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Public Listing, Context and CSR: The Effects of Legal Origin

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Public Listing, Context and CSR: The Effects of Legal Origin

Abstract

The literature on legal origin argues that legal institutions mold what firms do: within common law systems, shareholder rights are much stronger, reducing agency issues. We explore whether publicly-listed companies are more likely to have corporate social responsibility (CSR) codes than privately-held companies, and whether the association between a public listing and the existence of a CSR code is affected by the company's location within a specific institutional and cultural setting. We conclude that proposals to introduce more ethical dimensions to the behavior of firms need to be thought through: what works in one location may be inappropriate in another.

Keywords

Corporate Social Responsibility, public listing, context, legal origin, comparative management

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1 Introduction

The rising interest in corporate social responsibility (CSR) around the globe has raised questions about the impact of stock exchange listing and of institutional setting, since in some countries stock exchanges are less influential. Carter et al. (2000: 219) define CSR as: "…the managerial consideration of non-market forces or social aspects of corporate activity outside of a market or regulatory framework and includes consideration of issues such as employee welfare, community programs, charitable donations, and environmental protection."

Committing to and developing CSR activities is a means whereby firms indicate their role in society, either in response to external pressures and/or in order to enhance their reputation (Carroll, 2000). CSR is associated with reputation, considered a corporate asset which management must conserve and enhance to secure a competitive advantage, through its greater anticipation of, and responsiveness to, external changes. From a financial perspective, and based on the so-called 'universal owner' hypothesis, CSR may be driven by shareholders, such as pension funds, recognizing the virtues of long-term sustainability in their holdings (Hawley and Williams, 2000; Deakin and Hobbs, 2007). For example, Becchetti et al. (2012) find that investors track socially responsible companies and react negatively to firms exiting the Domini 400 Social Index.[1] CSR may therefore be an effective tool to increase the support of 'ethically responsible' consumers and improve firm image and reputation. In turn, this would have a positive effect on individuals' consumption of the firm's products and services and investment choices (Becker-Olsen et al., 2006; Park et al., 2014; Shea, 2010).

Within the literature on comparative corporate governance, there has been growing interest in the effects of legal origin on firm practices, as a means of accounting for unevenness in firm performance and societal outcomes. It is held that, under common law systems, shareholders enjoy greater rights, and this will mold the choices made by managers; the former are more able to reign in the latter, and subject them more closely to their agenda than is the case within the different manifestations of civil law (La Porta et al., 2008; Qi et al., 2011). However, a limitation of this literature is its limited focus on the law and macro-economic outcomes, with the firm being depicted as a mere transmission belt. In other words, there is a tendency to neglect variations in intra-firm dynamics and practices (c.f. Wood et al., 2014). This paper seeks to redress this shortfall through an evaluation of comparative survey evidence. It explores the

[1] This index identifies strengths and weaknesses for each of the following attributes: community; corporate governance; diversity; employee relations; environment; human rights; product quality; and controversial business issues. When the stock no longer passes the qualitative screening process, the stock is excluded from the index.

extent to which firms are formally committed to social responsibility according to whether they are common law or not.

In the common law system, shareholders are legally privileged and, it is argued that the key to economic success is competition (La Porta et al., 2008). Countervailing stakeholder power is relatively weak. In the civil law countries, shareholders are seen as just one amongst a number of stakeholders (the others being managers, employees and their trade unions, communities and governments) that have a legitimate impact on what the firm does (refer to Appendix 1 for the list of common and civil law countries). Co-operation between businesses and between businesses and governments is seen as positive, rather than anti-competitive. Some countries will have more regulation on CSR than others, particularly for publicly-listed companies (Pagano et al., 1998).

In other words, the world can be divided into systems with shareholder primacy (common law systems) and those where it is mediated in some way or another (La Porta et al., 2008; Hall and Soskice, 2001). Importantly, it can be argued that whilst shareholder power is weaker in civil law countries, there is much difference in organizational priorities and practices between them. A common criticism of legal origins theory is that the panel of countries encompassed in the original analysis is very selective, and, in particular, that the categories encompass countries at very different stages of development (Du, 2010). In the dataset used for this article, the common law category encompasses only the mature developed liberal market countries; however, the civil law countries encompass a range of transitional and more peripheral countries. Hence, we first of all explore the differences between common law and civil law countries. In a subsequent step, we remove transitional or emerging market economies.

In a second instance, we explore the impact of stock market listing. Listed firms may be pressurized by stock markets into being more socially responsible, or at least more likely to have written CSR codes. Such firms are more subject to public scrutiny than unlisted ones and, arguably, are impelled to be seen to be taking CSR issues more seriously (van Cranenburgh et al., 2013) and this may even apply to small and medium sized companies (Sen and Cowley, 2013). Therefore, we verify whether publicly-listed companies that are exposed to public scrutiny are more likely to have a CSR code than privately-listed companies. We also verify whether the association between a public listing and the existence of a CSR code is affected by the location of the company, common or civil law.

The remainder of the paper is organized as follows. The next section presents our review of the literature and our hypotheses. The methodology section discusses the data sources and the measures we use to test our hypotheses. We then present the findings that listed firms are more likely to have a written CSR statement than unlisted ones; that firms in common law countries are more likely to have written statements than those in civil law countries; and that such statements are correlated with more employee-friendly management practices. In the conclusion section we draw these threads together and argue that our findings show the importance of taking into account a broad range of contextual differences when considering proposals to introduce more ethical dimensions to the behavior of firms: what works in one location may be inappropriate or difficult to sustain in another.

2 Review of the Literature and Development of Hypotheses

2.1 Legitimacy and CSR

Since poor relations with a wide range of stakeholders (especially as a result of the increasing media spotlight) can ultimately lead to customers 'voting with their dollars', social responsibility issues may assume a great importance in a wide range of settings. Yet, the relative prioritization of profitability concerns versus stakeholder and societal wellbeing is likely to vary according to context, reflecting variations in societal features, and formal and informal regulation.

Neo-liberal approaches to the firm traditionally suggested that "the social responsibility of business is to increase its profits" (Friedman, 1970: 1). This would suggest that, in common law countries, where shareholder rights are stronger, there would be less emphasis on socially responsible behavior. However, legitimacy theory would suggest that businesses should create a socially responsible image to gain acceptance and legitimization for their actions from their stakeholders. Legitimacy is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995: 574). Legitimacy theory is based on the idea that society allows businesses to exist according to a 'social contract' which is granted by stakeholders on the basis of how they perceive the organization (Suchman, 1995). Legitimacy can be considered as the outcome of the perception of the public and the society (Aerts and Cormier, 2009). Therefore, a company's long-term survival may depend on whether stakeholders perceive its actions as in line with basic societal norms.

From a cognitive legitimacy perspective, it could be argued that firms may develop CSR practices to enhance their image and maintain or improve their legitimacy. Moreover, multinational enterprises (MNEs), operating in an integrated world economy, are the focus of media attention (Crane et al., 2008), thus possibly impelling them to further improve CSR, even in contexts where there are limited legal constraints. Media and pressure groups have exposed companies' activities and caused them to adopt policies or take actions in a quest to extend their legitimacy (Palazzo and Scherer, 2006; van Cranenburgh et al., 2013). Such pressure provides incentives for companies to seek to respond in such a way as to gain approval and recognition for their commitments (Boiral, 2003).

However, if voluntary explicit CSR measures represent efforts to overcome periodic crises of legitimacy, it could be argued that they are in the gift of firm owners or managers, to be tendered or withdrawn at any time (Matten and Moon, 2008: Mellahi et al., 2010). In other words, such initiatives are likely to be episodic, with firms valuing flexibility to extend or withdraw CSR initiatives.

2.2 Listing and CSR

Organizations can gain more legitimacy by actively seeking support from the largest number of stakeholders possible. External pressure on companies results in companies being more likely to subject themselves to self-regulation and behaving, or encouraging stakeholders to believe they will behave, in a manner that the latter consider socially responsible.

However, Aupperle et al. (1985) found no link between CSR and organizational performance. Looking at US publicly-traded firms, Ioannou and Serafeim (2014) found that in the 1990s analysts tended to view a commitment to CSR as an agency failure but, more recently, this tendency has reversed, with socially responsible listed firms being assessed more optimistically (Cheah et al., 2011). Hence, we hypothesize the following:

> Hypothesis 1a. Listed firms are more likely to have a CSR statement, whether written or verbal.

Further, investors in the financial markets should be able to exercise greater pressures on listed companies, pushing them to make formal commitments in written form. Written codes represent a more formal obligation and "are voluntary statements that commit organizations, industries, or professions to specific beliefs, values, and actions, and/or that set out appropriate ethical behavior" (Crane and Matten, 2007: 175). There is an expectation that listed firms will make more written information available as to their present condition, policies and strategies, than their unlisted counterparts, to attract and retain investors.

> Hypothesis 1b. Listed firms are more likely to have a written CSR statement.

2.3 Legitimacy, CSR and Varieties of Capitalism

How does CSR vary across different institutional settings? On the one hand, it could be argued that in firms in common law countries are more likely to engage in social responsibility (Langlois and Schlegelmilch 1990). This is for two reasons. Firstly, the countervailing power of insider interests, such as workers' representation, is weaker when shareholder rights are stronger (Jackson and Apostolakou, 2010). Secondly, firms in countries with shareholder primacy are likely to be particularly sensitive to customer pressures and investor concerns, given their focus on profits (Matten and Moon, 2008).

On the other hand, for the reasons outlined above, legitimacy crises are more likely in common law countries, and that may lead to periodic CSR initiatives to compensate for trust shortfalls (Mellahi et al., 2010). In other words, in contexts where firms are under the greatest pressure to maximize shareholder value, and stakeholder rights are weaker, ethical failings may be more likely. In turn, to offset any reputational damage, firms may be impelled to promote their ethical credentials explicitly (Matten and Moon, 2008), although there is empirical evidence to the contrary (Gjølberg, 2009). Indeed, CSR may be viewed by shareholders as unjustified empire building by managers to enhance their personal prestige, in effect misusing shareholders' money (Friedman, 1970). In common law countries, shareholders have the power to rein in managers, forcing them to concentrate on the immediate bottom line and giving them less freedom to engage in such activities. Even if stakeholder wellbeing is salient to the firm, the operations of markets may impact on managerial perceptions (Tashman and Raelin, 2013).

This leads us to two further hypotheses. Firstly, it could be argued that in common law countries, firms are less held to account, due to the absence of countervailing stakeholder power, than elsewhere. Reflecting this:

> Hypothesis 2a. Firms in common law countries are less likely to have a CSR statement.

Secondly, it could be argued that, impelled by legitimacy concerns but pulled by short-term pressures to maximize profits, firms operating in such jurisdictions would be less likely to have a written CSR statement, embarking on periodic CSR initiatives characterized by regularly changing public statements of goodwill in response to periodic reputational crises, but ones to which the firm is not formally committed for a sustained period of time (Matten and Moon, 2008). Within the civil law countries, by contrast, investors are more likely to be patient (see Dore, 2000). They are more likely to value the potential benefits for an organization accruing from being socially responsible, even if it entails upfront costs and, hence, are more likely to encourage organizations to tie themselves into formal commitments to CSR in the hope of long-term gains. Fogarty (1995) argues that written codes of conduct are an expression of the attention accorded to stakeholder interests (Sacconi, 1999). They tie firms down and are more difficult to renege on than verbal statements. Further, weaker institutional coverage in emerging, transitional and/or peripheral economies might mean that less can be taken for granted than would be the case in mature institutional settings (Hancke et al., 2007) and, hence, firms adopting a CSR code due to stakeholder pressures, and/or in response to reputational issues, will be under some pressure to do so formally and in writing.

> Hypothesis 2b: Firms in common law countries are less likely to have written than verbal CSR statements.

One way of testing a firm's commitment to CSR is to evaluate the kind of employment practices that it adopts. If the focus is on shareholder value, the interests of a range of other stakeholders may be jeopardized (Harrison and Wicks, 2013). Bučiūnienė and Kazlauskaitė (2012) found that organizations that had more systematic and developed approaches to human resource management (HRM) also had more developed CSR policies. On the one hand, devoting more attention to HRM does not necessarily mean that the policies adopted will be employee-friendly: for example, resources could be ploughed into stringent forms of employee performance management. On the other hand, if CSR is impelled by stronger stakeholder rights – as the hypotheses on greater CSR in civil law countries would suggest – then CSR is likely to be manifested in greater responsibility towards employees (Dore 2000). Thus, firms with a CSR statement might retain employees rather than dismiss them and, if they have to downsize, do it through voluntary rather than enforced mechanisms (Goergen et al., 2013). We expect less outsourcing, lower staff turnover and higher levels of training. In other words, security of tenure and investment in people (c.f. Whitley, 1999) will be greater in firms that have CSR statements. So:

> Hypothesis 3. Firms with more developed approaches to employee management are also more likely to have CSR statements.

3 Data and Methodology

To test our hypotheses, we followed a multi-stage data selection process. Our firm-level data consist of 6,155 firms for 31 countries included in the 2009/10 wave of the Cranet survey on employment practices (for full details see Brewster et al., 2004; and Parry et al., 2013). These surveys are conducted every four to five years and cover all major sectors within the target economies and all organizations with over 100 employees. The Cranet survey records HRM policies and practices. Seventy percent of respondents are at HR director level and the others are CEOs or specialists. Given the sensitivity of the questions asked, responses are anonymous.

To obtain our sample, we selected pairs of listed or unlisted firms that are located in common vs. civil law countries. We also focused on firms that are within a similar class of profitability measured on a Likert scale ranging from 1 (lowest) to 5 (highest profitability) (i.e. firms that have the same flexibility in terms of implementing CSR activities), in the same industry (i.e. similar business practices) and have the closest size, i.e. +/ -10%, as measured by the number of employees (i.e. firms that have the same internal pressures from their employees). We first excluded 1,868 firms with missing data on the number of employees, profitability, industry, and CSR statement and another 947 firms with missing data on the control variables. This resulted in a sample of 3,340 firms from 28 countries, including 2,036 listed firms and 1,304 unlisted firms. One of the countries had listed firms only (Denmark with 264 firms); it was excluded as we could therefore not match pairs of listed and unlisted firms. The remaining sample included 3,076 firms, with 1,773 listed and 1,303 unlisted firms from 27 countries. Using our matching criteria, we lost seven additional countries, ending up with data for 20 countries. Our final sample includes 244 firms (122 pairs of common law and civil law firms), which represent pairs of listed and unlisted companies within the same class of profitability, same industry, and within a close range of size.

To test our hypotheses about the likelihood of a firm having a (written) CSR code, we estimate the following probit equations at the firm level. The equations specify the hypothesized sign for each variable's coefficient. We shall further elaborate on the coefficients' signs below.

$$\begin{aligned} CSR = \; & \alpha + \beta_1 \, Listed\ dummy - \beta_2 \, Common\ Law\ dummy + \beta_3 \, LnSize + \beta_4 \, Family\ dummy \\ & + \beta_5 \, MNE\ dummy + \beta_6 \, M\&A\ dummy + \beta_7 \, Investor\ Rights + \beta_8 \, LnGDP \\ & + Industry\ dummies + \varepsilon \qquad (1) \end{aligned}$$

$$\begin{aligned} CSR = \; & \gamma - \delta_1 \, Common\ Law\ dummy + \delta_2 \, Listed\ Common\ Law\ dummy \\ & + \delta_3 \, Listed\ Civil\ Law\ dummy + \delta_4 \, LnSize + \delta_5 \, Family\ dummy \\ & + \delta_6 \, MNE\ dummy + \delta_7 \, M\&A\ dummy + \delta_8 \, Investor\ Rights + \delta_9 \, LnGDP \\ & + Industry\ dummies + \eta \qquad (2) \end{aligned}$$

Where, *CSR* is calculated as follows. We first measure CSR by *CSR Variable* within an *ordered* probit regression. This variable is equal to zero in the absence of a CSR code (verbal or written), one if there is a verbal CSR code, and two if there is a written CSR code. We then run a series of regular, i.e. *binomial* probit regressions. We first use *CSR dummy* which equals one if the firm has a CSR code (written or verbal), and zero otherwise. We also use two different dependent variables indicating whether there is a written CSR code or a verbal one. *Written CSR dummy* is equal to one if the firm has a written CSR code, and zero otherwise. *Verbal CSR dummy* is equal to one if the firm has a verbal CSR code, and zero otherwise.

We include various independent variables in our regressions. To test the validity of hypotheses 1a and 1b, we use *Listed dummy* which is equal to one if the firm is listed, and zero otherwise. The validity of hypotheses 2a and 2b is tested using *Common Law dummy*, which is set to one if the firm is in a common law country, and zero otherwise. We also use *Listed Common Law dummy* and *Listed Civil Law dummy*, which are self-explanatory.

We control for firm size measured by the logarithm of the total number of employees as large companies with high visibility are more likely to disclose their CSR practices (Deegan et al., 2002; Gray et al., 1995; Guthrie and Parker, 1989; Patten, 1991; Woodward et al., 1996). Our regressions include *Family dummy* as family firms have more personal relationships with their employees and customers. They are also more concerned about their image and reputation than non-family firms, and as such we expect family firms to be more likely to have a CSR statement (Dyer and Whetten, 2006; Goergen and Renneboog, 2010). *Family dummy* is equal to one if the firm is owned and/or controlled by primarily one family, and zero otherwise.

We also include *MNE dummy* which is equal to one if the firm has a presence in more than one country, and zero otherwise. As they straddle institutional domains, MNEs are less influenced by informal and formal regulations within a single national context than their domestic counterparts (Morgan, 2012). However, as MNEs are more likely to have a higher profile than domestic firms, they will be more susceptible to negative publicity. And, MNE approaches to CSR will be influenced by host country pressures (Bondy and Starkey, 2014). Hence, MNEs take up voluntary CSR codes in order to defend their reputation and market position. Weaver et al. (1999) explain that companies that are subject to media pressure are more likely to invest in policies that will help restore lost legitimacy and avoid future negative media attention. Hence, we expect MNEs more likely to have CSR codes. Avi-Yonah (2005) describes the transformations undergone by the corporate form over time, and argues that CSR is legitimate and normatively accepted with the growth of corporations even when it does not contribute to long-run shareholder wealth. We therefore predict a positive association between CSR and M&A activity during the three-year period prior to our study (as measured by *M&A dummy*).

The likelihood of having a CSR statement might also be related to investor rights and the extent of enforcement of laws in a society, and simply to its economic wealth (GDP) (Chih et al., 2008; Welford, 2005), since in less developed countries and/or where society cannot enforce its own rules there will be less value in legitimacy. We control for investor rights and economic development using the Djankov et al. (2008) anti-self-dealing index and GDP level, respectively. Djankov et al.'s (2008) anti-self-dealing index, *Investor Rights*, measures the level of protection enjoyed by minority shareholders. We use the natural logarithm of the GDP, *LnGDP*, rather than raw GPD to control for skewness. Given that companies in some industries may be more visible and may therefore be more exposed to public scrutiny, we also use industry dummies.

To test the validity of hypothesis 3, we examine whether CSR statements are in line with CSR practices of the sample firms. We expect companies with a CSR statement to have good employment change practices, lower staff turnover and higher levels of training. First, *Employment Change* is an ordinal variable which reflects whether (i) there was growth, stagnation or a reduction in the firm's employment figures and (ii), if there was downsizing, how the downsizing was carried out. Ways of downsizing are ordered from least harsh to most harsh. In line with Goergen et al. (2013), *Employment Change* is equal to zero if the company increased its number of employees during the last three years, one if the number of employees remained the same, two if there was a recruitment freeze, three if the company used redeployments, four if it had voluntary redundancies, five if it used early retirements, six if it went down the route of no renewal of fixed/temporary contract, seven if it used outsourcing or outplacement, and eight if there were compulsory redundancies. *Increased Number of Employees* is a dummy variable, which is equal to one if there were no restrictive employment practices (i.e. two to eight above) *and* there was an increase in the number of employees, and zero otherwise. *Stable Number of Employees* is set to one if there were no restrictive employment practices *and* the number of employees remained the same, and zero otherwise. The following dummy variables indicate the use of particular employment practices and are self-explanatory: *Recruitment Freeze*, *Redeployment*, *Voluntary Redundancies*, *Early Retirements*, *No Renewals of Fixed/temporary Contracts*, *Outsourcing or Outplacement*, and *Compulsory Redundancies*. Second, we use *Annual Staff Turnover* calculated as the annual percentage of staff turnover. Finally, *Training Index* is the total number of training days over staff turnover per category of employees (managerial, professional, clerical, and manual). *Training Index* ranges from zero to five, and is equal to the sum of the four dummy variables related to *High Number of Days per Year Training* (*as a Percentage of Staff Turnover*) per category of employee as well as *High Percentage Annual Payroll Costs Spent on Training dummy*. Alternatively, we use a dummy variable, which is equal to one if the value for *Training Index* for a given firm is higher than the sample median, and zero otherwise.

4 Empirical Results

Table 1 presents descriptive statistics for the full sample of 244 firms as well as the sub-samples of firms from common law countries and firms from civil law countries. Just over half of the sample firms have a CSR statement (written or verbal); this percentage is significantly higher for the civil law countries (64.8%).compared to the common law ones (45.9%) (the difference is significant at the 1% level). Moreover, 36.9% of the sample firms have a written CSR statement and 18.4% have a verbal statement. Again, a larger percentage of firms from the civil law countries have a written CSR statement (44.3%) compared to firms from common law countries (29.5%) (the difference is significant at the 5% level). However, there is no difference in the percentage of firms with a verbal CSR statement between the two legal families. The sample includes 51.6% of firms that are listed and the average firm has 1,214 employees and, by construction, there is no difference in means for the number of employees between the two sub-samples.

Table 1 Here

One third of the firms are family firms (34.4%), and 53.3% are MNEs. Some 41.8% of firms were involved in a merger and acquisition deal (M&A) during the last three years prior to the survey, and they are located in countries with average investor rights of 0.565 and average GDP of $5,297 billion. As expected, the firms from the civil law countries are more likely to be family firms and MNEs, and they are less likely to have gone through M&As as compared to those from common law countries (the difference being significant at the 10% level or better). The civil law countries also have lower investor rights and a lower GDP than the common law countries (at the 1% level), albeit that the original panel of countries includes many emerging or transitional economies. As noted above, we subsequently revisit our analysis with these countries removed.

Table 2 shows the correlations between the variables: listed firms are more likely to have a CSR statement, and this is more likely to be a written statement. Firms from common law countries are less likely to have a CSR statement.

Table 2 Here

Table 3 reports the results from the ordered probit regression with *CSR Variable* as the dependent variable (regression (1a)). It also presents the results from estimating three regular, binomial probit regressions using as the dependent variable *CSR dummy* (regression (1b)), *Written CSR dummy* (regression (1c)), and *Verbal CSR dummy* (regression (1d)). Regressions (1a) and (1b) show that listed firms are more likely to have a CSR statement (at the 5% level), and regression (1c) suggests an even more significant association between listed firms and those with a *written* CSR statement (at the 1% level). Regression (1d) shows no significant association between a public listing and the existence of a *verbal* CSR statement. This provides support for hypotheses 1a and 1b. Further, firms from common law countries are less likely to have a CSR statement as reflected by the significantly negative *Common Law dummy* in regressions (1a), (1b) and (1c). This suggests that hypothesis 2a is valid. Firms from common law countries are also less likely to have a written CSR statement (regression (1d)). This supports hypothesis 2b.

As to the control variables, all four regressions suggest that a CSR statement (of either form) and a written CSR statement are more likely for larger firms (at the 5% level or better). Firms that have had M&A activity in the three years preceding the survey are more likely to have a CSR statement (at the 10% level), and this is more likely to be a verbal CSR statement (at the 5% level). Family firms are more likely to have a verbal CSR statement (at the 5% level). Finally, firms in countries with greater GDP are less likely to have a verbal CSR statement (at the 5% level). The results for the control variables are similar for the binomial probit and ordered probit regressions.

Table 3 Here

Table 4 is similar to Table 3, but distinguishes between listed common law firms and others. Like Table 3, it includes an ordered probit regression (regression (2a)) and three binomial probit regressions (regressions (2b), (2c) and (2d)). Regressions (2a) and (2b) suggest that firms from common law countries are less likely to have a CSR statement (at the 10% level), further supporting hypothesis 2a. In contrast, listed firms from civil law countries are more likely to have a CSR statement (at the 10% level or better), qualifying our earlier support for hypothesis 1b. Moreover, regression (2c) suggests that firms from common law countries are less likely to have a written CSR statement (at the 10% level). On the contrary, listed firms from civil law countries are more likely to have a written CSR statement (at the 1% level) whereas they are less likely to have a verbal CSR statement (regression (2d) and at the 10% level). While we found support for hypothesis 2b for the case of all, i.e. listed as well as unlisted, common law based firms, regression (2c) suggests that the listing status of common law countries does not have an impact. Hence, hypothesis 2b is valid for all firms from common law countries, whether listed or not. As to the control variables, Table 4 shows similar patterns to those in Table 3.

Table 4 Here

Table 5 is a first step towards testing the validity of hypothesis 3. It presents descriptive statistics for the employment practices for the entire sample as well as for the sub-samples of firms from civil law and common law countries. *Employment Change* has a value of 2.328, with a value of two indicating an employment freeze and three indicating redeployment. The average value for *Employment Change* for firms from civil law countries (1.672) is significantly lower (at the 1% level) than for firms from common law countries (2.984). The less stringent employment practices of firms from civil law countries should be seen in the light of the conclusions drawn from Tables 3 and 4 that firms from civil law countries are more likely to implement good CSR practices as reflected by the existence of a CSR statement. Breaking down *Employment Change* into its individual components, 56.1% of companies have had an increase in the number of employees and 13.1% maintained their number of employees during the last three years. A significantly larger percentage (at the 10% level) of firms from civil law countries increased the number of employees compared to common law countries. For the remaining 30.8% of sample firms, the decrease in the number of employees was mainly driven by recruitment freezes (28.3% of the firms), redeployment (24.2%), compulsory redundancies (23.4%), followed by the other reasons. Recruitment freezes, compulsory redundancies, and redeployment were significantly higher in common law countries compared to civil law countries (at the 10% level or better). Note that the percentage of firms using the various practices is greater than one (100%) given that some firms used several practices to decrease the number of employees.

Table 5 Here

Table 5 also indicates that average annual staff turnover was 15.19%; there is no significant difference between the firms from civil law countries and those from common law ones. The percentage of annual payroll costs spent on training is equal to 4.63% on average; again there is no significant difference between the two sub-samples. The average number of days of training is 8.77 days per year for management, 10.06 days for professionals, 6.69 days for clerical staff, and 6.11 days for manual laborers. There is a significantly higher number of days of training offered to management, professionals and clericals in civil law countries (at the 5% level or better). When we adjust the annual number of days of training by staff turnover (as firms with high turnover will be forced to engage in a greater amount of *basic* induction training), we still find a higher number of days of training for both managers and clerical employees (at the 5% level or better) for the firms from civil law countries. Further, a higher percentage of firms from civil law countries than firms from common law ones that offer high (i.e. above median) levels of training for all four categories of employees (at the 10% level or better). Finally, *Training Index* (ranging from zero to five) includes the four dummy variables indicating whether the number of days of training per category of employee is greater than the sample median as well as the dummy variable indicating whether the percentage of annual payroll costs spent on training is greater than the sample median. The average for *Training Index* is 1.6; it is significantly higher for firms from civil law countries (at the 1% level). Therefore, hypothesis 3 seems valid: firms with CSR statements are more likely to have more developed HRM approaches.

Table 6 consists of four matrices or panels. The first two panels study the impact on *Employment Change* of each combination of the two legal families (common or civil law) with the presence or absence of a CSR statement (written or verbal) (Panel A1), and with the listing status (unlisted vs. listed) (Panel A2). The next two panels, Panels B1 and B2, are the equivalent panels for the impact on *Training Index*.

Table 6 Here

Panel A1 shows that employment practices are significantly less harsh (at the 5% level or better) in firms from civil law countries, regardless of whether they have a CSR statement. However, the existence of a CSR statement is not associated with specific employment practices for firms from the same legal family. Similarly, Panel A2 suggests that the listing status of a firm does not affect its employment practices.

Panels B1 and B2 suggest that training is always significantly higher (at the 10% level or better) in firms from civil law countries. Again, the existence of a CSR statement and the listing status do not have a significant impact. All that matters is legal family. Overall, the results from Table 6 are consistent with those from Table 5: legal origin has a significant impact on the HRM practices, providing further support for hypothesis 3.

5 Robustness Tests

But, what about possible differences among civil law countries? What happens if we distinguish between mature countries and those of more peripheral or transitional status? We remove South Africa from the common law category, and all Eastern European and Mediterranean civil law countries that might be considered as peripheral or transitional. This includes 46 companies from Bulgaria, Cyprus, Greece, Hungary, Lithuania, Russia, Serbia, Slovakia, and the Turkish Cypriot Community in the common law country. Table 7 reports the equivalent regressions to those from Table 3 (the regressions that include *Listed dummy*) and Table 4 (the regressions that include *Listed common law dummy* and *Listed civil law dummy*), but it is based on observations from mature civil and common law countries only.

Table 7 Here

The table confirms the results from Tables 3 and 4. Again, listed firms are more likely to have a written CSR statement, whereas those from common law countries are less likely to have a (written) CSR statement. Furthermore, listed firms from civil law countries are more likely to have a CSR statement, which is more likely to be a written statement. This provides further support for hypotheses 1a, 1b, 2a, and 2b. Contrary to what is argued by La Porta et al. (2008), Allen (2012) argues that both common and civil law systems confer distinct advantages (Allen, 2012). Hence, it could be argued that stronger stakeholder rights and deeper, more embedded, relations between firms and other actors in civil law countries will encourage more sustainable approaches to social responsibility than elsewhere.

6 Conclusion

Formally committing the firm to a written CSR agenda diminishes the room for maneuver by owners, and their relative ability to focus on maximizing short-term returns (Carroll, 2000). This means that investment horizons may determine the nature of commitment to CSR. There is however a limit to this argument when it comes to employment practices: corporate social responsibility (CSR) in relation to employees seems to be largely unaffected by the existence of CSR statements.

We found that formal CSR statements were more common in firms from civil law countries, particularly in listed firms. This could reflect the extent to which greater information on such firms is in the public domain – making it easier to hold them to account – and/or could be because such firms are likely to have more resources to plough back into CSR. Whilst, clearly, legitimacy concerns and associated, culturally rooted expectations are an important issue in determining CSR, the compensatory argument – that firms are more likely to seek to be seen to be socially responsible in settings where ethical lapses are more likely – has limits. Any explicit CSR behavior is then likely to be episodic and/or within informally set parameters rather than formalized written commitments to CSR that may be difficult to withdraw.

This paper adds to the growing body of literature that applies comparative institutional analysis to firm level policies and practices, seeking to move beyond the finance literature's traditional focus on formal rules. It demonstrates that the relationship between setting and practice is a complex one, and that outcomes reflect both regulation and organization specific characteristics. It also highlights the importance of greater informality and flexibility in CSR commitments in common law countries in comparison with civil law ones. Finally, employment practices in common law countries were less employee-friendly, irrespective of whether they had a written CSR statement or not.

Overall, the paper makes the point that proposals to introduce more ethical dimensions to the behavior of firms need to be thought through, taking account of a broader range of contextual differences than simply formal regulation: what works in one location may be inappropriate or difficult to sustain in another.

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Appendix 1

Civil law countries

Austria

Belgium

Bulgaria

Cyprus

France

Germany

Greece

Hungary

Japan

Lithuania

Russia

Serbia

Slovakia

Slovenia

Switzerland

Turkish Cypriot Community

Common law countries

South Africa

Australia

United Kingdom

USA

Table 1 – Descriptive Statistics

This table reports descriptive statistics for the full sample of 244 firms as well as the sub-samples of firms from civil and common law countries. The latter two represent pairs of listed and unlisted companies within the same class of profitability, and within a close range of size. ***, **, and * denote significance of the difference in means at the 1%, 5%, and 10% level (for the two-sided test), respectively. The t-test is used for continuous variables, and the binomial test (B-test) is used for proportions, i.e. dummy variables.

	Full Sample (N=244)		Civil Law (N = 122)		Common Law (N = 122)		T-test Diff/ B-test Diff
	Mean	S.d.	Mean	S.d.	Mean	S.d.	
CSR Variable	0.922	0.902	1.090	0.891	0.754	0.884	0.003***
CSR dummy	0.553	0.498	0.648	0.480	0.459	0.500	0.003***
Written CSR dummy	0.369	0.483	0.443	0.499	0.295	0.458	0.017**
Verbal CSR dummy	0.184	0.389	0.205	0.405	0.164	0.372	0.411
Listed dummy	0.516	0.501	0.516	0.502	0.516	0.502	1.000
Size (no. of employees)	1213.893	3635.666	1257.852	3835.203	1169.934	3439.868	0.851
Family dummy	0.344	0.476	0.402	0.492	0.287	0.454	0.060*
MNE dummy	0.533	0.500	0.598	0.492	0.467	0.501	0.040**
M&A dummy	0.418	0.494	0.352	0.480	0.484	0.502	0.038**
Investor Rights	0.565	0.226	0.388	0.160	0.742	0.118	0.000***
GDP 2008 (in $ Billion)	5297.485	5960.284	1412.275	1695.689	9182.694	6166.766	0.000***

Table 2 – Pearson Correlation Matrix

This table reports the Pearson correlation coefficients for the variables used in the regression analysis. *CSR dummy* equals one if the firm has a CSR code (written or verbal), and zero otherwise. *Written CSR dummy* is equal to one if the firm has a written CSR code, and zero otherwise. *Verbal CSR dummy* equals one if the firm has a verbal CSR code, and zero otherwise. *Listed dummy* equals one if the firm is listed, and zero otherwise. The *Common Law dummy* is set to one if the firm is headquartered in a common law country, and zero otherwise. The *Civil Law dummy* is the equivalent dummy for firms headquartered in civil law countries. Firm size is measured by *Size*, i.e. the total number of employees. *Family dummy* is set to one for family firms, and zero otherwise. The *MNE dummy* is equal to one if the firm has a presence in more than one country, and zero otherwise. The *M&A dummy* equals one for firms that have been involved in mergers and acquisitions over the past three years. *Investor Rights* is measured by the Djankov et al. (2008) anti-self-dealing index and it measures the level of protection enjoyed by minority shareholders. *GDP 2008* stands for the 2008 GDP in billion dollars.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. CSR Variable	1.000													
2. CSR dummy	0.920	1.000												
3. Written CSR dummy	0.918	0.693	1.000											
4. Verbal CSR dummy	0.034	0.418	−0.365	1.000										
5. Listed dummy	0.175	0.128	0.194	−0.079	1.000									
6. Common Law dummy	−0.172	−0.182	−0.135	−0.064	0.000	1.000								
7. Civil Law dummy	0.172	0.182	0.135	0.064	0.000	−1.000	1.000							
8. Listed Common Law	−0.019	−0.040	0.005	−0.058	0.571	0.590	−0.590	1.000						
9. Listed Civil Law	0.219	0.186	0.217	−0.033	0.571	−0.590	0.590	−0.348	1.000					
10. Size (no. of employees)	0.101	0.083	0.122	−0.047	0.079	−0.012	0.012	0.028	0.062	1.000				
11. Family dummy	−0.025	0.023	−0.070	0.118	−0.128	−0.139	0.139	−0.142	−0.003	−0.086	1.000			
12. MNE dummy	0.078	0.049	0.095	−0.056	0.039	−0.123	0.123	−0.053	0.097	0.083	0.104	1.000		
13. M&A dummy	0.080	0.103	0.044	0.078	0.055	0.133	−0.133	0.108	−0.044	0.103	−0.181	0.054	1.000	
14. Investor Rights	−0.094	−0.104	−0.069	−0.047	−0.022	0.738	−0.738	0.444	−0.470	−0.058	−0.064	−0.130	0.104	1.000
15. GDP 2008	−0.172	−0.174	−0.142	−0.046	−0.001	0.608	−0.608	0.336	−0.337	0.113	−0.049	−0.005	−0.066	0.279

Table 3 – Listed Firms and CSR Codes

Regression (1a) is an ordered probit regression whereas regressions (1b), (1c) and (1d) are regular binomial regressions. The dependent variable in regression (1a) is *CSR Variable*, which equals zero in the absence of a CSR code (whether verbal or written), one if there is a verbal CSR code, and two if there is a written CSR code. *CSR dummy*, the dependent variable in regression (1b), equals one if the firm has a CSR code (written or verbal), and zero otherwise. *Written CSR dummy* is the dependent variable in regression (1c). It equals one if the firm has a written CSR code, and zero otherwise. *Verbal CSR dummy*, the dependent variable in regression (1d), is equal to one if the firm has a verbal CSR code, and zero otherwise. ***, **, and * denote significance at the 1%, 5%, and 10% level (for the two-sided test), respectively.

	CSR Variable Ordered Probit (1a)	CSR dummy Probit (1b)	Written CSR dummy Probit (1c)	Verbal CSR dummy Probit (1d)
Constant	1.370 *3.348*	0.804 *2.014*	–2.456 *2.028*	4.091* *2.443*
Listed dummy	0.632** *0.300*	0.382** *0.180*	0.529*** *0.185*	–0.217 *0.214*
Common Law dummy	–1.031* *0.583*	–0.632* *0.355*	–0.854** *0.392*	0.421 *0.486*
LnSize	0.251** *0.112*	0.150** *0.066*	0.207*** *0.067*	–0.097 *0.087*
Family dummy	0.428 *0.336*	0.250 *0.201*	–0.101 *0.203*	0.500** *0.240*
MNE dummy	0.090 *0.306*	0.050 *0.186*	0.066 *0.188*	0.010 *0.221*
M&A dummy	0.575* *0.316*	0.350* *0.190*	–0.008 *0.192*	0.538** *0.226*
Investor Rights	0.780 *1.097*	0.496 *0.678*	1.002 *0.681*	–0.866 *0.808*
LnGDP	–0.128 *0.119*	–0.076 *0.072*	0.020 *0.072*	–0.178** *0.086*
Industry dummies	Yes	Yes	Yes	Yes
Pseudo R2	0.111	0.111	0.115	0.130
LR chi2	36.67	36.62	36.49	29.7
Prob > chi2	0.006	0.006	0.006	0.041

Table 4 – Listed Common Law and Listed Civil Law Firms and CSR Codes

Table 4 is similar to Table 3, with the only difference being the distinction between listed Common Law firms and listed Civil Law firms. ***, **, and * denote significance at the 1%, 5%, and 10% level (for the two-sided test), respectively.

	CSR Variable Ordered Probit (2a)	CSR dummy Probit (2b)	Written CSR dummy Probit (2c)	Verbal CSR dummy Probit (2d)
Constant	1.341	0.780	–2.410	4.055*
	3.353	*2.017*	*2.035*	*2.471*
Common Law dummy	–1.069*	–0.665*	–0.737*	0.181
	0.711	*0.392*	*0.439*	*0.526*
Listed Common Law dummy	0.666	0.412	0.419	0.038
	0.442	*0.270*	*0.259*	*0.297*
Listed Civil Law dummy	0.592*	0.347*	0.639***	–0.497*
	0.316	*0.187*	*0.186*	*0.286*
LnSize	0.250**	0.150**	0.208***	–0.109
	0.112	*0.066*	*0.067*	*0.088*
Family dummy	0.425	0.248	–0.093	0.473**
	0.337	*0.202*	*0.203*	*0.242*
MNE dummy	0.091	0.051	0.063	0.023
	0.306	*0.186*	*0.188*	*0.222*
M&A dummy	0.577*	0.352*	–0.016	0.553**
	0.317	*0.190*	*0.192*	*0.227*
Investor Rights	0.778	0.491	1.020	–0.906
	1.096	*0.678*	*0.683*	*0.807*
LnGDP	–0.126	–0.075	0.017	–0.171**
	0.120	*0.072*	*0.072*	*0.087*
Industry dummies	Yes	Yes	Yes	Yes
Pseudo R2	0.111	0.111	0.116	0.137
LR chi2	36.690	36.650	36.860	31.230
Prob > chi2	0.009	0.009	0.008	0.038

Table 5 – Legal Origin and CSR Practices

Employment Change is equal to zero if the company had an increase in its number of employees during the last three years, one if the number of employees remained stable during the last three years, 2 if the company has a recruitment freeze, 3 if the company has a redeployment practice, 4 if the company has a voluntary redundancy, 5 if the company has an early retirement, 6 if the company has a no renewal of fixed/temporary contract, 7 if the company uses outsourcing or outplacement, 8 if the company has compulsory redundancies. *Increased Number of Employees* is a dummy variable, which is equal to one if there were no restrictive employment practices *and* there was an increase in the number of employees, and zero otherwise. *Stable Number of Employees* is set to one if there were no restrictive employment practices *and* the number of employees remained the same, and zero otherwise. The following dummy variables indicate the use of particular employment practices and are self-explanatory: *Recruitment Freeze dummy*, *Redeployment dummy*, *Voluntary Redundancies dummy*, *Early Retirements dummy*, *No Renewals of Fixed/temporary Contracts dummy*, *Outsourcing or Outplacement dummy*, and *Compulsory Redundancies*. *Annual Staff Turnover* is the annual percentage of staff turned over. For the *Training* Index, the results are presented per day, as a percentage of staff turnover, as well as dummy variables equal to one if the variable value for a given firm is higher than the sample median (high CSR practice), and otherwise a value of zero. *High Number of Days per Year Training (as a Percentage of Staff Turnover)* is a dummy variable, which is set to one if the firm offers a number of training days (adjusted by staff turnover) which exceeds the sample median, *High Percentage Annual Payroll Costs Spent on Training dummy* is the equivalent dummy variable for an above median spent on training. The *Training Index* ranges from zero to five, and it is equal to the sum of the four dummy variables related to *High Number of Days per Year Training (as a Percentage of Staff Turnover)* per category of employee as well as the *High Percentage Annual Payroll Costs Spent on Training dummy*. ***, **, and * denote significance at the 1%, 5%, and 10% level (for the two-sided t-test for differences in continuous variables or the binomial test (b-test) for differences in dummy variables), respectively.

	Total Sample			Civil Law			Common Law			T-test for Diff/ B-test for Diff
	N	Mean	s.d.	N	Mean	s.d.	N	Mean	s.d.	
Employment Change										
Index	244	2.328	3.183	122	1.672	2.540	122	2.984	3.609	0.001***
Increased Number of Employees	244	0.561	0.497	122	0.615	0.489	122	0.508	0.502	0.094*
Stable Number of Employees	244	0.131	0.587	122	0.115	0.320	122	0.148	0.768	0.664
Decrease in the number of Employees by:										
Recruitment Freeze dummy	244	0.283	0.451	122	0.197	0.399	122	0.369	0.484	0.003***
Redeployment dummy	244	0.242	0.429	122	0.197	0.399	122	0.287	0.454	0.100*
Early Retirement dummy	244	0.156	0.363	122	0.180	0.386	122	0.131	0.339	0.291
Voluntary Redundancies dummy	244	0.193	0.395	122	0.197	0.399	122	0.189	0.393	0.872
Non-renewal of Fixed-term Contracts dummy	244	0.217	0.413	122	0.189	0.393	122	0.246	0.432	0.279
Outsourcing dummy	244	0.127	0.334	122	0.123	0.330	122	0.131	0.339	0.848
Compulsory Redundancies dummy	244	0.234	0.424	122	0.172	0.379	122	0.295	0.458	0.023**

Training and Staff Turnover										
Annual Staff Turnover	211	15.190	20.034	103	15.340	25.770	108	15.046	12.435	0.916
Percentage of Annual Payroll Costs Spent on Training	142	4.627	5.720	83	4.241	4.008	59	5.169	7.504	0.342
Percentage of Annual Payroll Costs Spent on Training (Adjusted by Staff Turnover)	120	0.728	1.284	67	0.985	1.628	53	0.403	0.460	0.013 **
Number of Days per Year Training for										
Management	159	8.774	12.330	92	11.022	14.873	67	5.687	6.500	0.007***
Professional	159	10.063	19.818	94	13.234	24.902	65	5.477	5.693	0.015**
Clerical	155	6.690	15.402	93	8.978	19.373	62	3.258	3.585	0.023**
Manual	119	6.109	15.902	76	7.592	19.501	43	3.488	4.506	0.177
Number of Days per Year Training for (as a Percentage of Staff Turnover)										
Management	132	1.134	2.148	71	1.534	2.739	61	0.668	0.956	0.020**
Professional	133	1.350	2.698	74	1.687	2.943	59	0.926	2.309	0.106
Clerical	129	0.725	1.174	73	0.993	1.441	56	0.375	0.518	0.003***
Manual	99	0.564	1.212	61	0.713	1.494	38	0.324	0.422	0.120
High Number of Days per Year Training for (as a Percentage of Staff Turnover)										
Management	132	0.447	0.499	71	0.577	0.497	61	0.295	0.460	0.001***
Professional	133	0.466	0.501	74	0.622	0.488	59	0.271	0.448	0.000***
Clerical	129	0.496	0.502	73	0.630	0.486	56	0.321	0.471	0.000***
Manual	99	0.495	0.503	61	0.590	0.496	38	0.342	0.481	0.016*
High Percentage Annual Payroll Costs Spent on Training dummy (Adjusted by Staff Turnover)	142	0.423	0.496	83	0.410	0.495	59	0.441	0.501	0.714
Training Index	143	1.601	1.649	83	1.964	1.777	60	1.100	1.311	0.002***
Training (excl. obs. with no payroll costs spent/training)	142	1.592	1.651	83	2.000	1.781	59	1.017	1.252	0.000***

Table 6 – CSR Practices in the Interaction between Legal Origin and CSR Codes

The first two panels study the impact on *Employment Change* of each combination of the variety of capitalism (civil and common law) and CSR statement (presence vs. absence) (Panel A1) and each combination of legal origin (civil vs common law) and listing status (unlisted vs. listed) (Panel A2). The next two panels, Panels B1 and B2, are the equivalent panels for the impact on the *Training Index*. ***, **, and * denote significance at the 1%, 5%, and 10% level (for the two-sided test), respectively.

Panel A1 – Employment Change in the Interaction between Legal Origin and CSR Codes

Employment Change		Civil Law	Common Law	T-test for Difference
		I	II	I vs. II
CSR		1.785	2.895	0.042**
		2.668	3.639	
		III	IV	III vs. IV
No CSR		1.465	3.062	0.011***
		2.303	3.609	
	II vs. III	I vs. III	II vs. IV	I vs. IV
	0.026**	0.509	0.800	0.016***

Panel A2 – Employment Change in the Interaction between Legal Origin and Public Listing

Employment Change		Civil Law	Common Law	T-test for Difference
		I	II	I vs. II
Unlisted		1.847	2.797	0.095**
		2.558	3.488	
		III	IV	III vs. IV
Listed		1.508	3.159	0.004***
		2.533	3.738	
	II vs. III	I vs. III	II vs. IV	I vs. IV
	0.021**	0.463	0.582	0.027***

Panel B1 – Training Index in the Interaction between Variety of Capitalism and CSR Codes

Training Index		Civil Law	Common Law	T-test for Difference
		I	II	I vs. II
CSR		2.231	1.083	0.006**
		1.822	1.100	
		III	IV	III vs. IV
No CSR		1.613	0.971	0.090*
		1.667	1.361	
	II vs. III	I vs. III	II vs. IV	I vs. IV
	0.184	0.127	0.739	0.001***

Panel B2 – Training in the Interaction between Variety of Capitalism and Public Listing

Training Index		Civil Law	Common Law	T-test for Difference
		I	II	I vs. II
Unlisted		1.744	0.964	0.045**
		1.774	1.201	
		III	IV	III vs. IV
Listed		2.275	1.065	0.002***
		1.768	1.315	
	II vs. III	I vs. III	II vs. IV	I vs. IV
	0.001***	0.176	0.762	0.075*

Table 7 – CSR Practices in the Interaction between Legal Origin and CSR Codes Excluding Developing Countries

	CSR Variable (3a)	CSR dummy (3b)	Written CSR dummy (3c)	Verbal CSR dummy (3d)	CSR Variable (4a)	CSR dummy (4b)	Written CSR dummy (4c)	Verbal CSR dummy (4d)
Constant	3.621	1.999	0.489	1.832	3.625	1.978	0.470	2.476
	4.497	*2.645*	*2.652*	*3.315*	*4.468*	*2.635*	*2.668*	*3.588*
Listed dummy	0.448*	0.277*	0.535***	−0.413*				
	0.268	*0.162*	*0.202*	*0.248*				
Common Law dummy	−0.477	−0.309	−0.433	0.399	−0.808	−0.499	−0.254	−0.097
	0.831	*0.505*	*0.512*	*0.670*	*0.456*	*0.274*	*0.141*	*0.740*
Listed Common Law dummy					0.070	0.061	0.407	0.095
					0.537	*0.316*	*0.261*	*0.311*
Listed Civil Law dummy					0.658*	0.409*	0.722**	−1.405***
					0.366	*0.247*	*0.317*	*0.472*
LnSize	0.239**	0.143**	0.202***	−0.108	0.235**	0.140**	0.204***	−0.151
	0.114	*0.067*	*0.075*	*0.109*	*0.114*	*0.067*	*0.075*	*0.114*
Family dummy	0.286	0.172	−0.309	0.756***	0.256	0.161	−0.296	0.724**
	0.374	*0.225*	*0.230*	*0.292*	*0.376*	*0.226*	*0.231*	*0.303*
MNE dummy	0.102	0.056	0.061	0.018	0.091	0.049	0.068	−0.009
	0.350	*0.213*	*0.216*	*0.277*	*0.350*	*0.214*	*0.216*	*0.282*
M&A dummy	0.337	0.206	−0.191	0.638**	0.342	0.212	−0.199	0.720**
	0.346	*0.209*	*0.215*	*0.268*	*0.347*	*0.209*	*0.215*	*0.282*
Investor Rights	−0.168	−0.074	0.389	−1.005	−0.166	−0.088	0.405	−1.420
	1.541	*0.942*	*0.954*	*1.211*	*1.540*	*0.941*	*0.958*	*1.285*
LnGDP	−0.194	−0.110	−0.079	−0.092	−0.187	−0.105	−0.083	−0.092
	0.154	*0.090*	*0.091*	*0.113*	*0.153*	*0.090*	*0.092*	*0.123*
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R2	0.102	0.102	0.133	0.164	0.105	0.105	0.135	0.207
LR chi2	27.520	27.440	34.930	28.470	28.300	28.200	35.530	36.000
Prob > chi2	0.051	0.052	0.006	0.019	0.058	0.059	0.008	0.003

***, **, and * denote significance at the 1%, 5%, and 10% level (for the two-sided test), respectively.