Journal of Business Ethics (2008) 80:755–769
DOI 10.1007/s10551-007-9467-4

The Impact of Corporate Social Performance on a Firm's Multinationality

Cyril Bouquet
Yuval Deutsch

ABSTRACT. Using panel data of 4,244 company years, we examine whether and how corporate social performance (CSP) affects a firm's capacity to achieve profitable sales in foreign markets. Based on our extension of instrumental stakeholder theory into the international arena, we hypothesized a U-shaped relationship between CSP and multinationality. Results supported our contention that multinational enterprises (MNEs) need to be substantially committed to social performance objectives if they are to recoup the cost of their CSP investments, and improve their capacity to compete in foreign markets. MNEs engaged in intermediate levels of CSP achieve lower levels of multinationality than firms operating at either anchor of the social performance continuum. In addition, this study demonstrates that CSP moderates a well-established relationship in international business literature – the relationship between R&D investment and a firm's multinationality. Implications for research and practice are discussed.

KEY WORDS: corporate social performance, international business, multinationality

Critics of globalization argue that economic reasoning has led many Multinational Enterprises (MNEs) to enter countries where they can take advantage of questionable local conditions such as less-than-progressive employment practices (e.g., child labor), laxer environmental practices, and bribery (Osland, 2003). Simultaneously, extended discussions of ''corporate wrongdoing'' in an international context (Jackson, 1998) have motivated an increasing number of companies to embrace higher standards of corporate social performance (CSP) in strategic decision making (Dunning, 2003; Vernon, 2001).

The normative appeal for enhancing the corporate social responsibility of MNEs is clear (Zyglidopoulos, 2002). However, enhancing the CSP of a firm also involves a set of attendant costs (Pava and Krausz, 1997) that can be high for MNEs, suggesting the need for careful strategic thinking (Dentchev, 2004). Among other things, the adoption of global ethical codes of conduct requires special efforts from firms (Kaptein, 2004), including monitoring business partners for non-compliance (Kolk and van Tulder, 2002), and foregoing income in countries characterized by lax CSP standards (van Tulder and Kolk, 2001). At the minimum, MNEs also need to have a senior executive, often with a staff at his or her disposal, explicitly charged with developing the CSR function and coordinating its deployment across international locations (The Economist, 2005).

Does good citizenship behavior lead to significant positive effects, for example on a firm's reputation (Zyglidopoulos, 2002), that increase its legitimacy and its capacity to expand abroad successfully? Or are such advantages location-bound and costly to transfer across countries (Hu, 1995)? Research to date has been relatively silent regarding the effects that CSP may exert on a firms' ability to successfully operate across borders. In the absence of clear evidence attesting to the instrumental value of CSP, and given the absence of global accountability standards (Sethi, 2003), firms may be tempted to continue to expand internationally without paying careful attention to social performance objectives (Margolis and Walsh, 2003; Vernon, 2001). Therefore, the first purpose of our study is to shed light on this intriguing and important gap in the literature by investigating the relationship between CSP and a firm's multinationality – defined as the ability to capture profitable sales in foreign markets.

The second goal of our article is to examine whether CSP moderates a relationship well established in

international business literature (Caves, 1996; Hitt et al., 1997; Kotabe et al., 2002; Lu and Beamish, 2004; Morck and Yeung, 1991) – the relationship between R&D expenditure and multinationality. The resource-based view of the firm indeed suggests that firm-level resources are likely to work best when bundled together (Amit and Schoemaker, 1993; Barney, 1991; Dierickx and Cool, 1989) because such combinations create valuable synergies, and also a level of social complexity that makes it harder for rivals to comprehend and imitate a firm's competitive advantage (Teece et al., 1997). Therefore, we examine the extent to which CSP can be understood as a kind of catalyst that would support R&D investment to influence the profitable sales a firm is able to capture in foreign markets.

To test our propositions, we used a unique longitudinal dataset comprising the internationalization and CSP activities of 813 MNEs from 1991 to 2003. We found that CSP exerts an impact on multinationality that is best represented in a U-shaped curve, which suggests an initially negative effect of social performance before the positive returns associated with achieving reputational advantages can be realized. It was also established that CSP has a positive moderating effect on the relationship between R&D investment and a firm's capacity to expand significantly in foreign markets. These results are important in that they highlight the possibility for MNEs to overcome the heavy penalty associated with the implementation of CSP in an international context. MNEs can adopt strong social standards and yet achieve high levels of success in foreign markets.

Theory development

Reflecting the assertion that firms constitute webs of interdependent relationships among primary stakeholders (Clarkson, 1995; Donaldson and Preston, 1995; Jones, 1995), several theoretical frameworks have been developed to assess the business implications of CSP. In a seminal paper on what constitutes the responsibility of a firm, Friedman (1970) developed the classic agency argument that corporate expenditures aimed at furthering social objectives would be more wisely spent on issues directly related to the interests of financial shareholders, such as improving the efficiency of strategic operations. In reaction, Freeman (1984) made a compelling case that a firm's success is partially a function of how much attention managers allocate to acts that further social performance objectives. Firms must address the demands of several constituent groups as an unavoidable cost of doing business or destroy shareholder value as a result of likely confrontations with society.

Subsequent strategy research has drawn on theories such as the resource- and knowledge-based views of the firm (McWilliams and Siegel, 2001) and indicated that superior CSP yields intangible, difficult-to-replicate resources that may enhance a firm's competitive advantage (Hillman and Keim, 2001). For example, investing in stakeholder relations tend to create corporate identities, reputations, and images that are important assets in gaining and maintaining competitive advantage (Hosmer, 1994). It may also enhance relational linkages due to favorable perceptions of trust, cooperation, and procedural justice among stakeholders, all of which can be sources of long-term value creation (Barney and Hansen, 1994; Nahapiet and Ghoshal, 1998; Waddock and Graves, 1997).

Under growing public scrutiny of their behavior, many MNEs have turned their attention to these benefits and undertaken significant investments to improve their CSP. For example, some have adopted voluntary codes of business conduct (van Tulder and Kolk, 2001) and environmental policy standards (Christmann, 2004) to regulate their practices around the world and enhance the firm's status in society at large. Many companies have been reluctant to embrace CSP objectives in their mode of functioning (Sethi, 2003). This may be especially true in an international context since notions of CSP may be culture-specific and not easily applicable across varying legal or ideological frameworks (Robertson and Crittenden, 2003).

While it is often argued that improving CSP inevitably comes with a set of attendant costs and constraints for the firm, little research has examined whether the corresponding set of benefits can actually serve to improve multinationality objectives. We develop arguments that seek to address resource allocation decisions regarding CSP by assessing whether effective stakeholder management, like other categories of assets, constitutes a strength in which MNEs can invest to further their competitive

position in foreign markets. As noted, we also examine whether CSP interacts with R&D investment to jointly affect a firm's capacity to successfully expand abroad.

CSP as a category of firm-specific advantage that promotes multinationality

"Multinationality" generally refers to the degree to which a firm operates across national borders and benefits from its international expansion through the exploitation of foreign market opportunities and the realization of scale, scope, and learning economies (Ghoshal, 1987; Kogut, 1985). In other words, we define multinationality as the extent to which a company achieves profitable sales outside its domestic market (Hitt et al. 1997; Kotabe et al. 2002).

Although few conceptual studies have linked CSP to multinationality, some instrumental stakeholder management research is instructive. The relationship between firms and society involves an implicit and self-reinforcing social contract with relational obligations and mutual advantages among actors (Bull, 1987; Donaldson and Preston, 1995; Jones, 1995). Carroll (2004) applied this perspective to the international context and indicated that the host nations in which MNEs are doing business transmit norms and standards to management about what they expect the company to do with respect to economic, legal, ethical, and philanthropic issues. Companies need to continuously meet these expectations if they are to obtain the legitimacy, institutional support, and social approbation that ensure their continued participation in foreign markets.

International management research has often emphasized the "Janus side of globalization" as a problematic factor for MNEs (Eden and Lenway, 2001). Indeed, recognizing that economic reasoning and the quest for profits constitute the engine that ultimately drives efforts to expand geographically, there has always been some degree of distrust between MNEs and their international constituencies – foreign customers, employees, suppliers, government officials, regulators, local media, opinion leaders, and foreign stakeholders in general (Lorenzetti, 2002). Therefore, the stakeholder management perspective suggests that MNEs adopting higher CSP standards may generate valuable perceptions of organizational attractiveness (Albinger and Freeman, 2000) and other positive reputation effects (Zyglidopoulos, 2002) that can ultimately reduce the cost and adversity of doing business abroad.

There is indeed strong evidence that many (although certainly not all) stakeholders in foreign markets value CSP attributes (Lewin et al., 1995). Research has also shown that MNEs, whose environmental operations and human resources practices are seen as progressive are less at risk of losing legitimacy in foreign markets (Kostova and Zaheer, 1999). Increasing diversity in the workplace, donating products, reducing greenhouse gas emissions, and encouraging employees' volunteering for community activities can help MNEs signal that they are credible and trustworthy organizations (Bansal and Roth, 2000) – committed not only simply to maximizing profits, but also to addressing the broad interests of the host-country markets in which they operate.

Thus, investments in CSP can lead to a form of "moral capital" that improves the image and legitimacy of an MNE relative to competitors. Such gains can be seen as a category of firm-specific "ownership" advantage (Dunning, 1981) that fosters multinationality by facilitating the acquisition of country-specific resources, such as privileged access to government support and local infrastructures (Luo, 2001), more customer loyalty, and a greater ability to attract and motivate scarce human talent.

It is useful to point out that such moral capital may have one of the properties of a public good – it can be leveraged without any apparent reduction in supply. Once MNEs have successfully established a reputation for social responsibility, this strength could be leveraged across markets where a demand exists for CSP practices, at a marginal cost of transmission. This marginal cost may be quite low in situations where employees, customers, or suppliers at home travel with the MNE abroad and relatively higher in countries where cultural and ideological frameworks vary substantially from those in the home base (Robertson and Crittenden, 2003).

CSP as a constraint that reduces the multinationality of a firm

A competing logic suggests that investing in CSP may be counterproductive to multinationality goals.

First, the benefits associated with good citizenship behavior may be largely exaggerated or not even emerge in an international context: MNEs often find it difficult to transfer positive reputation effects across national boundaries (Bromley, 1993) because foreign constituencies recontextualize (Brannen, 2004), through cultural sense-making and processes of social construction, the meanings of a company's actions with respect to social performance standards. At a minimum, MNEs may have to communicate their social performance in annual reports (Bettman and Weitz, 1983; Bowman, 1978; Staw et al., 1983) and the public speeches of corporate managers to help foreign stakeholders see that these firms are sincere in their attempts to demonstrate good citizenship behavior.

Second, it follows that if such reputational benefits exist in an international context, the implementation of strong CSP standards may impose a large administrative burden on the global organization. Tremendous investments of time, effort, and financial resources may have to be made if notions of social responsibility are to be integrated into standard global operating procedures and business management processes. In the case of a large multinational, these direct expenses could amount to tens of millions of dollars, or as much as 2% of revenues (The Economist, 2005). More importantly, the successful implementation of CSP programs may necessitate the visceral attention and engagement of top management, therefore depleting one of the scarcest resources in organizations (Bouquet, 2005; Ocasio, 1997). Overall, it is important to recognize that firms have limited resources and that scarce resources are needed to develop any kinds of firm-specific advantages (FSAs). Building successful CSP programs that can be leveraged across the world requires conscious choice, internal political considerations, and focused communication efforts.

Third, socially responsible practices impose additional constraints on a firm's behavior that can reduce its competitive position in foreign markets. Indeed, emerging economies such as China, Russia, Eastern Europe, India, and the Middle East are increasingly fueling the international expansion efforts of MNEs (Garten, 1997). But while these regions offer tremendous growth opportunities, their infrastructure provides relatively unstable rules of law and levels of endemic corruption. In such markets, CSP-oriented companies may, at least in the short-run, be left at a disadvantage compared to competitors that continue to secure important sources of business and profits through bribery (Roth, 2005). Aggressive actions may have to be undertaken, including forgoing business, to educate stakeholders and ensure the company's continual adherence to high CSP standards. For example, GE recently took initiatives to facilitate the creation of Transparency International (TI), a non-governmental organization seeking to fight corruption around the world. It was also instrumental in securing the support of other MNEs and the Organization for Economic Co-operation and Development (OECD) in crafting anti-bribery conventions.

Curvilinear relationship

We reconcile this cost-benefit analysis by positing a U-curve relationship between CSP and the multinationality of a firm. As firms start to implement CSP initiatives in the organization, they incur direct and opportunity costs that will initially outweigh any gain in moral capital. Some tuition must be paid by the firm before it is able to demonstrate its genuine commitment to superior social performance standards and to effectively integrate such standards into its strategic decision making and practices. Only with substantial investments of time, money, and financial resources can the company create a context in which the reputational advantages of CSP start to materialize in international locations. This leads to the following hypothesis:

Hypothesis 1 The relationship between corporate social performance (CSP) and the multinationality of a firm is non-linear, with the slope negative at low levels of CSP but positive at high levels of CSP.

Corporate social performance as a catalyst to the multinationality of a firm

A great deal of theorizing, debate, and empirical investigation has attempted to determine whether superior social performance could provide companies with sustainable sources of competitive advantage (Hillman and Keim, 2001; McWilliams and Siegel, 2000; Waddock and Graves, 1997). The

discussion of a theoretical U-shaped relationship provided here contributes to this dialogue in an MNE context by investigating the relative benefits and costs of CSP as it is transferred across national borders.

Researchers in international management have maintained that by internalizing firm-specific assets, such as presumably superior CSP, firms can compensate for the liability of their foreignness and achieve abnormally high returns in foreign markets (Caves, 1996; Hymer, 1976; Rugman and Verbeke, 2003). But researchers have regularly challenged CSP's ability to provide a sustainable competitive advantage. For example, McWilliams and Siegel (2000) forcefully argued and found support for the idea that CSP has neutral performance benefits when R&D spending – a key dimension of a firm's FSAs – is included as a control. Interestingly, arguments from the resource-based view of the firm suggest that for a resource to provide sustained competitive advantage, it must be valuable, rare, non-substitutable, and imperfectly imitable (Barney, 1991). While few would question the intrinsic ''value'' of CSP investments in improving a company's image in society, CSP may fail to meet the three other requirements for value creation.

Indeed, the capacity to effectively balance profits and CSP is less and less rare. In 2005, 64% of the top 250 companies in the Global Fortune 500 published detailed information on their social performance, either as a separate report or as part of their annual report (KPMG Global Sustainability Services, 2005). By revealing the extent and details of their involvement with CSP, MNEs are at risk of exposing themselves to the risk of imitation. It could also be argued that CSP can be substituted for other reputation-building strategies that may be more directly associated with the direct interests of financial shareholders. As a result, it has often been suggested that firm-level initiatives designed to improve social performance are motivated by institutional pressures rather than by the desire to achieve sustainable competitive advantage (Bansal, 2005).

We believe that arguments against the value-creation potential of CSP result from a static analysis of the strategic resources in question. Indeed, Barney conceptualized FSAs in terms of ''all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm and that enable it to conceive of and implement strategies that are efficient and effective'' (Barney, 1991, p. 101). Implicit in this broad definition is the view that competitive advantage is seldom derived from the deployment of a single strategic resource. More often, various resources come together in a type of bundle, and it is the resulting interactions between resources that create synergies that together provide a source of competitive advantage (Barney, 1991). This line of reasoning also implies that the value-creating potential of strategic resources is often enhanced by the influence of complementary assets (Teece et al., 1997) – certain resources will make a greater contribution to competitive advantage when some other resources or capabilities are also in place (Song et al., 2005).

Consistent with this theoretical approach, we argue that high levels of CSP may catalyze the multinationality of a firm by supporting, enhancing, or further enabling the rent-yielding potential of R&D expenditures. Our arguments imply that R&D constitutes the primary strategic resource by which MNEs generate sales and profits in foreign markets – a view consistent with Buckley and Casson's argument that the MNE corresponds to ''an international intelligence system ... organized for the exploitation of the commercially applicable knowledge generated by R&D,'' later extended by Franko's (Franko 1989) finding that R&D spending constitutes a ''principal, perhaps the principal, means of gaining market share in global competition.''

Therefore, while our first hypothesis described the direct though non-linear influence that CSP may exert on the multinationality of a firm, our second hypothesis suggests that CSP constitutes a category of complementary resources that may contribute to competitive advantage through its interaction with other assets, such as R&D.

McWilliams and Siegel (2000) offer an example of this process at work. The Geo Prism was first developed as a prototype by Toyota in partnership with General Motors. The introduction of this new generation of small cars represented a product innovation for the joint venture, as customers perceived that the Geo Prisms were superior to traditional, American-made cars in quality and reliability. This competitive advantage was short-lived, however, as the adoption of lean manufacturing methods generalized across the industry, facilitating the cost-efficient production of quality small cars. Still

Toyota was able to maintain its reputation as an innovator in the U.S. automobile industry because it had transferred, through its partnership with General Motors, progressive human resources practices, relying on teamwork and employee empowerment.

We only expect this enhancement to occur at the highest levels of CSP, however, where the achieved gains in moral capital justify taking away scarce resources, such as managerial time and effort, from the development of strategies aimed at exploiting the technological competence of a firm. Unless the reputational advantages associated with high levels of CSP emerge, it may be more efficient for a firm to focus all of its resources and energy on R&D exclusively rather than on a mix of R&D and low CSP, to maximize its success internationally. We thus propose the following hypothesis:

Hypothesis 2 Corporate social performance (CSP) will moderate the relationship between R&D spending and the multinationality of a firm in such a way that it will enhance the positive relationship between R&D and multinationality at high and low levels of CSP and decrease this relationship at intermediate levels of CSP.

Methods

Sample

Data from two archival data sources were combined for this study. Data on social responsibility were drawn from the Kinder, Lydenberg, Domini & Co. (KLD) data set. Accounting and financial data were taken from the Standard & Poor's Research Insight database. Our sample is made up of all firms on which the relevant accounting, international expansion, and CSP data could be obtained. After merging the databases and lagging the independent variables, our analysis is based on an imbalanced panel data of 4,244 company years, representing 813 firms and an average of 5.3 years per firm.

Variables

Dependent variable

The multinationality index was computed as the multiplicative interaction term between two commonly employed measures, reflecting the argument that multinationality is the extent to which a company benefits from the act of spreading sales and operations across borders through the exploitation of foreign market opportunities and the realization of scale, scope, and learning economies (Ghoshal, 1987; Kogut, 1985). The first measure captured the extent of pre-tax income realized outside the domestic market (Kotabe et al., 2002). The second measure was an entropy index (Hitt et al., 1997) that assessed the spread of geographic expansion. Since assets and employees are typically not reported at the level of each global market region, we computed the entropy index by assessing the distribution of company sales across regional economies (Rugman and Verbeke, 2004), such as Africa and the Middle East, Asia and Pacific, Europe, and the Americas. Therefore, the multinationality index was computed as follows:

$$\text{MULTINATIONALITY} = \text{INC} * \sum i\,[(\text{Pi} * \ln(1/\text{Pi})]$$

where INC is the pre-tax income that a firm realizes outside the domestic market, Pi is the sales attributed to region i and ln (1/Pi) is the weight given to that segment over all of the regions in which the firm conducts business.

Independent variables

The independent variables of interest were R&D expenditures and corporate social performance (CSP). Firms' R&D were as reported by the firms in their annual financial reports and collected by the S&P Research Insight database. To adjust R&D expenditure to size we divided it by the firms' total sales. The CSP is derived from the KLD index – a commonly used database among researchers (Graves and Waddock, 1994; Hillman and Keim, 2001; Turban and Greening, 1997; Waddock and Graves, 1997) – an independent rating service conducted by KLD Research and Analytics that rates the Standard & Poor's 500 and Domini 400 firms on eight areas of social performance: community relations, employee relations, environmental performance, product characteristics, treatment of women and minorities, investment in areas involved in human rights controversies, investment in firms that rank poorly on social performance, and involvement in the alcohol, tobacco, gambling, firearms, military, or nuclear

TABLE I

Descriptive Statistics and Correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Multinationality	144.26	587.66								
2. Year	1998.29	3.52	.02							
3. Product diversity	.499	.604	.14	.06						
4. Log sales	8.138	1.294	.36	.00	.24					
5. Firm risk	.337	.154	−.09	.45	−.14	−.24				
6. ROA	5.128	12.235	.08	−.08	−.04	.01	−.24			
7. Debt to equity	2.378	6.789	.03	.02	.05	.17	−.04	−.06		
8. R&D/Sales	.031	.075	.07	.15	−.06	−.13	.43	−.23	.07	
9. CSP	.407	2.480	.04	.06	−.08	−.03	−.02	.07	.01	.04

N = 4,243 company years All independent variables are in t = −1

energy industries. As Waddock and Graves (1997) note, using KLD ratings as a measure of CSP has several advantages:

(1) KLD rates firms with an objective set of screening criteria;
(2) Each company is rated on multiple attributes considered relevant to CSP; and
(3) A single group of researchers, working independently from the rated companies or any particular brokerage house, applies the same set of criteria to related companies.

Moreover, Sharfman (1996) has tested KLD for construct validity against other measures of CSP, and KLD is considered one of the best measures of CSP available to date (Hillman and Keim, 2001). The KLD categories are rated on a scale ranging from −2 (major concerns), −1 (concern), 0 (neutral), +1 (strength), to +2 (major strength). We follow Hillman and Keim (2001) and the advice of Mitchell et al. (1997) in giving equal importance to the categories adopted from KLD to construct our measure of CSP. The CSP variable is, therefore, simply the sum of all the concerns and strengths as rated in the KLD database. Furthermore, following the approach in previous research (Johnson and Greening, 1999), we excluded from our CSP measure five items that address social issues participation but have less impact on a firm's performance (Hillman and Keim, 2001). The items that we excluded are: involvement in the alcohol, tobacco, gambling, firearms, military, or nuclear energy industries. It should be noted, however, that including these items in our CSP measure revealed qualitatively similar results.

Control variables

We have included several control variables in the models. *Product diversification* has been found to influence firms' multinationality. Therefore, we include in our analysis an entropy index of product diversification (Palepu, 1985).

Since previous articles have suggested that *company size* is closely related to CSP (Johnson and Greening, 1999; Ullman, 1985; Waddock and Graves, 1997) and the company's international expansion (Caves, 1996; Hitt et al., 1997), we have included firms' log sales as a control for size.

Previous literature has also indicated the need to control for *firm risk*. Firm Risk is included as a control variable using the standard deviation of the firm stock price calculated over 60 months. *Return on assets* (ROA) is used as a control for company performance (Johnson and Greening, 1999). We controlled for *company leverage* (the ratio of total debt to total equity) to rule out our findings stemming from a firm's slack in financial resources.

Finally, to control for possible unobserved *industry* effects, we grouped firms by their industries at the two-digit SIC level and ran the regressions as a fixed-effect model (see Greene, 1993). Using the fixed effect model on an industry level is equivalent to generating dummy variables for each of the industries and including them in the regression. A yearly trend variable was incorporated into the models to account for differences across time. To

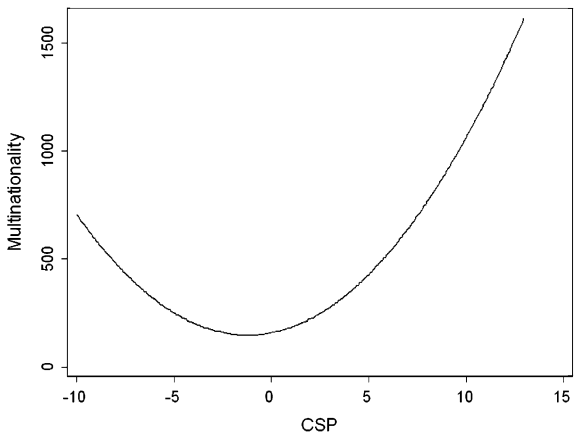

Figure 1. The Relationship between Corporate Social Performance and Multinationality

eliminate problems of multicollinearity resulting from the interaction terms, we followed the advice of Aiken and West by centering the independent predictor variables prior to computing the interaction terms.

Results

Table I presents the descriptive statistics, including means, standard deviations, and correlations of all the variables used in this study. In Table II we present the results of our panel data analysis in which all the independent variables are in t = −1. There are two reasons for choosing to lag the independent variables. First, by lagging the independent variables we mitigate to some extant potential problems of endogeneity. Second, this lagging provides some level of confidence regarding the direction of causality. To further examine a potential bias introduced through endogeneity, we compared the results of our regression analyses to the results obtained using the ''xtivreg'' module provided in Stata, which is used to fit panel-data in which some of the right hand side covariates are endogenous. In our xtivreg model, we used the lagged values of ''CSP'' and ''CSP square'' as our instrumental variables. Using the lagged value of the independent variable in question is a common candidate to serve as an instrumental variable (Kennedy, 2003). The qualitatively similar results that were obtained in both modules suggest that endogeneity does not bias our results (Figure 1).

We report in Model 1 the results for the control variables. In Model 2 we found an overwhelmingly positive effect of firms' R&D on multinationality ($p < 0.001$). Using Models 3 and 4, we tested Hypothesis 1. In Model 3 we added the linear term of CSP and in Model 4 its square term. Both the linear term of CSP and its square term were highly significant ($p < 0.001$). These results supports our first hypothesis, that the relationship between CSP and multinationality is curvilinear, with a negative slope on low levels of CSP and a positive slope in high levels of CSP (U-shaped). By setting the partial derivative of multinationality with respect to each of our dependent variables to zero, we estimated the threshold for CSP at which the slope of the relationship shifts from negative to positive. The threshold found was −2.05, which falls within one-standard deviation from the mean score of CSP in our sample. Therefore, Hypothesis 1 is supported.

In Models 5 and 6 we examine the moderating effect of CSP on the relationship between R&D and multinationality. Again, in Model 5 we include only the linear interaction effect, while in Model 6 we add the interaction between R&D and the square term of CSP. The results support our hypothesis that CSP will moderate the relationship between R&D and multinationality. To better understand the implications of this significant interaction, we followed a standard methodology for interpreting moderators (Cohen and Cohen, 1983). As the first step, we set CSP (the moderating variable) to a value of one standard deviation below its mean value. All other variables were set to their mean values. For this low value, we plotted the relationship between R&D and multinationality. We then followed the same method but setting CSP to a value of one standard deviation above its mean. We depict the resulting plots in Figure 2.

In Figures 3 and 4 we depict the moderating effect of CSP on the relationship between R&D and multinationality as CSP values get further from its mean. Figure 3 indicates that when a firm's social performance is rated as highly positive, the positive relationship between R&D and multinationality is stronger. Interestingly, as shown in Figure 4, when a firm's social performance is rated as highly negative, the positive relationship between R&D and multinationality is also stronger.

TABLE II

Results of Panel Data Regression Analyses

Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Year	5.40 (3.31)	6.11† (3.30)	4.36 (3.30)	5.15 (3.28)	4.25 (3.30)	4.98 (3.27)
Product Diversity	−4.24* (15.95)	.95 (15.93)	*5.80* (15.90)	*−1.61* (15.80)	*6.09* (15.89)	*−2.89* (15.77)
Log Sales	206.94*** (8.42)	205.94*** (8.40)	*205.51**** (8.37)	*187.86**** (8.57)	*203.58**** (8.44)	*183.80**** (8.64)
Firm Risk	−130.13 (81.88)	−258.73** (85.33)	−224.27** (85.25)	−231.13** (84.58)	−221.31** (85.25)	−236.71** (84.44)
ROA	2.66*** (.76)	3.47*** (.77)	*3.17**** (.77)	*3.35**** (.77)	*3.05**** (.77)	*3.44**** (.77)
Debt to Equity	−2.70† (1.45)	−2.43† (1.45)	*−2.34* (1.44)	*−2.78*† (1.43)	*−2.31* (1.44)	*−2.48*† (1.43)
R&D		848.17*** (164.10)	*795.72**** (163.79)	*785.99**** (162.50)	*796.95**** (163.95)	*576.47**** (169.04)
CSP			21.42*** (3.81)	17.77*** (3.80)	21.38*** (3.81)	14.90*** (3.85)
CSP Squared				7.25*** (.88)		7.11*** (.88)
R&D x CSP					115.51† (68.25.)	−20.63 (70.16.)
R&D X CSP Squared						78.16*** (17.16)
Constant	−12,272† (6591)	−13,627* (6576)	*−10,137* (6582)	*−11,621*† (6533)	*−9909* (6582)	*−11253*† (6521)
N	4244	4244	4243	4243	4243	4243
Model *F*	120.63***	107.85***	99.00***	96.91***	88.35***	81.46***
R^2 Overall	.135	.152	.159	.172	.155	.180

Unstandandardized regression coefficients are shown with standard error noted in parentheses

All independent variables are in $t = -1$

$^{\dagger}p < .10$

$^{\star}p < .05$

$^{\star\star}p < .01$

$^{\star\star\star}p < .001$

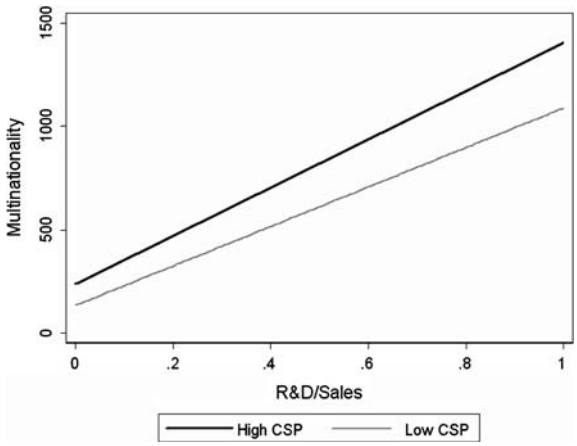

Figure 2. Corporate Social Performance as a Moderator of the Relationship between R&D Expenditure and Multinationality(Adding and Subtracting One Standard Deviation from the CSP Mean)

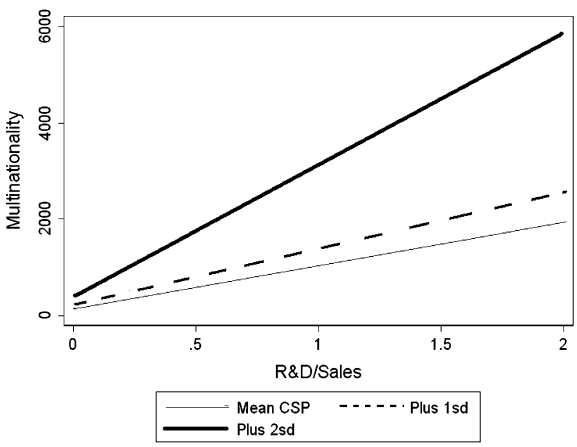

Figure 3. Corporate Social Performance as a Moderator of the Relationship between R&D Expenditure and Multinationality (Adding One and Two Standard Deviations from the CSP Mean)

Discussion

In light of the growing pressure on MNEs to embrace higher corporate social responsibility standards, unveiling the effect of a firm's social performance on its multinationality carries important implications for research and practice. Unlike several studies that address the social performance of MNEs from a normative angle, we drew on the reasoning of instrumental stakeholder theory to tackle this

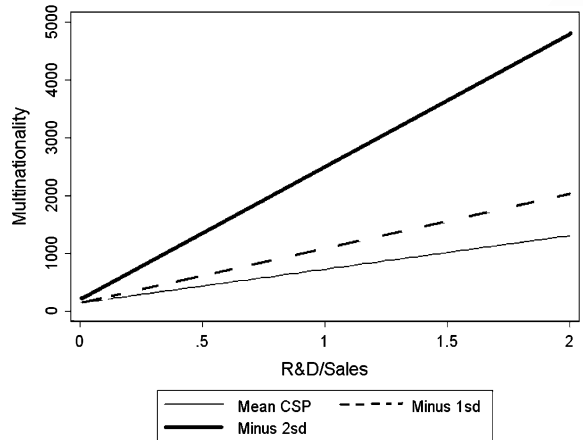

Figure 4. Corporate Social Performance as a Moderator of the Relationship between R&D Expenditure and Multinationality (Subtracting One and Two Standard Deviations from the CSP Mean)

issue. As predicted, our results indicate that CSP is an important antecedent of firms' multinationality. The non-linear U-shaped relationship we observed between CSP and firms' multinationality suggests that firms with moderate levels of social performance are less likely to capture sales and profits in foreign markets than firms with either high or low CSP. This relationship reflects the tension between the benefits that stem from being seen as socially responsible and the cost associated with self-regulation and the foregoing of opportunities associated with the exploitation of regulatory differences across nations.

The increasing section of the observed U-shaped curve extends to the international business arena the argument from stakeholder theory that firms' social performance is instrumental to creating and sustaining its institutional credibility (Freeman, 1984) and enhancing its performance (Jones, 1995; Margolis and Walsh, 2003). Our results indicate that CSP could serve as a firm-specific "ownership" advantage (Dunning, 1981) that MNEs need to compete abroad successfully. This finding therefore indicates that the reputational advantages of CSP may assist firms in overcoming the special difficulties they encounter abroad, such as local biases (Vernon, 1977), stereotyping (Kostova and Zaheer, 1999), and nationalistic or discriminatory behavior on the part of host-country governments, consumers, employees, suppliers, and institutions (Mezias, 2002).

In contrast, the declining part of the curve highlights the costs associated with MNEs' efforts to self-regulate. Due to the high mobility of MNEs and their independence from the control of any nation provide them with a unique strategic positioning that enhances their bottom line (Kogut, 1985), the pursuit of social objectives imposes high opportunity costs. In a strictly economic sense, these ''opportunities'' include locating MNE operations in ''pollution heavens'' or countries with less-than-progressive labor conditions (Gladwin et al., 1995). Another possible explanation for the high multinationality of non-socially-responsible firms is the growing pressure exerted by stakeholders on firms to become more socially responsible. Since this stakeholder activism is likely to have an adverse effect on the competitive position of less socially responsible firms in their home countries, it is likely to provide strong motivation to firms that have not invested in CSP to operate in the multinational arena.

The ''stickiness'' (Szulanski, 1996) and special difficulties (Hu, 1995) involved in transferring organizational practices across borders may provide an explanation for the low multinationality of firms having intermediate levels of social performance. A critical success factor of MNEs is their effective deployment of resources and capabilities in locations across multiple countries (Kogut and Zander, 1993; Zaheer, 1995). Since it is difficult to transfer positive reputation effects across cultural, physical, and relational contexts (Bromley, 1993), this stickiness is likely manifested in the case of CSP. Only firms with exceptional levels of ''moral capital'' are therefore likely to gain legitimacy among stakeholders in the host countries.

In particular, it is possible that companies with intermediate levels of CSP may be perceived to embrace a view of corporate citizenship that offers little more than cosmetics. In its recent survey of the topic, *The Economist* (2005) pointed out that ''by and large CSR is at best a gloss on capitalism, not the deep systemic reform that its champions deem desirable.'' The achievement of CSP advantages may require a genuine and proactive approach that goes beyond mere compliance to regulation and reaction to stakeholder pressures. In the language of the resource-based view, social performance has to become a dynamic capability that permeates the firm's systems and creates meaning for its actions by helping the entire organization better align itself along multiple business environment dimensions (Aragon-Correa and Sharma, 2003). Nehrt (1996), for example, has found that adopting a proactive first-mover approach to pollution reduction provided firms with competitive advantage in international markets. These capabilities enable firms to respond effectively to cross-cultural ethical situations. As we explain later, future research can be conducted on the more fine-grained aspects of the CSP-multinationality relationship – to investigate whether and how consistency of performance across various dimensions of the CSP continuum are related to a firm's multinationality objectives.

The practical implication of the observed U-shaped relationship is clear. Corporate managers may need to choose between two extreme strategic approaches to a firm's social responsibility as it relates to its multinationality. On the one hand, managers can proactively invest in enhancing their firms' social performance, yielding a favorable reputation and dynamic capabilities that in turn can enhance their credibility among stakeholders in the host markets. On the other hand, overlooking social responsibility and exploiting differences across countries can also support a firm's multinationality by reducing the set of constraints imposed on its behavior. Being stuck in the middle with intermediate levels of CSP, however, does not support firms' multinationality. This dichotomy is consistent with Donaldson (1996), who argues that U.S. firms tend to adopt one of two extreme positions on social responsibility issues across countries. He labeled the first position as ''relativism,'' which suggests that firms should adopt the ethical norms of the host countries. The second position, labelled ''absolutism,'' suggests that firms should be bound by home-country ethical norms.

Our results suggest that in addition to the main effect unveiled in this study, a firm's social performance also moderates the relationship, well established in the international business literature, between firms' R&D expenditures and multinationality. We found that high levels of CSP complement R&D to further support firms' multinationality. This finding is consistent with the view that competitive advantage stems from the deployment of several resources and capabilities in a bundle to create synergies (Barney, 1991). Indeed,

there is evidence that firms enhance their product differentiation when they complement their R&D efforts with investment in their brand identity, creating higher loyalty among customers (Vinod and Rao, 2000).

Limitations and future research

Although this article provides an important first step in our understanding of the effect of CSP on multinationality, several questions remain unanswered. First, it would be interesting to explore the more fine-grained aspects of the CSP-multinationality. As noted earlier, one area of interest would be to determine, how consistency of performance across various dimensions of the CSP continuum are related to a firm's multinationality objectives. Another area of interest would be to identify which dimensions of CSP are more likely to affect firms' multinationality. We have investigated the effect of CSP as one comprehensive construct. Future studies could take a more fine-grained approach, which could provide managers with important clues as to which dimensions of CSP are most worthy of their consideration.

Second, future research could explore whether highly responsible firms and those that ignore their social responsibilities target the same countries in their expansion abroad. Although we have found that both types of firms do well in foreign countries, it is possible that they target very different countries. Firms relying on their reputation for good citizenship behavior may target countries that value their self-regulation and avoid countries where the pursuit of social performance objectives may be a handicap. In contrast, it is likely that firms with low CSP will do very well in countries that propose lax regulatory norms and generally avoid countries where their lack of social performance is a liability.

In terms of limitations, our sample is composed of large U.S. MNEs, so the generalizability of our findings to smaller firms or MNEs headquartered in Asia or European countries warrants further attention. Small firms in particular may find it difficult to absorb the costs associated with self-regulation. In addition, it is impossible to assess with certainty the direction of causality. We believe, however, that our panel data analysis, lagging procedures, and endogeneity tests provide strong evidence that supports the predicted direction of causality. Naturally, our research is also limited by the difficulty of assessing CSP in a global context, as most inferences regarding what constitutes "good" social practices are culturally biased and ideologically constructed, and thus, notoriously tricky to measure (Entine, 2003). In this regard, the KLD database provides rating criteria that are inherently subjective. Nevertheless, it offers a measure of CSP that has gained considerable legitimacy in the literature (Hillman and Keim, 2001; Sharfman, 1996; Waddock and Graves, 1997;). Moreover, Sharfman (1996) tested the KLD index for construct validity, compared these results against other measures of CSP, and concluded that the KLD index is considered one of the best measures of CSP available to date (Hillman and Keim, 2001). Finally, it is important to emphasize that the effect of CSP on multinationality is expected to be driven by the content of relationships between MNEs and country-states. During the 1990s, many host-country governments sought to attract MNEs by allowing them to tap in to human and physical resources, mainly based on availability and prices (Eden and Lenway, 2001). But several authors predict that the pressure created by opponents of globalization will substantially reduce local governments' openness to MNEs (e.g. Vernon, 1998). It is possible that the value of being seen as a socially responsible corporation will increase, and thus will have an adverse affect on the multinationality of corporations having ignored their social responsibilities.

Conclusion

This article extends instrumental stakeholder theory into the international arena. We demonstrate that while important costs are associated with the adoption and international deployment of CSP standards, high levels of social performance still have a positive effect on a firm's multinationality. Intermediate levels of social performance, however, do not support a firm's multinationality efforts, even in comparison with firms that tend to ignore their social responsibilities. Our article also informs the international business literature. We reveal that firms' CSP is not only an important antecedent of

multinationality, but it also moderates the relationship between a firm's R&D investment and its multinationality. We believe that this article opens an intriguing avenue for future research on the instrumental role that a firm's CSP plays in helping the multinationality objectives of a firm.

Acknowledgments

Financial support from the Social Sciences and Humanities Research Council of Canada is greatly appreeciated.

References

Albinger, H. S. and S. J. Freeman: 2000, 'Corporate Social Performance and Attractiveness as an Employer to Different Job Seeking Populations', *Journal of Business Ethics* **28**(3), 243–253.

Amit, R. and P. Schoemaker: 1993, 'Strategic Assets and Organizational Rent', *Strategic Management Journal* **13**, 33–36.

Aragon-Correa, J. A. and S. Sharma: 2003, 'A Contingent Resource-Based View of Proactive Corporate Environmental Strategy', *Academy of Management Review* **28**(1), 71–88.

Bansal, P.: 2005, 'Evolving Sustainably: A Longitudinal Study of Corporate Sustainable Development', *Strategic Management Journal* **26**(3), 197–218.

Bansal, P. and K. Roth: 2000, 'Why Companies Go Green: A Model of Ecological Responsiveness', *Academy of Management Journal* **43**(4), 717–736.

Barney, J. B.: 1991, 'Firm Resources and Sustained Competitive Advantage', *Journal of Management* **17**, 99–120.

Barney, J. B. and M. H. Hansen: 1994, 'Trustworthiness as a Source of Competitive Advantage', *Strategic Management Journal* **15**, 175–190.

Bettman, J. R. and B. A. Weitz: 1983, 'Attributions in the Board Room: Causal Reasoning in Corporate Annual Reports', *Administrative Science Quarterly* **28**, 145–183.

Bouquet, C.: 2005, *Building Global Mindsets: An Attention Perspective* (Palgrave Macmillan, London).

Bowman, E. H.: 1978, 'Strategy, Annual Reports, and Alchemy', *California Management Review* **20**(3), 64–71.

Brannen, M. Y.: 2004, 'When Mickey Loses Face: Recontextualization, Semantic Fit, and the Semiotics of Foreignness', *Academy of Management Review* **29**(4), 593–616.

Bromley, D. B.: 1993, *Reputation, Image and Impression Management* (John Wiley & Sons, Chichester).

Bull, C.: 1987, 'The Existence of Self-Enforcing Implicit Contracts', *Quarterly Journal of Economics* **102**(1), 147–159.

Carroll, A. B.: 2004, 'Managing Ethically with Global Stakeholders: A Present and Future Challenge', *Academy of Management Executive* **18**(2), 114–120.

Caves, R. E.: 1996, *Multinational Enterprise and Economic Analysis* 2 (Cambridge University Press, Cambridge).

Christmann, P.: 2004, 'Multinational Companies and the Natural Environment: Determinants of Global Environmental Policy Standardization', *Academy of Management Journal* **47**(5), 747–760.

Clarkson, M. B. E.: 1995, 'A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance', *Academy of Management Review* **20**(1), 92–117.

Cohen, J. and P. Cohen: 1983, *Applied Multiple Regression: Correlation Analysis for the Behavioral Sciences* 2 (Lawrence Erbaum, Hillsdale, NJ).

Dentchev, N. A.: 2004, 'Corporate Social Performance as a Business Strategy', *Journal of Business Ethics* **55**(4), 397–412.

Dierickx, I. and K. Cool: 1989, 'Asset Stock Accumulation and Sustainability of Competitive Advantage', *Management Science* **35**, 1504–1511.

Donaldson, T.: 1996. Values in Tension: Ethics Away from Home, *Harvard Business Review*, Sept/Oct.

Donaldson, T. and E. Lee Preston: 1995, 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications', *Academy Of Management Review* **20**(1), 65–91.

Dunning, J. H.: 1981, *International Production and the Multinational Enterprise* (Allen & Unwin, London).

Dunning, J. H.: 2003, *Making Globalization Good: The Moral Challenges of Global Capitalism* (Oxford University Press, Oxford).

Eden, L. and S. Lenway: 2001, 'Introduction to the Symposium Multinationals: The Janus Face of Globalization', *Journal of International Business Studies* **32**(3), 383–400.

Entine, J.: 2003, 'The Myth of Social Investing: A Critique of its Practice and Consequences for Corporate Social Performance Research', *Organization & Environment* **16**(3), 352.

Franko, L. G.: 1989, 'Use of Minority and 50–50 Joint Ventures by U.S. Multinationals During the 1970's', *Journal of International Business Studies* **201940.**

Freeman, R. E.: 1984, *Strategic Management: A Stakeholder Approach* (Pitman, Boston, MA).

Friedman, M.: 1970, 'The Social Responsibility of a Firm is to Increase its Profits', *New York Times*.

Garten, J. E.: 1997, *The Big Ten: The Big Emerging Markets and How They Will Change Our Lives* 1(BasicBooks, New York).

Ghoshal, S.: 1987, 'Global Strategy: An Organizing Framework', *Strategic Management Journal* **8**(5), 425–440.

Gladwin, T. N., J. J. Kennelly and T.-S. Krause: 1995, 'Shifting Paradigms for Sustainable Development: Implications for Management Theory and Research', *Academy of Management Review* **20**(4), 874–907.

Graves, S. B. and S. A. Waddock: 1994, 'Institutional Owners and Corporate Social Performance', *Academy of Management Journal* **37**(4), 1034–1046.

Greene, W. H.: 1993, *Econometric Analysis* (Macmillan, New York).

Hillman, A. J. and G. D. Keim: 2001, 'Shareholder Value, Stakeholder Management, and Social Issues: What's the Bottom Line?', *Strategic Management Journal* **22**(2), 125–139.

Hitt, M. A., R. E. Hoskisson and H. Kim: 1997, 'International Diversification: Effects on Innovation and Firm Performance in Product-Diversified Firms', *Academy of Management Journal* **40**(4), 767–798.

Hosmer, L. T.: 1994, 'Strategic Planning as if Ethics Mattered', *Strategic Management Journal* **15**, 17–34.

Hu, Y. S.: 1995, 'The International Transferability of the Firm's Advantages', *California Management Review* **37**(4), 73–88.

Hymer, S. H.: 1976, *The International Operations of National Firms: A Study of Direct Investment* (MIT Press, Cambridge).

Jackson, K. T.: 1998, 'A Cosmopolitan Court for Transnational Corporate Wrongdoing: Why its Time has Come', *Journal of Business Ethics* **17**(7), 757–783.

Johnson, R. A. and D. W. Greening: 1999, 'The Effects of Corporate Governance and Institutional Ownership Types on Corporate Social Performance', *Academy of Management Journal* **42**(5), 564–576.

Jones, T. M.: 1995, 'Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics', *Academy of Management Review* **20**(2), 404–437.

Kaptein, M.: 2004, 'Business Codes of Multinational Firms: What do they Say?', *Journal of Business Ethics* **50**(1), 13–31.

Kennedy, P.: 2003, *A Guide to Econometrics* (The MIT Press, Cambridge).

Kogut, B. and U. Zander: 1993, 'Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation', *Journal of International Business Studies* **24**, 625–645.

Kogut, B.: 1985, 'Designing Global Strategies: Profiting from Operational Flexibility', *Sloan Management Review* **27**(1), 27–38.

Kolk, A. and R. van Tulder: 2002, 'Child Labor and Multinational Conduct: A Comparison of International Business and Stakeholder Codes', *Journal of Business Ethics* **36**(3), 291–301.

Kostova, T. and S. Zaheer: 1999, 'Organizational Legitimacy under Conditions of Complexity: The Case of the Multinational Enterprise', *Academy of Management Review* **24**(1), 64–81.

Kotabe, M., S. S. Srinivasan and P. S. Aulakh: 2002, 'Multinationality and Firm Performance: The Moderating Role of R&D and Marketing Capabilities', *Journal of International Business Studies* **33**(1), 79–97.

KPMG Global Sustainability Services.: 2005. *KPMG International Survey of Corporate Responsibility Reporting*.

Lewin, A. Y., T. Sakano, C. U. Stephens and B. Victor: 1995, 'Corporate Citizenship in Japan: Survey Results from Japanese Firms', *Journal of Business Ethics* **14**(2), 83–101.

Lorenzetti, M.: 2002, 'Matters of Trust', *Oil and Gas Journal* **14**, 34.

Lu, J. W. and P. W. Beamish: 2004, 'International Diversification and Firm Performance: The S-CURVE Hypothesis', *Academy of Management Journal* **47**(4), 598–609.

Luo, Y. D.: 2001, 'Toward a Cooperative View of MNC-host Government Relations: Building Blocks and Performance Implications', *Journal of International Business Studies* **32**(3), 401–419.

Margolis, J. D. and J. P. Walsh: 2003, 'Misery Loves Companies: Rethinking Social Initiatives by Business', *Administrative Science Quarterly* **48**, 268–305.

McWilliams, A. and D. Siegel: 2000, 'Corporate Social Responsibility and Financial Performance: Correlation or Misspecification?', *Strategic Management Journal* **21**(5), 603–609.

McWilliams, A. and D. Siegel: 2001, 'Corporate Social Responsibility: A Theory of the Firm Perspective', *Academy of Management Review* **26**(1), 117–127.

Mezias, J. M.: 2002, 'Identifying Liabilities of Foreignness and Strategies to Minimize their Effects: The Case of Labor Lawsuit Judgments in the United States', *Strategic Management Journal* **23**(3), 229–244.

Mitchell, R. K., B. R. Agle and D. J. Wood: 1997, 'Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts', *Academy of Management Review* **22**(4), 853–886.

Morck, R. and B. Yeung: 1991, 'Why Investors Value Multinationality', *Journal of Business* **64**(2), 165–187.

Nahapiet, J. and S. Ghoshal: 1998, 'Social Capital, Intellectual Capital, and the Organizational Advantage', *Academy of Management Review* **23**(2), 242–266.

Nehrt, C.: 1996, 'Timing and Intensity Effects of Environmental Investments', *Strategic Management Journal* **17**(7), 535–547.

Ocasio, W.: 1997. Towards an Attention-Based View of the Firm. *Strategic Management Journal*, 18 (Summer Special Issue): 187–206.

Osland, J. S.: 2003, 'Broadening the Debate - The Pros and Cons of Globalization', *Journal of Management Inquiry* **12**(2), 137–154.

Palepu, K.: 1985, 'Diversification Strategy, Profit Performance and the Entropy Measure', *Strategic Management Journal* **6**(3), 239–255.

Pava, M. L. and J. Krausz: 1997, 'Criteria for Evaluating the Legitimacy of Corporate Social Responsibility', *Journal of Business Ethics* **16**(3), 337–347.

Robertson, C. J. and W. F. Crittenden: 2003, 'Mapping Moral Philosophies: Strategic Implications for Multinational Firms', *Strategic Management Journal* **24**(4), 385–392.

Roth, K.: 2005, 'Rules on Corporate Ethics Could Help, not Hinder, Multinationals', *Financial Times*. London.

Rugman, A. M. and A. Verbeke: 2003, 'Extending the Theory of the Multinational Enterprise: Internalization and Strategic Management Perspectives', *Journal of International Business Studies* **34**(2), 125–137.

Rugman, A. M. and V. Alain: 2004, 'A Perspective on Regional and Global Strategies of Multinational Enterprises', *Journal of International Business Studies* **35**(1), 3–18.

Sethi, S. P.: 2003, 'Globalization and the Good Corporation: A Need for Proactive Co-existence', *Journal of Business Ethics* **43**(1–2), 21–31.

Sharfman, M.: 1996, 'The Construct Validity of the Kinder, Lydenberg & Domini Social Performance Ratings Data', *Journal of Business Ethics* **15**(3), 287–296.

Song, M., C. Droge, S. Hanvanich and R. Calantone: 2005, 'Marketing and Technology Resource Complementarity: An Analysis of their Interaction Effect in Two Environmental Contexts', *Strategic Management Journal* **26**(3), 259–276.

Staw, B. M., P. I. McKechnie and S. M. Puffer: 1983, 'The Justification of Organizational Performance', *Administrative Science Quarterly* **28**, 582–600.

Szulanski, G.: 1996. 'Exploring Internal Stickiness: Impediments to the Transfer of Best Practice within the Firm', *Strategic Management Journal*, **17** (Winter Special Issue): 27–43.

Teece, D. J., G. Pisano and A. Shuen: 1997, 'Dynamic Capabilities and Strategic Management', *Strategic Management Journal* **18**(7), 509–533.

The Economist.: 2005, 'The good Company. Survey: Corporate Social Responsibility', January 20.

Turban, D. B. and D. W. Greening: 1997, 'Corporate Social Performance and Organizational Attractiveness to Prospective Employees', *Academy of Management Journal* **40**(3), 658–672.

Ullman, A. A.: 1985, 'Data in Search of a Theory: A Critical Examination of the Relationships among Social Performance, Social Disclosure, and Economic Performance of U.S. Firms', *Academy of Management Review* **10**(3), 540–557.

van Tulder, R. and A. Kolk: 2001, 'Multinationality and Corporate Ethics: Codes of Conduct in the Sporting Goods Industry', *Journal of International Business Studies* **32**(2), 267–283.

Vernon, R.: 2001, 'Big Business and National Governments: Reshaping the Compact in a Globalizing Economy', *Journal of International Business Studies* **32**(3), 509–518.

Vernon, R.: 1998, *In the Hurricanes Eye: The Troubled Prospects of Multinational Enterprises* (Harvard University Press, Cambridge, MA).

Vernon, R.: 1977, *Storm Over the Multinationals* (Harvard University Press, Cambridge, MA).

Vinod, H. D. and P. M. Rao: 2000, 'R&D and Promotion in Pharmaceuticals: A Conceptual Framework and Empirical Exploration', *Journal of Marketing Theory and Practice* **8**(4), 10–20.

Waddock, S. A. and S. B. Graves: 1997, 'The Corporate Social Performance-Financial Performance Link', *Strategic Management Journal* **18**(4), 303–319.

Zaheer, S.: 1995, 'Overcoming the Liability of Foreignness', *Academy of Management Journal* **38**(2), 341–363.

Zyglidopoulos, S. C.: 2002, 'The Social and Environmental Responsibilities of Multinationals: Evidence from the Brent Spar Case', *Journal of Business Ethics* **36**(1–2), 141–151.

Schulich School of Business,
York University,
4700 Keele Street, Toronto, ON, Canada M3J1P3
E-mail: cbouquet@schulich.yorku.ca