Multinational Business Review

401

How do different types of institutions shape corporate environmental, social and governance performance?

Jiyoung Shin
Department of Strategy, International Management and Business, and Entrepreneurship, University of Bristol, Bristol, UK

Young Un Kim
College of Business and Management, VinUniversity, Hanoi, Vietnam, and College of Business, Incheon National University, Incheon, Republic of Korea, and

Gabriel Younseo Jo and Chang Hoon Oh
School of Business, The University of Kansas, Lawrence, Kansas, USA

Received 23 June 2025
Revised 19 October 2025
2 February 2026
16 March 2026
Accepted 17 March 2026

Abstract

Purpose – This study aims to investigate the institutional determinants of firms' environmental, social and governance (ESG) performance. Drawing on stakeholder and institutional theories, the authors examine how three distinct types of national institutions – formal, informal and financial market institutions – shape firms' ESG performance. By analyzing the differential effects of these institutional types on each component of ESG performance, the study offers a more nuanced understanding of the relationship between institutional environments and corporate social performance.

Design/methodology/approach – The authors developed and tested a multi-source data set analyzing the ESG performance of 3,872 firms across 49 countries over 15 years (2002–2016) using data from the ASSET4 database. To assess the relationships between the three types of institutions and firms' ESG performance, the authors used multilevel random-effects models with lagged independent variables.

Findings – This research provides a comprehensive analysis that links specific types of institutions to each component of ESG performance, rather than to aggregate corporate social responsibility performance. It advances stakeholder and institutional theories by demonstrating how distinct stakeholder groups – represented through different institutional arrangements – shape specific ESG outcomes, thereby offering valuable insights for policymakers and managers.

Originality/value – This study provides a comprehensive examination of how distinct types of institutions are linked to individual ESG dimensions.

Keywords ESG, Sustainability, Corporate social responsibility, Formal institutions, Informal institutions, Country institutions, Environmental, Social, Corporate governance performance, Financial market institutions

Paper type Research paper

© Jiyoung Shin, Young Un Kim, Gabriel Younseo Jo and Chang Hoon Oh. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence maybe seen at https://creativecommons.org/licences/by/4.0/

Multinational Business Review
Vol. 34 No. 3, 2026
pp. 401-426
Emerald Publishing Limited
1525-383X
DOI 10.1108/MBR-06-2025-0216

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

1. Introduction

Firms operate within institutional environments that shape the nature and extent of their responsible behavior. Scholars have long recognized that institutions matter for corporate social responsibility (CSR), which in turn leads to corporate social performance (CSP) (Campbell, 2007; Ioannou and Serafeim, 2012; Matten and Moon, 2008). A vast body of literature has examined how national institutions including legal systems and cultural norms influence CSR activities (Chapple and Moon, 2005; Jackson and Apostolakou, 2010; Young and Makhija, 2014). For example, firms from different institutional contexts display distinct CSR profiles (Matten and Moon, 2008, 2020), and regulatory, normative and cognitive pressures have been shown to empower stakeholders, such as governments, nongovernmental organizations (NGOs) and customers, to press firms toward enhanced social performance (Brammer *et al.*, 2012; Kim *et al.*, 2013; Oetzel and Doh, 2009).

Despite their recognized importance, the effects of national institutions on CSR activities remain underexplored. While recent studies have begun to examine differential institutional effects on CSR (e.g. Luo *et al.*, 2017; Marquis and Qian, 2014), these studies have not yet systematically linked distinct institutional pillars (formal, informal and financial market institutions) to specific environmental, social and governance (ESG) dimensions. Much of the literature treats both institutions and CSP as aggregate constructs, overlooking the heterogeneity of institutional mechanisms and the multidimensionality of corporate responsibility (El Ghoul *et al.*, 2019; Hartmann and Uhlenbruck, 2015). Although prior research has examined formal institutions (e.g. regulatory and legal systems; Jackson and Apostolakou, 2010; Matten and Moon, 2008), informal institutions (e.g. cultural norms and societal values; Miska *et al.*, 2018; Ringov and Zollo, 2007) and, more recently, financial market institutions (e.g. investor systems and market regulations; Dyck *et al.*, 2019; Gillan *et al.*, 2021), these streams have rarely been integrated within a unified framework. Furthermore, ESG performance, now widely recognized as the operational dimensions of CSP, has only recently begun to be conceptualized as comprising distinct yet interrelated domains. Together, these two forms of aggregation limit our ability to explain why firms operating in similar institutional environments may exhibit uneven ESG profiles, excelling in some dimensions while lagging in others.

We address these gaps by disaggregating both sides of the relationship, institutional environments and CSP outcomes. Disaggregating both institutional pillars and ESG outcomes is therefore theoretically valuable because it helps identify the specific stakeholder pressures – regulatory, normative and market-based – through which institutions influence corporate sustainability. It is also practically important, as policymakers and multinational enterprises (MNEs) increasingly rely on ESG metrics while operating under heterogeneous institutional conditions that prioritize different sustainability concerns. Without such disaggregation, ESG policies risk becoming overly generic and misaligned with the institutional realities firms face across countries. Thus, conceptually, we distinguish formal, informal and financial market institutions, each associated with coercive, normative and market-based pressures, respectively. Analytically, we link these three types of institutional environments to the three ESG dimensions that operationalize CSP (Eccles *et al.*, 2014).

Building on institutional and stakeholder perspectives, we theorize that different institutional pillars are associated with distinct mechanisms through which firms are encouraged to attend to ESG concerns. Importantly, these associations reflect theoretical correspondence rather than empirical comparisons of relative strength, and do not imply that any institutional pillar affects only a single ESG dimension. Accordingly, this study seeks to answer the following research question:

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

RQ1. How do formal, informal and financial market institutions shape firms' environmental, social and governance dimensions of corporate sustainability, and through what mechanisms?

By addressing this question, we contribute to both theory and practice. Theoretically, we move beyond the general proposition that "institutions matter" (Campbell, 2007) toward a more nuanced, theoretically grounded account of how and why different institutional conditions shape distinct aspects of ESG performance. Drawing on stakeholder salience theory (Mitchell *et al*., 1997), we clarify how institutional environments condition the power and legitimacy of stakeholder groups, thereby channeling firm attention toward specific ESG dimensions. Practically, recognizing institutional heterogeneity offers important insights for policymakers and MNEs, suggesting that global ESG standardization efforts and policy initiatives must account for differences in various institutional forms across countries to be effective (Linnenluecke, 2022; Xu *et al*., 2021).

The following section builds the theoretical foundation for this argument by clarifying key concepts and situating our study within the broader CSR and institutional literature.

2. Theoretical background and literature

2.1 Corporate social responsibility, corporate social performance and environmental, social and governance

Research on corporate responsibility has evolved from normative discussions of CSR to measurable assessments of CSP and, more recently, to investment-relevant ESG performance (Carroll, 1979; Eccles *et al*., 2014; Ioannou and Serafeim, 2012; Wartick and Cochran, 1985; Wood, 1991). To ensure conceptual clarity, we distinguish among these three related but conceptually distinct constructs. CSR refers to the overarching normative principles and values that define firms' moral and strategic obligations to stakeholders and society (Carroll, 1979; Donaldson and Preston, 1995). CSP captures the measurable outcomes of CSR initiatives – how effectively firms translate these responsibilities into concrete social and environmental achievements (Wartick and Cochran, 1985; Wood, 1991). ESG performance represents the empirical operationalization of CSP, disaggregating it into three investment-relevant dimensions of ESG that provide standardized indicators used by investors and policymakers to evaluate firms' nonfinancial sustainability (Eccles *et al*., 2014; El Ghoul *et al*., 2017; Ioannou and Serafeim, 2012).

Following this conceptual–analytical–empirical hierarchy, ESG performance serves as the operational manifestation of CSP, which in turn embodies the normative foundations of CSR. Accordingly, we use ESG in our empirical analyses while referring to CSP and CSR when discussing performance and ethical underpinnings, respectively.

2.2 Institutions, stakeholders and ESG dimensions

Stakeholder theory posits that firms' long-term success depends on maintaining productive relationships with diverse stakeholder groups such as investors, customers, employees, communities and governments, each of which holds varying degrees of power and interest (Donaldson and Preston, 1995; Freeman *et al*., 2010; Mitchell *et al*., 1997). Firms prioritize stakeholders whose claims are most salient, responding through targeted CSR activities that enhance legitimacy and reputation (Ng and Rezaee, 2015; Orlitzky *et al*., 2017). Practically and empirically, these activities serve as the foundation for measuring ESG performance (Cheng *et al*., 2014; Eccles *et al*., 2014).

The environmental dimension captures firms' management of ecological impacts throughout their operations, such as energy efficiency, waste reduction and CO_2 emissions

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

control (ISO, 1999; Trumpp *et al.*, 2015). Firms demonstrating superior environmental performance reduce pollution, improve resource efficiency and generate new opportunities through eco-innovation and cleaner technologies (Rao and Holt, 2005; Russo and Fouts, 1997). Such pro-environmental practices – exemplified by ISO 14001 certification – are increasingly valued by regulators, consumers and investors as indicators of responsible management (Flammer, 2015; Klassen and McLaughlin, 1996). The social dimension reflects how firms manage relationships with employees, customers and communities. High social performance entails fostering safe and equitable workplaces, respecting human rights, investing in employee development and supporting community well-being (El Ghoul *et al.*, 2017). Firms that neglect social concerns risk reputational damage and stakeholder conflict (Berman *et al.*, 2017; Lutz, 2015), whereas those engaging in community and employee initiatives build trust and lower operational risks (Porter and Kramer, 2006; Waddock and Graves, 1997). Finally, the governance dimension concerns the structures and processes by which firms are directed and held accountable (Dahya *et al.*, 1996; Jo and Kim, 2008). Strong governance systems are characterized by transparent disclosure, independent oversight and effective monitoring. Such systems reduce agency problems, align management with stakeholder interests and support long-term strategic consistency (Amel-Zadeh and Serafeim, 2018; Husted and de Sousa-Filho, 2017). Together, these dimensions capture how firms use stakeholder management through measurable aspects of CSP.

Institutional theory complements the stakeholder perspective by explaining why stakeholder salience differs across countries. Institutions shape both the expectations of stakeholders and the mechanisms through which they exert influence on firms (Campbell, 2007; Matten and Moon, 2008; North, 1990). When institutional pressures are strong, firms face higher expectations for ESG performance and greater penalties for non-compliance (Aguilera *et al.*, 2007; Shin *et al.*, 2023). Recent work underscores the need to integrate corporate governance, stakeholder and institutional perspectives to better explain how firms manage environmental and social sustainability within diverse governance systems (Aguilera *et al.*, 2021).

Recent literature further cautions against treating national institutional context as monolithic. Andrews *et al.* (2024) depict formal institutions as a "layer cake" of governance levels whose interactions can generate misaligned pressures for firms. Keig *et al.* (2015) showed that formal and informal institutions are distinct and independently consequential, such that focusing on only one can mischaracterize firms' environments. Lewellyn and Muller-Kahle (2024) likewise demonstrated that institutional conditions combine with internal governance in equifinal configurations to shape ESG performance. Together, these studies shift the conversation from whether institutions matter to how institutional pillars combine, interact and sometimes conflict in shaping firms' responsibility outcomes. However, this emerging work has not yet systematically linked distinct institutional pillars to the separate E, S and G domains, nor has it clarified which pillar is most salient for which ESG dimension. Addressing this gap, we theorize and test pillar-dimension linkages across formal, informal and financial market institutions.

First, formal institutions reflect the coercive power and legitimacy of government and regulatory stakeholders, who impose coercive pressures through laws, disclosure mandates and enforcement systems. Such institutions increase transparency, codify stakeholder rights and raise expectations for responsible conduct (Antal and Sobczak, 2007; Campbell, 2007; Liang and Renneboog, 2017). Second, informal institutions are defined by the normative legitimacy of society-at-large and include cultural values, norms and moral expectations that create normative pressures for fairness, equity and collective well-being (Husted and de Sousa-Filho, 2017; Ringov and Zollo, 2007). In societies emphasizing trust and social

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

solidarity, firms often go beyond compliance to address community and employee welfare (Eden and Miller, 2004; Ho *et al.*, 2024; Miska *et al.*, 2018; Shin *et al.*, 2023). Third, financial market institutions combine formal rules with cognitive logics embedded in capital markets, shaping firms' access to finance and the monitoring role of investors and intermediaries (Dyck *et al.*, 2019; Gillan and Starks, 2000; Ioannou and Serafeim, 2012). Market-based systems emphasize shareholder value and transparency, whereas bank-based systems foster longer-term stakeholder relationships (Fiss and Zajac, 2004; Jackson and Apostolakou, 2010). The expansion of socially responsible investment (SRI) and sustainability indices further amplifies investor attention to ESG performance (Eccles *et al.*, 2014; Revelli, 2017).

From a stakeholder salience perspective, institutional pillars determine which stakeholder groups possess the greatest influence and how their interests, in turn, shape the ESG issues that firms prioritize (Marano and Kostova, 2016; Mitchell *et al.*, 1997). Specifically, institutional arrangements can amplify stakeholders' ability to influence firms (power), elevate the perceived appropriateness of their claims (legitimacy) and, in some contexts, heighten the immediacy of those claims (urgency). As a result, institutional environments do not merely constrain firm behavior, they systematically channel firms' attention and resource allocation toward ESG performance.

Recent literature further underscores the dynamic interaction between shareholders and other stakeholders. DesJardine *et al.* (2023) showed that shareholder engagement and activism can either complement or conflict with broader stakeholder interests depending on institutional conditions. Integrating this insight, we argue that national institutions shape how investors, regulators and societal actors interact, ultimately influencing the salience of different ESG domains. This framework highlights the interdependence between institutional environments and stakeholder relationships as the foundation for cross-national variation in ESG performance.

3. Hypotheses development

While all institutional pillars can shape multiple dimensions of ESG performance, our framework focuses on the dominant theoretical linkages, connecting each pillar to its most salient stakeholder group and the primary mechanisms proposed by institutional and stakeholder salience perspectives. Stakeholder salience depends on power, legitimacy and urgency (Mitchell *et al.*, 1997). Formal institutions shape salience by granting legal standing, strengthening enforcement (power/legitimacy) and increasing the credibility of sanctions and compliance expectations (urgency). Informal institutions, such as social norms and the media, influence legitimacy and urgency through reputational pressures and strengthen stakeholder power by facilitating information diffusion and collective scrutiny (Hong *et al.*, 2024; Mitchell *et al.*, 1997). Financial market institutions enhance investors' monitoring capacity and capital-allocation leverage (power) while standardizing disclosure expectations (legitimacy). This emphasis is intended to clarify the main pathways in the literature, not to imply exclusivity. Other mechanisms may also operate and institutional domains can jointly influence multiple ESG dimensions, including through complementarities across domains.

3.1 Formal institutions and firms' environmental performance

Formal institutions which are laws, regulations and enforcement mechanisms shape firms' behaviors by defining the formal "rules of the game" and strengthening the coercive authority of governments and regulators (Campbell, 2007; Powell and DiMaggio, 1991; North, 1990). When corruption is low, government functions efficiently and the rule of law is strong, regulatory agencies have the legitimacy and capacity to establish and enforce clear

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

standards for corporate conduct. Such credible and consistent enforcement heightens firms' compliance pressures and motivates proactive corporate responsibility. These external pressures from government stakeholders often lead firms to prioritize their CSR initiatives (Brammer *et al.*, 2012; Matten and Moon, 2008).

Beyond broad CSR initiatives, these formal institutional pressures are most visibly expressed in the environmental domain, where regulation directly targets measurable corporate externalities. Governments and regulatory agencies possess both the legitimacy and capacity to set, monitor and enforce environmental standards, compelling firms to reduce pollution, manage emissions and improve operational efficiency (Lanoie *et al.*, 2011; Rivera and Oh, 2013). These coercive pressures are particularly salient for the environmental dimension of ESG because environmental externalities, such as pollution or resource depletion, are directly subject to public regulation and oversight (Murillo-Luna *et al.*, 2008). Strong formal institutions thus provide a stable and credible policy environment that encourages firms to internalize environmental responsibilities as part of their compliance and legitimacy strategies.

While formal institutions may also influence social and governance outcomes, their most direct and consistent effects are expected in the environmental domain, where policy design, enforcement capacity and legal accountability mechanisms converge:

H1. Strong formal institutions (as reflected in corruption, government efficiency and rule of law) positively affect firms' environmental performance.

3.2 Informal institutions and firms' social performance

Informal institutions reflect the shared values, norms and moral expectations of a society and thereby shape firms' legitimacy processes. Unlike formal regulatory institutions, informal institutions derive their influence through normative pressures that emerge from society-at-large, including communities, the media and NGOs (Brammer *et al.*, 2021; Doh *et al.*, 2010). These societal actors collectively constitute the informal institutional environment that defines what constitutes socially appropriate or desirable behavior for firms (Suchman, 1995). The literature on the social license to operate underscores that receiving and maintaining social approval from these groups is critical for firms' sustained operations and legitimacy (Demuijnck and Fasterling, 2016; Ho *et al.*, 2024; Park, 2023). Failure to meet societal expectations can provoke public backlash, NGO campaigns or community opposition, leading to reputational damage and operational disruptions (Mele and Armengou, 2016; Oh *et al.*, 2023).

In institutional environments characterized by freedom of the press, high levels of social trust and active civic engagement, firms are subject to more intense societal scrutiny. The media and NGOs play important roles in monitoring corporate behavior and shaping public discourse around fairness, welfare and social equity. These normative pressures increase the salience of societal stakeholders, compelling firms to align with prevailing social norms and values. Because legitimacy concerns are directly tied to how firms treat employees, customers and communities, the effects of informal institutions are most pronounced in the social (S) dimension of ESG, where legitimacy depends on fulfilling relational and moral obligations toward these stakeholder groups.

While informal institutions can also influence firms' environmental behavior by shaping general societal attitudes toward sustainability (e.g. Ringov and Zollo, 2007), their primary mechanisms, including social approval, moral alignment and reputational standing, are inherently social. These mechanisms operate through immediate and visible relationships with societal stakeholders, making social performance the most responsive domain of firm

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

behavior (Aguilera *et al.*, 2007). Hence, in countries characterized by strong informal institutions that promote trust, transparency and civic participation, firms are more likely to engage in socially responsible practices to maintain legitimacy and social approval:

H2. Strong informal institutions (as reflected in press freedom, interpersonal trust and NGO activity) positively affect firms' social performance.

3.3 Financial market institutions and firms' governance performance

Financial market institutions represent a distinct institutional pillar, separate from formal and informal institutions, because they influence firms through capital allocation, investor oversight and market discipline rather than through regulatory coercion or societal norms. In this context, individual and institutional investors act as principal stakeholders who can exert significant pressure on firms to change their behavior (Orlitzky *et al.*, 2017). When financial markets are well developed, investors and financial intermediaries become salient actors capable of shaping firms' strategic decisions and holding them accountable for governance quality (Aguilera and Jackson, 2003; Dyck *et al.*, 2019).

Investors influence firms by linking access to external financing with expectations of responsible governance. Through mechanisms such as shareholder activism and SRI, they signal market preferences for transparency, accountability and ethical behavior (Chhaochharia and Grinstein, 2007; Oh *et al.*, 2013; Scholtens, 2006). These practices collectively represent market-based channels through which financial market institutions exert normative and economic pressures on firms to strengthen their governance systems and align managerial incentives with broader stakeholder interests.

The influence of financial market institutions is therefore most visible in the governance (G) dimension of ESG performance, where capital market scrutiny and investor engagement serve as *de facto* governance mechanisms. Prior research suggests that systems characterized by active investors and diverse financial sources tend to produce stronger corporate governance and ethical oversight (Aguilera and Jackson, 2003; Arora and Dharwadkar, 2011; Harjoto and Jo, 2011). Moreover, empirical evidence shows that investor-oriented institutional environments, such as those with strong investor protection, enhance board composition for more effective monitoring and strategic advising (Kim and Ozdemir, 2014), reinforcing firms' governance quality. In such contexts, firms face ongoing monitoring from investors and regulatory authorities, which fosters improved board effectiveness, accountability and transparency. Although financial markets may also shape firms' environmental and social activities, for instance, when investors integrate ESG criteria into investment decisions (Oh *et al.*, 2013), their most direct and consistent effects arise in the governance (G) domain, where investor oversight and regulatory enforcement jointly reinforce managerial accountability and governance integrity:

H3. Strong financial market institutions (as reflected in investor protection, soundness of bank, regulation of securities exchange) positively affect firms' governance performance.

4. Method

Our empirical analysis draws on a multi-country panel of 3,872 publicly listed firms, comprising 25,233 firm-year observations across 49 countries. The data set spans 2002–2016, offering rich longitudinal coverage across a formative phase in the global ESG landscape, including the post-Kyoto Protocol years, the diffusion of the UN Global Compact

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

and the lead-up to the Paris Agreement. While more recent ESG data have become available, this earlier window offers a valuable historical baseline for understanding how institutional environments initially shaped corporate ESG practices, before the widespread adoption of mandatory disclosure regimes and global reporting standards. Table 1 shows the sample composition: the number of observations by country and year.

4.1 Data sources and variables

Dependent variables. We collected information on firm-level ESG performance from the ASSET4 database provided by Thomson Reuters (now renamed LSEG). The ASSET4 database offers comprehensive ESG information for individual firms based on 280 key performance indicators and 750 individual items. Thomson Reuters gathered various CSR-related information from over 900 public sources, such as firms' CSR annual reports and news articles. Using this information, we measure firms' ESG outcomes using the environmental (E), social (S) and governance (G) scores, which are constructed by aggregating category-level assessments and scaled to a 0–100 range. We also compute an overall ESG score as the simple average of E, S and G (de Villiers *et al.*, 2022).

Independent variables. To measure each institution as a composite, we combined three sources. Building on institutional theory in international business, we conceptualize formal institutions as codified rules and enforcement systems administered through state authority (Dau *et al.*, 2022; Holmes *et al.*, 2013; Solarino and Boyd, 2023). First, formal institutions consist of the Corruption Perception Index (CPI) from Transparency International, Government Efficiency from the World Economic Forum's Global Competitiveness Index (GCI) and the rule of law from the World Bank's Worldwide Governance Indicators (WGI). We operationalize formal institutional quality using these indicators because they capture the integrity and capacity of the state's legal-administrative apparatus – specifically, whether formal rules are credibly implemented and enforced. This approach is consistent with established IB research that measures formal institutional environments using such governance indicators (e.g. Correa da Cunha *et al.*, 2024; Donnelly *et al.*, 2024). The CPI ranges from 0 to 100, with a higher score indicating lower perceived corruption. The GCI measure of government efficiency is based on a 1–7 scale, where higher values indicate more efficient and credible public administration. The WGI's Rule of Law index ranges from −2.5 to + 2.5, where higher scores represent stronger adherence to rules and regulations. Because the three measures use different scales, we standardized each indicator to a z-score and then averaged the standardized values to create the composite index of formal institutional quality. Higher values of this index represent stronger formal institutional environments.

Second, to capture informal institutional quality, we draw on the conceptualization of informal institutions as non-codified norms and information or monitoring arrangements that shape behavior through social approval, reputational sanctioning and civil-society channels (Dau *et al.*, 2022; Holmes *et al.*, 2013; Solarino and Boyd, 2023). Accordingly, we used three indicators from three different sources: the Press Freedom Index from Reporters Without Borders (RSF), generalized trust from the World Values Survey (WVS) and the density of NGOs per capita. Interpersonal trust is a canonical informal institution widely used in IB research (Dau *et al.*, 2022; Gaur *et al.*, 2022; Lu *et al.*, 2018). Press freedom reflects *de facto* openness of information flows and public scrutiny – key mechanisms of social monitoring and reputational sanctioning – even when formal laws exist but are weakly enforced (Holmes *et al.*, 2013; Lu *et al.*, 2018; Solarino and Boyd, 2023). NGO density serves as a proxy for the strength of organized civil society, which increases capacity for decentralized oversight and informal norm enforcement (Dau *et al.*, 2022). The RSF Press Freedom Index ranges from 0 to 100, where lower values indicate greater freedom. To ensure consistency across indicators,

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Table 1. Sample composition by country and year

Country	Freq.	%	Cum.	Year	Freq.	%	Cum.
Australia	1,453	5.76	5.76	2002	556	2.2	2.2
Austria	157	0.62	6.38	2003	567	2.25	4.45
Belgium	165	0.65	7.03	2004	970	3.84	8.29
Brazil	347	1.38	8.41	2005	1,262	5	13.3
Canada	1,491	5.91	14.32	2006	1,087	4.31	17.6
Chile	84	0.33	14.65	2007	1,484	5.88	23.49
China	587	2.33	16.98	2008	1,766	7	30.48
Czech Republic	15	0.06	17.04	2009	2,022	8.01	38.5
Denmark	213	0.84	17.88	2010	2,476	9.81	48.31
Finland	206	0.82	18.7	2011	2,301	9.12	57.43
France	788	3.12	21.82	2012	2,866	11.36	68.79
Germany	722	2.86	24.68	2013	2,911	11.54	80.32
Greece	155	0.61	25.3	2014	3,100	12.29	92.61
Hong Kong	698	2.77	28.06	2015	1,865	7.39	100
Hungary	14	0.06	28.12	Total	25,233	100	
India	300	1.19	29.31				
Indonesia	157	0.62	29.93				
Ireland	119	0.47	30.4				
Israel	90	0.36	30.76				
Italy	321	1.27	32.03				
Japan	2,806	11.12	43.15				
South Korea	424	1.68	44.83				
Kuwait	12	0.05	44.88				
Luxembourg	15	0.06	44.94				
Malaysia	220	0.87	45.81				
Mexico	132	0.52	46.33				
Morocco	16	0.06	46.4				
Netherlands	336	1.33	47.73				
New Zealand	63	0.25	47.98				
Norway	178	0.71	48.68				
Panama	6	0.02	48.71				
Peru	6	0.02	48.73				
Philippines	74	0.29	49.02				
Poland	121	0.48	49.5				
Portugal	91	0.36	49.86				
Qatar	18	0.07	49.93				
Russian Federation	195	0.77	50.71				
Singapore	336	1.33	52.04				
South Africa	464	1.84	53.88				
Spain	385	1.53	55.4				
Sweden	439	1.74	57.14				
Switzerland	528	2.09	59.24				
Thailand	89	0.35	59.59				
United Arab Emirates	1	0	59.59				
Turkey	115	0.46	60.05				
Ukraine	5	0.02	60.07				
Egypt, Arab Rep.	32	0.13	60.19				
UK	2,383	9.44	69.64				
USA	7,661	30.36	100				
Total	25,233	100					

Source(s): Authors' own work

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

we reverse-coded this index so that higher scores correspond to higher levels of press freedom. The generalized trust variable measures the proportion of respondents based on the statement that "most people can be trusted" in each country. Because WVS data are collected every four years, we interpolated and forward-filled values to minimize missing values within the panel. NGO density was manually compiled as the number of registered NGOs divided by the national population, with population data obtained from the World Bank's World Development Indicators (WDI). Each indicator was standardized to a *z*-score and then averaged to form the composite index of informal institutions. This index allows us to capture the normative and cognitive dimensions of the informal institutional environment, reflecting media integrity, social trust and civic engagement.

Third, the composite measure of financial market institutions consists of the protection of minority shareholders' interests by the legal system, strength of investor protection and soundness of banks. We obtained all of these from the GCI. Since these three variables range from 1 to 7, with a higher score indicating better performance of each indicator, we averaged them to construct a composite index of financial market development. In this index, a value of 7 represents the most developed financial market, whereas a value of 1 represents the least developed one.

Control variables. For the control variables, we included the firms' characteristics, which can affect the firms' CSP. The firm-level information was collected from *Datastream* provided by Thomson Reuters. The firm characteristics included return on assets (ROA) to control for financial performance, the log of total assets to control for firm size, the debt ratio to control for financial risk and foreign sales to total sales to control for the degree of internationalization. We also controlled for firms' industries using the standard industrial classification (SIC) 1-digit code, which is similar to the 2-digit North American Industry Classification System (NAICS).

For the country-level control variables, we included several variables that might affect firms' economic and social behaviors. We included GDP annual growth, population (log), unemployment rate, land size (log) and foreign direct investment inflow (log) to control for macro socio-economic factors. We also included labor market efficiency indices to control for the characteristics of product and labor market development. The sources of these data are the WDI and the GCI.

4.2 Model

After matching these data sets, the number of firm-year observations is 25,233 for 3,872 firms in 49 countries between 2002 and 2016. We used a multi-level mixed-effects regression model to test the three hypotheses. In our data, the firm-level data is nested within the industry- and country-level, so we apply multi-level modeling. As firm characteristics within industries and countries may not be independently distributed, ignoring the interdependency between firm-, industry- and country-level characteristics can produce biased empirical results (Hofmann, 1997).

Formal, informal and financial market institutions are interdependent components of national institutional systems and may be correlated to some degree. We view this covariance as reflecting institutional embeddedness rather than conceptual redundancy. Empirically, the key consideration is whether including these pillars jointly still allows us to identify theoretically distinct associations with ESG outcomes. Table 2 presents the summary statistics and correlation matrix for all the variables. The correlation matrix and variance inflation factor (VIF) diagnostics indicate that multicollinearity is not a concern. The maximum VIF is 3.60 (below the conventional cutoff of 5) and tolerance values range from 0.28 to 0.99 (above the commonly used threshold of 0.20), indicating no evidence of problematic collinearity among the institutional variables. All the independent and control variables are lagged by one year to reduce the issue of reverse causality. We also include year and industry (1-digit SIC) fixed effects.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Table 2. Descriptive statistics and correlations

Variables	Mean	SD	Min.	Max.	(1)	(2)	(3)	(4)	(5)	(6)
(1) Environmental performance	52.308	32.080	8.320	97.490	1.000					
(2) Social performance	40.863	23.031	0.050	98.630	0.632*	1.000				
(3) Governance performance	49.082	22.602	0.250	99.350	0.382*	0.414*	1.000			
(4) Formal institution	0.065	0.855	−2.997	1.788	0.036*	0.003	0.003	1.000		
(5) Informal institution	0.084	0.724	−2.204	6.033	0.056*	0.050*	0.007	0.651*	1.000	
(6) Financial market institution	0.023	0.729	−3.246	1.513	−0.111*	−0.062*	−0.004	0.515*	0.165*	1.000
(7) GDP growth	2.059	2.590	−9.773	26.276	−0.132*	−0.114*	−0.017*	−0.224*	−0.220*	0.049*
(8) Population (log)	18.223	1.391	13.035	21.034	−0.083*	−0.015*	−0.010	−0.450*	−0.422*	−0.259*
(9) Unemployment rate	6.69	3.679	0.160	27.470	0.061*	0.162*	0.031*	−0.259*	−0.120*	−0.077*
(10) FDI net inflow (log)	24.677	1.519	17.348	27.322	−0.177*	0.032*	−0.018*	0.121*	0.057*	0.102*
(11) Size of land (log)	13.918	2.356	6.535	16.611	−0.157*	0.014*	0.013*	−0.247*	−0.137*	−0.035*
(12) Labor market efficiency	5.797	3.349	1.107	25.243	−0.025*	−0.104*	−0.033*	0.397*	0.237*	0.271*
(13) Return on assets	4.824	12.360	−521.595	647.684	0.004	0.022*	0.007	0.008	−0.011	0.018*
(14) Total asset	46.303	198.356	0.004	3765.035	0.173*	0.190*	0.161*	−0.006	0.006	−0.054*
(15) Debt ratio	24.949	18.834	0.000	345.957	0.021*	0.042*	−0.012	−0.060*	−0.050*	−0.052*
(16) Foreign sales to total sales	35.882	97.172	−161.15	14466.010	0.082*	0.054*	0.025*	0.080*	0.073*	0.011

Note(s): $N = 25{,}233$; *shows significant level at 0.05
Source(s): Authors' own work

(*continued*)

Table 2. Continued

Variables	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Environmental performance									
(2) Social performance									
(3) Governance performance									
(4) Formal institution									
(5) Informal institution									
(6) Financial market institution									
(7) GDP growth	1.000								
(8) Population (log)	0.066*	1.000							
(9) Unemployment rate	−0.211*	−0.015*	1.000						
(10) FDI net inflow (log)	0.102*	0.492*	−0.106*	1.000					
(11) Size of land (log)	−0.012	0.688*	0.134*	0.445*	1.000				
(12) Labor market efficiency	0.062*	−0.097*	−0.197*	0.096*	−0.073*	1.000			
(13) Return on assets	0.070*	0.006	0.014*	0.028*	−0.032*	0.037*	1.000		
(14) Total asset	−0.004	0.019*	0.005	0.018*	−0.015*	0.006	−0.058*	1.000	
(15) Debt ratio	−0.024*	0.048*	0.010	0.033*	0.036*	−0.020*	−0.167*	−0.018*	1.000
(16) Foreign sales to total sales	−0.024*	−0.095*	−0.004	−0.025*	−0.071*	0.022*	−0.004	−0.013*	−0.039*

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

5. Results

Table 3 presents the results from our multi-level mixed-effects regression models. In Model (1), we only included the control variables and used a composite measure for ESG (i.e. an average of the ESG performance) as the dependent variable. All of the firm-level control variables have positive impacts on the different dimensions of the firms' CSP. These results show that large firms with high levels of profitability, leverage and international sales have high levels of CSP. Regarding the country-level control variables, FDI inflows had consistently negative impacts on the different dimensions of the firms' CSP. With firm-level control variables, ROA, total assets and foreign sales to total sales had consistently positive impacts on the different CSP dimensions.

In Model (2), we added three institutional variables (i.e. formal, informal and financial market institutions) to Model (1). These composite formal and informal institutional indices are significantly associated with the composite measure of CSP. Specifically, strong formal institutions ($\beta = 1.6226$, $p < 0.1$) and high-quality informal institutions ($\beta = 4.4092$, $p < 0.001$) improve CSP. Like previous studies that argued the positive impact of well-developed institutions on CSP (Campbell, 2007; Rathert, 2016; Young and Makhija, 2014), formal and informal institutions positively affected the firms' overall CSP. Furthermore, the composite index of financial market institutions, which is conceptually distinct from both formal and informal institutions, is significantly associated with firms' overall CSP ($\beta = 1.1884$, $p < 0.05$).

In Models (3)–(5), we used an individual dimension of CSP (i.e. E, S and G, respectively) as the dependent variable. These results show that formal, informal and financial market institutions enhance different dimensions of CSP. In Model (3), we used environmental performance as the dependent variable and the results show that formal institutions are positively and significantly associated with environmental performance ($\beta = 3.4679$, $p < 0.01$). In addition, informal institutions are positively and significantly associated with environmental performance ($\beta = 4.1902$, $p < 0.001$), while financial market institutions are not significant ($\beta = 0.1927$, $p =$ n.s.). Firms in transparent, efficient and credible policy environments are more likely to be environmentally responsible.

In Model (4), informal institutions are significantly associated with social performance ($\beta = 2.4227$, $p < 0.01$), while formal institutions ($\beta = 1.7594$, $p =$ n.s.) and financial market institutions ($\beta = 1.1616$, $p =$ n.s.) are not. In other words, firms in societies with high trust, ethical norms and civic engagement are more likely to be socially responsible in that they care about their employees, customers and communities.

Finally, financial market institutions enhance corporate governance performance in Model (5) ($\beta = 1.8820$, $p < 0.001$). In addition, informal institutions are also significant in regard to improving corporate governance performance ($\beta = 6.2010$, $p < 0.001$). By contrast, formal institutions have a statistically insignificant effect ($\beta = -1.4321$, $p =$ n.s.). Firms embedded in sound financial systems and socially cohesive environments tend to adopt stronger corporate governance structures and more transparent management practices. These results support all three hypotheses.

5.1 Robustness checks

To ensure robustness, we re-estimated the models using alternative indicators of the three institutional pillars. Table 4 presents results by replacing each pillar with an alternative measurement one at a time, whereas Table 5 provides results when three alternative measures are included together. For formal institutions, we used a principal component analysis-based measurement that integrates the La Porta legal origin classification, the Corruption Perceptions Index from transparency international and government efficiency from GCI. Consistent with the main results, the alternative measure of formal institutions remained

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Table 3. Main results

Dependent variable	Model (1) Composite measure of ESG	Model (2) Composite measure of ESG	Model (3) Environmental performance	Model (4) Social performance	Model (5) Governance performance
Independent variables					
Formal institution		1.6226† (0.8849)	3.4679** (1.0994)	1.7594 (1.1229)	−1.4321 (0.8725)
Informal institution		4.4092*** (0.6732)	4.1902*** (0.8469)	2.4772** (0.8579)	6.2010*** (0.6485)
Financial market institution		1.1884* (0.5514)	0.1927 (0.7092)	1.1616 (0.7079)	1.8820*** (0.5105)
Country-level control variables					
GDP growth	−0.1038 (0.1062)	−0.0530 (0.1078)	−0.1204 (0.1403)	0.1100 (0.1389)	−0.1665† (0.0983)
Population (log)	−2.6793 (1.8338)	0.1266 (1.5334)	3.1134† (1.6509)	0.7898 (1.8471)	−6.1543** (2.3391)
Unemployment rate	0.1474 (0.0955)	0.3704*** (0.1054)	0.6788*** (0.1348)	0.3192* (0.1351)	0.0310 (0.0987)
FDI net inflow (log)	−0.6301** (0.2079)	−0.8508*** (0.2112)	−1.0436*** (0.2750)	−1.0691*** (0.2722)	−0.4768* (0.1924)
Size of land (log)	1.3214 (1.3120)	1.0901 (1.0370)	−0.4667 (1.0878)	0.7370 (1.2384)	4.2258* (1.6685)
Labor market efficiency	−0.4188** (0.1385)	−0.3872** (0.1384)	−0.5532** (0.1805)	−0.5200** (0.1784)	−0.1030 (0.1259)
Firm-level control variables					
Return on assets	0.0386*** (0.0109)	0.0389*** (0.0109)	0.0348* (0.0143)	0.0636*** (0.0141)	0.0184† (0.0099)
Total asset	0.0275*** (0.0007)	0.0275*** (0.0007)	0.0341*** (0.0009)	0.0317*** (0.0009)	0.0167*** (0.0006)
Debt ratio	0.0130† (0.0073)	0.0121† (0.0073)	0.0364*** (0.0096)	−0.0146 (0.0094)	0.0147* (0.0066)
Foreign sales to total sales	0.0097*** (0.0014)	0.0097*** (0.0014)	0.0110*** (0.0018)	0.0124*** (0.0018)	0.0055*** (0.0012)
Constant	82.5017*** (22.4954)	42.7191* (19.3489)	17.1442 (21.2458)	47.6597* (23.4577)	93.6230** (28.6712)
Log of random-effects parameter	2.6012*** (0.1127)	2.3556*** (0.1167)	2.3939*** (0.1168)	2.5298*** (0.1153)	2.8579*** (0.1123)
Number of observations	25,233	25,233	25,233	25,233	25,233
Log-likelihood	−112,346.08	−112,321.53	−119,083.55	−118,752.19	−109,847.80
AIC	224,760.16	224,717.07	238,241.10	237,578.39	219,769.61

Note(s): Year and industry fixed effects are included but are not reported here. Multilevel regression with random intercept modelling is used to estimate the results. Standard errors are in parentheses. ***$p < 0.001$, ** $p < 0.01$, *$p < 0.05$, †$p < 0.10$. All explanatory and control variables are lagged by One year to minimize the endogeneity concern. AIC = Akaike information criterion

Source(s): Authors' own work

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Table 4. Robustness checks (1)

Dependent variable	Model (1) Environmental performance	Model (2) Social performance	Model (3) Governance performance
Independent variables			
Formal institution	7.0760* (2.7592)	1.1210 (1.1602)	−1.4896† (0.8324)
Informal institution	4.1087*** (0.8999)	3.1690** (1.0083)	5.9758*** (0.6403)
Financial market institution	0.6979 (0.6827)	0.6960 (0.7106)	6.6769*** (0.6905)
Country-level control variables			
GDP growth	−0.0670 (0.1431)	0.0920 (0.1380)	−0.1185 (0.0983)
Population (log)	2.5535 (1.6888)	0.6051 (1.8514)	−5.9946** (2.1159)
Unemployment rate	0.6570*** (0.1366)	0.3020* (0.1347)	−0.0719 (0.0913)
FDI net inflow (log)	−0.9992*** (0.2749)	−0.9805*** (0.2700)	−0.2272 (0.1937)
Size of land (log)	−0.9391 (1.2216)	0.6071 (1.2507)	4.2526** (1.4948)
Labor market efficiency	−0.5651** (0.1872)	−0.4733** (0.1795)	−0.1243 (0.1256)
Firm-level control variables			
Return on assets	0.0361* (0.0144)	0.0638*** (0.0141)	0.0177† (0.0099)
Total asset	0.0345*** (0.0009)	0.0317*** (0.0009)	0.0167*** (0.0006)
Debt ratio	0.0421*** (0.0096)	−0.0142 (0.0094)	0.0151* (0.0066)
Foreign sales to total sales	0.0111*** (0.0018)	0.0124*** (0.0018)	0.0055*** (0.0012)
Constant	31.6573 (21.1451)	50.7346* (23.4481)	88.1420*** (26.0021)
Log of random-effects parameter	2.4155*** (0.1244)	2.5393*** (0.1146)	2.7421*** (0.1107)
Number of observations	24,535	25,233	25,233
Log-likelihood	−115,740.18	−118,751.40	−109,808.79
AIC	231,554.37	237,576.80	219,691.59

Note(s): Year and industry fixed effects are included but are not reported here. Multilevel regression with random intercept modelling is used to estimate the results. Standard errors are in parentheses. ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$, †$p < 0.10$. All explanatory and control variables are lagged by One year to minimize the endogeneity concern. AIC = Akaike information criterion
Source(s): Authors' own work

positively and significantly associated with firms' environmental performance ($\beta = 7.0760$, $p < 0.05$ in Model (1) of Table 4; $\beta = 6.2952$, $p < 0.05$ in Model (2) of Table 5).

For informal institutions, we used an alternative composite measure that averages media integrity from V-Dem, trust from WVS and ethical behavior of firms from GCI. The results were robust, showing that this alternative measure remained significantly associated with social performance ($\beta = 3.1690$, $p < 0.01$ in Model (2) of Table 4; $\beta = 2.9548$, $p < 0.01$ in Model (3) of Table 5).

For financial market institutions, we used an alternative composite measure based on the business extent of disclosure index from the doing business project, market capitalization of listed domestic companies from WDI and voice and accountability from WGI and all these three variables are from the World Bank. The results showed that these alternative financial institutions also positively affect firms' corporate governance performance ($\beta = 6.6769$, $p < 0.001$ in Model (3) of Table 4; $\beta = 6.1062$, $p < 0.001$ in Model (3) of Table 5).

6. Discussion and conclusion

Over the last two decades, scholars have increasingly examined CSP and related topics (Kolk and van Tulder, 2010). Yet systematic attention to how country institutions shape CSP has emerged more recently and the institutional sources of cross-country differences in sustainability outcomes remain incompletely understood. Kolk (2016) noted that much of the

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Table 5. Robustness checks (2)

Dependent variable	Model (1) Composite measure of ESG	Model (2) Environmental performance	Model (3) Social performance	Model (4) Governance performance
Independent variables				
Formal institution	0.8592 (2.2983)	6.2952* (2.7320)	5.2215† (2.8522)	−8.2215*** (2.3887)
Informal institution	4.6604*** (0.8209)	2.9367** (1.0255)	2.9548** (1.0399)	8.5205*** (0.7905)
Financial market institution	2.8320*** (0.8165)	1.6347 (1.0483)	0.8336 (1.0458)	6.1062*** (0.7575)
Country-level control variables				
GDP growth	−0.0037 (0.1091)	−0.1185 (0.1423)	0.1028 (0.1406)	−0.0273 (0.0989)
Population (log)	−0.2044 (1.5344)	2.1053 (1.6771)	0.8134 (1.8325)	−4.2170* (1.9833)
Unemployment rate	0.3121** (0.0993)	0.6157*** (0.1277)	0.2079 (0.1273)	0.1147 (0.0916)
FDI net inflow (log)	−0.6458** (0.2109)	−0.7985** (0.2747)	−0.9217*** (0.2718)	−0.2438 (0.1915)
Size of land (log)	0.4266 (1.1280)	−1.2437 (1.2143)	0.0601 (1.3386)	2.9832* (1.4961)
Labor market efficiency	−0.3499* (0.1446)	−0.5597** (0.1890)	−0.5389** (0.1866)	0.0630 (0.1307)
Firm-level control variables				
Return on assets	0.0402*** (0.0110)	0.0356* (0.0144)	0.0643*** (0.0142)	0.0205* (0.0099)
Total asset	0.0278*** (0.0007)	0.0345*** (0.0009)	0.0320*** (0.0009)	0.0169*** (0.0006)
Debt ratio	0.0168* (0.0073)	0.0429*** (0.0096)	−0.0108 (0.0095)	0.0183** (0.0066)
Foreign sales to total sales	0.0098*** (0.0014)	0.0111*** (0.0018)	0.0126*** (0.0018)	0.0058*** (0.0012)
Constant	54.4014** (18.7527)	39.7836† (20.8997)	55.4820* (22.5694)	73.9982** (23.6758)
Log of random-effects parameter	2.3432*** (0.1175)	2.4068*** (0.1290)	2.5102*** (0.1197)	2.6457*** (0.1081)
Number of observations	24,535	24,535	24,535	24,535
Log-likelihood	−109,109.78	−115,744.86	−115,388.71	−106,530.10
AIC	218,293.56	231,563.73	230,851.43	213,134.20

Note(s): Year and industry fixed effects are included but are not reported here. Multilevel regression with random intercept modelling is used to estimate the results. Standard errors are in parentheses. ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$, †$p < 0.10$. All explanatory and control variables are lagged by One year to minimize the endogeneity concern. AIC = Akaike information criterion
Source(s): Authors' own work

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

sustainability literature does not yet fully incorporate cross-national variation and related work calls for closer attention to both formal and informal institutions to address this gap (Brammer *et al.*, 2012; Tolmie *et al.*, 2020).

Drawing on institutional theory and stakeholder salience (Mitchell *et al.*, 1997), this study provides theoretical and empirical evidence on how and why different types of country institutions are associated with firms' CSP differently across ESG dimensions. From a stakeholder salience perspective, institutional pillars shape which stakeholder groups become most influential in a given national context and, in turn, which ESG issues firms prioritize (Marano and Kostova, 2016; Mitchell *et al.*, 1997). We do not directly measure stakeholder power, legitimacy or urgency; rather, we use stakeholder salience as an organizing theoretical lens to explain why distinct institutional pillars are likely to elevate different stakeholder demands and channel sustainability pressures toward particular ESG domains. Using a multi-level analysis of 25,233 observations of 3,872 firms across 49 countries from 2002 to 2016, we find that formal institutions are positively associated with environmental performance, informal institutions with social performance and both formal and financial market institutions with corporate governance performance.

Taken together, these findings underscore that institutional environments generate patterned variation across ESG dimensions, helping to explain why firms operating in similar national contexts may excel in certain aspects of CSP while lagging in others. By disaggregating both institutional pillars and ESG outcomes, our study helps reconcile previously mixed findings in cross-national CSP research. Rather than asking whether institutions matter for sustainability, we clarify which institutional domains matter for which ESG outcomes and provide a theoretically grounded explanation for this pattern. This interpretation complements recent work on layered institutional systems in which multiple institutional domains coexist and exert differentiated influences on firm behavior (Andrews *et al.*, 2024), by specifying how institutional heterogeneity translates into systematic differences in ESG performance.

6.1 Theoretical contributions

This study contributes to the literature on country institutions and CSP by providing a mechanism-based explanation of how institutional heterogeneity translates into differentiated ESG outcomes. Building on earlier research linking national institutions to CSR and CSP (Chapple and Moon, 2005; Ioannou and Serafeim, 2012; Young and Makhija, 2014), we move beyond treating institutions and CSP as aggregate constructs and instead theorize how distinct institutional pillars map onto specific ESG dimensions.

First, drawing on stakeholder salience theory (Mitchell *et al.*, 1997), we explain how institutional environments shape not only the intensity of sustainability pressures but also their direction by elevating the influence of different stakeholder groups. Although we do not directly measure power, legitimacy or urgency in our empirical models, the stakeholder salience framework helps specify why different institutional pillars are likely to make particular stakeholder claims more consequential for firms and thus more likely to be reflected in ESG outcomes. Stronger formal institutions increase the credibility and enforceability of regulatory demands, making environmental expectations more difficult to ignore and more strongly associated with environmental performance. Stronger informal institutions amplify societal expectations communicated by communities, NGOs and civil society, making social concerns more salient and more strongly associated with social performance. Stronger financial market institutions intensify investor monitoring and voice through disclosure demands, capital allocation and shareholder influence, making governance-related expectations more strongly associated with corporate governance

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

performance. In this way, our framework clarifies why firms allocate attention unevenly across ESG domains depending on which stakeholder groups are institutionally empowered.

Second, our study advances institutional theory by specifying how layered institutional environments generate differentiated firm responses. While recent work highlights institutional heterogeneity and layered systems (Andrews *et al.*, 2024; Brammer *et al.*, 2021; Sun *et al.*, 2021), direct evidence on how such heterogeneity translates into concrete outcome differences remains limited. Importantly, our findings do not imply that institutional pillars operate in isolation or that each pillar influences only one ESG dimension. Rather, they highlight dominant – but non-exclusive – pathways through which layered institutional environments shape corporate sustainability outcomes. Consistent with this view, we also find a positive association between formal institutions and corporate governance performance, even though we do not hypothesize this relationship. Because corporate governance is partly an enforcement and accountability system grounded in legal and regulatory frameworks (Jamali *et al.*, 2008), stronger formal institutions can enhance governance outcomes, aligning with research showing that governance evolves with stronger regulation (Larcker *et al.*, 2011; Martynova and Renneboog, 2011). At the same time, our results indicate that financial market institutions can improve governance outcomes even in contexts where formal legal systems are less developed, highlighting a market-based channel that can substitute for weaker regulatory infrastructure.

Third, we extend prior institutional research by explicitly incorporating financial market institutions as a distinct institutional domain alongside formal and informal institutions. Whereas prior work often emphasizes political, legal or cultural institutions (Goerzen *et al.*, 2023; Ioannou and Serafeim, 2012; Peng *et al.*, 2023), our results show that financial market institutions play an independent role in shaping governance-related ESG outcomes. Financial market institutions differ from formal and informal institutions in that they exert pressure through capital allocation, monitoring and investor voice. Consistent with institutional arguments about legitimacy-seeking and isomorphic pressures (Powell and DiMaggio, 1991), investors can leverage financing conditions and market expectations to influence governance practices (David *et al.*, 2007). Mechanisms such as SRI and shareholder activism therefore constitute important sources of institutional pressure shaping corporate governance (Oh *et al.*, 2013). Our evidence suggests that these market-based pressures can operate even when other institutional supports are weaker, aligning with recent work on configurational patterns of ESG performance (Lewellyn and Muller-Kahle, 2024). More broadly, this distinction is theoretically important because financial markets combine regulatory requirements with market expectations regarding transparency, disclosure and fiduciary responsibility – pressures that are not fully captured by formal or informal institutions alone.

6.2 Managerial implications

Our findings offer several implications for MNEs managing ESG initiatives across diverse institutional contexts. Prior research suggests that firms benefit from achieving an optimal fit between institutional environments and CSR practices (Brammer and Pavelin, 2006). Extending this logic, our results highlight that effective ESG strategies require alignment with three key institutional pillars – formal, informal and financial market institutions – which shape different stakeholder pressures and ESG priorities across countries.

Building on institutional theory (North, 1990; Scott, 1995), national governance systems can be understood as comprising these three distinct institutional pillars, each exerting different types of pressures on firms through different stakeholder groups. Formal institutions primarily empower regulators and shape environmental externalities through

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

legal rules and enforcement; informal institutions elevate societal actors such as employees, communities and NGOs, shaping social expectations and legitimacy; and financial market institutions strengthen investor oversight, reinforcing governance standards through capital-market discipline. This tripartite structure provides a theoretically grounded basis for understanding why firms prioritize certain ESG dimensions in specific institutional contexts.

For MNE managers, this implies that ESG strategies should be tailored rather than standardized across countries. When operating in environments with strong formal institutions, MNE subsidiaries should prioritize compliance-driven environmental initiatives and invest in systems that meet stringent regulatory expectations. In contexts characterized by strong informal institutions, firms benefit from strengthening community engagement, employee welfare and social programs to secure local legitimacy. Where financial market institutions are dominant, MNEs should focus on governance-related practices such as transparency, board oversight and investor communication to meet capital-market expectations.

Taken together, these differentiated strategies enable MNEs to navigate institutional distance across their global operations and allocate ESG resources more effectively. More broadly, our findings underscore that ESG performance is not solely a matter of firm-level commitment; it is also shaped by country institutional environments that determine which stakeholder claims carry the greatest weight in a given country.

6.3 Limitations and future research

As an extension of this study, we would like to provide some research avenues related to the relationship between institutions and CSP. First, it would be worthwhile to have in-depth analyses of some of the ESG dimensions. Considering that more firms operate internationally, we need to investigate the differences in firms' CSP between home and host countries. It is important to look at how foreign firms adopt strong (or weak) institutional pressures for advanced CSR practices and coordinate their operations between their home and host countries. We do not expect each type of institution to have the same impact on the adoption of CSR and the coordination of firms' international operations.

Second, scholarly research has recently emphasized the importance of the social dimension of CSR and the relationship between multinational corporations (MNCs) and stakeholders in host countries, such as communities and consumers (Dorobantu *et al.*, 2017; Henisz *et al.*, 2014; Moon *et al.*, 2015; Oh and Shin, 2025). Conflicts with stakeholders in host countries cause a great deal of risks to MNCs. MNCs' operations can be delayed or suspended due to such conflicts (Grzybowski, 2012). Future research should discuss how firms can find the best fit between informal institutions and CSR by accommodating the demands of employees, customers and communities and lowering the number of conflicts with them in their host countries. While more scholarly attention should be paid to this stream of research, we hope that our paper establishes an understanding of the importance of informal institutions and CSP.

Third, while our focus was on disentangling the dominant institutional mechanisms driving distinct ESG dimensions, future research could further examine how formal, informal and financial market institutions interact in shaping firms' sustainability strategies. These institutional domains may complement one another when regulatory systems, societal norms and capital market expectations align or conflict when their underlying logics diverge. Exploring such interactions across national and regional contexts would deepen our understanding of how institutional complementarities and tensions jointly influence the direction and effectiveness of firms' ESG initiatives. In particular, the comparatively strong influence of informal institutions across the ESG dimensions suggests that they function as a

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

form of broad societal monitoring. By amplifying the urgency and salience of expectations related to these three dimensions, informal institutions may help explain why information institutions have consistent effects across all pillars (Hong *et al.*, 2024; Yoshikawa *et al.*, 2021). Future research could further disentangle the mechanisms of informal institutions to better understand how this broad societal monitoring operates.

Fourth, while our use of lagged, country-level institutional variables mitigates concerns about reverse causality, we acknowledge that the relationship between institutions and firm behavior may not be entirely unidirectional. For example, large or highly visible firms may, in rare cases, influence national policies or shape societal norms through lobbying or exemplary ESG practices. However, as shown by the sample composition in Table 1, our sample is largely composed of firms from advanced economies, where market-driven competition makes it unlikely for individual firms to influence national policies, societal norms or financial market conditions and likely impossible in the short term.

Finally, our data set concludes in 2016 and thus does not reflect more recent institutional changes, such as the EU Corporate Sustainability Reporting Directive, the implementation phase of the Paris Agreement or widespread carbon neutrality commitments. While our results provide a robust historical benchmark for understanding institutional effects on ESG performance, we encourage future research to replicate and extend our analysis with post-2016 data to assess the impact of these more recent developments.

7. Conclusion

In this study, we examined a cross-country comparison of country institutions and their impacts on environmental, social and corporate governance (ESG) performance. We found that different types of country institutions have different impacts on ESG performance. Specifically, a country's formal institutions have a significant impact on firms' environmental and corporate governance performances, and a country's informal institutions have a significant impact on firms' social performance. We used financial market institutions as a distinctive type of country institution that could be separated from formal and informal institutions in the case of CSP and found a positive relationship with firms' corporate governance performance.

Acknowledgements

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors. The authors sincerely acknowledge the invaluable guidance and insightful comments of the journal editor, Tazeeb Rajwani and the two anonymous reviewers.

References

Aguilera, R.V. and Jackson, G. (2003), "The cross-national diversity of corporate governance: dimensions and determinants", *The Academy of Management Review*, Vol. 28 No. 3, pp. 447-465.

Aguilera, R.V., Rupp, D.E., Williams, C.A. and Ganapathi, J. (2007), "Putting the S back in corporate social responsibility: a multilevel theory of social change in organizations", *Academy of Management Review*, Vol. 32 No. 3, pp. 836-863.

Aguilera, R.V., Martín, G., Marano, V. and Jackson, G. (2021), "The corporate governance of environmental sustainability: a review and proposal for more integrated research", *Journal of Management*, Vol. 47 No. 6, pp. 1468-1497.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Amel-Zadeh, A. and Serafeim, G. (2018), "Why and how investors use ESG information: evidence from a global survey", *Financial Analysts Journal*, Vol. 74 No. 3, pp. 87-103.

Andrews, D.S., Fainshmidt, S., Schotter, A.P. and Gaur, A. (2024), "Formal institutional context in global strategy research: a layer cake perspective", *Global Strategy Journal*, Vol. 14 No. 1, pp. 3-24.

Antal, A.B. and Sobczak, A. (2007), "Corporate social responsibility in France: a mix of national traditions and international influences", *Business and Society*, Vol. 46 No. 1, pp. 9-32.

Arora, P. and Dharwadkar, R. (2011), "Corporate governance and corporate social responsibility (CSR): the moderating roles of attainment discrepancy and organization slack", *Corporate Governance: An International Review*, Vol. 19 No. 2, pp. 136-152.

Berman, N., Couttenier, M., Rohner, D. and Thoenig, M. (2017), "This mine is mine! how minerals fuel conflicts in Africa", *American Economic Review*, Vol. 107 No. 6, pp. 1564-1610.

Brammer, S. and Pavelin, S. (2006), "Corporate reputation and social performance: the importance of fit", *Journal of Management Studies*, Vol. 43 No. 3, pp. 435-455.

Brammer, S., Jackson, G. and Matten, D. (2012), "Corporate social responsibility and institutional theory: new perspectives on private governance", *Socio-Economic Review*, Vol. 10 No. 1, pp. 3-28.

Brammer, S., Nardella, G. and Surdu, I. (2021), "Defining and deterring corporate social irresponsibility: embracing the institutional complexity of international business", *Multinational Business Review*, Vol. 29 No. 3, pp. 301-320.

Campbell, J.L. (2007), "Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility", *Academy of Management Review*, Vol. 32 No. 3, pp. 946-967.

Carroll, A.B. (1979), "A Three-Dimensional conceptual model of corporate performance", *The Academy of Management Review*, Vol. 4 No. 4, pp. 497-505.

Chapple, W. and Moon, J. (2005), "Corporate social responsibility (CSR) in Asia: a seven-country study of CSR web site reporting", *Business and Society*, Vol. 44 No. 4, pp. 415-441.

Cheng, B., Ioannou, I. and Serafeim, G. (2014), "Corporate social responsibility and access to finance", *Strategic Management Journal*, Vol. 35 No. 1, pp. 1-23.

Chhaochharia, V. and Grinstein, Y. (2007), "Corporate governance and firm value: the impact of the 2002 governance rules", *The Journal of Finance*, Vol. 62 No. 4, pp. 1789-1825.

Correa da Cunha, H., Amal, M., Floriani, D.E. and Fleury, M.T.L. (2024), "Firm internationalization approaches and performance: the moderating role of the home country's formal institutions", *International Journal of Emerging Markets*, Vol. 19 No. 11, pp. 3977-4005.

Dahya, J., Lonie, A.A. and Power, D. (1996), "The case for separating the roles of chairman and CEO: an analysis of stock market and accounting data", *Corporate Governance: An International Review*, Vol. 4 No. 2, pp. 71-77.

Dau, L.A., Chacar, A.S., Lyles, M.A. and Li, J. (2022), "Informal institutions and international business: toward an integrative research agenda", *Journal of International Business Studies*, Vol. 53 No. 6, pp. 985-1010.

David, P., Bloom, M. and Hillman, A.J. (2007), "Investor activism, managerial responsiveness, and corporate social performance", *Strategic Management Journal*, Vol. 28 No. 1, pp. 91-100.

de Villiers, C., Jia, J. and Li, Z. (2022), "Corporate social responsibility: a review of empirical research using Thomson Reuters ASSET4 data", *Accounting and Finance*, Vol. 62 No. 4, pp. 4523-4568.

Demuijnck, G. and Fasterling, B. (2016), "The social license to operate", *Journal of Business Ethics*, Vol. 136 No. 4, pp. 675-685.

DesJardine, M.R., Zhang, M. and Shi, W. (2023), "How shareholders impact stakeholder interests: a review and map for future research", *Journal of Management*, Vol. 49 No. 1, pp. 400-429.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Doh, J.P., Howton, S.D., Howton, S.W. and Siegel, D.S. (2010), "Does the market respond to an endorsement of social responsibility? The role of institutions, information, and legitimacy", *Journal of Management*, Vol. 36 No. 6, pp. 1461-1485.

Donaldson, T. and Preston, L.E. (1995), "The stakeholder theory of the corporation: concepts, evidence, and implications", *The Academy of Management Review*, Vol. 20 No. 1, pp. 65-91.

Donnelly, R., Purkayastha, S., Manolova, T.S. and Edelman, L.F. (2024), "Institutional distance, slack resources, and foreign market entry", *Journal of International Business Studies*, Vol. 55 No. 2, pp. 194-211.

Dorobantu, S., Henisz, W.J. and Nartey, L. (2017), "Not all sparks light a fire: stakeholder and shareholder reactions to critical events in contested markets", *Administrative Science Quarterly*, Vol. 62 No. 3, pp. 561-597.

Dyck, A., Lins, K.V., Roth, L. and Wagner, H.F. (2019), "Do institutional investors drive corporate social responsibility? International evidence", *Journal of Financial Economics*, Vol. 131 No. 3, pp. 693-714.

Eccles, R.G., Ioannou, I. and Serafeim, G. (2014), "The impact of corporate sustainability on organizational processes and performance", *Management Science*, Vol. 60 No. 11, pp. 2835-2857.

Eden, L. and Miller, S.R. (2004), "Distance matters: liability of foreignness, institutional distance and ownership strategy", *Theories of the Multinational Enterprise: Diversity, Complexity and Relevance*, Emerald Group Publishing, Leeds, pp. 187-221.

El Ghoul, S., Guedhami, O. and Kim, Y. (2017), "Country-level institutions, firm value, and the role of corporate social responsibility initiatives", *Journal of International Business Studies*, Vol. 48 No. 3, pp. 360-385.

El Ghoul, S., Guedhami, O., Nash, R. and Patel, A. (2019), "New evidence on the role of the media in corporate social responsibility", *Journal of Business Ethics*, Vol. 154 No. 4, pp. 1051-1079.

Fiss, P.C. and Zajac, E.J. (2004), "The diffusion of ideas over contested terrain: the (non) adoption of a shareholder value orientation among German firms", *Administrative Science Quarterly*, Vol. 49 No. 4, pp. 501-534.

Flammer, C. (2015), "Does corporate social responsibility lead to superior financial performance? A regression discontinuity approach", *Management Science*, Vol. 61 No. 11, pp. 2549-2568.

Freeman, R.E., Harrison, J.S., Wicks, A.C., Parmar, B.L. and De Colle, S. (2010), *Stakeholder Theory: The State of the Art*, Cambridge University Press, Cambridge.

Gaur, A., Pattnaik, C., Singh, D. and Lee, J.Y. (2022), "Societal trust, formal institutions, and foreign subsidiary staffing", *Journal of International Business Studies*, Vol. 53 No. 6, pp. 1045-1061.

Gillan, S.L. and Starks, L.T. (2000), "Corporate governance proposals and shareholder activism: the role of institutional investors", *Journal of Financial Economics*, Vol. 57 No. 2, pp. 275-305.

Gillan, S.L., Koch, A. and Starks, L.T. (2021), "Firms and social responsibility: a review of ESG and CSR research in corporate finance", *Journal of Corporate Finance*, Vol. 66, p. 101889.

Goerzen, A., Sartor, M., Brandl, K. and Fitzsimmons, S. (2023), "Widening the lens: multilevel drivers of firm corporate social performance", *Journal of International Business Studies*, Vol. 54 No. 1, pp. 42-60.

Grzybowski, A. (2012), "Toolkit and guidance for preventing and managing land and natural resources conflict: Extractive industries and conflict", available at: https://reliefweb.int/sites/reliefweb.int/files/resources/Full%20Report_1038.pdf

Harjoto, M.A. and Jo, H. (2011), "Corporate governance and CSR nexus", *Journal of Business Ethics*, Vol. 100 No. 1, pp. 45-67.

Hartmann, J. and Uhlenbruck, K. (2015), "National institutional antecedents to corporate environmental performance", *Journal of World Business*, Vol. 50 No. 4, pp. 729-741.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Henisz, W.J., Dorobantu, S. and Nartey, L.J. (2014), "Spinning gold: the financial returns to stakeholder engagement", *Strategic Management Journal*, Vol. 35 No. 12, pp. 1727-1748.

Ho, S.S.H., Oh, C.H. and Shapiro, D. (2024), "Can corporate social responsibility lead to social license? A sentiment and emotion analysis", *Journal of Management Studies*, Vol. 61 No. 2, pp. 445-476.

Hofmann, D.A. (1997), "An overview of the logic and rationale of hierarchical linear models", *Journal of Management*, Vol. 23 No. 6, pp. 723-744.

Holmes, R.M., Miller, T., Hitt, M.A. and Salmador, M.P. (2013), "The interrelationships among informal institutions, formal institutions, and inward foreign direct investment", *Journal of Management*, Vol. 39 No. 2, pp. 531-566.

Hong, G., Cho, H.E., Kim, J. and Shin, J. (2024), "What is the role of national media environments in shaping the impact of CSR on a firm's performance", *Multinational Business Review*, Vol. 32 No. 4, pp. 540-565.

Husted, B.W. and de Sousa-Filho, J.M. (2017), "The impact of sustainability governance, country stakeholder orientation, and country risk on environmental, social, and governance performance", *Journal of Cleaner Production*, Vol. 155 No. 2017, pp. 93-102.

Ioannou, I. and Serafeim, G. (2012), "What drives corporate social performance? The role of nation-level institutions", *Journal of International Business Studies*, Vol. 43 No. 9, pp. 834-864.

ISO (1999), "Environmental management: Environmental performance evaluation: guidelines", available at: www.iso.org/obp/ui/#iso:std:iso:14031:ed-1:v1:en

Jackson, G. and Apostolakou, A. (2010), "Corporate social responsibility in Western Europe: an institutional mirror or substitute?", *Journal of Business Ethics*, Vol. 94 No. 3, pp. 371-394.

Jamali, D., Safieddine, A.M. and Rabbath, M. (2008), "Corporate governance and corporate social responsibility synergies and interrelationships", *Corporate Governance: An International Review*, Vol. 16 No. 5, pp. 443-459.

Jo, H. and Kim, Y. (2008), "Ethics and disclosure: a study of the financial performance of firms in the seasoned equity offerings market", *Journal of Business Ethics*, Vol. 80 No. 4, pp. 855-878.

Keig, D.L., Brouthers, L.E. and Marshall, V.B. (2015), "Formal and informal corruption environments and multinational enterprise social irresponsibility", *Journal of Management Studies*, Vol. 52 No. 1, pp. 89-116.

Kim, C.H., Amaeshi, K., Harris, S. and Suh, C.-J. (2013), "CSR and the national institutional context: the case of South Korea", *Journal of Business Research*, Vol. 66 No. 12, pp. 2581-2591.

Kim, Y.U. and Ozdemir, S.Z. (2014), "Structuring corporate boards for wealth protection and/or wealth creation: the effects of national institutional characteristics", *Corporate Governance: An International Review*, Vol. 22 No. 3, pp. 266-289.

Klassen, R.D. and McLaughlin, C.P. (1996), "The impact of environmental management on firm performance", *Management Science*, Vol. 42 No. 8, pp. 1199-1214.

Kolk, A. (2016), "The social responsibility of international business: from ethics and the environment to CSR and sustainable development", *Journal of World Business*, Vol. 51 No. 1, pp. 23-34.

Kolk, A. and van Tulder, R. (2010), "International business, corporate social responsibility and sustainable development", *International Business Review*, Vol. 19 No. 2, pp. 119-125.

Lanoie, P., Laurent-Lucchetti, J., Johnstone, N. and Ambec, S. (2011), "Environmental policy, innovation and performance: new insights on the porter hypothesis", *Journal of Economics and Management Strategy*, Vol. 20 No. 3, pp. 803-842.

Larcker, D.F., Ormazabal, G. and Taylor, D.J. (2011), "The market reaction to corporate governance regulation", *Journal of Financial Economics*, Vol. 101 No. 2, pp. 431-448.

Lewellyn, K. and Muller-Kahle, M. (2024), "ESG leaders or laggards? A configurational analysis of ESG performance", *Business and Society*, Vol. 63 No. 5, pp. 1149-1202.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Liang, H. and Renneboog, L. (2017), "On the foundations of corporate social responsibility", *The Journal of Finance*, Vol. 72 No. 2, pp. 853-910.

Linnenluecke, M.K. (2022), "Environmental, social and governance (ESG) performance in the context of multinational business research", *Multinational Business Review*, Vol. 30 No. 1, pp. 1-16.

Lu, J.W., Song, Y. and Shan, M. (2018), "Social trust in subnational regions and foreign subsidiary performance: evidence from foreign investments in China", *Journal of International Business Studies*, Vol. 49 No. 6, pp. 761-773.

Luo, X.R., Wang, D. and Zhang, J. (2017), "Whose call to answer: institutional complexity and firms' CSR reporting", *Academy of Management Journal*, Vol. 60 No. 1, pp. 321-344.

Lutz, A. (2015), "How Nike shed its sweatshop image to dominate the shoe industry", available at: http://www.businessinsider.com/how-nike-fixed-its-sweatshop-image-2015-6/?IR=T&r=SG#xb2UCURyaR02WQZw.97

Marano, V. and Kostova, T. (2016), "Unpacking the institutional complexity in adoption of CSR practices in multinational enterprises", *Journal of Management Studies*, Vol. 53 No. 1, pp. 28-54.

Marquis, C. and Qian, C. (2014), "Corporate social responsibility reporting in China: symbol or substance?", *Organization Science*, Vol. 25 No. 1, pp. 127-148.

Martynova, M. and Renneboog, L. (2011), "Evidence on the international evolution and convergence of corporate governance regulations", *Journal of Corporate Finance*, Vol. 17 No. 5, pp. 1531-1557.

Matten, D. and Moon, J. (2008), "Implicit" and "explicit" CSR: a conceptual framework for a comparative understanding of corporate social responsibility", *Academy of Management Review*, Vol. 33 No. 2, pp. 404-424.

Matten, D. and Moon, J. (2020), "Reflections on the 2018 decade award: the meaning and dynamics of corporate social responsibility", *Academy of Management Review*, Vol. 45 No. 1, pp. 7-28.

Mele, D. and Armengou, J. (2016), "Moral legitimacy in controversial projects and its relationship with social license to operate: a case study", *Journal of Business Ethics*, Vol. 136 No. 4, pp. 729-742.

Miska, C., Szőcs, I. and Schiffinger, M. (2018), "Culture's effects on corporate sustainability practices: a multi-domain and multi-level view", *Journal of World Business*, Vol. 53 No. 2, pp. 263-279.

Mitchell, R.K., Agle, B.R. and Wood, D.J. (1997), "Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts", *The Academy of Management Review*, Vol. 22 No. 4, pp. 853-886.

Moon, B.-J., Lee, L.W. and Oh, C.H. (2015), "The impact of CSR on consumer-corporate connection and brand loyalty: a cross cultural investigation", *International Marketing Review*, Vol. 32 No. 5, pp. 518-539.

Murillo-Luna, J.L., Garcés-Ayerbe, C. and Rivera-Torres, P. (2008), "Why do patterns of environmental response differ? A stakeholders' pressure approach", *Strategic Management Journal*, Vol. 29 No. 11, pp. 1225-1240.

Ng, A.C. and Rezaee, Z. (2015), "Business sustainability performance and cost of equity capital", *Journal of Corporate Finance*, Vol. 34, pp. 128-149.

North, D.C. (1990), *Institutions, Institutional Change, and Economic Performance*, Cambridge University Press, Cambridge.

Oetzel, J. and Doh, J.P. (2009), "MNEs and development: a review and reconceptualization", *Journal of World Business*, Vol. 44 No. 2, pp. 108-120.

Oh, C.H. and Shin, J. (2025), "Clash of the titans: conflict intensity, community dependence on environmental resources, and stakeholder multiplicity", *Journal of Management Studies*, doi: 10.1111/joms.13264.

Oh, C.H., Park, J.-H. and Ghauri, P.N. (2013), "Doing right, investing right: socially responsible investing and shareholder activism in the financial sector", *Business Horizons*, Vol. 56 No. 6, pp. 703-714.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Oh, C.H., Shin, J. and Ho, S.S.H. (2023), "Conflicts between mining companies and communities: institutional environments and conflict resolution approaches", *Business Ethics, the Environment and Responsibility*, Vol. 32 No. 2, pp. 638-656.

Orlitzky, M., Louche, C., Gond, J.P. and Chapple, W. (2017), "Unpacking the drivers of corporate social performance: a multilevel, multistakeholder, and multimethod analysis", *Journal of Business Ethics*, Vol. 144 No. 1, pp. 21-40.

Park, S.B. (2023), "Internationalization and firm performance: moderating role of multi-stakeholder initiatives", *Multinational Business Review*, Vol. 31 No. 4, pp. 518-544.

Peng, M.W., Wang, J.C., Kathuria, N., Shen, J. and Welbourne Eleazar, M.J. (2023), "Toward an institution-based paradigm", *Asia Pacific Journal of Management*, Vol. 40 No. 2, pp. 353-382.

Porter, M.E. and Kramer, M.R. (2006), "Strategy and society", *Harvard Business Review*, Vol. 84 No. 12, pp. 78-92.

Powell, W.W. and DiMaggio, P.J. (1991), *The New Institutionalism in Organizational Analysis*, University of Chicago Press, Chicago, IL.

Rao, P. and Holt, D. (2005), "Do green supply chains lead to competitiveness and economic performance?", *International Journal of Operations and Production Management*, Vol. 25 No. 9, pp. 898-916.

Rathert, N. (2016), "Strategies of legitimation: MNEs and the adoption of CSR in response to host-country institutions", *Journal of International Business Studies*, Vol. 47 No. 7, pp. 858-879.

Revelli, C. (2017), "Socially responsible investing (SRI): from mainstream to margin?", *Research in International Business and Finance*, Vol. 39, pp. 711-717.

Ringov, D. and Zollo, M. (2007), "The impact of national culture on corporate social performance", *Corporate Governance: The International Journal of Business in Society*, Vol. 7 No. 4, pp. 476-485.

Rivera, J. and Oh, C.H. (2013), "Environmental regulations and multinational corporations' foreign market entry investments", *Policy Studies Journal*, Vol. 41 No. 2, pp. 243-272.

Russo, M.V. and Fouts, P.A. (1997), "A resource-based perspective on corporate environmental performance and profitability", *Academy of Management Journal*, Vol. 40 No. 3, pp. 534-559.

Scholtens, B. (2006), "Finance as a driver of corporate social responsibility", *Journal of Business Ethics*, Vol. 68 No. 1, pp. 19-33.

Scott, W.R. (1995), *Institutions and Organizations*, SAGE Publications, Thousand Oaks.

Shin, J., Moon, J.J. and Kang, J. (2023), "Where does ESG pay? The role of national culture in moderating the relationship between ESG performance and financial performance", *International Business Review*, Vol. 32 No. 3, p. 102071.

Solarino, A.M. and Boyd, B.K. (2023), "Board of director effectiveness and informal institutions: a meta-analysis", *Global Strategy Journal*, Vol. 13 No. 1, pp. 58-89.

Suchman, M.C. (1995), "Managing legitimacy: strategic and institutional approaches", *The Academy of Management Review*, Vol. 20 No. 3, pp. 571-610.

Sun, P., Doh, J.P., Rajwani, T. and Siegel, D. (2021), "Navigating cross-border institutional complexity: a review and assessment of multinational nonmarket strategy research", *Journal of International Business Studies*, Vol. 52 No. 9, pp. 1818-1853.

Tolmie, C.R., Lehnert, K. and Zhao, H. (2020), "Formal and informal institutional pressures on corporate social responsibility: a cross-country analysis", *Corporate Social Responsibility and Environmental Management*, Vol. 27 No. 2, pp. 786-802.

Trumpp, C., Endrikat, J., Zopf, C. and Guenther, E. (2015), "Definition, conceptualization, and measurement of corporate environmental performance: a critical examination of a multidimensional construct", *Journal of Business Ethics*, Vol. 126 No. 2, pp. 185-204.

Waddock, S.A. and Graves, S.B. (1997), "The corporate social performance-financial performance link", *Strategic Management Journal*, Vol. 18 No. 4, pp. 303-319.

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026

Wartick, S.L. and Cochran, P.L. (1985), "The evolution of the corporate social performance model", *The Academy of Management Review*, Vol. 10 No. 4, pp. 758-769.

Wood, D.J. (1991), "Corporate social performance revisited", *The Academy of Management Review*, Vol. 16 No. 4, pp. 691-718.

Xu, K., Hitt, M.A., Brock, D., Pisano, V. and Huang, L.S. (2021), "Country institutional environments and international strategy: a review and analysis of the research", *Journal of International Management*, Vol. 27 No. 1, p. 100811.

Yoshikawa, T., Nippa, M. and Chua, G. (2021), "Global shift towards stakeholder oriented corporate governance evidence from the scholarly literature and future research opportunities", *Multinational Business Review*, Vol. 29 No. 3, pp. 321-347.

Young, S.L. and Makhija, M.V. (2014), "Firms' corporate social responsibility behavior: an integration of institutional and profit maximization approaches", *Journal of International Business Studies*, Vol. 45 No. 6, pp. 670-698.

Corresponding author
Chang Hoon Oh can be contacted at: changhoon_oh@ku.edu

For instructions on how to order reprints of this article, please visit our website:
www.emeraldgrouppublishing.com/licensing/reprints.htm
Or contact us for further details: **permissions@emeraldinsight.com**

Downloaded from http://ftp.nowpublishers.com/mbr/article-pdf/34/3/401/11494735/mbr-06-2025-0216en.pdf by guest on 22 July 2026