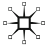

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RETROSPECTIVE

What drives corporate social performance? The role of nation-level institutions

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Abstract

In our Decade Award-winning article from 2012, we theorized and provided evidence consistent with nation-level institutions having a significant impact on corporate social performance (CSP) variation across companies. By establishing a link between the macro (i.e., country level) and micro (i.e., firm level) levels of analysis and by synthesizing across multiple disciplines including institutional economics, political science, cultural research, and institutional theory, we were able to demonstrate that differences across countries in terms of the political system, the education and labor system, the financial system and the cultural system significantly impacted variation in CSP across companies. In this Retrospective, we briefly discuss our original findings and elaborate on future research directions. Given the weak evidence regarding the impact of the financial system in our original study, we specifically focus on discussing recent developments in the financial system and their implications for research. We suggest additional research opportunities inspired by recent articles by scholars of international business that have extended our original article in important ways.

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INTRODUCTION

We are deeply grateful to the Selection Committee for the JIBS Decade Award comprised of Prof. Yadong Luo, Prof. Andrew Delios, and Prof. Gary Knight, as well as the current JIBS Editor-in-Chief Prof. Alain Verbeke, for selecting our 2012 JIBS article titled "What drives corporate social performance? The role of nation-level institutions" as the winning article for the prestigious 2022 JIBS Decade Award. We were in fact humbled to read in the award letter that the committee found our study to be "topical, impactful, compelling, and thought-provoking" and we believe that this is a particularly important acknowledgement and recognition for a paper that 10 years ago dared to explore the mechanisms through which nation-level institutions affect variation in corporate *social* (rather than financial) performance across companies. We would also like to express our sincere gratitude to Prof. Ishtiaq Mahmood for his astute editorial stewardship and excellent guidance at the time of the original submission as well as three anonymous

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reviewers who provided us with terrific feedback, constructive pushback, and insightful suggestions on how to improve our work and without which our study could not had achieved its full potential.

We also highly appreciate the opportunity that we are now being given through this Retrospective piece to reflect on the theoretical insights and the empirical findings that we unearthed in the original study. Indeed, we believe that the study addressed an important gap in the literature, which was the lack of an adequate theoretical understanding and a robust empirical exploration of the antecedents to social performance heterogeneity across firms in general, and, more specifically, how differences in nation-level institutions or national business systems (NBS) impact this heterogeneity in CSP (Campbell, 2007; Maignan & Ralston, 2002; Margolis & Walsh, 2003; Whitley, 1997). A major point of departure of our study from the mainstream literature was to shift attention from corporate *financial* performance the most widely used dependent variable within management even to this day – to corporate *social* performance[1] and to highlight the idea that multinational companies were increasingly held accountable for their broadly defined non-financial performance in addition to their financial performance and that therefore heterogeneity across them in CSP mattered. By establishing a link between the macro (i.e., country level) and micro (i.e., firm level) levels of analysis and by theoretically synthesizing across multiple disciplines including institutional economics, political science, cultural research, and institutional theory, we were able to demonstrate that differences across countries in terms of the political system, the education and labor system, the financial system and the cultural system significantly impacted variation in CSP across companies.

Our paper therefore contributed to the international business (IB) literature in several ways. First, we answered the call for more systematic research on the multi-level drivers of CSP variation across companies in general (e.g., Rodriguez, Uhlenbruck & Eden, 2006), and the role of nation-level institutions more specifically. In so doing, we essentially demonstrated how the fundamental questions that were asked in the literature until then, on financial performance heterogeneity, were equally applicable and at least as relevant in the context of CSP. Second, theoretically, we identified and characterized the causal mechanisms through which macro structures, such as institutions, can affect more micro structures, such as firms and their CSP. Accordingly, we contributed to the flourishing literature within IB that explored the implications of institutional diversity. Third, by presenting evidence of the profound impact that institutions have in influencing firms' social performance within the ecosystem that these institutions oversee, our study had important policy implications. In fact, for policymakers, our study identified key levers that could be evaluated and potentially utilized, at the country level, to strengthen our understanding of how political, educational, labor, financial, and even cultural institutions can enhance CSP, and hopefully, it has contributed to the discussion of how institutions themselves could be reformed or even transformed to further promote and ultimately achieve social goals globally.

It is worth noting that our study would not have been feasible had we not gained early access to a comprehensive and global dataset by ASSET4 (later acquired by Thomson Reuters and now operating under *Refinitiv*) that allowed us to compare companies' environmental and social performance across a relatively large number of countries – 42 countries – and for a respectable span of 7 years. In our empirical analysis, we found that the political system, followed by the labor and education system, and the cultural system were the most important NBS categories of institutions that impacted CSP heterogeneity. Yet, rather surprisingly, we found that cross-country differences in the financial system appeared to have a relatively less significant impact. But the financial system and capital markets have changed significantly since 2012 in terms of the metrics used to integrate CSP into the investment process and importantly, the level of transparency and accountability they demand from companies on environmental and social issues. It is precisely because of this fundamental shift in the financial system that in this Retrospective piece we chose to offer more extensive remarks on this particular institution.

Accordingly, we begin by reflecting on the motivation that propelled us to write the original paper, and we revisit the paper's most important theoretical and empirical contributions. We subsequently reflect upon the progress that the IB field has achieved within the areas of future research that we identified back in 2012 by discussing some key studies, and then, by building on these studies, we suggest additional directions of future research. We also elaborate on the crucial role that capital markets, as an institution, will likely continue to play on the path toward more socially responsible

companies. Overall, we hope to encourage and motivate more IB research that will extend the frontiers of knowledge and will equip us with a better understanding of how nation-level institutions may positively affect the propensity of organizations to adopt and implement practices that not only enhance their own CSP but contribute toward addressing some of the world's biggest environmental and social challenges, as identified by the Sustainable Development Goals.

MOTIVATION FOR THE 2012 PAPER

In the years leading up to 2012, the academic literature on corporate social responsibility (CSR) was flourishing, while in the world of practice, companies were accelerating their involvement with and their propensity to adopt or experiment with a widening range of environmentally or socially oriented activities and initiatives. As a result, the way we collectively defined corporate performance beyond financial metrics and the way we understood the antecedents to performance heterogeneity across firms began to fundamentally shift as well. This also reflected the broader, gradual shift that was taking place away from a shareholder primacy view of the corporation toward a more holistic and integrated view, and thus, toward a stakeholder understanding of the role of the corporation in society (Ioannou & Serafeim, 2015). As a result, CSR activities – which are arguably adopted by companies to meet (or exceed) stakeholder demands and expectations for social responsibility – were in some ways reshaping our understanding of the relationships between firms and their stakeholders and, more specifically, the relationship between a firm and its surrounding institutions. It therefore become apparent to us that if we wanted to understand variation in the "outcomes" of CSR activities across firms – i.e., CSP – exploring the role of nation-level institutions was critical, given that institutions exercise significant influence on companies' decision-making (e.g., Campbell, Hollingsworth, & Lindberg, 1991; Campbell, 2007).

Nevertheless, at the time of the original study, severe data limitations prevented scholars from quantifying precisely *how important* institutions were for CSP heterogeneity relative to other levels of analysis and what precisely were the mechanisms through which institutions exerted such influence on CSP. For example, early studies comparatively explored CSP across only a small number of countries (e.g., Maignan & Ralston, 2002; Ramasamy & Ting, 2004; Welford, 2004) or across European firms only (Jackson & Apostolakou, 2010) whereas a sub-stream of the literature focused only on specific CSR activities such as corporate philanthropy or CSR disclosure practices, and the link between such activities and government regulation. In short, prior work had directly or indirectly explored how institutional variation could explain the differences in the adoption of very specific CSR activities or differences in voluntary CSR disclosure practices, across a limited number of countries. Consequently, the need for an integrated and comprehensive theoretical model and robust empirical evidence on how variation in the institutional structure affects CSP variation became very apparent to us.

We should also mention that we were both motivated as well as inspired to pursue this line of research, and to set this rather ambitious objective for our study, because of a related and extensive stream of work that we were very familiar with, focusing on what was considered at the time – and still to this day – one of the most important questions within strategic management: that is, what are the antecedents of *financial* performance heterogeneity across firms. This question had already been addressed by seminal papers and distinguished scholars in the field of strategic management including Michael Porter, Anita McGahan, and Richard Rumelt (e.g., McGahan & Porter, 1997, 2002; Rumelt, 1991) and therefore, we thought that it was at least as important to explore this question in the context of CSP. This set of papers provided us with a roadmap about how to tackle our research question. And in fact, given that globally, across societies, distinct systems of markets had emerged that reflected the societies' institutions, their idiosyncratic ethics and values, and the extensive range and diverse types of social relations, we had every reason to believe that companies that are embedded within these societies would also socially perform differently.

Accordingly, we sought out a theoretically grounded way to effectively capture and classify this institutional complexity and its variation across countries, and that is precisely why we turned to Whitley's "national business systems" (NBS), a classification suggested in Whitley (1997, 1999). Whitley's NBS model encompasses the political, financial, and labor institutions as well as the key role of the cultural system. The fundamental idea behind this model, which was

fully congruent with our research question, was that different institutional arrangements ultimately provide different access to critical firm resources such as labor and capital. As a result, these arrangements are bound to have a profound impact not only on the different roles of various stakeholders within them but also they shape the social and political processes of how stakeholders' interests are defined (Aguilera & Jackson, 2003). Thus, they have direct consequences for why specific CSR activities are adopted by companies and the extent to which they are effective in addressing stakeholder expectations. In other words, the framework provided us with an overarching theoretical narrative of why institutions were relevant for CSP heterogeneity. Our next task was to quantify exactly how much institutions mattered and then to theoretically articulate and empirically test the mechanisms through which their impact materializes. In the next section, we briefly review our empirical findings.

BRIEF OVERVIEW OF ORIGINAL FINDINGS AND REFLECTIONS ON DEVELOPMENTS IN FINANCIAL MARKETS SINCE 2012

We first performed a variance of components analysis using a maximum likelihood methodology to evaluate the relative importance of firm-, industry-, and national-level factors and found that in our dataset, explainable variation in CSP could be attributed to 70% firm-, 17% nation-, 11% industry-, and 2% year-level effects. When we limited our sample to the five largest firms in each country, nation-level effects explained 35% of the explainable variation in CSP. These results confirmed our theoretical priors regarding the importance of nation-level institutions given that the magnitude of the impact we estimated compared favorably with studies on financial performance heterogeneity that estimated that industry effects could explain between 15 and 19% of overall (financial) performance variation. In fact, these estimates inspired an entire stream of work within strategic management including Michael Porter's widely known Five Forces framework, which sought to explain how industry structure impacts financial performance. Our estimates of country-level effects confirmed that a similar exploration of nation-level institutions was warranted. Armed with these estimates, we formulated ten hypotheses theoretically capturing the precise mechanisms through which the political system, the education and labor system, the financial system, and the cultural system affected CSP variation across companies.

When it comes to the political system, we found that laws and regulations that promote market competition are associated with lower CSP and that when managers have the power to take decisions that might be in the best interest of shareholders and potentially satisfy other stakeholders, CSP is higher. Rather intuitively, we found that CSP is higher for companies in countries in which corruption is less widespread, but surprisingly, we found that firms in countries characterized politically by a leftist ideology score lower on CSP, thus revealing a potential substitution effect between governments and companies with respect to the provision of socially responsible actions. When it comes to the education and labor system, we found that CSP is higher for companies in countries with a higher union labor density and essentially documented that CSP was becoming a key dimension of competition for companies that wanted to attract the best human capital: in countries with an abundance of skilled labor, companies were performing worse on CSP which could plausibly imply that when skilled labor was limited, companies increased their CSP to attract high-quality employees.

Regarding the cultural system, we found evidence that cultural traits play a significant role in explaining CSP variation. Specifically, in countries characterized by higher levels of individualism, companies have a higher CSP, suggesting that societies that encourage broader discretion of economic actors, socially responsible practices are more explicit, proactive, and strategic, thus enhancing CSP. We also found that power distance generates a sense of noble obligation on the part of managers to consider and attend to the needs of their stakeholders, and of society at large. Finally, when it comes to the financial system, we showed that in countries with a credit-based model, companies are more likely to fare worse on CSP, confirming that the efficiency of the capital allocation process in capital market-based financial systems relative to credit-based systems outweighs any potentially negative impact on CSP due to short-termism typically associated with capital market-based financial systems. Equivalently, we revealed that the longer-term horizon of debtholders in a credit-based financial system would not be enough to outweigh the inefficiencies caused by the allocation of capital by administrative processes rather than by markets. Perhaps because SRI funds were a

relatively very small part of the total market in the years leading up to 2012, the existence of an SRI index did not obtain significance, and as such, it did not impact CSP variation across companies.

Overall, our empirical findings showed that in terms of economic effects, the political system was the most important factor impacting CSP variation across firms, whereas the impact of the financial system was the lowest, which in retrospect makes sense given that in 2012 the vast majority of investors, including asset owners as well as asset managers, had only just began to understand the importance of non-financial disclosures and were, at best, at a nascent phase of exploring how to incorporate any of this new information on CSP into their investment decisions. In fact, there lies the major institutional shift that has taken place in the last 10 years since our article was published in terms of the extent and the speed at which capital markets have mobilized towards integrating CSP into their decision-making processes.

Specifically, the timing of our study, using data from 2002 to 2008, preceded significant developments in the financial system related to taking CSP into account. But what exactly has happened since then? First, we have witnessed a significant increase in the level of voluntary and mandatory reporting on CSP (Christensen et al., 2021). Thousands of companies around the world have increased transparency by reporting information in their CSR, sustainability, integrated, annual, or regulated reports and on their websites. Similarly, according to the UN Sustainable Stock Exchange initiative, as of 2022, 67 stock exchanges provided written guidance on CSP reporting and 33 had mandatory listing requirements.[2] Regulators have increasingly adopted mandatory requirements for CSP reporting, referring to corporate reporting standards that emerged over time, such as those developed by the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD). Several studies now document that the increase in transparency may drive companies to improve their CSP (e.g., Downar, Ernstberger, Reichelstein, Schwenen & Zaklan, 2021). The differential increase in corporate transparency across countries could therefore systematically influence CSP but that effect could well be contingent on other country-level institutions, a question that future research could explore.

Second, the assets under management claiming to incorporate CSP in their investment decisions and stewardship efforts when engaging with companies has also significantly increased because of product development, investment results, and societal motivations (Amel-Zadeh & Serafeim, 2018). For example, according to the Global Sustainable Investment Alliance (GSIA), by 2020, investors with over $35 trillion dollars of assets under management wished to take CSP data into account in their investment decisions. Yet this increase has been unequally distributed across countries, according to the same data from GSIA.[3] It is, of course, challenging to produce an exact number on the real percentage of assets under management using CSP data in a meaningful way because of greenwashing concerns (see later discussion on CSR decoupling), but there is no doubt that a lot more funds are invested today by using CSP data for analyzing the risk, return, and impact of companies and for driving private and public engagements with corporate management and boards. In turn, these engagements seem to be associated with improvements in CSP of firms engaged, when investors are influential and capable (e.g., Dimson, Karakaş & Li 2021). How these important developments are influencing CSP across different countries may critically depend on the corporate governance norms and systems in each country, including shareholder rights and powers, ownership structures, and board director effectiveness; another set of important questions that future research could explore.

Third, in the last few years, new financial instruments have emerged that did not even exist or barely existed when we conducted our study. For example, the use of proceeds instruments, such as green or sustainability bonds or loans, which restrict the capital raised to be deployed towards improving CSP, has increased exponentially in the last 10 years (Baker, Bergstresser, Serafeim & Wurgler, 2022). Several studies suggested that these instruments could act as commitment devices that lead to better CSP performance (e.g., Flammer, 2021). Relatedly, sustainability-linked bonds or loans that make interest paid a function of a firm's future CSP did not even exist in 2012, but now hundreds of billions of dollars have been issued. The design of these financial instruments, such as the choice of Key Performance Indicators, target ambition, and materiality, could significantly influence how effective they are in motivating improvements in CSP over time (Loumioti & Serafeim, 2022). In turn, design choices could become standardized in contracts through influential banks and

other financial institutions in different countries, suggesting significant heterogeneity across them in terms of how effective those instruments might be in influencing CSP. As more products are introduced into the market, and as we accumulate more years of data from across the world, future studies could focus on exploring the variety of instruments and their potentially differential effectiveness across institutional contexts.

In sum, all three major developments discussed here, i.e., CSP disclosure, investor integration of CSP data, and emergence of new financial instruments that are contingent on CSP characteristics, vary significantly across countries, and as such, they present fruitful opportunities for researchers to undertake empirical and theoretical studies that would allow us to gain a deeper understanding of how financial markets affect CSP.

We now turn to discussing some of the academic articles in the IB literature that we believe have already extended our work in important ways and have generated important contributions to JIBS and the academic literature more broadly.

FOLLOW-UP WORK IN IB LITERATURE AND FUTURE RESEARCH DIRECTIONS

According to Google Scholar, as of October 2022 our study had accumulated over 1200 citations in articles published across various academic disciplines including IB, strategic management, economics, accounting and finance, and business ethics, to name a few. It would therefore fall beyond the scope of this Retrospective piece to attempt a comprehensive review of this entire stream of work. Instead, we would like to highlight what we consider to be some of the most promising extensions of our paper, especially in terms of opening additional avenues for future research within the IB literature.

Towards the end of our 2012 article, as a robustness check, we distinguished between domestic and multinational companies (MNEs) and noted that for the latter, it was important to consider and further explore the influence of both home- as well as host-country institutions. This is because MNEs typically operate across several countries and hence, across different institutional domains, yet the impact of this institutional diversity on CSP variation remained underexplored. We were therefore excited to read Rathert (2016) who focused on labor rights and asked the critical question of how host-country institutions affect CSR adoption by MNEs. Interestingly, Rathert (2016) finds that issue salience is associated with a higher likelihood of standards-based CSR adoption – i.e., policies that set minimum standards for stakeholders with limited impairment of managerial autonomy – while stakeholder power is associated with a higher likelihood of rights-based CSR adoption – i.e., policies that award enabling rights to stakeholders, which limit managerial autonomy more extensively. This finding not only highlights the importance of distinguishing between home- and host-country institutions but also, the need to explore heterogeneity within CSR actions.

Specifically, future research could seek to understand the potential interplay between home- and host-country institutions in greater depth: is it the case that MNEs enter countries in which the institutional structures are similar to their home country so as to leverage their CSR practices and generate better CSP, or is it the case that MNEs seek to enter countries that, unlike their home countries, allow them more discretion in their adoption of CSR practices, thus creating potential arbitrage opportunities? And if so, what are the differential implications in terms of the variation in outcomes – i.e., variation in CSP – that result from the adoption of different CSR practices?

The study raises two more important questions that we think future research could seek to address. First, scholars could investigate whether institutional diversity across countries differentially impacts different types of CSR activities and their associated outcomes. In this sense, it is no longer enough to focus our analyses on “CSR activities” but rather, given the diversity of environmental, social, and governance actions typically aggregated together, scholars should develop theoretically driven classifications, like Rathert (2016) did, allowing us to develop a more nuanced understanding of how MNEs choose which CSR activities to pursue in each of the countries that they operate. Second, we think that follow-up work could theoretically and empirically distinguish between more centralized versus decentralized MNEs and explore how the relationship between headquarters and subsidiaries interacts with institutional diversity to drive differential adoption of CSR practices and/or differential outcomes of such CSR practices in terms of CSP variation. In short, there is still a lot of work that needs to be done to fully understand the adoption of CSR practices, and the resulting CSP, for MNEs with a footprint in multiple countries and across multiple institutional contexts.

We would also like to highlight the study by El Ghoul, Guedhami and Kim (2017) who creatively draw upon transaction costs theories and the resource-based view of the firm to theoretically argue and empirically show that in countries with institutional voids, i.e., countries characterized by the absence of market-supporting institutions, the role of CSR in reducing transaction costs and enhancing access to scarce resources is more pronounced (provided that in such countries, transactions costs are typically higher). This finding relates both to our JIBS 2012 paper and our SMJ 2014 paper (Cheng, Ioannou, & Serafeim, 2014), in which we showed that CSR actions reduce agency costs and information asymmetry problems, enabling firms to access capital at better terms. Relatedly, El Ghoul et al. (2017) argue that in the absence of robust equity and credit markets, companies are more likely to face difficulties raising capital externally because of potential agency costs and informational asymmetry. Therefore, by increasing transparency and mitigating managerial opportunism, CSR actions enable firms to overcome institutional limitations and access finance at better terms. They also find that CSR is associated with "greater investment and lower default risk in countries with more limited business freedom, and lower payable turnover and higher future sales growth in countries with weaker legal institutions and more limited property rights." (p. 375).

We think this study is important because not only does it explore institutional variation across countries and the implications for the financial benefits generated through CSR but also, it shows that rather than taking institutional structures for granted, companies may proactively (and indeed, strategically) respond to them in a way that allows them to not only overcome these contextual limitations but also, to leverage them to generate new sources of competitive advantage (e.g., better access to finance, or higher future sales growth). Building on these insights, future research could therefore explore more broadly how CSR practices combine or interact with institutional structures to drive corporate financial *and* social performance. In fact, El Ghoul et al. (2017) find that CSR is more positively related to firm value in countries with weaker market institutions but the authors do not directly explore whether the outcome of these CSR activities, i.e., CSP, is higher or lower in these countries. We strongly believe that maintaining focus on *both* financial as well as social performance is an important premise for future research in IB aiming to remain relevant and to meaningfully contribute to managerial practice and policymaking.

Consequently, we would welcome studies that explore how strategic actions taken by companies, especially in terms of CSR (but not only), could enhance their ability to differentiate through superior social performance and furthermore, studies that explore the institutional conditions under which *synergistic* creation of social *and* financial value becomes relatively more or less likely. In doing so, scholars could inform policymaking, especially policy initiatives aiming at designing or reforming institutions in a way that allows companies to thrive while achieving a positive societal impact. In fact, we predict that the nascent debate on reforming national and global institutions (such as the World Bank or the International Monetary Fund) will become even more prevalent in the years ahead given how far behind we are lagging in terms of achieving the Sustainable Development Goals (SDGs). Indicatively, the annual Gatekeepers Report published by the Bill and Melinda Gates Foundation concludes in 2022 that the vast majority of the 17 SDGs agreed back in 2015 will miss their 2030 deadline[4] while, according to estimates by the OECD, pre-COVID, the annual financing gap for achieving the SDGs was 2.5 trillion dollars and may have increased by about 1-2 trillion dollars in the post-COVID period because developing countries faced an estimated gap of an additional 1 trillion dollars in emergency and response spending.[5] Accordingly, future scholarship could seek to understand the conditions under which national and international institutions may increase the speed and magnitude of change towards achieving the SDGs and do so by leveraging the power of business, as an institution, to innovate and scale up innovative solutions that address environmental and social challenges.

Arguably, one of the main reasons why we are lagging so far behind in terms of achieving the SDGs is the plague of 'cheap talk,' or specifically in the context of environmental issues, "greenwashing": the fact that companies (or oftentimes even countries) do not "walk the talk" when it comes to their environmental commitments. This is a phenomenon that in academia we often term as "CSR decoupling" and despite its prevalence in the real world in recent years – especially in financial markets but also more generally – it is a phenomenon that remains relatively understudied. Therefore, we were very encouraged to read the study by Tashman, Marano, and Kostova (2019) in

which the authors explore the issue of CSR decoupling in the context of emerging markets MNEs. They find that the prevalence of institutional voids in the home countries of these MNEs drives them to engage in higher levels of CSR decoupling; this implies that there is less institutional pressure on them to implement substantive CSR actions prior to internationalizing. They also find that even after they internationalize, emerging market MNEs may find it easier to engage in symbolic CSR reporting rather than undertaking substantive CSR actions.

Taken together, these results underscore the crucial role that institutions can play, especially in the context of emerging markets, but also more broadly, in the elimination of CSR decoupling given the negative imprinting effect that institutional voids have on corporate behavior. However, there is still a lot that we do not fully understand, and that future work should seek to explore: what are the mechanisms through which home- and host-country institutions may interact to drive or prevent CSR decoupling? What types of institutional arrangements both in home and host countries impact the probability that a firm that decouples substantive from symbolic CSR will be exposed? How would the degree of internationalization affect this relationship? How does institutional diversity affect the choices that companies make in terms of which CSR activities to substantively pursue and which ones to pursue only symbolically? To what extent and how do institutions affect how firms are penalized by their stakeholders when they are exposed for not walking the talk? How could institutions prevent CSR decoupling while enabling firms to pursue higher levels of social performance and profitability?

In sum, we believe that pursuing these wide avenues of future research could really enhance our understanding of the link between institutions and variation in CSP. This is not to suggest that these avenues are the only ones available, but we do believe that pursuing research in these particular directions can meaningfully enhance and deepen our understanding of the link between institutional diversity and heterogeneity of CSP by developing a more nuanced approach toward corporate decision-making and at a more granular level.

CONCLUSION

We are deeply grateful for the opportunity to publish our original article exploring the role of nation-level institutions in CSP and to write this Retrospective as a result of having the honor of receiving the JIBS Decade Award for 2022. As organizations respond to increasing demands and expectations by stakeholders to improve their CSP, we forecast many fruitful avenues for scholars of IB. Whether and how effective organizations will be in responding to these demands will likely be shaped by their country-level institutions, as we documented in our original piece. This challenge remains today as relevant and perhaps as taunting as it was in 2012, if not more so. Employee demands for improvements in CSP will likely interact with labor-market institutions that determine the relative power of employees and employers and the availability of skilled human capital. Customer demands for improvements in CSP will likely interact with product-market institutions that determine switching costs and availability of alternatives or even change the nature of competition in some industries. Investor demands for improvements in CSP will likely interact with capital-markets institutions that determine both the available information and the ability to act upon this information. Regulatory demands for improvements in CSP will likely interact with political institutions that determine the ambition and intended outcomes of those regulations. The collective set of those demands will, in all likelihood, reflect, and be contingent upon, national cultures that determine a collective set of beliefs about the role of the corporation in society. We are convinced that scholarship generating insights at the intersection of institutions and companies with a sharp focus on CSP can and will have a profound impact on both policymaking as well as management research in the years ahead while meaningfully contributing to the overarching goal of achieving the SDGs. We sincerely hope that this Retrospective piece can galvanize or even inspire some of this scholarship.

NOTES

[1]We followed Wood (1991: 693) in defining CSP as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships."

[2]UN SSE: https://sseinitiative.org/.

[3]Global Sustainable Investment Alliance 2020 Report: http://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf.

[4]https://www.theguardian.com/us-news/2022/sep/13/the-strain-is-the-worst-of-my-lifetime-how-bill-gates-is-staying-optimistic.

[5]https://www.oecd.org/about/secretary-general/global-outlook-on-financing-for-sustainable-development.htm#:~:text=The%202021%20OECD%20Global%20Outlook%20suggests%20that%20annual%20SDG%20financing,of%20sustainable%20and%20inclusive%20development.

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