is data available for GDP and data available regarding the country’s culture in Hofstede’s data bank for all 6 dimensions, then the country and the firms inside it will be a part of the final data set.

4.2.1 Secondary data

Saunders, Lewis and Thornhill (2016) defines secondary data as “data that have already been collected for some other purpose, perhaps processed and subsequently stored”. In this research, the independent variables and the dependent variables are both gathered from secondary data sources. The data that would classify as secondary in this thesis would be the cultural scores for countries gathered from Hofstede’s cultural dimensions and the CSP scores for firms that was purchased from CSRHub. Hence, this research is heavily based upon secondary data.

4.2.2 Primary data

Primary data, as defined by BYU FHSS Research Support Center (2018) is “data that has never been gathered before, whether in a particular way, or at a certain period of time. Researchers tend to gather this type of data when what they want cannot be find from outside sources. You can tailor your data questions and collection to fit the need of your research questions”. For this thesis, primary data was gathered for two of the independent variables. These two were the control variables of the study, specifically GDP per capita and firm size.
4.3 Ethical considerations

Ethics can be defined as “norms or standards of behavior that guide moral choice about our behavior and our relationship with others”, according to Cooper and Schindler (2008). Hence, when it comes to doing research, ethics refer to how appropriate the researchers behave in regard to parties involved. Since this thesis is a quantitative research project, the parties involved will mainly be the organizations behind the two main databases that will be used. Good statistical practice is fundamentally based on transparent assumptions, reproducible results, and valid interpretations (American Statistical Association, 2018). Ethical considerations are important to be aware of when doing quantitative and statistical research to remove any biases and to act professionally regardless of the level competence, education or position of the researchers.

In this thesis the guidelines of the American Statistical Association (2018) will be used as a basis for the project’s ethical considerations. They list 52 points that the ethical statistician should strive to act accordingly to, which makes the foundation for the ethical considerations for this paper. Some points of focus that are especially relevant for this study are the following:

- Identifies and mitigates any preferences on the part of the investigators or data providers that might predetermine or influence the analyses/results.
- Protects the privacy and confidentiality of research subjects and data concerning them, whether obtained from the subjects directly, other persons, or existing records. Anticipates and solicits approval for secondary and indirect uses of the data, including linkage to other data sets, when obtaining approvals from research subjects and obtains approvals appropriate to allow for peer review and independent replication of analyses.

The first point of focus has been an important step early in the process of the research and was taken into consideration with the aim of reducing any skewed results or interpretations from them. Secondly, precautions were taken not to publicize any confidential data from CSRHub’s database. CSRHub’s data was paid for to get access to, and they have specifically asked researchers not to make the purchased data
regarding firms’ different types of CSR engagement available publicly, thus there was a responsibility to not publicize that data.

4.3.1 Trustworthiness

According to LeCompte and Goetz (1982), the trustworthiness in quantitative research can be assessed by its internal and external validity, reliability and objectivity. These four different criteria’s is something that has been used as a basis for this thesis, and any options in decisions or strategy that has not been in line to these criteria’s, has been discarded.

Further, a study can be considered to be internally valid if it is able to measure whether there are relationships between one or more independent variables and one or more dependent variables. Therefore, according to this definition, internal validity can say how well the study is conducted with regards to research design, definitions, how variables are measured and what is not measured (Huitt, Hummel & Kaeck, 1999).

Secondly, external validity aims at valuing how well the researchers generalize a study, which covers the importance of how people, places and times are chosen (Trochim, 2006). This point is important in regard to sampling, whether the sample is accurate enough to be able to generalize the results back to the general population of a sample.

The third criteria is reliability, which relates to the consistency of the research, which is achieved if a measure always provides the same results (Trochim, 2006). In this thesis, several precautions have been taken to make the results reliable such as using trustworthy indexes as data sources and using between 20 - 30 firms per country to approximate the full population, in accordance to the central limit theorem.

Lastly, the fourth criteria is objectivity which states that researchers should distance themselves personally, in regards to personality and beliefs, to the findings of the research and its nature. A concrete example of this is that some theories in the analysis were disregarded. Some of the theories in the analysis that were perceived early in the process due them not being entirely logically consistent and not being the product of objective reasoning.
4.4 Statistical model

4.4.1 Regression analysis

A regression analysis is a statistical model that allows the researcher to see the relationship between two or more variables, more specifically the influence of one or multiple independent variables on a single dependent variable. In this study, a multiple linear regression analysis will be used, since there are several factors affecting CSR engagement within firms. The dependent variable will be the type of CSR engagement (governance, employees, environment and community), whilst the independent variables will be all of the 6 Hofstede national culture dimensions and the two control variables GDP per capita and firm size.

4.4.2 Control variables

In Appendix 5 the control variables used for the four previous studies in this field are listed. 2 of these were very commonly used, namely GDP (either GDP growth or GDP per capita), and firm size. In this thesis the decision to only use these two control variables was made. The reason for this was that it was desirable for us to include as many firms, and countries as possible. If more control variables were to be included, such as firm prior financial performance and firm growth rate, then quite a few firms would have been cut out from the data set, which in turn would have resulted in some countries being cut from the study as well (you can read more about our criteria for countries and firms in 4.5 Country criteria and 4.5.1 Firms per country). To maintain as many firms and countries as possible, the decision to only use GDP per capita and firm size as our control variables was made.

4.4.2.1 GDP per capita

There are different forms of GDP such as nominal GDP, GDP per capita GDP growth etc. GDP per capita has been found to have a significant effect on CSP (Peng, et al (2014); Halkos & Skouloudis (2017)). Thus, this thesis will use country GDP per capita as a control variable in our regression analysis. The GDP per capita data will be gathered from The World Bank. Additionally, Hofstede supports the idea of controlling
for economic development when it comes to approximating the effects of culture because “‘if ‘hard’ variables predict a country variable better, cultural indexes are redundant’” (Hofstede, 2001, p. 68).

4.4.2.2 Firm Size

Firm Size does have a significant effect on CSP, as found in Orlitzky’s (2001) study “Does Firm Size Confound the Relationship between Corporate Social Performance and Firm Financial Performance?” where he covers 3 meta analyses on the topic of the correlation between firm size and CSP. Firm size can be defined in multiple ways such as number of employees, total assets and net sales, or a combination of these, as described by Orlitzky (2001). In this thesis the decision to use number of employees to define firm size was made. The rationale behind this is that each country must have at least x number of firms on CSRHub to be a part of the study. Furthermore, number of employees was the data that was the most available out of the other definitions. So, in order to have as many firms as possible, thus enabling the thesis to have as many countries as possible, number of employees was the most suitable. As one can see in the analysis made by Orlitzky (2001), this is not an uncommon way to define firm size. He analyzed 20 studies, whereas 3 studies used only one factor which was number of employees to define firm size, and 4 studies used multiple factors where number of employees was 1 of the factors used. The information about firm size will be collected by firms’ annual reports, and from Financial Times’ “Markets Data”.

4.5 Country criteria

In order for a country to be a part of the study, they must have at least 20 firms that has a score on all of the 4 CSR categories. A firm can be a part of CSRHub’s index without having a score, but these firms will be irrelevant for this thesis since they will not contribute to representing a country’s score on each of the 4 CSR categories, thus these firms were discarded. If a country has more than 20 listed firms with documented CSR scores on each category, then a maximum of 30 firms will be used to calculate the country's CSR score in accordance to the central limit theorem (LaMorte, 2016).
4.5.1 Companies per country

The multiple regression analysis is based upon nations cultural score gathered from the six Hofstede dimensions, obtained from Hofstede-insights.com and data from 20 - 30 firms per country regarding firm size, and their score on CSRHub for each of the four CSR categories. In CSRHub’s index, they have a list of countries, and each country has a list of firms that has CSR data available. The sample size of firms for each country can expressed as this:

\[ 20 \leq n \leq 30 \]

4.6 Sampling

Webster (1985) defines sampling as this "sampling is a finite part of a statistical population whose properties are studied to gain information about the whole". CSRHub has a list of countries, each country has a list of firms. Hence, our sampling frame is all countries of the globe, from which 35 different countries fulfilled our criteria, and a total of 1034 firms will be used to represent these countries.

If a country has between 20 and 30 firms listed on CSRHub, then all of the firms from this country will be a part of the thesis’ data set. If a country has over 30 firms available, then simple random sampling will be used via a random number generator to create a truly random sample and avoid any sampling biases. Furthermore, to make sure that appropriate timelines of the sample were to be ensured, a decision to discard firms that had not had their CSP scores updated during 2018 was made to avoid unreasonable time issues within the sample. To elaborate, it would be unreasonable to compare a firm that has not been updated since 2005 with a firm that was updated during 2018.
5. Empirical Findings

This chapter will contain pure reporting of the empirical findings. The statistical tests presented are logically conducted in order for the authors to be able to reject or accept the previously stated hypothesis.

5.1 Correlations and significance

Table 1 reports the descriptive statistics of the multiple regression analysis. Here, the standardized correlation coefficients and the significance of the independent variables on each of the dependent variables are shown. At the bottom of table 1 there are 3 different alpha values, 0.10, 0.05 and 0.01. If the correlation coefficient is not significant at alpha 0.1, then the significance will have no asterisk, if it is significant at alpha 0.1 it will have 1 asterisk, if it is significant at alpha 0.05 it will have 2 asterisks and if it is significant at alpha 0.01 then it will have 3 asterisks.

<table>
<thead>
<tr>
<th>Table 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community</strong></td>
</tr>
<tr>
<td>Standardized Coefficients Beta</td>
</tr>
<tr>
<td>Significance</td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Significance</td>
</tr>
<tr>
<td>Environment</td>
</tr>
<tr>
<td>Significance</td>
</tr>
<tr>
<td>Governance</td>
</tr>
<tr>
<td>Significance</td>
</tr>
</tbody>
</table>

Firstly, on the basis of table 1, it is apparent that PD, MASC and INDULG all have negative correlation to CSR performance on the Community dimension whilst IND, UA
and LTO have positive correlations. All variables are found to be significant in at least one relationship. Secondly, only IND has a positive correlation to CSR performance on the employee dimension, whilst the other 5 variables have negative correlations. However, the relationships between CSR performance on Employee dimension and IND, MASC and INDULG are found to be significant. Thirdly, PD, MASC, UA and INDULG all have negative correlations to CSR performance on the environment dimension, with the correlation of IND and LTO being positive. The variables that are found to be significant in this dimension are only PD and MASC. Finally, all variables except IND are found to be negatively correlated to CSR performance on the governance dimension. Though, only the findings of MASC, UA and LTO are found to be significant. To conclude, by looking at table 1 and interpreting the findings, we fail to reject our hypothesis “*Does one or more of Hofstede’s 6 cultural dimensions have a significant correlation to any of CSRHub’s CSR categories: community, employees, environment and Governance?*”.

### 5.2 Statistical model efficiency

Further, table 2 is very interesting to look at as well. This is a summary of the values of R, R-squared and adjusted R-squared for all four CSR categories. This provides a holistic perspective of how efficient our statistical model is. By looking at R square, it is clear how much of the variance in the dependent variable that can be explained by the independent variables.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>R</th>
<th>R squared</th>
<th>Adjusted R squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community</td>
<td>0.339</td>
<td>0.115</td>
<td>0.108</td>
</tr>
<tr>
<td>Employees</td>
<td>0.301</td>
<td>0.091</td>
<td>0.084</td>
</tr>
<tr>
<td>Environment</td>
<td>0.232</td>
<td>0.054</td>
<td>0.046</td>
</tr>
<tr>
<td>Governance</td>
<td>0.299</td>
<td>0.89</td>
<td>0.082</td>
</tr>
</tbody>
</table>

Hence, it is apparent that the variance in community can be explained to 11.5% by the independent variables, the variance in employees by 9.1%, the variance in environment by 5.4% and finally the variance in governance by 8.9%.
5.3 Collinearity and Multicollinearity

There was an especially high negative correlation between some of the independent variables, namely power distance and GDP (correlation: -0.737), and power distance and individualism (correlation: -0.724). A high correlation between independent variables can potentially create problems with collinearity and multicollinearity. This means that two or more independent variables has a correlation that is so strong that it distorts the precision of the statistical model (Statistics Solutions, n.d.). To see if there were any statistical problems regarding collinearity and multicollinearity, the collinearity tolerance and variance inflation factor (VIF) was viewed. As described by Statistics Solutions (n.d.), if there were to be a collinearity tolerance number that is lower than 0.2, or a VIF over 10, then it could potentially have a severe collinearity or multicollinearity issue. Even though Power Distance and GDP, and power distance and individualism did show some tendency to have a high correlation, our collinearity tolerance and VIF values showed that there was no problem with collinearity as seen in table 3, as all of the collinearity tolerance values are above 0.2, and all of the VIF values are under 10.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Collinearity Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Size</td>
<td>0.986</td>
<td>1.014</td>
</tr>
<tr>
<td>GDP</td>
<td>0.346</td>
<td>2.886</td>
</tr>
<tr>
<td>PD</td>
<td>0.311</td>
<td>3.216</td>
</tr>
<tr>
<td>IND</td>
<td>0.407</td>
<td>2.46</td>
</tr>
<tr>
<td>MASC</td>
<td>0.921</td>
<td>1.086</td>
</tr>
<tr>
<td>UA</td>
<td>0.83</td>
<td>1.205</td>
</tr>
<tr>
<td>LTO</td>
<td>0.551</td>
<td>1.815</td>
</tr>
<tr>
<td>INDULG</td>
<td>0.53</td>
<td>1.887</td>
</tr>
</tbody>
</table>
6. Analysis

The following chapter provides an in-depth analysis of the results. The following sections will provide comments, interpretations and reasoning of the findings. The following sections will effectively relate back to the theories and concepts presented in the frame of reference in order to analyse the findings.

6.1 The masculinity correlation

A cultural dimension that stands out in our regression model is masculinity. This specific cultural dimension is the only independent variable that has a significant correlation to all four CSR categories. Furthermore, all of these four correlations are negative. The correlation coefficients are also relatively high compared to the others. This would suggest that out of all of the 6 cultural dimensions, a country’s masculinity score is the best indicator of what type of CSR engagement can be observed.

6.2 The motivation of CSR

As can be seen in Schrader’s analysis of the current field of the motivation of CSR, there is a debate going on with two main strands of thought. The first strand suggests that the motivation behind CSR is profit driven, that CSR is a tool that firms use in order to increase their financial performance in the short term or long term, whilst the second strand suggests that the motivation is that the firms want to do good, and that they are willing to sacrifice their economic interests in the pursuit of social progress. To be able to say which of the two sides of this debate is absolutely correct is a difficult task, but from the findings of this thesis, this debate should be approached a bit differently.

The findings show what cultural dimensions has a significant correlation to what CSR categories a firm will engage in, and this does give some new insight to this debate. There are several factors that explain how high a countries CSP will be, such as the
three factor levels mentioned by Peng et.al, where culture is a part of the national-level factor. These factors explain to what extent firms in the country tend to engage in CSR overall, but they don’t explain why firms in different countries engage in different types of CSR to differing extents. What the findings of this thesis shows is that firms prioritize some types of CSR engagements over others, and which country they operate in has a direct correlation to this. What this implies is that culture is different in all countries, and that this results in differing prioritizations of different types of CSR engagement. This difference in prioritization could be explained by Chaffee’s (2017) aggregate theory.

Since aggregate theory describes a corporate entity as a sum of the individuals it consists of, the moral compass, or the prioritizations of the firm, have to be made up of the values of the individuals within it. And since values differ from culture to culture, aggregate theory could to a great extent explain why different firms in different countries engage in CSR differently. This means that when it comes to the question “what is the motivation of firms CSR engagement?” The answer will be that it depends on what values the individuals within any given firms are, and that this differs from firm to firm, and from country to country. The two identified strands in the literature review does not seem approach this in the correct way. The two strands suggest that it is either black or white, a firm either engages in CSR for profit, or for doing good. Since it is clear that values affect CSR engagement, and that values differ from country to country, it seems more reasonable that there exists a spectrum, where one extreme is engaging in CSR for only profit, and the other is engaging in CSR only to do good, and that each firm will fall somewhere on this spectrum.

The quote by Chaffee (2017) presented in section 2.2 could also be interpreted as support for the idea of a spectrum as well “For example, if management is asked to choose between two courses of action, one that is socially responsible and the other that
is not, and if both courses of action would generate the same amount of profit, most corporate managers would be unable to articulate why they should choose the socially responsible course of action”. The reason as to why the manager would be more inclined to choose the course of action that is socially responsible could be due to aggregate theory, meaning that the core values of the firm is accumulated by all of the individuals that make up the organization, not only the managers values.

One can view it this way, in a country that has a high masculinity score, for example Albania or Austria, the individuals within these countries are living in a country where professional success and material rewards are highly regarded. Hence, since aggregate theory explains the firm’s moral compass as an aggregate of the morals of every individual within it, this suggests that every single firm will have its own morals with its own prioritizations. So, in Albania or Austria, one could suggest that firms here would lean towards engaging in CSR activities for financial reasons compared to a country with low masculinity such as Sweden. Thus, it is not the case that a firm engages in CSR exclusively for profit or social progress.
6.3 Previous inconsistencies

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**Present Study**

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*p<0.10; **p<0.05; ***p<0.01;

6.3.1 New dimensions: Long term orientation and indulgence

Previous findings in this field are quite inconclusive and contradicting. As can be seen in table 4, Skouloudis et al. were the only ones that explored long term orientation and indulgence, and they did manage to find significant correlations between these two as well. This study also included these two cultural dimensions in our study, and for long term orientation, a positive correlation for two types of CSR engagement can be seen, namely community and governance. But when it came to indulgence, only one negative correlation to a type of CSR engagement was found; employees.

6.3.2 Individualism and Masculinity

These two dimensions have been quite contradicting throughout the previous studies, mostly due to methodological differences in the studies. As seen in table 4, the results of this study showed that masculinity does have a significant negative correlation to all of
the different types of CSR engagements, thus supporting the findings of Ringov and Zollo (2007) and Peng et al. (2012) in this regard. Furthermore, the findings also showed that individualism has a positive correlation to two types of CSR engagement, community and employees, thus supporting the findings of Peng et al. in this regard.

### 6.3.3 All dimensions have a correlation

One very important thing to take notice of when it comes to the results of this thesis is that when CSR is divided into our four different categories, it is apparent that all of the six different cultural dimensions does have a correlation to one or more CSR category which has previously never been found. The reason for why these results came to be is because in this thesis a deeper analysis of this relationship was made by dividing CSR into four categories instead of using CSR as a broad umbrella term. The most extensive study on this topic prior to this one was the one of Skouloudis et al. They measured the relationship between all 6 Hofstede dimensions and CSR, thus testing 6 relationships. In this thesis, the relationship between 6 Hofstede dimensions and four CSR categories was tested thus testing 24 relationships in total.

It is also interesting to see that two cultural dimensions, namely uncertainty avoidance and long-term orientation has one significant positive correlation, and one significant negative correlation. The observation that a cultural dimension can have a significant positive correlation to one type of CSR engagement, and a significant negative correlation to another type of CSR engagement did not exist prior to this research. This could explain the inconsistencies in this field. In table 4, it is apparent that three studies have found uncertainty avoidance to have a significant positive correlation, and one study found that it had a significant negative correlation. This inconsistency could be explained by the fact that CSR was not divided into several categories.

### 6.4 Government and CSR

Relating back to what was found by Pankaj Ghemawat and Sebastian Reiche regarding government and culture, which was that a high score in power distance had a correlation to bigger government and that a low score on power distance had a correlation to smaller government. This implies that bigger government could have a negative impact
on firms CSR activity within a country, specifically the community and environment categories. A theory that could explain this motivation of CSR is the Artificial Entity Theory. This theory states that firms under a strong and controlling government engage in CSR because governments set up laws and regulations that forces them to have certain standards when it comes to sustainability. This would suggest the CSR motivation explained in artificial entity theory, namely that a government creating policy to promote CSR, could be a motivation that results in worse CSR commitment than other CSR motivations, such as the aggregate theory.

### 6.5 The CSR categories differing R-squared value

In table 2 it is apparent that the R-square values differ from the various CSR categories. This would entail that the different CSR categories are affected by culture (and our control variables) to varying degrees. This means that the CSR category community, that has the highest R-square value at 0.115 can be better explained by culture (and our control variables) than the CSR category environment with the lowest R-square. This has some implications on the 3 different factors that affect CSR proposed by Peng et al. Namely firm-level factors (FLF), industry-level factors (ILF) and national-level factors (NLF). All of these factors affect CSR as a whole to varying degrees. We used variables that would represent two of the factors, national culture and GDP per capita would represent the national level factor and firm size would represent the firm level factor.

Previous theory suggests that FLF explained 55%, ILF explained 10% and NLF explained 35% of a firm’s CSP score. Our findings would suggest that the reality is a bit more complex than this. Since the R-square value differs for the different CSR categories, and that the independent variables represented FLF and NLF, this would entail that different CSR categories are explained to varying degrees by the different factors. Where Community would best be explained by FLF and NLF, and environment be explained the worse by FLF and NLF.
7. Conclusion

In this section, a summary of the output from the analysis will be made in the form of a conclusion. The conclusion will be related to the stated purpose of the thesis.

The identified problem for this thesis was that the relationship between CSR and culture had been researched, but with CSR an umbrella term. In this thesis, Hofstede’s 6 cultural dimensions and CSRHub’s data index were used to do a more in-depth study of this topic, to test the relationship between different types of CSR engagement and Hofstede’s 6 cultural dimensions. Specifically, our hypothesis was:

“Does one or more of Hofstede’s 6 cultural dimensions have a significant correlation to any of CSRHub’s CSR categories: community, employees, environment and Governance?”

So, to answer this, a quantitative research method was applied where 24 relationships in total were tested, and the findings showed us that there were 13 significant correlations. This was done through a multiple linear regression analysis. The method of data analysis was through both a descriptive and inferential statistical analysis in order to discover patterns and to better make conclusions from them.

These newly found correlations does provide some additional insights to this field. It shows the importance of distinguishing different types of CSR from each other since a cultural dimension can have a positive significant correlation to one type of CSR engagement, and a significant negative correlation to another type of CSR engagement. So, to test the correlation between a cultural dimension and CSR as a whole can be quite limited. One can view the results in this way; if all of the different factors that affect CSR activity were equal between countries across the world except culture, then our findings suggests that countries would still engage in different types of CSR engagement to different extents. Thus, the countries with high masculinity would perform the worst in overall CSP, and in all different types of CSR engagement, except community where power distance has the biggest negative correlation.
The empirical findings of this study, and other findings in the field, could be explained by aggregate theory. As mentioned, there are currently two strands of thought that explain the motivation behind a firm’s CSR engagement, one strand suggesting that the motivation is increasing profits and one strand suggesting that the motivation is the notion of social progress. So by analyzing the findings with Chaffee’s (2017) aggregate theory it was apparent that individuals within an organization all collectively create the firm’s values and motivations for different actions, and that it is therefore reasonable that a firm is not either motivated by the motivations suggested by strand one or two, but would rather fall on a spectrum between the two. Another interesting implication of our findings was that it does seem as though motivation of CSR caused by government policy should theoretically result in a worse CSR performance than the motivation proposed by aggregate theory, if all else equal.

Previous studies within the field of the relationship between CSR and culture has been quite inconsistent, our findings do not really add much to this disparity since this thesis was conducted as a deeper analysis of CSR categories rather than CSR as a whole.
8. Discussion

In this final chapter of the thesis, a discussion is made in the form of a reverse-funnel approach, taking the reader from the very specific findings to the implications and limitations of this thesis, but also to the suggested future research.

The current discourse in CSR is in need of expanded ideas and explanatory theories when it comes to its relation to CSR. As emphasized by Ringov and Zollo (2007), that argues that the link between CSR and national culture is vague and that “most of the debate being fueled by conceptual arguments or anecdotal evidence”. Further, Halkos and Skouloudis (2017) took a similar position saying that “research on CSR is culturally limited despite that nationality is identified as a highly critical factor in the business ethics literature”. This research is an attempt to answer those calls by analyzing a total of 1034 firms to shed some light as to exactly what national culture dimension affects what type of CSR. These findings are what this thesis is able to contribute to this field. The reason to why there’s inconsistencies in this field might be because methods of research and definitions of CSR differ, as mentioned in frame of reference. Additionally, our findings are increasingly important since this paper has adopted a more specific topic of research compared to previous research, namely the relation between different types of CSR engagements and Hofstede’s 6 cultural dimensions. Previously, since CSR as a whole has been investigated in relation to culture, the findings have been left somewhat open-ended but now with CSR defined by four subcategories, more specific findings have been added to this field. Very importantly, the main issue of using statistical analysis is that it explains what is but not why it is. However, with theories that explains the essence of firms such as aggregate theory and artificial entity theory, this thesis allowed some room to theorize as to why it is as it is as well, which significantly increases the contribution of this paper.
8.1 Implications

This study extends the knowledge of cultural studies in CSR through showing valuable insights into differences in CSR engagement over 35 countries in 6 different continents. These insights are valuable to many different players, but also in many different ways. Primarily, these findings are valuable to firms in the sense that upon entering a new foreign market, firms may draw upon these insights to more easily decide upon what type of CSR engagement is preferable in that particular culture. This could be used as a tool for firms to adapt their CSR engagement, both to answer pressure and demands of the market as to what a sustainable firm is and hence increase their public image, but also a tool to achieve financial goals. Secondly, these insights might be valuable for the market itself, for the consumers. More specifically, this is important for consumers to understand since this would suggest that it is the consumers wishes and prioritizations that drive what type of CSR a firm will engage in. This second point could be argued to be supported by aggregate theory itself. As suggested by Chaffee (2017) some proponents of the theory have been extended beyond the individuals within a firm to outside parties such as creditors, customers and the market in itself. This would then suggest that aggregate theory can explain the importance of our findings to the actual markets and the general public.

8.2 Limitations

By looking at our R-squared values in table 2, one can immediately identify limitations in our findings. Here, the largest R-square value can be found in the community dimension as 0.115. This means that the total variance of the findings in the Community dimension can be explained by the six Hofstede dimensions, GDP/capita and firm size together to 11.5%. This could suggest that there are too few, or insignificant control variables and thus the statistical model is quite weak or inconclusive. The lowest R-squared value that belongs to environment, where the R-square value was as low as 0.054.

Even though a lot of countries were used in the data set, it was at the expense of including more control variables. If more control variables were to be included in the regression model, then we would have been able to account for larger part of the
variance, thus creating a better more accurate regression model with a higher R-square value. It is also worth noting that some countries had to be excluded from the data set due to insufficient data regarding its firms CSR activity, the results and the conclusions derived from them would have been somewhat stronger if every country in the world would have been used. Furthermore, in this study only public firms were used in the data set, it could be the case that the effects would be less or more significant in non-public firms.

8.3 Future Research

The field of CSR and its relation to culture is overall quite weak in terms of research, there are a few studies, as mentioned in this thesis, that has done research on this specific topic, and the findings are quite contradicting. So, there is still room for lots of new research in this field in order to be able to accumulate more conclusive findings. Any contribution would in today's state be fruitful and of value to this field

For future research, we suggest that researchers could divide CSR into even more CSR categories than 4. CSRHub, as an example, has 3 subcategories for each of the 4 CSR categories, the correlation between all of these subcategories and Hofstede’s cultural dimensions could be tested as well, to get an even deeper understanding of the relationship between culture and different types of CSR engagement. In this field, there has not been a distinction made between business to business firms, and business to consumer firms. It would be very interesting to see in future research that these distinctions were made and how this would affect the firm’s CSP scores. To see if business to business or business to consumer firms have different CSP scores or not.
9. Reference List


Statistic Solutions (n.d.) Multicollinearity Retrieved April 10th, 2019 from https://www.statisticssolutions.com/multicollinearity/


10. Appendix

Appendix 1 – Community Subcategories

<table>
<thead>
<tr>
<th>Community Dev &amp; Philanthropy</th>
<th>Product</th>
<th>Human Rights &amp; Supply Chain</th>
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</thead>
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<tr>
<td>The Community Development and Philanthropy subcategory covers the relationship between a company and the communities within which it is embedded. It reflects a company’s community citizenship through charitable giving, donations of goods, and volunteerism of staff time. It also includes protecting public health (e.g., avoidance of industrial accidents) and managing the social impacts of its operations on local communities. The subcategory also includes a company’s land use and building design impact on the local economy and ecosystem.</td>
<td>The Product subcategory covers the responsibility of a company for the development, design, and management of its products and services and their impacts on customers and society at large. This subcategory reflects a company’s capacity to reduce environmental costs, create new market opportunities through new sustainable technologies or processes, and produce or market goods and services that enhance the health and quality of life for consumers. This subcategory rating covers the integrity of a company’s products and sales practices, including their labeling and marketing, social impacts and end-of-life disposition. It also relates to product safety and quality and the company’s response to problems with safety and quality.</td>
<td>The Human Rights and Supply Chain subcategory measures a company’s commitment to respecting fundamental human rights conventions, its ability to maintain its license to operate by supporting freedom of association and excluding child, forced or compulsory labor. This subcategory covers a company’s transparency in overseas sourcing disclosure and monitoring and a company’s relationship with and respect for the rights of indigenous peoples near its proposed or current operations.</td>
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Appendix 2 – Employees subcategories

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<th>Employees</th>
<th>Compensation &amp; Benefits</th>
<th>Diversity &amp; Labor Rights</th>
<th>Training, Health &amp; Safety</th>
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<tr>
<td>The Compensation and Benefits subcategory covers a company’s capacity to increase its workforce loyalty and productivity through rewarding, fair, and equal compensation and financial benefits. It includes benefits that engage employees and improve worker development. This subcategory also focuses on long-term employment growth and stability by promotion practices, lay-off practices, and relations with retired employees.</td>
<td>The Diversity and Labor Rights subcategory covers workplace policies and practices covering fair and non-discriminatory treatment of employees, and its diversity policies. It covers a company’s labor-management relations and participation by employees, National Labor Relations Board (NLRA) violations or patterns of anti-union practice, conformance to internationally recognized worker rights, as defined in the basic conventions of the International Labor Organization (ILO). Fundamental labor rights include freedom of association and protection of the right to organize; right to bargain collectively; a minimum age for the employment of children; a prohibition against forced labor; lack of employment and occupational discrimination; and equal compensation. This subcategory measures a company’s ability to maintain diversity, provide equal opportunities regardless of gender, age, ethnicity, religion or sexual orientation, and promote work-life balance.</td>
<td>The Training, Safety and Health subcategory measures a company’s effectiveness in providing a healthy and safe workplace. This subcategory includes accident and safety performance, as well as job training, safety standards and training, and employee-management safety teams. It includes programs to support the health, well-being and productivity of all employees. This subcategory includes workplace policies and programs that boost employee morale, workplace productivity, company policies and practices to engage employees, and worker development.</td>
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Appendix 3 – Environment subcategories

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<th>Resource Management</th>
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<td>The Energy and Climate Change subcategory measures a company’s effectiveness in addressing climate change through appropriate policies and strategies, energy-efficient operations, and the development of renewable energy and other alternative environmental technologies. The subcategory includes energy use, emissions to air of CO2 and other Greenhouse Gas Emissions (GHG).</td>
<td>The Environmental Policy and Reporting subcategory includes a company’s policies and intention to reduce the environmental impact of a company and its value stream to levels that are healthy for the company and for the environment, now and in the future. The data includes the company’s environmental reporting performance, adherence to environmental reporting standards such as the Global Reporting Initiative, and compliance with investor, regulatory and stakeholders’ requests for transparency. Compliance data consists of breaches of regulatory limits and accidental releases.</td>
<td>The Resource Management subcategory covers how efficiently resources are used in manufacturing and delivering products and services, including those of a company’s suppliers. It includes a company’s capacity to reduce the use of materials, energy or water, and to find more efficient solutions by improving its supply chain management. This subcategory includes environmental performance relative to production site and is monitored by the production-related Eco Intensity Ratios (EIRs) for water and energy defined as resource consumption per produced or released unit. Resource materials include raw materials and packaging materials for production and related processes and packaging of products. Resource Management data also include waste and recycling performance. Recycling data is related to the proportion of waste recycled of the total waste. Data includes how the company manages operations to benefit the local watershed and watershed, and how the company impacts land use and local ecological stability. The water resource data includes consumption of drinking water, industrial water and steam.</td>
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Appendix 4 – Governance subcategories

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<td>The Board subcategory covers a company’s effectiveness in following best practices in corporate governance principles related to board membership, independent decision making through experienced, diverse and independent board members, effectiveness toward following best practices related to board activities and functions, and board committee structure and composition. It includes how the company provides competitive and proportionate management compensation and its ability to incent executives and board members to achieve both financial and extra-financial targets.</td>
<td>The Leadership Ethics subcategory measures how a company manages its relationships with its various stakeholders, including investors, customers, communities, and regulators. This subcategory measures a company’s effectiveness in treating its stakeholders equitably. Leadership ethics includes the company’s culture of ethical decision making. It measures a company’s commitment and effectiveness toward the vision of integrating social and environmental aspects into the overall core strategy and whether sustainability principles are integrated from the top down into the day-to-day operations of the company.</td>
<td>The Transparency and Reporting subcategory rates factors including corporate policies and practices aligned with sustainability goals, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders, the management of the corporation transparent to stakeholders.</td>
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Appendix 5 – Control Variables
Appendix 6 – Table 1

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* p<0.10; ** p<0.05; *** p<0.01

PD= Power Distance, IND = Individualism, MASC=Mascullinity, UA= Uncertainty Avoidance, LTO= Long Term Orientation, INDULG= Indulgence
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Predictors: INDULG, UA, MASC, LTO, IND, PD, Firm size, GDP/cap

Appendix 8- Table 3

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Appendix 9 – Motivation of CSR

**Motivation of CSR**

![Diagram of Motivation of CSR]

- Profit
- Social progress
## Appendix 10 – Table 4

### Table 4

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### Present Study

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<th>Community</th>
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<th>Environment</th>
<th>Governance</th>
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*p<0.10; **p<0.05; ***p<0.01;