The Moderating Effect of Cultural Values on the Relationship between Corporate Social Performance and Corporate Financial Performance

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ABSTRACT

Using six national culture dimensions, we show a strong interaction effect between culture and firms' corporate social performance (CSP), which significantly influences corporate financial performance. Specifically, Tobin's Q is higher in those firms where CSR initiatives are congruent with the cultural environment. CSP has a negative impact on firm valuation for those firms domiciled in countries which are individualistic, masculine, indulgent, and favor high power distance and a positive impact on valuation in those countries which are characterized by long-term orientation. Using a data set covering 3,574 firms from 37 different countries, our results show that cultural values and CSR initiatives have a powerful interaction effect in determining firm valuation, suggesting that CSP's impact is dependent upon the culture of the country where the firm resides.

JEL Classification: A13, D22, D63, M14.

Keywords: Cultural value, corporate social performance, corporate financial performance.

I. INTRODUCTION

The relationship between corporate social performance (CSP) and corporate financial performance (CFP) has attracted great attention from scholars of different disciplines (Brammer and Millington 2008; Dowell, Hart and Yeung 2000; Eccles, Ioannou and Serafeim 2014; Flammer 2014; King and Lenox 2002; Luo et al. 2015; Margolis, Elfenbein and Walsh 2009; Margolis and Walsh 2003; Orlitzky, Schmidt and Rynes 2003). To understand such a relationship becomes even more important as managers face increasing pressures from activist groups and the media to enhance CSP on the one hand and from investors to deliver desirable CFP on the other. Empirical studies have generated conflicting findings regarding the CSP-CFP relationship (Margolis et al. 2009; Orlitzky et al. 2003). Such conflicting findings may be attributable to complicated relationships between CSP and CFP, but could also imply that the CSP-CFP relationship depends on different institutional and organizational contingencies.

This study examines the moderating effect of cultural values on the CSP-CFP relationship. The overarching thesis of this study is that stakeholders' cultural values influence their social perceptions about CSP, which in turn affects the magnitude of the CSP-CFP relationship. We examine contingency effects of cultural values because cultural values shape people's beliefs and attitudes and regulate their behaviors (Chen, Leung and Chen 2009; Guiso, Sapienza and Zingales 2006; Stulz and Williamson 2003). Stakeholder in our paper is defined as all individuals or groups of people who affect or can be affected by an organization's actions, objectives and policies. Some examples of stakeholders include shareholders, creditors, directors, employees, government, suppliers, unions, and the community from which the business draws its resources.

Specifically, we focus on six cultural value dimensions popularized by Hofstede – individualism/collectivism, power distance, masculinity/femininity, uncertainty avoidance, long-term/short-term orientation, and indulgence/restraint. Culture, in our context, is defined as the societal values of the country where stakeholders are located. For corporate social performance, we use a composite score of the environmental and social performance pillars from Thomson Reuters' Asset4 ESG platform. This ESG data is collected from publicly available information sources, including annual reports, company websites, NGO websites, stock exchange filings, CSR reports, and news sources; and covers a universe of 4500+ international companies.

We propose a *cultural value conformity hypothesis* regarding how these cultural values affect the magnitude of the CSP-CFP relationship. This hypothesis contends that the interactions between CSP and individualism/power distance/masculinity/indulgence should have a negative effect on CFP whereas the interaction between CSP and long-term orientation/uncertainty avoidance should have a positive effect on CFP because high CSP is more aligned with social norms and expectations of stakeholders in collective, long-term oriented, low power distant, feminine, and uncertainty avoidant countries which also practice restraint. Consequently, firms with high CSP tend to have high levels of organizational legitimacy in such countries and are more likely to be endorsed by stakeholders (Aldrich and Fiol 1994; Dowling and Pfeffer 1975; Suchman 1995).

To test this hypothesis, we use a sample of 3,574 firms from 37 countries and regions covered by the Thomson Reuters' ASSET4 dataset. We use Tobin's q to measure CFP as our theoretical interest is to show how social perceptions shaped by cultural values influence market valuation of firms' corporate social investments.

While firm valuation is determined by shareholders, which are only one type of stakeholder, the extant literature shows that the impact of the broader stakeholder community on shareholder actions is significant. For example, Hong and Kacperczyk (2009) suggest that social norms are priced and show that stocks in alcohol, tobacco and gaming industries (*sin stocks*) on average have less institutional ownership and analyst coverage compared to other non-sin stocks. As another example, Akerlof (1980) develops a model expressing utility as a function of consumption, reputation, obedience/disobedience of a community's code of behavior, and belief/disbelief in a community's code of behavior. He finds that a custom that is too costly to follow, in terms of lost utility, will not be followed; while a custom that is fairly costless to follow will, once established, continue to be followed because persons lose utility directly by disobeying the underlying social code and also because disobedience of social custom results in loss of reputation.

This study makes three main contributions. First, this study contributes to the existing CSP-CFP research paradigm by demonstrating the important contingency effect of cultural values. Cultural values in a society are "the most central feature of culture" and express "shared conceptions of what is good and desirable in the culture" (Schwartz, 2006, p. 139). Our findings not only illustrate that the CSP-CFP relationship hinges on stakeholders' cultural values but also show that the magnitude of the interaction effects between cultural values and CSP is economically meaningful, suggesting the importance of exploring contingency factors that influence the CSP-CFP relationship.

Second, this paper contributes to a growing line of research examining the influence of cultural values on economic outcomes. The role of culture in affecting economic exchanges has received attention in both experimental research designs (Chen et al. 2009) and in large scale

empirical analyses (Chui, Lloyd and Kwok 2002; Guiso, Sapienza and Zingales 2003, 2009; Li et al. 2011, 2013). Our findings suggest that when firms undertake strategic investments consistent with stakeholders' embedded cultural values, shareholders are more likely to value such investments, leading to positive CFP. In contrast, when firms make investments that conflict with stakeholders' cultural values, these firms tend to have lower organizational legitimacy and such investments are less likely to be valued by shareholders, translating into lower CFP.

Third, this study uses recent cultural value dimension scores from a number of sources, including three recent waves of the World Values Survey (Inglehart, 2004) and an updated measure of long-term orientation from Tang and Koveos (2008). While some studies rely exclusively on Hofstede's measures as a proxy for culture, in recent years, Hofstede's proxies have come under criticism from some scholars. By using proxies, where possible, that represent the consensus of a broader sample of the population within each country (Inglehart, 2004), and reflect the impact of changes in national wealth on individualism, long-term orientation, and power distance scores (Tang and Koveos, 2008), we hope to address some of the inconsistent results from prior studies.

Our findings have significant implications and importance in practice, especially in view of the increasing awareness and emphasis on corporate social responsibility by many companies in the last two decades, in response to calls for action by both shareholders and other stakeholders. Many companies are hesitant to invest in CSR initiatives due to the indirect link between CSR expenditures and financial success. Our research addresses this pressing question by showing that CSR activities maximize firm value when the level of CSR activity is consistent with the underlying cultural context.

The rest of this paper is organized as follows. We first describe existing research on the CSP-CFP relationship as well as on cultural values. We then develop our empirical hypothesis – the cultural value conformity hypotheses. Following that, we describe the data and present empirical tests of the moderating effects of cultural values on the CSP-CFP relationship. We then present results from supplementary analyses. The paper concludes with a brief discussion of our findings.

II. BACKGROUND AND HYPOTHESES

2.1 Corporate Social Performance and Corporate Financial Performance

The debate on the relationship between CSP and CFP has been contentious. In some countries, social responsibility may be considered as an impediment to business growth, while managers in other countries may consider that social goals are imposed by corporate communication – a necessary tribute to be paid for generating a positive corporate image towards a number of stakeholders; especially consumers, shareholders, and the general public (Usunier et al. 2011).

As noted in the introduction, in this study we measure CSP using a composite score of the environmental and social performance pillars from Thomson Reuters' Asset4 ESG platform. The environmental pillar measures a company's impact on living and non-living natural systems, including the air, land and water, as well as complete ecosystems; and reflects how well a company uses best management practices to avoid environmental risks. It consists of three elements: (1) emission reduction; (2) product innovation; and (3) resource reduction. The social performance pillar measures a company's capacity to generate trust and loyalty with its workforce, customers and society through its use of best management practices and is a reflection of the company's reputation and its health. The social performance pillar consists of

seven elements; namely (1) customer/product responsibility; (2) society/community; (3) society/human rights; (4) workforce/diversity and opportunity; (5) workforce/employment quality; (6) workforce/health and safety; and (7) workforce/training and development. Detailed descriptions of the components of each pillar can be found in Appendix A.

Friedman (1970) and other neoclassical economists argue that adopting environmental and social policies (high CSP) can be detrimental to shareholders' wealth and value. The underlying logic is that corporate social investments can be a form of agency cost - managers may make investments in corporate social responsibility to improve stakeholder relationships and to achieve their own objectives (Friedman 1970; Jensen 2002; Kock et al. 2012). The agency costs associated with high CSP may exceed the benefits that stem from corporate social investments, leading to a competitive disadvantage and adversely affecting financial performance. The costs of CSP are immediate (Brammer and Millington 2008) with unknown payback periods (Slawinksi and Bansal 2015). In contrast, scholars adopting a stakeholder theory perspective argue that high CSP can translate into high CFP because managing relationships with stakeholders, in addition to shareholders, are conducive to hiring talented personnel, garnering employee and customer loyalty, and creating reputational capital, which are all critical to a company's competitive advantage and financial performance (Donaldson and Preston 1995; Freeman 1984; Eccles et al. 2014).

Empirical evidence regarding the CSP-CFP relationship is mixed. Two meta-analyses studies (Margolis et al. 2009; Orlitzky et al. 2003) find a positive relationship between CSP and CFP. Nevertheless, some studies observe a negative or inconclusive relationship between CSP and CFP (Fogler and Nutt 1975; Frooman 1997; Griffin and Mahon 1997; Vance 1975). Such mixed findings may be suggestive of either: (1) an unstable relationship between CSP and CFP,

or (2) organizational and institutional factors that moderate the CSP-CFP relationship. Goll and Rasheed (2004), for example, find that CSP exerts a stronger effect on CFP when the external environment is highly dynamic and munificent.

2.2 Cultural Values

Culture is a foundational institution of societies and represents systems of values and beliefs that support specific formal and informal institutions (North 1990; Williamson 2000). Cultural values represent shared conceptions of what is desirable and good in a society. Because cultural values can have a direct impact on people's expectations and preferences, which in turn guide their behaviors and decisions, cultural values can exert an indirect influence on economic outcomes (Guiso et al. 2006). In fact, existing research has already examined the direct influence of cultural values on corporate decisions in a number of instances. For example, national cultural value similarity increases cross-border merger volume and synergy gains (Ahern, Daminelli and Fracassi forthcoming), bilateral trust increases trade and direct investment between two countries (Guiso et al. 2009), individualism is positively associated with firms' risk taking behaviors (Li et al. 2013; Shao, Kwok and Zhang 2013) and cultural value differences affect capital structures that firms choose (Li et al. 2011). A recent study (Adams, Licht and Sagiv 2011) also shows the influence of cultural values on how board of directors make decisions regarding shareholders and other stakeholders. Specifically, findings from this study suggest directors are more pro-shareholder, instead of pro-stakeholder, when they have higher achievement, power, and self-direction values and lower universalism values.

Scholars have developed different theories of cultural values (Hofstede 1980; House et al. 2002; Inglehart and Welzel 2005). This study focuses on cultural value orientations developed by Hofstede (Hofstede 1980; Hofstede 2001; Hofstede et al. 2010) and operationalized using data

from the World Value Surveys (WVS) (Inglehart 2004), Hofstede, and Tang and Koveos (2008). Specifically, we examine power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity for which data is available in five waves of the WVS conducted between 1980 and 2014 for as many as 69 countries (Berry, Guillen and Zhou (2010). We examine long-term orientation using updated Hofstede cultural value indices from Tang and Koveos (2008), and we investigate indulgence using Hofstede (2010).

Hofstede developed his original model using factor analysis to examine the results of a world-wide survey of employee values at IBM (International Business Machines) in the 1960s and 1970s. It is important to note, however, that factor analysis was only performed at the end of the analysis. First, theoretical reasoning was used to single out certain survey questions as potentially relevant. In this way, Hofstede ensured that important nuances in the data were not overlooked. While Hofstede (Hofstede 2001) asserted that the relative ranking of cultural values is time invariant , there are a number of studies which have shown empirically that cultural values do change and that a richer level of analysis can be performed by measuring cultural values at different points in time (Tang and Koveos 2008; Berry, Guillen and Zhou 2010; Lim 2001; Johnson and Lenartowicz 1998). For example, studies have shown that an increase in national wealth results in a decrease in power distance and an increase in individualism (Tang and Koveos 2008; Inglehart and Baker 2000).

Departing from the cited studies examining the direct influence of cultural values, this paper conceptualizes the six cultural value dimensions as contingency factors that interact with CSP to affect CFP. Building on organizational legitimacy and salience in social judgment research, we propose the following hypothesis to explain the moderating effects of these six cultural value dimensions on the CSP-CFP relationship.

The Cultural Value Conformity Hypothesis

The cultural value conformity hypothesis contends that the interactions between CSP and individualism/power distance/masculinity/indulgence should have a negative effect on CFP while the interaction between CSP and long-term orientation/uncertainty avoidance should have a positive effect on CFP. These proposed effects stem from the assertion that firms with high CSP tend to have lower levels of organizational legitimacy in individualistic, power distant, masculine, and indulgent cultures but higher levels of organizational legitimacy in long-term oriented and uncertainty avoidant cultures.

Organizational legitimacy stems from congruence between the organization and its cultural environment (Suchman 1995; Aguilera and Jackson 2003). Williams and Ho (1999) point to culture, political and civil systems as the driver of CSR, where the legitimacy theory is the driving force. Legitimacy theory simply states that an organization must "appear to consider the rights of the public at large, not merely those of its investors" (Newson and Deegan 2002). This implies that the societal environment determines the extent to which companies engage in CSR (O'Donovan 2002). When firms' behaviors conform to socially constructed systems of norms, values, and beliefs, such firms tend to have higher levels of organizational legitimacy. Firms with high organizational legitimacy not only tend to be reputable but also may find it easier to obtain needed resources (Dowling and Pfeffer 1975; Suchman 1995).

The level of organizational legitimacy is largely determined by the alignment between corporate actions and dominant social values and beliefs. When firm actions are in alignment with cultural values and social beliefs, such actions will be espoused by stakeholders. In contrast, when firm actions violate commonly held cultural values and social beliefs, stakeholders tend to develop negative social perceptions and censor such firms. A study by Newman and Nollen

(1996) explored this alignment in the context of 176 work units in 18 foreign subsidiaries (Asian and Western) of one US corporation in the computers and office products industry. Using data from an employee attitude survey, from which they extracted perceptions of practices in five areas linked to five dimensions of national cultures, they found that business units with fitting practices (i.e. practices matched with national culture) performed better (in terms of return on assets and return on sales) than those with misfits. In their study, employee participation was linked to power distance, clarity about policies and direction were linked to uncertainty avoidance, emphasis on individual contributions was linked to individualism, use of merit-based awards was linked to masculinity, and long-term problem solving and employment security was linked to long-term orientation.

The *individualism* cultural dimension has been argued to be the most important dimension of Hofstede's cultural framework (Triandis 2001). *Individualism* emphasizes a loosely knit social framework in which individuals are expected to pursue their own interests whereas *collectivism* emphasizes the importance of working for group interests and achieving harmony. Corporate social investments are, in many cases, designed for a fair distribution of economic gains among various stakeholders and to attain societal sustainability. As such, stakeholders in highly individualistic cultures are less likely to espouse socially responsible firms because high CSP is incompatible with stakeholders' social values. Stakeholders, especially investors, are more likely to perceive that corporate social investments are a waste of shareholders' resources and discount the value of such investments in highly individualistic cultures. In contrast, the promotion of the welfare of others and harmony is espoused in collectivistic societies. Firms with high CSP are more likely to receive high levels of organizational legitimacy in such cultures because stakeholders believe corporate social

investments help facilitate social welfare and harmony. Thus, the market is likely to attach greater value to firms' corporate social investments in such collectivistic cultures.

Hypothesis 1a: Individualism (collectivism) will be negatively (positively) related to CSP.

Hypothesis 1b: Individualism (collectivism) will moderate the relationship between CSP and valuation at the firm level: the relationship between CSP and firm value will be stronger in those countries with lower levels of individualism (higher levels of collectivism).

The power distance dimension is defined as the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. Inequality in a lower power distance society is seen as a necessary evil that should be minimized whereas in a high power distance society, inequality is seen as the basis of societal order. As such, dominant shareholders in large power distant countries are likely to use their power to direct managerial discretion to their advantage and push for shareholder value maximization at the expense of weaker stakeholders such as employees and customers. Managers in these power distant countries are therefore likely to perceive incompatibility between economic and social responsibility. In small power distance countries, on the other hand, there is more power balance between shareholders and other stakeholders, resulting in managers who are likely to perceive that social responsibility is a means to achieve their economic responsibility goals. Prior research by Usunier, Furrer, and Furrer-Perrinjaquet (2011) supports this assertion that social responsibility is perceived as relatively incompatible with economic responsibility in countries with large power distance. Further supporting this assertion, Hofstede (2001) finds that public sympathy and legislation on behalf of environmental conservation is more likely in low power distance countries. Thus, the market is likely to attach a higher value to firms' corporate social investments in less power distant cultures.

Hypothesis 2a: Power distance will be negatively related to CSP.

Hypothesis 2b: Power distance will moderate the relationship between CSP and valuation at the firm level: the relationship between CSP and firm value will be stronger in those countries with lower levels of power distance.

The discussion of gender differences in values has been popularized by Tannen (1992), who has shown that the key difference in discourse between males and females in the United States (likely generalizable to all human societies) is that men are more focused on transferring information (report talk) whereas women are more interested in exchanging feelings and establishing relationships (rapport talk). Gender differentiation in child socialization is strong in the *masculine* culture and weak in the *feminine* culture (Van Rossum 1998). In short, masculinity emphasizes the importance of the "ego" side i.e. up-to-dateness, advancement, training, earnings with little emphasis on the "social" side espoused by femininity i.e. manager, cooperation, friendly atmosphere, physical conditions ("ego" and "social" are Hofstede's original labels for masculinity/femininity).

Corporate social investments, by definition, are focused on factors that are related to the "social" side, such as maintaining the company's reputation within the general community, being a good corporate citizen, promoting an effective life-work balance, and focusing on long-term stability by promoting from within, avoiding lay-offs and maintaining relations with trade unions. As a result, stakeholders in highly masculine cultures are less likely to support socially responsible firms. Shareholders are more likely to perceive that corporate social investments are an inefficient use of shareholders' resources and discount the value of such investments. However, the promotion of the welfare of others is very important in feminine societies. Firms with high CSP are more likely to receive high levels of legitimacy because stakeholders believe corporate social investments improve social welfare. This reasoning is further supported by Hofstede (2001) who found that public sympathy and legislation on behalf of economically and

socially weak members of society, as well as on behalf of environmental conservatism and maintaining the quality of life, are more likely in low masculinity (high femininity) countries. Thus, the market is likely to attach greater value to firms' corporate social investments in such feminine cultures.

Hypothesis 3a: Masculinity (femininity) will be negatively (positively) related to CSP.

Hypothesis 3b: Masculinity (femininity) will moderate the relationship between CSP and valuation at the firm level: the relationship between CSP and firm value will be stronger in those countries with lower levels of masculinity (higher levels of femininity).

Uncertainty avoidance refers to the extent to which members of a culture feel threatened by uncertain or unknown situations (Hofstede 2001). The term derives from U.S. organization theorists Richard M. Cyert and James G. March. Organizations, they argue, avoid uncertainty in their environment in two major ways: (1) they avoid the requirement that they correctly anticipate events in the distant future by using decision rules emphasizing short-run reaction to short-run feedback rather than anticipation of long-run uncertain events; and (2) they arrange a negotiated environment by imposing plans, standard operating procedures, and industry tradition which do not depend upon prediction of uncertain future events (Cyert and March 1963). The more threatening uncertainty is perceived to be, the more highly valued are beliefs and institutions that provide certainty. Societies scoring high on uncertainty avoidance attempt to avoid uncertainty by relying on stable social norms, highly structured bureaucracies, and rules promoting employment security, etc. As a result, firms in cultures characterized by high uncertainty avoidance may make expenditures in corporate social activities in an effort to keep the broader stakeholder community satisfied. Thus, all else being equal, firms with high CSP are likely to be valued higher in those cultures which are high on the uncertainty avoidance dimension.

Hypothesis 4a: Uncertainty avoidance will be positively related to CSP.

Hypothesis 4b: Uncertainty avoidance will moderate the relationship between CSP and valuation at the firm level: the relationship between CSP and firm value will be stronger in those countries with higher levels of uncertainty avoidance.

The *long-term orientation* cultural dimension suggests that a society attaches much importance on the future whereas the *short-term orientation* cultural dimension implies that a society pays more attention to the past and the present. As long-term oriented cultures are willing to conserve for the future and corporate social investments may contribute to a firm's sustainable and long-run competitiveness and prosperity, stakeholders in such cultures are less likely to consider corporate social investments as an agency cost and a waste of shareholders' resources (Cheng et al. 2014). On the contrary, in short-term oriented cultures, it may be hard to justify the value of corporate social investments given that the payoffs from such investments take a long time to materialize (Weigelt and Camerer 1988; Fombrun and Shanley 1990; Porter and Kramer 2011; Eccles et al. 2014). Therefore, high levels of investment in corporate social responsibility may be detrimental to a firm's organizational legitimacy because stakeholders in short-term orientation cultures expect firms to focus on generating quick returns. Thus, all else being equal, firms with high CSP are likely to be valued higher in long-term orientation cultures.

Hypothesis 5a:Long-term orientation (short-term orientation) will be positively (negatively) related to CSP.

Hypothesis 5b:Long-term orientation (short-term orientation) will moderate the relationship between CSP and valuation at the firm level: the relationship between CSP and firm value will be stronger in those countries with higher levels of long-term orientation (lower levels of short-term orientation).

The indulgence-restraint dimension is a cultural dimension recently added to the Hofstede cultural framework (Hofstede et al. 2010) (Hofstede, Hofstede and Minkov 2010). *Indulgent* societies tend to allow relatively free gratification of natural human desires with

respect to enjoying life and having fun whereas *restraint* societies are more prone to believe that such gratification should be curbed and regulated by strict norms. In this regard, indulgent societies are less likely to give up pleasures for the sake of saving the environment. As a strong commitment to CSP suggests that individuals may need to withhold from pursuing their own happiness, high CSP is incommensurate with the indulgence cultural value. On the contrary, in restraint cultures, individuals do not attach much importance to the pursuit of hedonic pleasures and instead expect their behaviors to be strictly regulated by social norms. Given that high CSP reflects a firm's willingness to forego short-run financial returns and associated hedonic pleasures, firms with high CSP should receive a higher level of organizational legitimacy and thereby be valued higher in restraint cultures.

Hypothesis 6a :Indulgence (restraint) will be negatively (positively) related to CSP.

Hypothesis 6b:Indulgence (restraint) will moderate the relationship between CSP and valuation at the firm level: the relationship between CSP and firm value will be stronger in those countries with higher levels of restraint (lower levels of indulgence).

III. SAMPLE SELECTION AND VARIABLES

3.1 Sample Selection

Our primary data source is Thomson Reuters' ASSET4, previously used by Cheng et al. (2014), Ioannou and Serafeim (2012), and Eccles et al. (2014). Founded in 2003 in Switzerland, ASSET4 is a leading provider of objective, comparable and systematic information that offers professional investors and corporations with the world's largest database of environmental, social, and governance (ESG) information. ASSET4 employs over 100 analysts to collect relevant, comparable and up-to-date information from publicly available data sources, including CSR annual reports, stock exchange filings, and news sources. Sample selection bias is reduced

by using all firms listed on the ASX 300, Bovespa, CAC 40, DAX, FTSE 250, MSCI Emerging Markets, MSCI World, NASDAQ 100, S&P500, SMI, and STOXX 600 stock exchanges.

The ASSET4 ESG ratings are equally weighted assessments of company performance based on over 250 key performance indicators. These ratings are standardized and normalized to position the score between 0% and 100%. Annually, more than 750 data points are used as inputs to a default equal-weighted framework to calculate more than 280 key performance indicators (KPIs). The overall ESG performance score can be further organized into 18 categories under four pillars: (1) environmental performance score; (2) social performance score; (3) corporate governance score; and (4) economic performance score. A firm receives a z-score in each year *t* for each of the four pillars by benchmarking its performance against the rest of the firms based on the information available in fiscal year *t*-1. For example, an environmental performance score in 2005 reflects a firm's investments in resource reduction, emission reduction and production in 2004. Thus, ESG rating scores are lagged by one year by construction. After matching with all other variables, we have 20,195 firm-year observations from 37 countries between 2001 and 2011. The breakdown of observations by country is shown in Table 1, Panel A. The United States represents 31.96% of sample firm-year observations, followed by Japan (15.85%), the United Kingdom (11.47%), Australia (6.72%) and Canada (5.70%).

3.2 Variables

3.2.1 Measures of CSP and CFP.

A composite CSP index is used to measure corporate social performance. Following Ioannou and Serafeim (2012), we use the annual environmental and social scores to create a composite *CSP index*. We exclude annual economic and corporate governance scores because these two pillars do not bear direct relationship with CSP. Because we do not have theoretical

guidance regarding the weights of the environmental and social scores to create the CSP index, we follow convention and assign equal weights to the two pillars (Hillman and Keim 2001; Waddock and Graves 1997). The variable "CSP index" is thus an equally weighted average of the environmental and social pillars of ASSET4 for the focal firm for each year in the panel dataset. Detailed descriptions of the components of these two scores are presented in Appendix A.

We measure firm value using *Tobin's q*. Tobin's q is defined as (book value of assets + (market value of equity – book value of equity))/book value of assets. The main difference between the numerator and the denominator in this expression is market value versus book value, where book value comes from the balance sheet and market value is calculated using the current stock price times the number of shares outstanding. Tobin's q has been widely used in finance and accounting to proxy for firm valuation (Lang, Lins and Miller 2004; Lewellen and Badrinath 1997), as an indicator of intangible value in economics (Lindenberg and Ross 1981), and encompasses investors' perception of likely future performance. To the extent that investors' perceptions about a company are influenced by culture and corporate social investments, there should be an impact on firm valuation.

Further to the perception consideration, Tobin's Q may also be conceptualized as a measure of over-or undervaluation of publicly traded assets. If the market value of an asset exceeds the cost of replacing it (Q>1), there is an incentive to recreate the asset and sell it in the market at a premium to cost. As a result, incremental real investment should tend to force high Q ratios back to parity. Tobin's Q can be influenced by market hype and speculation, as well as pessimism and discrimination on the part of investors. Tobin's Q thereby represents a good proxy for reflecting the response of shareholders to CSP/culture congruence.

3.2.2 Measures of culture.

Many cultural studies have used Hofstede's measures as a proxy for culture i.e. Li et al. 2011, 2013; Lievenbruck and Schmid 2014; Shao et al. 2013. However, in recent years, Hofstede's framework has been criticized theoretically and challenged empirically. One commonly cited criticism is the fact that Hofstede's measures are time invariant, consistent with his assertion that cultural values are relatively stable over time. Another criticism is the fact that his measures were collected within the context of global IBM employees which may not be representative of the population within each of these countries.

In this study, we use time varying estimates of cultural dimensions where available. For individualism, power distance, masculinity, and uncertainty avoidance, we use three waves of longitudinal cross-national distance data from the World Values Survey (Inglehart, 2004). We define these four cultural values using WVS questions in a consistent manner with that of Berry, Guillen, and Zhou (2010). For the sample years 2000 through 2004, we use the wave of 1999/2004. For the sample years 2005 through 2009, we use the wave of 2005/2009. Finally, for the years 2010 through 2013, we use the 2010/2015 wave.

For long-term orientation, we use the updated measure from Tang and Koveos (2008) to reflect their findings that national wealth has a curvilinear relationship with this cultural dimension, coupled with the fact that many countries' national wealth has changed since Hofstede's initial measures were calculated. Finally, for indulgence, we use survey based results from Hofstede (1980, 2001, 2010).

The implicit assumption in our study is that individual cultural values, on average, are consistent with the country where the stakeholder resides. While Hofstede preferred analyzing cultural values at the societal level, there are a number of studies which have shown that analyses

at the individual and country level are often highly correlated i.e. Triandis 1995; Lim 2001. As a further example, the major result of a study by Mathur, Zhang and Neelandkavil, 2001, shows that the individual motivational compositions of middle-level managers from culturally divergent countries are heavily influenced by their country of origin. Even Hoftsede (2001, p.375) himself noted that organizations are symbolic entities; they function according to implicit models in the minds of their members, and these models are culturally determined.

Said another way, we are asserting that companies within a given country act within the context of the cultural values of the stakeholders of that environment. The cultural values of these stakeholders can be proxied by country-level constructs.

3.2.3 Other variables of interest

We include a number of firm-level variables that can affect CFP. These control variables are based on a wide body of literature i.e. La Porta et al. (2002); Chua, Eun, and Lai (2007) which shows that firm valuation varies directly with shareholder rights, enforcement of insider trading laws, GDP growth, R&D intensity, sales growth rate, and the degree of capital market openness.

First, we control for *firm size*, capital investment intensity (*capital intensity*), research and development intensity (*R&D intensity*), *corporate governance score*, *cash holding ratio*, *intangible asset ratio*, *leverage ratio*, the percentage of shares held by foreign and domestic institutional owners (*foreign institutional ownership/domestic institutional ownership*), and the *sales growth rate*. In addition, we include *international sale ratio* as a control variable because foreign stakeholders' cultural values may play a more salient role in affecting CFP when firms have high levels of international sales. At the country level, we include the following variables as

controls: per capita gross domestic product (*per capita GDP*) and *annual GDP growth rate*. The definitions of variables and data sources used in this study are presented in Appendix B.

IV. EMPIRICAL METHODS

After limiting our analysis to those observations for which information for all required variables is available, we have firms from 37 different countries. At the firm level, we have over 3,500 firms. Given the multilevel data structure (with culture being a country-level variable and CSP/CFP being firm-specific variables), it is important to distinguish the effects at the country level from those at the individual firm level, to understand the role of country- versus firm-level factors, and to model their interactions properly. Following existing literature, we employ a hierarchical linear model (HLM), rather than ordinary least squares (OLS), to examine the multilevel data (Goldstein 2003; Peterson, Arregle and Martin 2012; Raudenbush and Bryk 2002). We implement a programming routine in Stata to perform the HLM analysis and use a random effects model. A major assumption of single-level, ordinary least squares (OLS) models is that the observations, and hence the error terms, are independent from one another. Whenever data is nested, as is the case with CSR and culture in this paper, it is highly likely that the independence assumption is violated. The moderately large intra-class correlation coefficient (ICC) in this dataset confirms that our observations are not independent.

With HLM, the set of firms within countries form the base-level observations while countries form the higher-level observations. Using a HLM has three advantages (Li et al. 2011, 2013). First, HLM separates the variance in firm-level financial performance into what is determined at the firm-level versus country-level predictors by using a mean-centered approach to firm-level variables. Second, the HLM framework allows for correction of the distortion caused by varying sample sizes across countries. Third, HLM can better incorporate cross-level

interactions between the firm- and country-level variables because HLMs enable the pooling of firm-level effects across countries while examining country-level relationships simultaneously.

We pre-process the data to decompose the country- and firm-level variance in firm financial performance (Li et al. 2013). For country-level variables, we center by their grand means (averaged across countries) with every transformed variable having a mean of zero. We add the suffix "_ctry" to denote these variables. For firm-level variables, we center by their grand means (averaged across firms and countries), with these transformed variables also having a mean of zero. Afterwards, we create country-level mean values (averaged within a country) on these grand-mean-centered variables and add the suffix "_ctrymean". Lastly, we create within-country residuals by taking the grand-mean adjusted variables and subtracting the corresponding within-country means. These firm-level deviations from their corresponding country-level means are named by adding the suffix "_firmdev".

To explore the effect of cultural values on CSP, we regress CSP on variables that capture firm characteristics and country-level cultural values. The HLM specification is shown as follows, with the intercept term α set as a random coefficient:

$$CSP_{ij} = \alpha + \beta_1 firmsize_{firmdev_{ij}} + \beta_2 firmsize_{ctrymean_{ij}} + \beta_3 capitalintensity_{firmdev_{ij}} + \beta_4 capitalintensity_{ctrymean_{ij}} + \beta_5 R\&Dintensity\_firmdev_{ij} + \beta_6 R\&Dintensity\_ctrymean_{ij} + \beta_7 Intlsaleratio_{firmdev_{ij}} + \beta_8 Intlsaleratio_{ctrymean_{ij}} + \beta_9 Corpgovscore_{firmdev_{ij}} + \beta_{10} Corpgovscore_{ctrymean_{ij}} + \beta_{11} Cashholdingratio_{firmdev_{ij}} + \beta_{12} Cashholdingratio_{ctrymean_{ij}} + \beta_{13} Intangibleassetratio_{firmdev_{ij}} + \beta_{14} Intangibleassetratio_{ctrymean_{ij}} + \beta_{15} Leverageratio_{firmdev_{ij}} + \beta_{16} Leverageratio_{ctrymean_{ij}} + \beta_{17} Forinstitown_{firmdev_{ij}} + \beta_{18} Forinstitown_{ctrymean_{ij}} + \beta_{19} Domesticinstitown_{firmdev_{ij}} + \beta_{20} Domesticinstitown_{ctrymean_{ij}} + \beta_{21} Salesgrowthrate\_firmdev_{ij} + \beta_{22} Salesgrowthrate\_ctrymean_{ij} + \beta_{23} Percapitagdp\_ctry_j + \beta_{24} Gdpgrowthrate\_ctry_j + \beta_{25} cultural\_value\_ctry_j + \varepsilon_{ij}$$

To explore the interaction effect of cultural values and CSP on CFP, we regress CFP measures on variables that capture firm characteristics and country-level cultural values. The HLM specification is shown as follows:

$$Firm\ performance_{ij} =$$

$$\alpha + \beta_1 firmsize_{firmdev_{ij}} + \beta_2 firmsize_{ctrymean_{ij}} + \beta_3 capitalintensity_{firmdev_{ij}} + \beta_4 capitalintensity_{ctrymean_{ij}} +$$

$$\beta_5 R\&Dintensity\_firmdev_{ij} + \beta_6 R\&Dintensity\_ctrymean_{ij} + \beta_7 Intlsaleratio_{firmdev_{ij}} + \beta_8 Intlsaleratio_{ctrymean_{ij}} +$$

$$\beta_9 Corpgovscore_{firmdev_{ij}} + \beta_{10} Corpgovscore_{ctrymean_{ij}} + \beta_{11} Cashholdingratio_{firmdev_{ij}} + \beta_{12} Cashholdingratio_{ctrymean_{ij}} +$$

$$\beta_{13} Intangibleassetratio_{firmdev_{ij}} + \beta_{14} Intangibleassetratio_{ctrymean_{ij}} + \beta_{15} Leverageratio_{firmdev_{ij}} + \beta_{16} Leverageratio_{ctrymean_{ij}} +$$

$$\beta_{17} Forinstitown_{firmdev_{ij}} + \beta_{18} Forinstitown_{ctrymean_{ij}} + \beta_{19} Domesticinstitown_{firmdev_{ij}} + \beta_{20} Domesticinstitown_{ctrymean_{ij}} +$$

$$\beta_{21} Salesgrowthrate\_firmdev_{ij} + \beta_{22} Salesgrowthrate\_ctrymean_{ij} + \beta_{23} Percapitagdp\_ctry_j + \beta_{24} Gdpgrowthrate\_ctry_j +$$

$$\beta_{25} CSP_{firmdev_{ij}} + \beta_{26} CSP_{ctrymean_{ij}} + \beta_{27} cultural\_value\_ctry_j + \beta_{28} cultural\_value\_ctry_j * CSP_{firmdev_{ij}} + \varepsilon_{ij}$$

For firm *i* from country *j*, our performance measure is Tobin's q. CSP can be the CSP index, environmental performance, or social performance. Cultural values can be individualism, indulgence, long-term orientation, power distance, masculinity, or uncertainty avoidance. Following Li et al. (2013), we interact national cultural values with firm-level CSP deviations. We also include two-digit SIC code dummies and year dummies in all regression models. The dependent variable is measured at time *t*, with all other variables measured at time *t-1*.

V. RESULTS

Table 1, Panel B and Panel C show summary statistics for country-level and firm-level variables respectively. Table 2 presents the correlation table.

Figures 1 through 6 visually illustrate the moderating effects of each cultural dimension on the relationship between CSP and Tobin's Q, as well as the relationship between culture and CSP. The figures illustrate the cultural dimensions of individualism, uncertainty avoidance, power distance, masculinity, long-term orientation, and indulgence respectively. Consistent with hypotheses 1a, 2a, 3a, 5a, and 6a, there is a negative association between individualism and CSP, a negative association between power distance and CSP, a negative association between masculinity and CSP, a positive association between long-term orientation and CSP, and a

negative association between indulgence and CSP. Inconsistent with hypothesis 4a, there is a negative association between uncertainty avoidance and CSP.

Turning to the second set of hypotheses, consistent with hypotheses 1b, 2b, 3b, 5b, and 6b,the relationship between CSP and firm value is stronger in those countries with lower levels of individualism, lower levels of power distance, lower levels of masculinity, higher levels of long-term orientation, and higher levels of restraint. Inconsistent with hypothesis 4b, the relationship between CSP and firm value is stronger in those countries with lower levels of uncertainty avoidance.

Table 3 presents the estimation results for the first set of hypotheses, exploring the relationship between each cultural dimension and CSP. Consistent with the hypotheses, there is a negative association between individualism and CSP (Panel A), a negative association between power distance and CSP (Panel B), and a negative association between masculinity and CSP (Panel C). Contrary to expectations, there is also a negative association between uncertainty avoidance and CSP (Panel D). For each cultural dimension in panel 3, results are the same with and without control variables. Separate panels are not presented for long-term orientation and indulgence; this is owing to the fact that time variant measures for these cultural dimensions are not available and as such, proving cause and effect is not possible. However, previous research from Hastings and Hastings (1981) supports our hypothesis; these researchers found that long-term orientation positively predicted the human desire to correct injustice and to want more equality.

Table 4 presents the interactions between each of the cultural dimensions and our CSP proxy. For brevity, we will only summarize results without control variables. In Table 2, Panel A (individualism), we find that the coefficient estimate of the CSP measure "_firmdev" is

negative and statistically significant (-0.020) and the coefficient estimate of the CSP measure "_ctrymean" is also negative and statistically significant (-0.149). Such a finding suggests that a firm's deviation above the country-level average CSP is negatively associated with Tobin's q. In addition, at the country level, high CSP is also negatively associated with Tobin's q. The interaction between individualism and our CSP index is negative but insignificant, thereby not supporting Hypothesis 1B.

Panel B reports interactions between power distance and our CSP proxy. The interaction between power distance and the CSP index is negative and significant, thereby supporting Hypothesis 2B. Panel C, showing the interaction between masculinity and CSP, supports Hypothesis 3B, revealing a significant negative relationship. Panel D reports the interaction between uncertainty avoidance and CSP performance with no significant results. Therefore, Hypothesis 4B is not supported. Panel E, showing the interaction between long-term orientation and CSP, supports Hypothesis 5B, revealing a significant positive relationship. Panel F reports the interaction between indulgence and CSP performance with a significant negative coefficient, thereby supporting Hypothesis 6B. Finally, Panel G reports the interaction of each culture dimension with CSP performance simultaneously. Including interrelated cultural values in the same analysis, this table indicates a negative interaction between masculinity and CSP and a negative interaction between indulgence and CSP. Power distance and long-term orientation, while significant in the independent analyses, are no longer significant. This is likely due to the high correlation amongst these variables, as indicated in Table 2 i.e. correlation between indulgence and long-term orientation is -0.766; correlation between indulgence and power distance is 0.568.

In summary, results from Table 4 suggest that the interactions between power distance/masculinity/indulgence and CSP exert a negative influence on firm value whereas the interaction between long-term orientation and CSP measures exerts a positive influence on firm value, supporting the cultural value conformity hypothesis.

VI. SUPPLEMENTARY ANALYSES

6.1 Culturally Balanced Sample

While our sample is culturally diverse with 37 countries, there is an over sampling of observations from western countries; namely Australia, Canada, the United Kingdom, and the United States. To ensure that our results are not sensitive to this unbalanced sample, we repeat our main analyses using a subset of our main sample. We compose our balanced sample by using all non-Western observations and randomly selecting an equal number of Western observations from the total population of Western observations. Table 5 below outlines the results for each of the cultural dimensions, including main and interaction effects with no control variables. The results are qualitatively very similar. The only difference is that the interaction between CSP and individualism is now statistically significant as hypothesized. Results including main effects, interaction effects, and control variables are consistent with those presented in Table 4.

6.2. OLS Regressions

Our main analyses use a hierarchical linear model to estimate the interaction effect of culture and CSP on firm valuation. However, recognizing the fact that OLS regressions are more commonly used, we supplement our analyses with pooled time-series OLS regressions. In general, the results are consistent with the HLM analyses. Detailed results are available from the authors upon request.

6.3. Other Robustness Checks

To verify that our results are not driven by the one year time lag between a CSP performance score in year t reflecting a firm's corresponding CSP investment in year t-1, we lag our dependent variables by two years instead of one year. We find similar results to those reported in Table 4. Kreft (1996) suggests that there needs to be at least 30 observations per group in HLM models. As the number of firm-year observations for some countries is less than 30 in our dataset, we re-examine our hypotheses without including these countries and find similar results.

VII. CONCLUSION

The impact of CSP initiatives on corporate financial performance has been contentious, from both a theoretical perspective and from related empirical evidence. While Friedman (1970) and other neoclassical economists would argue that adopting environmental and social policies can be detrimental to shareholders' wealth and value, other scholars adopting a stakeholder theory perspective would argue that high CSP can translate into high CFP because managing relationships with stakeholders, in addition to shareholders, are conducive to building a company's competitive advantage (Donaldson & Preston, 1995; Freeman, 1984).

Based on a sample of 3,574 firms from 37 countries, we find that the interactions between CSP and individualism/power distance/masculinity/indulgence have a negative effect on CFP while the interaction between CSP and long-term orientation has a positive effect on CFP. Such findings highlight the importance of cultural values in influencing the valuation of a firm's CSP by the market. In countries which prioritize individualism, power distance, masculinity and indulgence, shareholders are more likely to perceive that corporate social investments are a form of wasted resources and subsequently attach lower premiums to high CSP firms. In contrast, in

countries which prioritize long-term orientation , shareholders are more likely to perceive that socially responsible behavior is critical to a firm's long-run competitiveness and therefore grant higher premiums to firms with high CSP. We do not find significant interactions between CSP and uncertainty avoidance.

As such, we provide strong empirical support for a cultural value conformity hypothesis, whereby corporate financial performance is maximized when a firm's CSP initiatives are aligned with the cultural values of the country where the firm resides (i.e. "when in Rome, do as the Romans do"). Said another way, our findings highlight the importance of stakeholders' cultural values in shaping their perceptions about CSP initiatives, which in turn influences the CSP-CFP relationship. High CSP is more likely to be evaluated positively in those countries where national cultural values are compatible with the theme of corporate social investments.

This paper contributes to a growing field of research that explores the influence of CSP on CFP by illustrating the moderating effect of cultural values. Our study indicates that this moderating effect is both statistically and economically significant; for example, given the average firm size in our sample of $8.459 billion, a switch in CSP policies from cultural congruence to cultural misfit indicates an estimated reduction in market value of $0.5 billion. Such findings will be of interest to boards of directors, CEOs, and CFOs of publicly traded companies who consistently grapple with determining the optimal amount of CSP expenditures. Future research could examine whether cultural and CSP initiatives interact in a similar way when CSP initiatives are explored at the individual CEO level in addition to the firm level.

There are a number of limitations of our study. First, the information used in this paper to proxy for CSP comes from Asset4, a division of Thomson Reuters. While Thomson Reuters follows a rigorous process in collecting and coding the data, they only use information which is

publicly available. Because CSP reports by and large are not subject to regulatory audit, these reports may not accurately depict what is actually happening at the company.

Second, country samples differed in size, average company size, and industry composition. In cross-national research, it is important to have similar sample composition in each country surveyed in order to achieve comparability of data. While we used balanced samples in our robustness checks to ameliorate this issue, it is not a perfect substitute for a representative sample in both geographic and cultural terms.

Third, Tobin's Q, our main dependent variable of interest, will be sensitive to differences in accounting methods and practices across countries. While the majority of countries, with the exception of the United States, use International Financial Reporting Standards (IFRS) as the basis for record keeping, there are differences in interpretation and application of these rules from country to country (Radebaugh et al. 2005). In countries such as Britain and the United States, the stock market is a dominant influence, with the information needs of investors encouraging a more optimistic view of earnings and higher share prices. In addition, accounting is relatively flexible and tax rules have only a limited influence on accounting practice, with a less conservative approach to measurement. In other countries, such as continental Europe and Japan, taxation and sources of finance other than the stock market are major influences, resulting in more conservative accounting and less emphasis on stock prices. On balance, then, the numerator /denominator components of Tobin's Q in countries such as the US and Britain are larger than those of countries in Europe and Japan. Since Tobin's Q is a ratio, the "inflated" values of the numerator and denominator in the US and Britain will, at least to some extent, cancel out, making comparison across countries possible. Unfortunately, there is no way to

systematically and perfectly adjust for these differences in interpretation and application of accounting rules across countries.

In conclusion, we strongly believe that identifying the boundary of cultural values and its impact on the CSP/CFP relationship is an emerging area of interest; one that will continue to provide useful insights to our society in the future.

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APPENDIX A. Description of Asset4 Categories

Category	Description
Environmental Performance Pillar	The environmental pillar measures a company's impact on living and non-living natural systems, including the air, land and water, as well as complete ecosystems. It reflects how well a company uses best management practices to avoid environmental risks and capitalize on environmental opportunities in order to generate long term shareholder value.
Emission Reduction	The emission reduction category measures a company's management commitment and effectiveness towards reducing environmental emission in the production and operational processes. It reflects a company's capacity to reduce air emissions (greenhouse gases, F-gases, ozone-depleting substances, NOx and SOx, etc.), waste, hazardous waste, water discharges, spills or its impacts on biodiversity and to partner with environmental organisations to reduce the environmental impact of the company in the local or broader community.
Product Innovation	The product innovation category measures a company's management commitment and effectiveness towards supporting the research and development of eco-efficient products or services. It reflects a company's capacity to reduce the environmental costs and burdens for its customers, and thereby creating new market opportunities through new environmental technologies and processes or eco-designed, dematerialized products with extended durability.
Resource Reduction	The resource reduction category measures a company's management commitment and effectiveness towards achieving an efficient use of natural resources in the production process. It reflects a company's capacity to reduce the use of materials, energy or water, and to find more eco-efficient solutions by improving supply chain management.
Social Performance Pillar	The social pillar measures a company's capacity to generate trust and loyalty with its workforce, customers and society, through its use of best management practices. It is a reflection of the company's reputation and the health of its license to operate, which are key factors in determining its ability to generate long term shareholder value.
Customer /Product Responsibility	The customer/product responsibility category measures a company's management commitment and effectiveness towards creating value-added products and services upholding the customer's security. It reflects a company's capacity to maintain its license to operate by producing quality goods and services integrating the customer's health and safety, and preserving its integrity and privacy also through accurate product information and labelling.
Society /Community	The society/community category measures a company's management commitment and effectiveness towards maintaining the company's reputation within the general community (local, national and global). It reflects a company's capacity to maintain its license to operate by being a good citizen (donations of cash, goods or staff time, etc.), protecting public health (avoidance of industrial accidents, etc.) and respecting business ethics (avoiding bribery and corruption, etc.).
Society /Human Rights	The society/human rights category measures a company's management commitment and effectiveness towards respecting the fundamental human rights conventions. It reflects a company's capacity to maintain its license to operate by guaranteeing the freedom of association and excluding child, forced or compulsory labour.
Workforce /Diversity and Opportunity	The workforce/diversity and opportunity category measures a company's management commitment and effectiveness towards maintaining diversity and equal opportunities in its workforce. It reflects a company's capacity to increase its workforce loyalty and productivity by promoting an effective life-work balance, a family friendly environment and equal opportunities regardless of gender, age, ethnicity, religion or sexual orientation.

Category	Description
Workforce /Employment Quality	The workforce/employment quality category measures a company's management commitment and effectiveness towards providing high-quality employment benefits and job conditions. It reflects a company's capacity to increase its workforce loyalty and productivity by distributing rewarding and fair employment benefits, and by focusing on long-term employment growth and stability by promoting from within, avoiding lay-offs and maintaining relations with trade unions.
Workforce /Health & Safety	The workforce/health & safety category measures a company's management commitment and effectiveness towards providing a healthy and safe workplace. It reflects a company's capacity to increase its workforce loyalty and productivity by integrating into its day-to-day operations a concern for the physical and mental health, well-being and stress level of all employees.
Workforce /Training and Development	The workforce/training and development category measures a company's management commitment and effectiveness towards providing training and development (education) for its workforce. It reflects a company's capacity to increase its intellectual capital, workforce loyalty and productivity by developing the workforce's skills, competences, employability and careers in an entrepreneurial environment.

Appendix B. Variable Definitions and Data Sources

Panel A: Firm-level variables

Variable	Definition	Source
Capital expenditure ratio	Total capital expenditures divided by total assets.	World Scope
Cash holding ratio	Total cash and short-term investments divided by total assets.	World Scope
CSP index	The equally weighted average of two ASSET4 pillars - environmental and social performance scores. These ratings are z-scored.	ASSET4
Corporate governance score	A measure of corporate governance related to board structure, compensation policy, board functions and shareholder rights	ASSET4
Domestic institutional ownership	The percentage of shares held by domestic institutional investors	Factset
Environmental performance score	A measure of emission reduction, product innovation, and resource reduction. It is an equally weighted computer calculation of relative company performance, the benchmark being the ASSET4 company universe. These ratings are z-scored and normalized to position the score between 0% and 100%.(see Appendix A for further details)	ASSET4
Foreign institutional ownership	The percentage of shares held by foreign institutional investors	Factset
Intangible asset ratio	Total intangible assets divided by total assets.	World Scope
International sale ratio	Total international sales divided by total sale revenues.	World Scope
Leverage ratio	Total debt divided by total assets.	World Scope
Market value	Natural logarithm of market capitalization.	World Scope
R&D intensity	Total research and development expenditures divided by total assets.	World Scope
Sales growth rate	Sales revenue divided by prior year sales revenue minus one	World Scope
Social performance score	A measure of customer/product responsibility, society/community, society/human rights, workforce/diversity and opportunity, workforce/employment quality, workforce/health & safety, and workforce/training and development (see Appendix A for further details) It is an equally weighted computer calculation of relative company performance, the benchmark being the ASSET4 company universe. These ratings are z-scored and normalized to position the score between 0% and 100%. (see Appendix A for further details)	ASSET4
Tobin's q	Book value of assets + (market value of equity – book value of equity))/book value of assets.	World Scope

Panel B: Country-level variables

Variable	Definition	Source
GDP growth rate	Annual GDP growth rate (%).	World Bank
Individualism	Sum of standardized values (mean 0, standard deviation 1) to two WVS questions: (1) independence; and (2) people responsibility. "Independence" is defined as the percentage of people who chose "independence" in response to question a029 from WVS: "Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important? Please choose up to five." The other categories were good manners, politeness and neatness, hard work, honesty, feeling of responsibility, patience, and imagination. "People responsibility" is defined as the response to question e037: "Now I'd like you to tell me your views on various issues. How would you place your views on this scale? 1 means you agree completely with the statement on the left; 10 means you agree completely with the statement on the right; and if your view falls somewhere in between, you can choose any number in between: 1 – the government should take more responsibility to ensure that everyone is provided for. 10 – people should take more responsibility to provide for themselves.	Berry, Guillen, and Zhou (2010)
Indulgence	Indulgence scores; with low scores representing high restraint (low indulgence) and high scores representing low restraint (high indulgence).	Hofstede (2010)
Long-term orientation	Long-term orientation; with low scores representing short-term orientation and high scores representing long-term orientation.	Tang and Koveos (2008)
Masculinity	Sum of standardized values (mean 0, standard deviation 1) to two WVS questions: (1) family; and (2) work. "Family" is defined as the mean response on a scale of 1 to 5 to the question: How important is a001 family in your life? "Work" is defined as the mean response on a scale of 1 to 5 to the question: How important is a005 work in your life? Responses to question a001 family are reverse coded prior to standardization and added to standardized value of work importance.	Berry, Guillen, and Zhou (2010)
Per capita GDP	Natural logarithm of GDP per capita.	World Bank
Power distance	Sum of standardized values (mean 0, standard deviation 1) to two WVS questions: (1) obedience; and (2) authority. "Obedience" is defined as the percentage of respondents who chose obedience in response to question a042 from WVS: "Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important? Please choose up to five." The other categories were leadership, self-control, thrift saving money and things, determination perseverance, religious faith, unselfishness, and loyalty. "Authority" is defined as the percentage of people who responded to question e018 that "it would be a good thing": I am going to read out a list of various changes in our way of life that might take place in the near future. Please tell me for each one, if it were to happen, whether you think it would be a good thing, a bad thing, or don't you mind? – greater respect for authority."	Berry, Guillen, and Zhou (2010)
Uncertainty avoidance	Standardized value (mean 0, standard deviation 1) to one WVS question: (1) careful. "Careful" is defined as the percentage of people answering "very careful" to question a165: "Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?"	Berry, Guillen, and Zhou (2010)

Table 1 Summary Statistics

Panel A: Sample firms by country

Country	Observations	% of observations	# of Firms
Australia	1,358	6.72%	333
Brazil	159	0.79%	69
Canada	1,152	5.70%	248
Chile	63	0.31%	18
China	70	0.35%	31
Colombia	18	0.09%	7
Czech Republic	14	0.07%	3
Egypt, Arab Rep.	24	0.12%	10
Finland	161	0.80%	25
France	704	3.49%	94
Germany	510	2.53%	80
Hong Kong SAR, China	334	1.65%	56
Hungary	11	0.05%	3
India	247	1.22%	81
Indonesia	50	0.25%	23
Israel	51	0.25%	15
Italy	317	1.57%	51
Japan	3,201	15.85%	405
Korea, Rep.	309	1.53%	101
Malaysia	127	0.63%	44
Mexico	50	0.25%	19
Morocco	10	0.05%	3
Netherlands	279	1.38%	44
New Zealand	82	0.41%	11
Norway	138	0.68%	18
Philippines	51	0.25%	21
Poland	65	0.32%	24
Russian Federation	126	0.62%	31
Singapore	291	1.44%	45
South Africa	230	1.14%	114
Spain	378	1.87%	53
Sweden	326	1.61%	52
Switzerland	407	2.02%	70
Thailand	37	0.18%	19
Turkey	74	0.37%	23
United Kingdom	2,317	11.47%	336
United States	6,454	31.96%	994
Total	20,195	100.00%	3,574

Table 1 Summary Statistics

Panel B: Country level summary statistics

This table presents summary statistics for country level variables. Please refer to Appendix A and Appendix B for variable definitions.

Country	Individualism	Uncertainty avoidance	Power distance	Masculinity	Long-term Orientation	Indulgence	GDP per capita (log)	GDP growth rate (%)
Australia	0.57	-0.27	0.39	0.77	29.00	71.43	10.84	2.78
Brazil	-3.36	3.42	2.60	-2.40	34.00	59.15	9.29	3.63
Canada	0.34	0.55	0.78	1.46	38.00	68.30	10.68	1.57
Chile	-2.14	2.96	1.60	-2.77	34.00	68.00	9.45	4.31
China	-0.03	-1.17	-1.81	-1.51	96.00	23.66	8.48	9.45
Colombia	-2.69	3.57	3.85	-3.65	37.00	83.04	8.81	4.81
Czech Republic	1.13	1.51	-0.38	-3.67	N/A	29.46	9.88	0.66
Egypt, Arab Rep.	-1.49	2.33	2.54	-0.34	N/A	4.24	7.95	3.66
Finland	0.79	-1.03	-0.82	-0.84	30.00	57.37	10.64	1.32
France	-1.39	2.18	1.52	-0.75	38.00	47.77	10.53	0.97
Germany	0.39	0.90	-1.02	-2.43	35.00	40.40	10.55	1.26
Hong Kong SAR, China	-1.77	0.58	-2.02	-3.95	80.00	16.96	10.34	4.54
Hungary	1.25	2.04	0.98	-1.64	N/A	31.47	9.50	-0.72
India	-0.59	1.39	1.54	-6.48	56.00	26.12	7.24	6.68
Indonesia	1.70	0.48	-0.04	1.50	8.00	37.72	7.99	6.02
Israel	-1.31	2.07	-0.84	1.50	32.00	N/A	10.25	3.80
Italy	-1.28	1.49	-0.14	-0.58	37.00	29.69	10.39	-0.07
Japan	-0.32	0.75	-4.06	-0.16	85.00	41.74	10.57	0.67
Korea, Rep.	-1.82	1.54	-2.79	-0.07	71.00	29.46	9.93	3.82
Malaysia	1.40	3.30	-0.40	0.43	-7.00	57.14	9.12	5.09
Mexico	-2.21	2.87	3.14	-1.33	33.00	97.32	9.12	2.23
Morocco	-2.95	2.95	1.45	-1.13	N/A	25.45	7.95	4.58
Netherlands	0.27	-0.58	0.99	-1.47	34.00	68.30	10.65	1.05
New Zealand	0.27	-0.40	-0.38	0.81	28.00	74.55	10.34	1.55
Norway	2.23	-2.01	-1.34	0.78	35.00	55.13	11.23	1.62
Philippines	0.99	3.71	1.68	-0.59	44.00	41.96	7.72	5.15
Poland	-2.22	2.19	-0.02	-0.68	34.00	29.24	9.45	3.79
Russian Federation	-3.83	1.69	0.40	-2.54	N/A	19.87	9.27	2.36
Singapore	0.43	2.10	0.64	-0.21	78.00	45.54	10.53	6.38
South Africa	0.45	2.15	0.82	-1.35	27.00	63.00	8.90	2.63
Spain	-2.99	2.14	1.41	-0.42	34.00	43.53	10.25	1.22
Sweden	1.92	-1.53	-2.58	1.26	31.00	77.68	10.72	2.26
Switzerland	1.53	-0.15	-0.61	-0.62	39.00	66.07	11.05	1.79
Thailand	-1.99	1.11	0.24	-2.58	34.00	45.09	8.48	3.00
Turkey	-2.72	3.20	0.32	1.57	-6.00	49.11	9.21	4.22
United Kingdom	0.54	1.26	2.07	1.02	30.00	69.42	10.56	1.16
United States	0.37	0.82	0.17	0.96	34.00	68.08	10.74	1.60

Table 1 Summary Statistics

Panel C: Firm-level variable means by country

This table presents summary statistics for firm level variables. Please refer to Appendix A and Appendix B for variable definitions.

Country	CSP index	Environ. CSP	Social CSP	Tobin's Q	Market value (log)	Leverage ratio	Cash holding ratio	Intangible asset ratio	Capital expend %	R&D (%)	Int'l sale ratio	Sales growth rate	Corporate gov. score	Foreign institutional ownership	Domestic institutional ownership
Australia	-0.78	37.74	37.62	1.90	20.91	0.22	0.15	0.17	10.64	0.40	0.26	46.71	59.75	10.03	2.23
Brazil	0.50	51.23	64.28	1.99	22.47	0.30	0.15	0.16	7.37	0.26	0.06	29.30	28.65	21.14	2.58
Canada	-0.51	41.62	42.41	1.71	21.68	0.22	0.09	0.11	11.84	0.30	0.34	29.50	75.26	21.60	26.59
Chile	-0.35	44.19	44.70	1.53	22.51	0.28	0.06	0.07	7.50	0.00	0.19	23.29	10.06	7.78	0.87
China	-1.50	27.12	25.87	1.71	22.29	0.25	0.21	0.04	7.25	0.35	0.09	25.47	15.43	6.60	6.69
Colombia	-0.52	36.31	47.23	1.45	22.79	0.16	0.09	0.10	5.24	0.06	0.00	25.12	22.26	1.70	0.06
Czech Republic	0.90	56.72	71.23	1.44	23.26	0.15	0.06	0.08	6.11	0.01	0.08	3.95	18.56	15.16	0.54
Egypt, Arab Rep.	-1.62	19.87	29.04	1.14	21.89	0.22	0.08	0.08	5.60	0.00	0.15	10.97	9.69	9.23	0.09
Finland	1.51	77.27	70.32	1.51	21.79	0.26	0.08	0.14	5.50	1.72	0.63	10.86	58.94	20.85	10.91
France	1.61	74.45	76.12	1.50	22.78	0.28	0.11	0.26	5.18	1.52	0.52	9.62	51.58	17.39	8.33
Germany	1.10	67.75	66.76	1.47	22.52	0.24	0.11	0.18	5.70	2.47	0.55	7.04	31.90	20.55	7.75
Hong Kong SAR, China	-0.39	42.46	45.30	1.38	22.75	0.20	0.13	0.04	4.41	0.10	0.29	20.40	36.64	11.91	2.49
Hungary	2.39	85.09	89.85	1.01	22.45	0.28	0.05	0.14	4.98	0.00	0.38	9.33	38.66	23.35	0.87
India	0.30	51.09	58.31	2.27	22.69	0.25	0.09	0.06	10.66	0.35	0.23	30.24	25.80	13.73	3.95
Indonesia	0.03	39.52	61.23	2.76	22.42	0.15	0.13	0.03	7.67	0.10	0.01	17.86	22.97	11.58	0.01
Israel	-0.74	37.90	38.97	1.84	22.39	0.26	0.11	0.18	3.60	1.75	0.49	12.69	32.74	29.33	0.96
Italy	0.35	50.82	59.91	1.34	22.47	0.36	0.06	0.20	4.30	0.24	0.29	12.85	39.56	12.43	2.22
Japan	0.27	62.67	45.95	1.32	22.17	0.23	0.14	0.03	4.76	2.18	0.21	5.80	11.81	9.18	4.71
Korea, Rep.	0.60	62.55	56.30	1.39	22.36	0.28	0.15	0.04	7.78	0.80	0.19	15.80	15.67	14.41	0.12
Malaysia	-0.22	41.75	51.32	1.90	22.19	0.23	0.15	0.11	5.29	0.03	0.23	12.82	43.65	8.81	0.69

Table 1 Summary Statistics

Panel C: Firm-level variable means by country (continued)

This table presents summary statistics for firm level variables. Please refer to Appendix A and Appendix B for variable definitions.

Country	CSP index	Environ. CSP	Social CSP	Tobin's Q	Market value (log)	Leverage ratio	Cash holding ratio	Intangible asset ratio	Capital expend %	R&D (%)	Int'l sale ratio	Sales growth rate	Corporate gov. score	Foreign institutional ownership	Domestic institutional ownership
Mexico	-0.22	44.45	48.57	1.91	23.09	0.24	0.13	0.11	6.49	0.00	0.29	12.56	14.93	15.74	1.01
Morocco	-0.61	21.29	59.14	2.12	22.90	0.14	0.02	0.09	6.52	0.00	0.06	17.20	4.51	0.78	0.01
Netherlands	1.16	63.65	72.72	1.59	22.52	0.28	0.12	0.21	5.62	1.94	0.68	7.92	62.61	32.11	3.72
New Zealand	-0.24	48.59	43.89	1.75	21.11	0.36	0.04	0.17	6.27	0.80	0.27	9.34	55.67	10.60	3.01
Norway	0.79	62.62	62.11	1.73	21.79	0.24	0.14	0.16	7.43	0.89	0.62	13.70	57.05	21.25	11.55
Philippines	-0.99	32.26	36.62	1.75	21.53	0.27	0.13	0.05	5.44	0.00	0.06	19.31	30.14	13.40	0.24
Poland	-0.70	35.17	42.77	1.26	21.97	0.18	0.08	0.08	5.53	0.01	0.14	14.40	20.57	9.29	21.57
Russian Federation	-0.03	44.20	54.83	1.55	23.25	0.22	0.09	0.06	11.98	0.03	0.25	28.52	26.78	14.27	0.05
Singapore	-0.77	36.50	39.42	1.62	21.79	0.24	0.15	0.05	4.81	0.51	0.37	16.18	43.35	16.48	2.39
South Africa	0.90	55.62	72.27	1.79	21.57	0.17	0.10	0.09	7.44	0.09	0.26	13.49	59.50	13.82	5.69
Spain	1.42	69.81	74.64	1.77	22.53	0.35	0.09	0.14	5.53	0.54	0.29	14.10	46.93	11.98	2.98
Sweden	0.93	66.34	62.78	1.71	21.82	0.31	0.08	0.18	5.63	1.20	0.54	14.08	53.77	14.47	21.82
Switzerland	0.41	57.62	55.27	2.13	22.31	0.21	0.18	0.18	3.83	3.19	0.59	12.76	51.54	28.66	5.67
Thailand	0.09	47.12	55.64	2.06	22.17	0.29	0.10	0.01	6.20	0.00	0.15	13.39	41.41	8.20	1.45
Turkey	0.11	48.65	54.69	1.66	22.45	0.23	0.13	0.06	5.06	0.22	0.10	13.34	19.08	15.77	0.10
United Kingdom	0.75	60.13	63.44	1.74	21.49	0.26	0.11	0.19	5.80	0.93	0.38	12.11	70.18	12.71	19.51
United States	-0.28	43.53	47.46	1.98	22.64	0.25	0.14	0.19	5.57	2.31	0.27	11.10	74.79	6.39	74.10
High	2.39	85.09	89.85	2.76	23.26	0.36	0.21	0.26	11.98	3.19	0.68	46.71	75.26	32.11	74.10
Low	-1.62	19.87	25.87	1.01	20.91	0.14	0.02	0.01	3.60	0.00	0.00	3.95	4.51	0.78	0.01
Mean	0.15	49.88	54.84	1.69	22.26	0.25	0.11	0.11	6.39	0.68	0.28	16.30	37.36	14.40	6.96
St. Dev.	0.89	15.24	14.15	0.34	0.55	0.05	0.04	0.06	2.03	0.86	0.19	8.54	19.81	7.05	13.25

Table 2 Correlation Table

This table presents the pairwise variable correlations. Below diagonal entries present the Pearson product moment correlations. Above diagonal entries present the Spearman rank correlation. Correlations significant at the p<0.05 level are bolded and italicized.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
(1) Tobin's Q	***1.000***	***-0.076***	***0.118***	-0.005	***0.151***	***0.182***	***-0.174***	***0.167***	***0.101***	***-0.212***	***0.347***	***0.191***	***0.187***	***0.186***	***0.138***	***0.240***	***0.162***	-0.003	***0.214***	***0.069***	***0.163***
(2) CSP index	***-0.130***	***1.000***	***-0.064***	***0.112***	***0.020***	***-0.158***	0.018	***-0.079***	***0.433***	***0.101***	***-0.055***	***0.106***	***0.060***	***0.255***	***0.307***	***-0.173***	***0.289***	***0.275***	***-0.073***	***-0.087***	***-0.072***
(3) Individualism	***0.093***	***-0.085***	***1.000***	***-0.266***	***0.167***	***0.367***	***-0.445***	***0.511***	***-0.178***	***-0.038***	-0.001	***0.067***	0.003	***-0.046***	***0.099***	0.015	***0.258***	0.000	***0.119***	***0.193***	***0.150***
(4) Uncertainty avoidance	-0.017	***0.069***	***-0.504***	***1.000***	***0.305***	***-0.153***	***0.046***	***-0.298***	***0.120***	***0.066***	0.000	***0.035***	***-0.038***	-0.010	***-0.048***	***-0.023***	***-0.118***	***-0.045***	-0.016	***-0.432***	***0.098***
(5) Power distance	***0.150***	-0.001	***0.085***	***0.304***	***1.000***	***0.394***	***-0.572***	***0.568***	***-0.085***	***0.041***	***-0.084***	***0.185***	***0.049***	***-0.274***	***0.053***	***0.167***	***0.402***	***0.027***	***0.143***	***-0.116***	***0.115***
(6) Masculinity	***0.070***	***-0.111***	***0.449***	***-0.162***	***0.175***	***1.000***	***-0.490***	***0.672***	***-0.074***	-0.008	***-0.075***	***0.102***	***0.064***	***-0.107***	***-0.051***	***0.096***	***0.479***	***-0.237***	***0.525***	***0.308***	-0.008
(7) Long-term orientation	***-0.170***	0.006	***-0.266***	***-0.039***	***-0.801***	***-0.320***	***1.000***	***-0.766***	***0.154***	-0.011	***0.062***	***-0.221***	-0.016	***0.211***	***-0.037***	***-0.131***	***-0.467***	***0.072***	***-0.207***	***-0.181***	***-0.134***
(8) Indulgence	***0.160***	***-0.086***	***0.531***	***-0.252***	***0.528***	***0.631***	***-0.710***	***1.000***	***-0.212***	-0.006	***-0.059***	***0.177***	***0.054***	***-0.201***	***0.058***	***0.103***	***0.534***	***-0.048***	***0.307***	***0.391***	***0.043***
(9) Market value	***0.040***	***0.434***	***-0.121***	***0.130***	***-0.046***	***-0.086***	***0.041***	***-0.114***	***1.000***	***0.029***	***-0.078***	***0.071***	-0.003	***0.132***	***0.115***	***0.021***	***0.206***	***0.148***	***0.093***	-0.007	***0.020***
(10) Leverage	***-0.203***	***0.065***	***-0.044***	***0.041***	***0.035***	0.003	***-0.029***	-0.007	0.006	***1.000***	***-0.376***	***0.078***	***0.057***	***-0.148***	***-0.059***	***-0.096***	***0.035***	***-0.028***	-0.002	***-0.067***	-0.015
(11) Cash holding ratio	***0.417***	***-0.138***	***0.031***	***-0.042***	***-0.053***	0.017	***0.040***	0.015	***-0.083***	***-0.352***	***1.000***	***0.039***	***0.055***	***0.319***	***0.236***	***0.065***	***-0.070***	***0.079***	-0.012	***0.070***	0.013
(12) Intangible asset ratio	***0.046***	0.010	***0.091***	***-0.027***	***0.261***	***0.110***	***-0.309***	***0.250***	***0.030***	***0.070***	***-0.100***	***1.000***	***-0.110***	***0.182***	***0.270***	-0.004	***0.271***	***0.037***	***0.260***	***0.175***	***-0.065***
(13) Capital expenditure ratio	***0.112***	***-0.092***	0.011	***-0.051***	***0.084***	***0.032***	***-0.073***	***0.060***	***-0.108***	0.015	0.000	***-0.186***	***1.000***	0.003	***0.064***	***0.193***	***0.033***	***0.039***	***-0.023***	-0.005	-0.015
(14) R&D intensity	***0.237***	***0.112***	***0.073***	***-0.051***	***-0.107***	***0.046***	***0.055***	***0.033***	***0.095***	***-0.194***	***0.373***	***0.065***	***-0.094***	***1.000***	***0.390***	***-0.101***	***-0.046***	***0.037***	***0.096***	***0.048***	***-0.085***
(15) International sale ratio	***0.062***	***0.269***	***0.101***	***-0.108***	***0.099***	***-0.032***	***-0.122***	***0.075***	***0.098***	***-0.080***	***0.129***	***0.165***	0.006	***0.286***	***1.000***	***-0.023***	***0.164***	***0.273***	***0.042***	***0.068***	***-0.050***
(16) Sales growth rate	***0.145***	***-0.193***	0.018	***-0.069***	***0.095***	0.015	***-0.085***	***0.063***	***-0.129***	***-0.069***	***0.136***	***-0.028***	***0.336***	***-0.044***	-0.010	***1.000***	-0.005	***0.026***	***-0.021***	***-0.078***	***0.108***
(17) Corporate governance score	***0.089***	***0.238***	***0.315***	***-0.125***	***0.561***	***0.398***	***-0.622***	***0.637***	***0.170***	0.019	***-0.046***	***0.261***	0.014	***0.044***	***0.160***	***-0.022***	***1.000***	***0.043***	***0.533***	***0.397***	0.015
(18) Foreign institutional ownership	0.018	***0.151***	-0.017	***-0.046***	***0.083***	***-0.141***	***-0.046***	***-0.043***	***0.097***	***-0.050***	***0.032***	***0.050***	***0.052***	0.006	***0.276***	***0.036***	***0.077***	***1.000***	***-0.244***	***-0.080***	***-0.036***
(19) Domestic institutional ownership	***0.144***	***-0.145***	***0.257***	***-0.057***	***0.227***	***0.416***	***-0.361***	***0.504***	***0.146***	-0.006	***0.045***	***0.220***	***-0.048***	***0.171***	***-0.047***	***-0.073***	***0.533***	***-0.285***	***1.000***	***0.440***	***-0.082***
(20) Per capita GDP	-0.017	***-0.023***	***0.300***	***-0.452***	***-0.122***	***0.545***	***-0.052***	***0.431***	***-0.050***	-0.010	***0.059***	***0.146***	***-0.040***	***0.122***	***0.115***	***-0.027***	***0.300***	***-0.025***	***0.302***	***1.000***	***-0.088***
(21) GDP growth rate	***0.108***	***-0.077***	-0.017	***0.056***	***0.101***	***-0.182***	***-0.027***	***-0.081***	***0.040***	***-0.020***	***0.030***	***-0.067***	-0.006	***-0.058***	***-0.047***	***0.075***	***-0.028***	0.006	***-0.072***	***-0.285***	***1.000***

Table 3 Regression Analyses of Corporate Social Performance (CSP) on Culture

Panel A: Interaction between CSP and individualism – HLM Regressions

This table presents the HLM regressions of corporate social performance (CSP) on individualism and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls*			*Controls*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics						
Market value (log)				0.314***	0.281***	
				[0.014]	[0.086]	
Capital exp ratio				-0.007***	0.122***	
				[0.001]	[0.028]	
R&D intensity				1.858**	6.740	
				[0.802]	[7.283]	
International sale ratio				0.423***	-0.513	
				[0.055]	[0.442]	
Corporate gov score				0.027***	0.016***	
				[0.001]	[0.004]	
Cash holding ratio				-0.333***	-1.494	
				[0.112]	[1.484]	
Intangible asset ratio				0.073	4.731***	
				[0.123]	[0.747]	
Leverage ratio				0.407***	0.595	
				[0.100]	[0.856]	
Foreign inst own				0.429**	-1.817**	
				[0.178]	[0.719]	
Domestic inst own				-0.478***	-3.310***	
				[0.160]	[0.360]	
Sales growth rate				-0.274***	-5.990***	
				[0.028]	[0.593]	
Country characteristics						
Per capita GDP (Log)						0.144***
						[0.045]
GDP growth rate						-0.029***
						[0.002]
Individualism			-0.177***			-0.111***
			[0.023]			[0.018]
Constant			0.378			0.294
			[0.412]			[0.257]
Observations			20,188			20,188
Number of firm clusters			3,573			3,573
Industry FE			Yes			Yes
Adjusted R-squared			0.0795			0.485

Table 3 Regression Analyses of Corporate Social Performance (CSP) on Culture
Panel B: Interaction between CSP and power distance – HLM Regressions

This table presents the HLM regressions of corporate social performance (CSP) on power distance and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls*			*Controls*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics						
Market value (log)				0.313***	0.540***	
				[0.014]	[0.080]	
Capital exp ratio				-0.007***	0.130***	
				[0.001]	[0.029]	
R&D intensity				1.918**	-9.521	
				[0.805]	[7.450]	
International sale ratio				0.413***	-2.068***	
				[0.054]	[0.437]	
Corporate gov score				0.026***	0.023***	
				[0.001]	[0.004]	
Cash holding ratio				-0.348***	-2.548*	
				[0.112]	[1.531]	
Intangible asset ratio				0.076	8.683***	
				[0.124]	[0.864]	
Leverage ratio				0.410***	0.344	
				[0.100]	[0.867]	
Foreign inst own				0.473***	-0.366	
				[0.177]	[0.755]	
Domestic inst own				-0.404**	-3.884***	
				[0.161]	[0.346]	
Sales growth rate				-0.271***	-6.343***	
				[0.028]	[0.604]	
Country characteristics						
Per capita GDP (Log)						0.124***
						[0.047]
GDP growth rate						-0.029***
						[0.002]
Power distance			-0.178***			-0.171***
			[0.018]			[0.024]
Constant			0.510			0.314
			[0.446]			[0.254]
Observations			20,188			20,188
Number of firm clusters			3,573			3,573
Industry FE			Yes			Yes
Adjusted R-squared			0.0426			0.475

Table 3 Regression Analyses of Corporate Social Performance (CSP) on Culture
Panel C: Interaction between CSP and masculinity – HLM Regressions

This table presents the HLM regressions of corporate social performance (CSP) on masculinity and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls*			*Controls*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics						
Market value (log)				0.315***	0.153*	
				[0.014]	[0.084]	
Capital exp ratio				-0.006***	0.166***	
				[0.001]	[0.028]	
R&D intensity				1.971**	-9.431	
				[0.810]	[7.419]	
International sale ratio				0.386***	-1.797***	
				[0.054]	[0.437]	
Corporate gov score				0.026***	0.013***	
				[0.001]	[0.004]	
Cash holding ratio				-0.369***	0.310	
				[0.111]	[1.498]	
Intangible asset ratio				0.021	6.162***	
				[0.123]	[0.753]	
Leverage ratio				0.411***	1.562*	
				[0.099]	[0.873]	
Foreign inst own				0.322*	-0.700	
				[0.173]	[0.698]	
Domestic inst own				-0.382**	-2.950***	
				[0.157]	[0.359]	
Sales growth rate				-0.255***	-7.823***	
				[0.028]	[0.616]	
Country characteristics						
Per capita GDP (Log)						0.384***
						[0.049]
GDP growth rate						-0.033***
						[0.003]
Masculinity			-0.157***			-0.169***
			[0.016]			[0.017]
Constant			0.399			0.252
			[0.405]			[0.253]
Observations			20,188			20,188
Number of firm clusters			3,573			3,573
Industry FE			Yes			Yes
Adjusted R-squared			0.0808			0.484

Table 3 Regression Analyses of Corporate Social Performance (CSP) on Culture
Panel D: Interaction between CSP and uncertainty avoidance – HLM Regressions

This table presents the HLM regressions of corporate social performance (CSP) on uncertainty avoidance and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls*			*Controls*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics						
Market value (log)				0.312***	0.504***	
				[0.014]	[0.081]	
Capital exp ratio				-0.007***	0.134***	
				[0.001]	[0.029]	
R&D intensity				1.882**	-0.086	
				[0.829]	[7.351]	
International sale ratio				0.421***	-1.698***	
				[0.055]	[0.460]	
Corporate gov score				0.026***	0.016***	
				[0.001]	[0.004]	
Cash holding ratio				-0.323***	-2.244	
				[0.113]	[1.511]	
Intangible asset ratio				0.083	5.961***	
				[0.126]	[0.772]	
Leverage ratio				0.409***	0.807	
				[0.101]	[0.864]	
Foreign inst own				0.450**	-1.259*	
				[0.177]	[0.727]	
Domestic inst own				-0.451***	-3.719***	
				[0.161]	[0.355]	
Sales growth rate				-0.273***	-6.498***	
				[0.028]	[0.608]	
Country characteristics						
Per capita GDP (Log)						0.224***
						[0.044]
GDP growth rate						-0.030***
						[0.002]
Uncertainty avoidance			-0.204***			-0.059**
			[0.025]			[0.024]
Constant			0.431			0.301
			[0.408]			[0.254]
Observations			20,188			20,188
Number of firm clusters			3,573			3,573
Industry FE			Yes			Yes
Adjusted R-squared			0.0563			0.480

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel A: Interaction between CSP and individualism – HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), individualism, the interaction between CSP and individualism and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.020***	-0.149***		-0.018**	-0.005		-0.018**	-0.004	
	[0.007]	[0.025]		[0.007]	[0.046]		[0.007]	[0.046]	
Market value (log)				0.055***	0.095*		0.055***	0.095*	
				[0.014]	[0.054]		[0.014]	[0.054]	
Capital exp ratio				0.002	-0.042**		0.002	-0.041**	
				[0.002]	[0.017]		[0.002]	[0.017]	
R&D intensity				3.239***	7.465		3.229***	7.383	
				[0.986]	[4.573]		[0.988]	[4.575]	
International sale ratio				-0.199***	-0.524*		-0.199***	-0.524*	
				[0.053]	[0.302]		[0.053]	[0.302]	
Corporate gov score				-0.001	0.009***		-0.001	0.009***	
				[0.001]	[0.003]		[0.001]	[0.003]	
Cash holding ratio				1.665***	0.285		1.663***	0.289	
				[0.153]	[0.780]		[0.153]	[0.780]	
Intangible asset ratio				-0.593***	0.400		-0.593***	0.398	
				[0.098]	[0.535]		[0.098]	[0.536]	
Leverage ratio				-0.262***	-0.171		-0.264***	-0.160	
				[0.095]	[0.579]		[0.095]	[0.580]	
Foreign inst own				0.218*	0.464		0.221*	0.467	
				[0.132]	[0.558]		[0.132]	[0.559]	
Domestic inst own				-0.057	-0.067		-0.055	-0.063	
				[0.103]	[0.274]		[0.103]	[0.275]	
Sales growth rate				0.118***	1.899***		0.118***	1.900***	
				[0.035]	[0.487]		[0.035]	[0.487]	
Country characteristics									
Per capita GDP (Log)						-0.230***			-0.231***
						[0.035]			[0.035]
GDP growth rate						0.003			0.003
						[0.003]			[0.003]
Individualism			0.024***			0.022**			0.023**
			[0.008]			[0.009]			[0.009]
Interaction									
CSP x Individualism			-0.006						-0.005
			[0.005]						[0.004]
Constant			1.767***			1.673***			1.672***
			[0.114]			[0.145]			[0.145]
Observations			20,182			20,182			20,182
Number of firm clusters			3,572			3,572			3,572
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.153			0.307			0.307

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel B: Interaction between CSP and power distance – HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), power distance, the interaction between CSP and power distance and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.019***	-0.165***		-0.017**	-0.012		-0.018**	-0.012	
	[0.007]	[0.025]		[0.007]	[0.046]		[0.007]	[0.046]	
Market value (log)				0.055***	0.039		0.055***	0.039	
				[0.014]	[0.053]		[0.014]	[0.053]	
Capital exp ratio				0.002	-0.043**		0.002	-0.043**	
				[0.002]	[0.017]		[0.002]	[0.017]	
R&D intensity				3.216***	11.538**		3.195***	11.552**	
				[0.986]	[4.604]		[0.987]	[4.604]	
International sale ratio				-0.198***	-0.121		-0.198***	-0.120	
				[0.053]	[0.304]		[0.053]	[0.304]	
Corporate gov score				-0.001	0.007***		-0.001	0.007***	
				[0.001]	[0.003]		[0.001]	[0.003]	
Cash holding ratio				1.669***	0.602		1.668***	0.611	
				[0.153]	[0.779]		[0.153]	[0.780]	
Intangible asset ratio				-0.591***	-0.690		-0.589***	-0.676	
				[0.098]	[0.619]		[0.098]	[0.620]	
Leverage ratio				-0.265***	-0.047		-0.263***	-0.039	
				[0.095]	[0.594]		[0.095]	[0.594]	
Foreign inst own				0.216	0.056		0.223*	0.060	
				[0.132]	[0.568]		[0.132]	[0.568]	
Domestic inst own				-0.069	0.065		-0.069	0.064	
				[0.103]	[0.279]		[0.103]	[0.279]	
Sales growth rate				0.119***	1.966***		0.118***	1.968***	
				[0.035]	[0.492]		[0.035]	[0.492]	
Country characteristics									
Per capita GDP (Log)						-0.220***			-0.222***
						[0.035]			[0.035]
GDP growth rate						-0.000			-0.000
						[0.003]			[0.003]
Power distance			0.080***			0.050***			0.049***
			[0.009]			[0.014]			[0.013]
Interaction									
CSP x Power distance			-0.006***						-0.004
			[0.003]						[0.002]
Constant			1.711***			1.673***			1.679***
			[0.128]			[0.147]			[0.146]
Observations			20,182			20,182			20,182
Number of firm clusters			3,572			3,572			3,572
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.178			0.306			0.306

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel C: Interaction between CSP and masculinity – HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), masculinity, the interaction between CSP and masculinity and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.020***	-0.158***		-0.018**	-0.003		-0.018**	-0.001	
	[0.007]	[0.025]		[0.007]	[0.046]		[0.007]	[0.046]	
Market value (log)				0.056***	0.088		0.055***	0.089	
				[0.014]	[0.055]		[0.014]	[0.055]	
Capital exp ratio				0.002	-0.049***		0.002	-0.049***	
				[0.002]	[0.017]		[0.002]	[0.017]	
R&D intensity				3.226***	9.570**		3.229***	9.926**	
				[0.985]	[4.547]		[0.986]	[4.546]	
International sale ratio				-0.199***	-0.290		-0.198***	-0.266	
				[0.053]	[0.296]		[0.053]	[0.297]	
Corporate gov score				-0.001	0.009***		-0.001	0.009***	
				[0.001]	[0.003]		[0.001]	[0.003]	
Cash holding ratio				1.664***	0.199		1.660***	0.164	
				[0.153]	[0.780]		[0.153]	[0.781]	
Intangible asset ratio				-0.593***	0.137		-0.596***	0.099	
				[0.098]	[0.534]		[0.098]	[0.537]	
Leverage ratio				-0.264***	-0.297		-0.265***	-0.300	
				[0.095]	[0.585]		[0.095]	[0.587]	
Foreign inst own				0.232*	0.325		0.241*	0.314	
				[0.132]	[0.558]		[0.132]	[0.558]	
Domestic inst own				-0.059	-0.059		-0.051	-0.056	
				[0.103]	[0.275]		[0.103]	[0.276]	
Sales growth rate				0.118***	2.148***		0.118***	2.194***	
				[0.035]	[0.503]		[0.035]	[0.506]	
Country characteristics									
Per capita GDP (Log)						-0.269***			-0.276***
						[0.035]			[0.035]
GDP growth rate						0.001			0.001
						[0.003]			[0.003]
Masculinity			-0.004			0.018**			0.018**
			[0.008]			[0.009]			[0.009]
Interaction									
CSP x Masculinity			-0.010***						-0.010***
			[0.004]						[0.003]
Constant			1.776***			1.679***			1.673***
			[0.109]			[0.146]			[0.144]
Observations			20,182			20,182			20,182
Number of firm clusters			3,572			3,572			3,572
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.154			0.307			0.308

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel D: Interaction between CSP and uncertainty avoidance – HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), uncertainty avoidance, the interaction between CSP and uncertainty avoidance and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.020***	-0.164***		-0.019***	-0.013		-0.019***	-0.014	
	[0.007]	[0.025]		[0.007]	[0.046]		[0.007]	[0.046]	
Market value (log)				0.057***	0.074		0.056***	0.073	
				[0.014]	[0.054]		[0.014]	[0.054]	
Capital exp ratio				0.002	-0.042**		0.002	-0.042**	
				[0.002]	[0.017]		[0.002]	[0.017]	
R&D intensity				3.227***	7.429		3.229***	7.622	
				[0.986]	[4.617]		[0.984]	[4.635]	
International sale ratio				-0.199***	-0.535		-0.200***	-0.529	
				[0.053]	[0.328]		[0.053]	[0.329]	
Corporate gov score				-0.001	0.009***		-0.001	0.009***	
				[0.001]	[0.003]		[0.001]	[0.003]	
Cash holding ratio				1.664***	0.395		1.665***	0.392	
				[0.153]	[0.784]		[0.153]	[0.786]	
Intangible asset ratio				-0.596***	0.508		-0.595***	0.502	
				[0.098]	[0.564]		[0.098]	[0.565]	
Leverage ratio				-0.261***	-0.354		-0.260***	-0.342	
				[0.096]	[0.596]		[0.096]	[0.597]	
Foreign inst own				0.226*	0.500		0.226*	0.495	
				[0.132]	[0.568]		[0.132]	[0.568]	
Domestic inst own				-0.061	-0.076		-0.064	-0.080	
				[0.103]	[0.276]		[0.103]	[0.276]	
Sales growth rate				0.118***	1.748***		0.118***	1.760***	
				[0.035]	[0.504]		[0.035]	[0.505]	
Country characteristics									
Per capita GDP (Log)						-0.245***			-0.246***
						[0.034]			[0.034]
GDP growth rate						0.002			0.002
						[0.003]			[0.003]
Uncertainty avoidance						-0.019			-0.019
						[0.017]			[0.017]
Interaction									
CSP x Uncertainty avoidance			-0.006						-0.005
			[0.006]						[0.006]
Constant			1.776***			1.686***			1.687***
			[0.111]			[0.145]			[0.145]
Observations			20,182			20,182			20,182
Number of firm clusters			3,572			3,572			3,572
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.153			0.307			0.307

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel E: Interaction between CSP and long-term orientation – HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), long-term orientation, the interaction between CSP and long-term orientation and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.019***	-0.165***		-0.019***	-0.031		-0.019***	-0.030	
	[0.007]	[0.025]		[0.007]	[0.049]		[0.007]	[0.049]	
Market value (log)				0.059***	0.063		0.058***	0.062	
				[0.014]	[0.057]		[0.014]	[0.057]	
Capital exp ratio				0.002	-0.028		0.002	-0.028	
				[0.002]	[0.018]		[0.002]	[0.018]	
R&D intensity				3.469***	12.787***		3.444***	12.886***	
				[0.981]	[3.969]		[0.982]	[3.967]	
International sale ratio				-0.188***	0.073		-0.188***	0.078	
				[0.052]	[0.247]		[0.052]	[0.247]	
Corporate gov score				-0.000	0.007***		-0.000	0.007***	
				[0.000]	[0.002]		[0.000]	[0.002]	
Cash holding ratio				1.687***	1.479**		1.687***	1.468**	
				[0.150]	[0.742]		[0.150]	[0.743]	
Intangible asset ratio				-0.575***	-1.725***		-0.573***	-1.736***	
				[0.096]	[0.648]		[0.096]	[0.647]	
Leverage ratio				-0.273***	1.018*		-0.272***	1.033*	
				[0.093]	[0.550]		[0.093]	[0.550]	
Foreign inst own				0.166	-0.147		0.171	-0.141	
				[0.125]	[0.462]		[0.126]	[0.463]	
Domestic inst own				-0.074	-0.015		-0.076	-0.011	
				[0.103]	[0.254]		[0.103]	[0.254]	
Sales growth rate				0.119***	1.739***		0.119***	1.751***	
				[0.034]	[0.511]		[0.034]	[0.513]	
Country characteristics									
Per capita GDP (Log)						-0.217***			-0.219***
						[0.036]			[0.036]
GDP growth rate						0.006*			0.006*
						[0.004]			[0.004]
Long-term orientation			-0.009***			-0.008***			-0.008***
			[0.001]			[0.002]			[0.002]
Interaction									
CSP x Long-term orientation			0.001***						0.000*
			[0.000]						[0.000]
Constant			1.772***			1.714***			1.716***
			[0.140]			[0.152]			[0.151]
Observations			20,788			20,788			20,788
Number of firm clusters			3,647			3,647			3,647
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.180			0.310			0.310

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel F: Interaction between CSP and indulgence – HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), indulgence, the interaction between CSP and indulgence and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.021***	-0.129***		-0.021***	-0.013		-0.020***	-0.011	
	[0.007]	[0.024]		[0.007]	[0.044]		[0.007]	[0.044]	
Market value (log)				0.061***	0.108**		0.061***	0.106**	
				[0.014]	[0.053]		[0.014]	[0.053]	
Capital exp ratio				0.002	-0.034**		0.002	-0.034**	
				[0.002]	[0.016]		[0.002]	[0.016]	
R&D intensity				3.483***	6.234		3.472***	6.360*	
				[0.981]	[3.793]		[0.981]	[3.799]	
International sale ratio				-0.176***	0.027		-0.175***	0.042	
				[0.051]	[0.244]		[0.051]	[0.244]	
Corporate gov score				-0.000	0.006***		-0.000	0.006***	
				[0.000]	[0.002]		[0.000]	[0.002]	
Cash holding ratio				1.679***	0.512		1.678***	0.515	
				[0.150]	[0.727]		[0.150]	[0.729]	
Intangible asset ratio				-0.576***	-0.198		-0.574***	-0.218	
				[0.096]	[0.509]		[0.096]	[0.510]	
Leverage ratio				-0.269***	0.091		-0.269***	0.104	
				[0.093]	[0.533]		[0.093]	[0.533]	
Foreign inst own				0.164	-0.215		0.174	-0.213	
				[0.126]	[0.432]		[0.126]	[0.433]	
Domestic inst own				-0.072	-0.017		-0.071	-0.008	
				[0.103]	[0.243]		[0.103]	[0.244]	
Sales growth rate				0.118***	1.817***		0.117***	1.830***	
				[0.034]	[0.471]		[0.034]	[0.471]	
Country characteristics									
Per capita GDP (Log)						-0.250***			-0.253***
						[0.033]			[0.033]
GDP growth rate						0.006			0.006*
						[0.004]			[0.004]
Indulgence			0.006***			0.006***			0.006***
			[0.001]			[0.001]			[0.001]
Interaction									
CSP x Indulgence			-0.001***						-0.001**
			[0.000]						[0.000]
Constant			1.774***			1.684***			1.687***
			[0.128]			[0.151]			[0.149]
Observations			20,944			20,944			20,944
Number of firm clusters			3,690			3,690			3,690
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.162			0.307			0.307

Table 4 Regression Analyses of Corporate Financial Performance (CFP) on Corporate Social Performance (CSP) and Culture
Panel G: Interaction between CSP and All Cultural Dimensions– HLM Regressions

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), individualism, power distance, masculinity, uncertainty avoidance, long-term orientation, and indulgence, the interaction between CSP and individualism, power distance, masculinity, uncertainty avoidance, long-term orientation, and indulgence and control variables for the full sample. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively. Firm control variables have not been displayed here for brevity.

Variables	*No controls + interaction*			*Controls, no interaction*			*Controls + interaction*		
	_firmdev	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*	*_firmdev*	*_ctrymean*	*_ctry*
Firm characteristics									
CSP measure	-0.018***	-0.198***		-0.015***	-0.009		-0.014**	-0.009	
	[0.007]	[0.026]		[0.007]	[0.053]		[0.007]	[0.053]	
Country characteristics									
Per capita GDP (Log)						-0.166***			-0.178***
						[0.046]			[0.047]
GDP growth rate						0.001			0.001
						[0.003]			[0.003]
Individualism			0.020***			0.009			0.007
			[0.010]			[0.010]			[0.010]
Power distance			0.060***			0.065***			0.062***
			[0.013]			[0.016]			[0.016]
Masculinity			-0.027***			-0.006			-0.006
			[0.009]			[0.011]			[0.011]
Uncertainty avoidance			-0.018			-0.048**			-0.048**
			[0.017]			[0.020]			[0.020]
Long-term orientation			-0.008***			-0.008***			-0.008***
			[0.001]			[0.002]			[0.002]
Indulgence			-0.004***			0.001			0.001
			[0.002]			[0.002]			[0.002]
Interaction									
CSP x Individualism			-0.005						-0.004
			[0.005]						[0.005]
CSP x Power distance			-0.003						-0.001
			[0.005]						[0.005]
CSP x Masculinity			-0.007*						-0.008**
			[0.004]						[0.004]
CSP x Uncertainty avoidance			-0.007						-0.007
			[0.009]						[0.008]
CSP x Long-term orientation			0.000						-0.000
			[0.001]						[0.000]
CSP x Indulgence			-0.004***						-0.000
			[0.002]						[0.001]
Constant			1.718***						1.711***
			[0.131]						[0.152]
Observations			19,946			19,946			19,946
Number of firm clusters			3,507			3,507			3,507
Industry FE			Yes			Yes			Yes
Year FE			Yes			Yes			Yes
Adjusted R-squared			0.187			0.312			0.313

Table 5 Regression Analyses of CFP on CSP and Culture – Culturally Balanced Sample

This table presents the HLM regressions of Tobin's q (CFP) on corporate social performance (CSP), individualism, power distance, masculinity, uncertainty avoidance, long-term orientation, and indulgence, and the interaction between CSP and individualism, power distance, masculinity, uncertainty avoidance, long-term orientation, and indulgence for a balanced sample of Western and non-Western observations. All variables are defined in the Appendices. Clustered standard errors by firm are reported in parentheses. ***, **, and * indicate statistical significance at the 1 percent, 5 percent and 10 percent levels (two-tailed) respectively

VARIABLES	(1) individualism	(2) power distance	(3) masculinity	(4) uncertainty avoidance	(5) long-term orientation	(6) indulgence
Culture	0.024***	0.086***	-0.008	0.017	-0.009***	0.006***
	[0.009]	[0.011]	[0.009]	[0.017]	[0.001]	[0.001]
CSP firm deviation	-0.020***	-0.019***	-0.018***	-0.019***	-0.018***	-0.020***
	[0.007]	[0.007]	[0.007]	[0.007]	[0.006]	[0.007]
CSP country mean	-0.156***	-0.170***	-0.167***	-0.170***	-0.177***	-0.141***
	[0.025]	[0.026]	[0.026]	[0.025]	[0.026]	[0.025]
CSP x culture	-0.010*	-0.007**	-0.013***	-0.001	0.001**	-0.001***
	[0.005]	[0.003]	[0.004]	[0.007]	[0.000]	[0.000]
Constant	1.845***	1.758***	1.858***	1.858***	1.781***	1.818***
	[0.129]	[0.143]	[0.123]	[0.127]	[0.154]	[0.141]
Observations	11,939	11,939	11,939	11,939	12,109	12,240
Number of id	3,303	3,303	3,303	3,303	3,368	3,409
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Model R-squared	0.143	0.179	0.144	0.143	0.184	0.154

Figure 1. Moderating Effect of Individualism

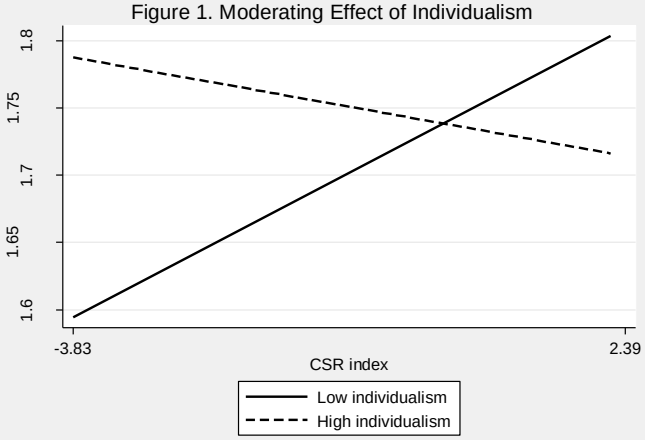

Figure 2. Moderating Effect of Uncertainty Avoidance

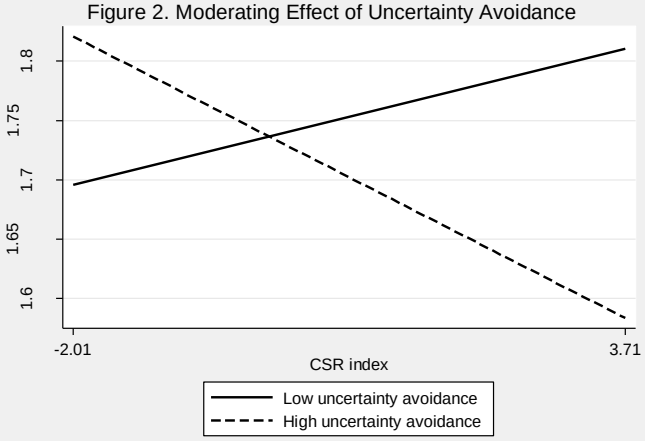

Figure 3. Moderating Effect of Power Distance

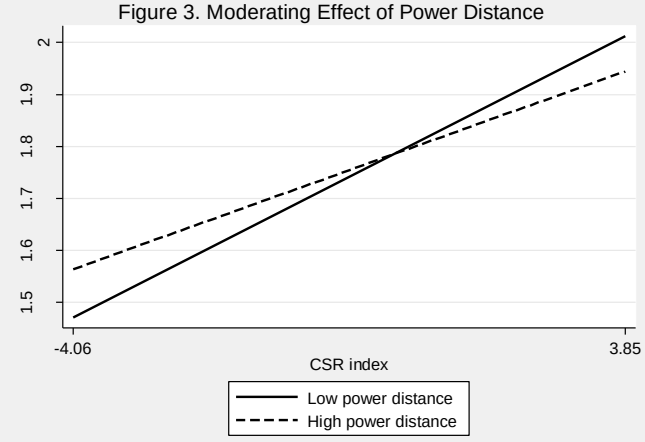

Figure 4. Moderating Effect of Masculinity

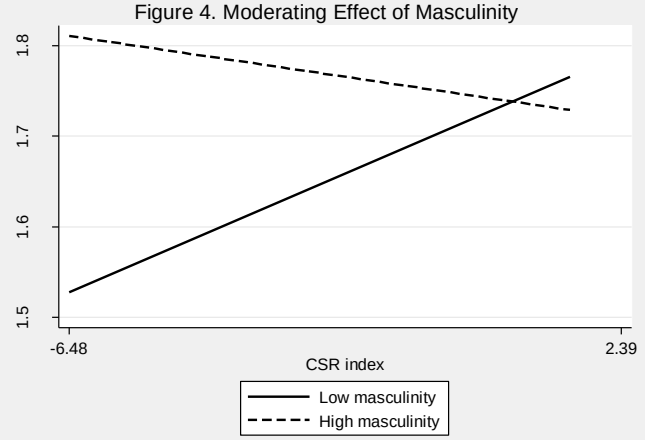

Figure 5. Moderating Effect of Short-Term / Long-Term Orientation

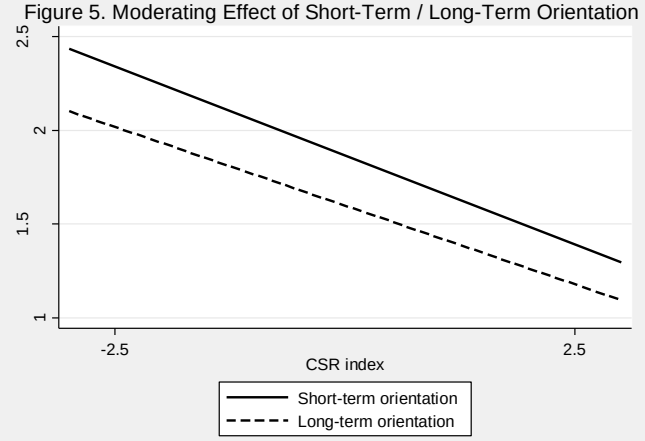

Figure 6. Moderating Effect of Indulgence