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The Political Side of CSR: The Roles of Corporate Leadership, Human Resources Practices, and Political Consequences

Andreia Filipa Borges Pereira

PhD in Management, specialization in Human Resources and Organizational Behavior

Supervisor:
Doutor Nelson Jorge Campos Ramalho, Associate Professor,
ISCTE - Instituto Universitário de Lisboa

September, 2023

BUSINESS
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Resumo

A Responsabilidade Social Empresarial (RSE) Política afirma que as empresas responsáveis são competentes para preencher lacunas governamentais, ganhando assim legitimação para desempenhar um papel político. Este argumento, amplamente defendido pela perspectiva Habermasiana da RSE Política, tem ainda testes empíricos limitados que permitam o seu suporte ou rejeição. Partindo da noção de que a RSE tem uma conotação política, a presente tese inclui quatro estudos com o objetivo de compreender até que ponto a RSE pode ser vantajosa nos esforços políticos das empresas. Estes estudos visam (i) compreender a relação entre os critérios de RSE e o comportamento político na União Europeia (UE), e (ii) testar algumas das principais proposições da RSE política.

O estudo 1 testa a relação promissora entre a atividade política empresarial e a RSE no seio da UE, compreendendo dois estudos (1a e 1b) que investigam como as empresas alavancam a sua (i) integração política e (ii) o seu desempenho financeiro através do efeito conjunto do lobbying e da adopção da RSE. Para este efeito, baseámo-nos num modelo multinível que abrange as características dos membros do conselho de administração (CA) das empresas, os custos com o lobbying, e os critérios individuais e macro de RSE entre empresas estrangeiras e não estrangeiras. Os estudos 2 a 4 baseiam-se na perspectiva Habermasiana da RSE Política, examinando o pressuposto de que as atividades de RSE legitimam as empresas para desempenhar um papel político. Especificamente, o estudo 2 fornece um relato conceptual do fenómeno, considerando o papel das competências políticas dos membros do CA. O estudo 3 investiga este pressuposto dentro das organizações, examinando em que medida os colaboradores, provenientes de uma variedade de sectores económicos, percecionam que as atividades de RSE da sua empresa aumentam a sua legitimidade política através da confiança no CA. O estudo 4 segue uma abordagem quasi-experimental para compreender até que ponto os cidadãos confiam e legitimam uma empresa hipotética para desempenhar um papel político devido à sua adoção de práticas de RSE.

Em resumo, o estudo 1 conclui que a adoção dos critérios da Organização das Nações Unidas (ONU) são muito importantes politicamente para as corporações estrangeiras na UE, desde que associada a investimentos em lobbying. Nos restantes estudos, concluímos que a RSE tem uma dimensão estratégia política *per se*. Especificamente, as evidências sugerem que a RSE é uma atividade política legítima tanto dentro como fora das empresas, particularmente quando as iniciativas de RSE são percebidas como altruístas, indo além das obrigações legais.

Em geral, os resultados encorajam uma mudança na investigação da atividade política empresarial, sugerindo que a transparência em assuntos políticos não é suficiente; que é necessária benevolência para influenciar legitimamente as decisões governamentais sem riscos reputacionais.

Palavras-chave: *RSE política; Atividade Política Empresarial; Legitimidade Política; Confiança Empresarial; Nações Unidas.*

Abstract

Political Corporate Social Responsibility (PCSR) contends that responsible corporations are competent to fill government gaps, thus increasing their legitimation to perform a political role. This contention, which is widely advocated by the Habermasian perspective of PCSR has yet limited empirical evidence for its support or rejection. Building upon the notion that CSR has a political connotation, the current thesis consists of four studies to understand how far CSR can be advantageous in political endeavors. These studies aim to (i) understand the relationship between CSR criteria and political behavior in the European Union (EU), and (ii) test some key PCSR propositions.

Study 1 aims to test the promising relationship between corporate political activity (CPA) and CSR within the EU, and comprises two studies (1a and 1b) that investigate how corporations leverage their (i) political embeddedness and (ii) financial performance through the joint effect of lobbying and CSR adoption. For this purpose, we drew on a multi-level model covering board members' characteristics, lobbying expenditures, and CSR individual and macro-level criteria across foreign and non-foreign firms. Studies 2 to 4 draw on the Habermasian perspective of PCSR by examining the assumption that CSR activities legitimize corporations to perform a political role. Specifically, study 2 provides a conceptual account of PCSR considering the role of boards' political skills. Study 3 investigates this proposition inside organizations by examining whether employees, coming from a variety of industries, perceive that their company's CSR activities increase companies' political legitimacy via board trust. Study 4 deploys a quasi-experimental approach to understand how far citizens trust and legitimize a hypothetic corporation to perform a political role due to its adoption of CSR practices.

In a nutshell, study 1 concludes that the adoption of UN criteria is politically very important to corporations in the EU when coupled with lobbying, especially amongst foreign corporations. In the remaining studies, we conclude that CSR should be treated as a political strategy *per se*. Specifically, evidence suggests that CSR is a legitimate political strategy both inside and outside corporations, particularly when CSR initiatives are perceived as being altruistic and going beyond legal obligations. Overall, findings encourage a shift in CPA research by suggesting that transparency in political matters is not enough; benevolence is required to legitimately influence governmental decisions without reputational risks.

Keywords: *Political CSR; Corporate Political Activity; Political Legitimacy; Corporate Trust; United Nations.*

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Although seemingly pretentious I always knew, deep in my heart, that this day would eventually come. The day I would submit my PhD dissertation. What I could have never imagined was how hardworking these academic years would mean to me. This PhD was an experience that went beyond knowledge creation and learning; it was about gaining resilience and continue moving forward with motivation and positivity, despite the "No's" I heard along the way. Above all, my PhD can be described with one simple word: Growth.

Along this academic journey, I was blessed for having the right people by my side, with a remarkable ability to manage my persistent eagerness. First, I would like to express my deepest gratitude to my supervisor Prof. Nelson Ramalho for his fruitful inputs on my work. People say that the best supervisors do not leave students to their own devices, but Prof. Nelson went further: he believed in my capacities and made me also believe in them when I doubted the most. Prof. Nelson has been a tremendous support and words cannot express how thankful I am for taking me over as a PhD student.

I would also like to give credit to some anonymous peer reviewers that provided me with constructive feedback on the studies submitted to journals. These specific scholars, without personally knowing me, enabled me to significantly improve the quality of my research and showed me how admirable academia can be when kindness and cooperation win.

Last but definitely not least, I want to express my heartfelt gratitude to my beloved Friends and Family. Across these challenging years, they filled my heart and mind with love, joy and lightness.

I would like to dedicate this thesis to my greatest inspiration in life, my Mother. She taught me to be brave and to never fail my compromises. She encouraged me like no other to pursue my educational and professional aspirations. This modest dedication will never make up for her never-ending love and support – but here it is.

Deeply grateful for everyone who has been there during my PhD time,

Andreia Borges

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Acronyms

AS – Assurance Standard

CPA – Corporate Political Activity

CSR – Corporate Social Responsibility

EC – European Commission

EP – European Parliament

EU – European Union

GRI – Global Reporting Initiative

ISO – International Organization for Standardization

NGOs – Non-Governmental Organizations

OECD – Organization for Economic Cooperation and Development

PAC – Political Action Committees

PCSR – Political Corporate Social Responsibility

RSE – Responsabilidade Social Empresarial

1

– INTRODUCTION –

CORPORATE POLITICAL ACTIVITY: THE EMERGENCE OF A RESPONSIBLE APPROACH

Never before has a responsibility so great
been in the hands of so few.

Christiana Figueres at COP21

The separation of powers as devised by Montesquieu is a cornerstone of modern democracies as it pertains to the check and balances intended to prevent any given political power from gaining absolute control. However, such political design leaves aside third parties that have gained agency as societies seemingly shifted from politically-centered into economic-centered: the economic agents, i.e. corporations. This has been noticed by Karl Polanyi in his advocation of the market society as a single entity resulting from business and politics. However, currently, someone could say the business of politics and the politics of business are so enmeshed that they become a single entity.

Indeed, in prior research there is reliable evidence that helps to establish the business-government relationship pattern. Their dynamics, known by both scholars and practitioners as corporate political activity (CPA, Baysinger, 1984), is characterized as being fundamentally bi-directional (Pfeffer & Salancik, 1978), albeit asymmetrical as governments have the institutional prerogative of defining the "rules of the game" in most economic contexts (Jackson & Deeg, 2008).

prov Specifically, we build upon a specific political CSR (PCSR) perspective, based on Habermas' theories of deliberative democracy and discourse ethics (1996; 1998), which claims that responsible activities can be interpreted as a source of political legitimacy (Scherer & Palazzo, 2007). This contention stems from the ability of corporations to fill governance gaps through their CSR-based activities, especially when governments fail to do so (Joutsenvirta & Vara, 2015). Due to the emphasis on "political legitimacy", a characteristic that is currently lacking on business-government relations, the current thesis draws on the Habermasian approach of PCSR to extend knowledge and distinguish novel business ways of exerting political influence. Our guiding question is then: What is the relevance of political CSR as a governance mechanism to ensure ethical political sustainability?

This thesis is organized as follows: the next section outlines the motivation and research questions underpinning the research paradigm. This is further complemented by the theoretical positioning that sustains this dissertation, i.e., political CSR as an academic discipline, and its linkage with CPA and CSR literature. This section of the thesis conflates with political CSR research challenges, thus showing the theoretical and methodological critique. The empirical setting is then showed through methods and design in a section called "Research Summary", followed by four studies. They are presented respectively in sections 4, 5, 6 and 7. In section 8, the overall findings of this thesis are discussed culminating with contributions towards scholarship, corporate business world, and society at large. The thesis ends by acknowledging limitations as well as presenting avenues for future research.

2

– MOTIVATION AND RESEARCH OBJECTIVES –

“The United Nations’ Sustainable Development [2030] Goals can only be realized with strong global partnerships (…) cooperation is needed now more than ever.”

UN.org

2.2. Theoretical and Empirical Objectives

Sustainability has gained a central role in society as it affects the environmental, social, and governance domains translating the "capacity to maintain some entity, outcome, or process over time" (Jenkins, 2009: 38). One of its governance aspects is political sustainability, which we define as the capacity to maintain the stability of political institutions, its effectiveness and governance processes over time. Its fundamental capital is the legitimacy ascribed to political institutions and agents. Its fundamental political currency, is trust.

To gain trust, political institutions and agents must be acknowledged as competent, benevolent and having integrity (Burke et al., 2007). However, the market society as devised by Polanyi intrinsically entangles political agents with corporate agents which casts a shadow over the principle of integrity. The unavoidable blurredness between economics and politics seem to condemn market societies to illegitimacy and ultimately to political unsustainability. This grim scenario is avoided if corporations can act politically without risking both their and the political agents' reputation and legitimacy. But is this possible at all?

To answer this question, we rely on the Habermasian conception of PCSR, which has been gaining momentum in the extant political CSR literature (Scherer, 2018). Nonetheless, some research aspects are currently undermining such promising theory. These motivated us to develop novel evidence as the current literature is yet of limited range.

First, most studies on the topic are conceptual or theoretical in nature. Scholars rightfully claimed we cannot generally state that all CSR practices foster corporations' political legitimacy without empirical testing, therefore there are mounting calls for research suggesting the development of PCSR empirical knowledge (e.g.; Borges & Ramalho, 2022; Palazzo and Scherer, 2006; Scherer and Palazzo, 2007; Scherer, Palazzo & Seidl, 2013; Scherer et al., 2016; Scherer 2018). Also, beyond the lack of empirical evidence, literature has been neglecting how wide-ranging the PCSR construct can be (e.g., Joutsenvirta & Vara, 2015; Scherer & Palazzo, 2007).

Second, political CSR frameworks have not yet been explored in business strategy literature. Most probably, this occurs because the *Habermasian* approach to PCSR rejects an instrumental motivation to engage with CSR (Sabadoz & Singer, 2017). In other words, although political CSR literature contends that corporate activity is intrinsically political, it also advocates that corporations engage in CSR for altruistic purposes only, thus rejecting an instrumental approach towards political institutions (Scherer, 2018).

Third, tightly linked with PCSR, CPA and CSR have often been treated separately, although mounting literature suggests they should be integrated (e.g., Anastasiadis, 2014; Anastasiadis, Moon, & Humphreys, 2018; den Hond et al., 2014; Mellahi et al., 2015; Rodriguez et al., 2006;;).

Motivated by these claims, the objective of this thesis is to extend knowledge on political CSR by answering two central questions: How can corporations act politically without risking their reputation and legitimacy? What is the relevance of political CSR as a governance mechanism to ensure ethical political sustainability? These answers are based on empirical evidence related to critical claims, namely: that CSR adds value to CPA, that trust is the central construct that links CSR to political legitimacy, and that leadership political skills are instrumental to gain political legitimacy through CSR. To attain this, we first draw on the European Union (EU) environment to understand whether CPA and CSR should be inter-related (study 1). Afterwards, developed a conceptual study intended to explore political skills in corporate leadership role in CSR and political legitimacy (study 2). Then, a cross-sectional study testing the mediator role of trust in the relationship between CSR and Political legitimacy from an employee perspective (study 3) and, finally, an experimental study extending the scope of the previous one to the society at large (study 4). This research contributes to theory by (1) offering a multidimensional approach to PCSR; and (2) examining the role that boards' political skills and corporate trust play on PCSR adoption.

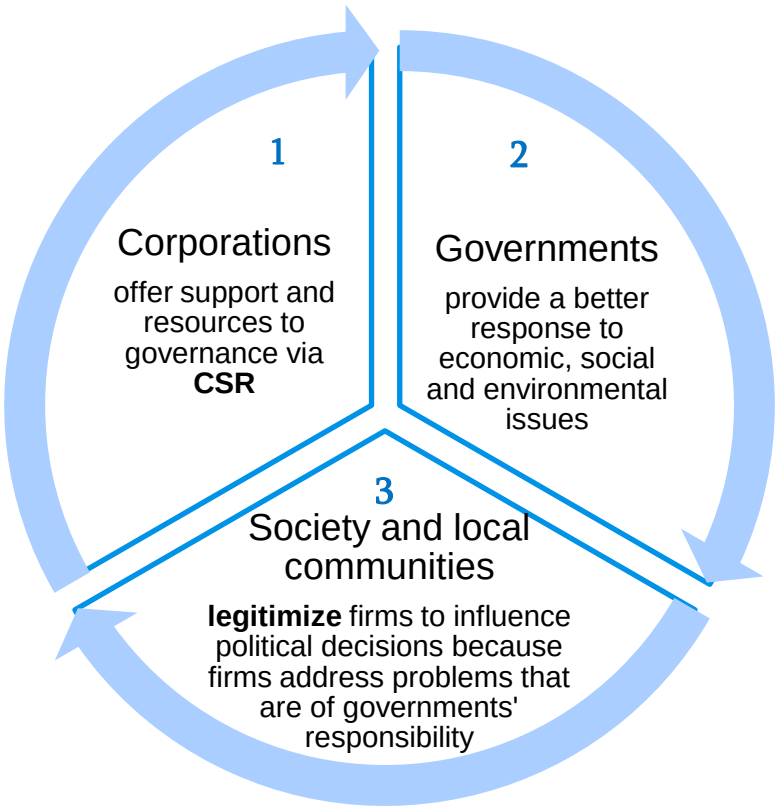
2.3. Practical Objectives

In practical terms, we are motivated to contribute to an alternative view on CPA by addressing CSR as a legitimate political strategy, which might help boosting trust in corporations and political institutions. Departing from PCSR propositions, the current thesis also proposes a framework where governments and responsible corporations work together to undertake public issues (Figure 1). Through a partnership, governments could, for example, more easily count on corporations especially at times when they do not have the financial resources to handle social problems (Wang & Qian, 2011), while business firms could exert political influence and preserve their reputation. Ultimately, all parties win: governments, corporations, societies and environment. Given this, we postulate that this thesis meets the following United Nations 2030 sustainable development goals:

Goal 16. Peace, just and strong institutions: Promote just, peaceful and inclusive societies.

Goal 17. Partnerships for the goals: Revitalize the global partnership for sustainable development.

Figure 1. Partnerships for the Goals (UN), through the proposed Political CSR Framework in this thesis.



3

– THEORETICAL POSITIONING –

3.1. The role of the non-market environment

Beyond the market environment, corporations operate under social and political contexts (Shirodkar et al., 2020) as they are key to structure interactions with stakeholders (Lux et al., 2011). Under the often-called non-market environment, corporate political activity (CPA) and corporate social responsibility (CSR) emerge as two popular endeavors, representing political and social domains, used to strategically manage non-market settings (Du et al., 2019).

Although both strategies have been linked to business success (Kamasak et al., 2019), CPA has been criticized by various stakeholders due to its focus on corporate gains only (see Figure 2; Kamasak et al., 2019). Conversely, CSR is most often viewed as a reputational non-market strategy and a powerful source of trust and legitimacy (De Roeck & Delobbe, 2012; Fatma et al., 2019; Porter & Kramer, 2002) due to its contributions to the social good (Blowfield & Frynas, 2005; Kotler & Lee, 2005).

As the intentions of goodwill displayed by corporations become more appreciated by governments (Wang & Qian, 2011), previous studies have been recently suggesting that CSR should be aligned with CPA (e.g., Du et al., 2019; Mellahi et al., 2016). Although CPA and CSR are often separately managed within the corporate business world, the latter facilitates political access and complements the political activity, thus creating the "desirable corporate profile" (Liedong et al., 2015). Moreover, responsible companies are more likely to be buffered from political hazards (Godfrey, 2005) and to mitigate negative effects on financial performance (Du et al., 2019). Overall, the political gains from CSR are proposed to be a result of its benevolent activity, which promotes networking that establishes and strengthens political connections (Zhao, 2011).

Figure 2. Political benefits obtained through lobbying (CPA; adapted from Suder, 2011)

Political Objectives	Introduce, modify or abolish legislation;
	Rule upon an action or measure to be taken;
	Distribute, modify or suspend the distribution of specific resources;
	Alter the economic or political environment of a firm, industry sector or economy directly or indirectly;

3.2. CPA as a non-market strategy

Lobbyists have more offices in Washington
than the President. You see, the President only
tells Congress what they should do.
Lobbyists tell'em what they will do.

Will Rogers

For a long time, corporations have been exerting sociopolitical pressures towards governments. Whether through lobbying, financial contributions to policymakers, or through hiring managers from political institutions to work for the company afterward, corporations struggle to influence political decisions in ways that are beneficial to them (Lawton et al., 2013).

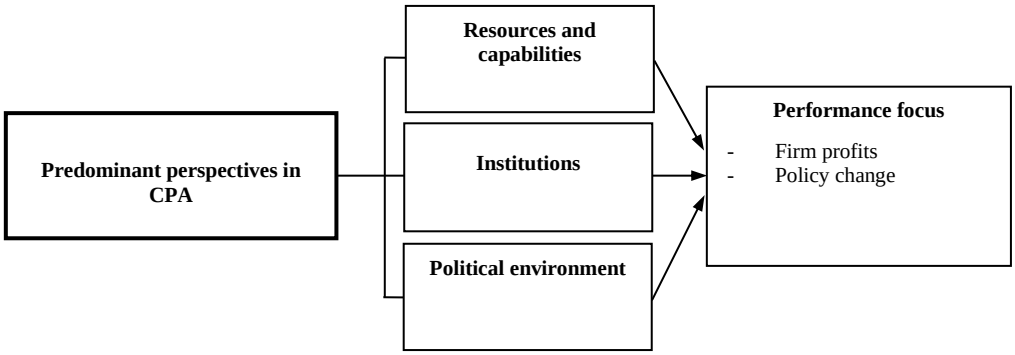
From a research standpoint, academia has been comprehensively studying the phenomenon of CPA. Lawton and colleagues (2013) detailed and integrated existing research in CPA field with a literature review on the topic. Accordingly, they distinguish three dominant perspectives in CPA, which have a significant impact on organizational performance, i.e., (i) Resources and Capabilities; (ii) Institutions; and (iii) Political Environment.

Within CPA, the resources and capabilities focus departs from the idea that firms' resources can be integrated into the political environment as means to improve profitability (Lawton et al., 2013). From a resource-based view, corporations use their resources to influence political decision-makers. Fainsod (1940) suggested that corporations obtain a favorable regulation by relying on three types of resources: financial (e.g., financing political campaigns); human (e.g., lobbyists); and political (e.g., political coalition building).

The institutional focus considers that corporations are embedded in local cultures, laws and history (Lawton et al., 2013). Therefore, this perspective offers an account on how social, political and economic issues affect business. Based on the institutional theory, this view is particularly helpful to explain processes of adaptation in the context of globalization. It also attempts to explain how firms adapt to changes in the non-market environment in regards to external pressures to adopt international norms and rules.

The third approach focuses on the political environment and structures. Specifically, it refers to political systems, regulations, public policies and political risk. Overall, this approach explores political processes and respective corporate strategies to deal with political changes. Figure 3 synthetizes the framework proposed by Lawton and colleagues (2013).

Figure 3. The CPA framework (from Lawton and colleagues, 2013).



3.2.1. CPA as a non-market strategy: the case of the European Union

In the European environment, lobbying has gradually become a focus (Coen, 2007; McGuire & Lindeque, 2010; Shirodkar et al., 2020). Having as its main purpose the influence of a given public administration and making one's voice heard, CPA (specifically, lobbying) currently plays a central role within the EU (Hanegraaff & Poletti, 2021; Suder, 2011). One clear example of EU lobbying emphasis is found back in 2019 before the COVID-19 pandemic reached Europe, as approximately 500 million Euros were spent by corporations in lobbying the EU institutions. A large part of this investment comes from multinational corporations (Chalmers & Macedo, 2020), including Google, Facebook, and Microsoft. Following this, a key question arises: what is making EU institutions so attractive to corporations? The short answer is: the more business opportunities there are in a given business environment, the more corporations make use of their resources to influence their political decision-makers.

At the EU level, there is an assumed recognition that establishing political networks is important (Suder, 2011), especially since the beginning of this century (Richardson, 2001). Before that time, Europeans were skeptical about CPA, in contrast to the Anglo-Saxon world. However, globalization and each wave of European integration gradually turned CPA, and in particular lobbying, into a recurrent practice within the European context (Euroactiv, 2005; Hanegraaff & Poletti, 2021).

To some extent, lobbying acceptance departed from the regulation of lobbying activities situation in the EU (Sqapi, 2015). The European Parliament (EP) was the first EU institution to do so, through the "Rules of Procedure" approved in 1997. Since then, lobbyists adhere to a Code of Conduct that ensures their privacy through an accreditation system that does not give any information on the interests for which the lobbyists act; it only provides the names of the

pass-holders and/or of the corporations they represent (Mihut, 2011). Likewise, the European Commission (EC) set rules and standards for lobbyists by relying heavily on a self-regulation approach (Sqapi, 2015).

One popular initiative of EC pertains to the "European Transparency Initiative", approved on 23 June 2008. Following reputational issues associated with CPA, the main objective of such initiative is to increase transparency on the relationship between lobbyists and political actors across EU institutions, by publicly declare EU lobbying activities (European Commission, 2008). Although the registration to the system takes a voluntary approach, such is very welcomed by the EU (Holman, 2009).

Despite lobbying regulations attempting to legitimize lobbying, such is seemingly not enough. Often isolated from any consideration for society (Rasche, 2015), the self-serving approach of CPA ultimately continues damaging corporate reputation (Kamasak et al., 2019; Rajwani & Liedong, 2015). In Europe, numerous lobbying cases ended up harming firms' reputations. One clear example is provided by Rasmussen (2015) which explored the case of the food manufacturers. Worried about business competition, these firms lobbied to influence food labeling regulations, designed to prevent consumers from buying unhealthy food products. As the negative side of lobbying impacts not only the reputation of firms but also the reputation of EU institutions, one naturally asks whether traditional CPA is politically advantageous for future Europe. As the self-serving seems to the be the trigger that enacts negative effects, one may ask whether actions of a reverse valence (serving others) may prevent such effects. This brings CSR into the spotlight. So, the questions is how far can an altruistic-based activity such as CSR be the answer to a good political reputation?

3.3. CSR as a non-market strategy

Before covering CSR as having a political linkage, it is important to conceptualize CSR per se. Overall, CSR comprises a variety of concepts, dimensions, and a broad range of practices that contribute to the social good, frequently transcending legal compliance and regulatory obligations (Blowfield & Frynas, 2005).

The CSR construct is fundamentally a non-market activity as evidenced by its emergence back in the Great Depression and the World War II, as a means to avoid environmental destruction, human misery, and to encourage good working conditions (Carroll, 2009). Subsequently, the academic interest on CSR construct started in the 1960s. By the late 1970s,

scholars started to examine its multidimensional nature (Carroll, 1979). Since then, numerous authors and organizations proposed CSR definitions. Some examples can be found on Table 1.

Table 1. Definitions of CSR over time (adapted from Cruz, 2021).

Author(s)	Definition
Bowen (1953, p. 6)	"The obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society"
Friedman (1970, p. 17)	"To use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud"
Sethi (1975, p. 62)	"Social responsibility implies bringing corporate behavior up to a level where it is congruent with the prevailing social norms, values, and expectations of performance"
Carroll (1979, p. 500)	"The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time"
Frederick (1994, p. 151)	"Regardless of its origin or the particular portion of company operations it affects or its impact on profits, the obligation to work for social betterment is the essence of the notion of 'corporate social responsibility'"
Drucker (1994, p. 81)	"We know that their first social responsibility is to do their job. We know secondly that they have responsibility for their impacts – on people, on the community, on society in general. And finally, we know that they act irresponsibly if they go beyond the impacts necessary for them to do their own job, whether it is taking care of the sick, producing goods, or advancing learning"
WBCSD (1998, p. 3)	"The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large"
Porter & Kramer (2006, p. 2)	"CSR can be much more than a cost, a constraint, or a charitable deed – it can be a source of opportunity, innovation, and competitive advantage"
OECD (2008, p. 14)	"Enterprises should take fully into account established policies in the countries in which they operate and consider the views of other stakeholders. In this regard, enterprises should: contribute to economic, social and environmental progress with a view to achieving sustainable development"
ISO 26000 (2010, p. 3)	"Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance

	with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationships"
Werther & Chandler (2011, p. 30)	"A view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm's stakeholders to hold the firm accountable for its actions"
Beal (2014, p. 4)	"CSR, broadly defined, is the moral and practical obligation of market participants to consider the effect of their actions on collective or system-level outcomes and to then regulate their behavior in order to contribute to bringing those outcomes into congruence with societal expectations"
CSR Europe Manifesto (2015, p. 2)	"Requires all companies to further integrate environmental, social, ethical and good governance approaches into their strategies and to focus on creating shared value"
European Commission (2018, p. 2)	"The responsibility of enterprises for their impact on society. […] Companies can become socially responsible by: following the law; integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations"

During the 1970's, one popular American definition by Carroll (1979) emerged, referring to CSR as the ability to gather economic, legal, ethical and philanthropic responsibilities. In Carroll's view, organizations must have profit, obey the law, adopt an ethical conduct and also get involved in social causes (see Figure 4).

Although seemingly related, CSR conceptualizations vary across Europe and America. During the 1990s, a European *versus* American perspective emerged (Carroll, 1999). From the European perspective, which contrasts Carroll's (1979) perspective, the fulfillment of economic and legal obligations are desirable but is not *per se* an indicator of responsible behavior (Duarte, 2011). In line with Carroll's model (see Figure 4), the American perspective of CSR posits that the fulfilment of economic purposes and obeying the law are clear signs of responsible behavior. This idea has been a target of criticism because some authors consider that the economic performance is the reason why the organization exists, so it is not necessarily a responsibility towards society (Turker, 2009). In other words, while the American perspective considers that economic performance is, *per se*, a responsibility towards the society, European scholars consider that economic issues ensure the survival of any company, therefore they should not be considered as CSR (Turker, 2009).

Figure 4. Pyramid of CSR (Carroll, 1979)



In this century, a dominant European definition of CSR was proposed by European Commission (EC; 2001; 2002). According to the EC, CSR refers to practices through which companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis. Given the diversity of CSR initiatives, this institution divided the CSR construct into two dimensions. The external dimension comprises activities that are implemented and only affect external stakeholders such as business partners, consumers, suppliers, local community, among others. The internal dimension refers to activities affecting internal stakeholders, e.g., activities directed to employees. Specifically:

- *Internal dimension*: initiatives related to human resources and environmental management impact; namely, human capital investments, health and safety concerns, change processes, and internal reduction of the environmental impact;
- *External dimension*: refers to initiatives directed towards external stakeholders, namely local communities, consumers, suppliers, and business partners. This dimension includes the respect for human rights and global environmental issues.
-

3.3.1. CSR: Other theories and perspectives

As plenty evidence shows linkage between CSR and organizational benefits namely in regards to financial performance, corporate reputation, sales, employee engagement among others (e.g., Kotler & Lee, 2005; Porter & Kramer, 2006), different approaches and theories emerge until today. From a theoretical standpoint, neither Carroll's model nor the EC definition of CSR stands out in the extant literature. For example, and according to Duarte (2011), CSR activities should go beyond economic obligations and should have one clear objective: to positively affect corporations' stakeholders. Unsurprisingly, the stakeholder theory has been extensively applied to CSR (Brown et al., 2013). Overall, stakeholders stand for a set of individuals that affect or are affected by the policies and actions of a certain organization. According to the stakeholder theory, organizations have obligations towards such individuals, thus going beyond firms' shareholders (Freeman, 1984). Therefore, the application of the stakeholder theory to CSR conceptualization implies that organizations should act responsibly towards all individuals that affect or are affected by firms' decisions (Donaldson & Preston, 1995).

The Triple Bottom Line is another related-CSR approach that has been highly studied since it was put forward by Elkington (1998). The author proposes that organizations should favor social, environmental, and economic development. Departing from this theory, Neves and Bento (2005) further developed a framework showing that CSR practices can also be categorized according their specific dimension: internal and external. Table 2 displays their proposed framework.

Table 2. Tridimensional model of CSR (adapted from Neves & Bento, 2005)

		CSR-based activities		
		Social	**Economic**	**Environmental**
Dimensions	**Internal**	- Social climate - Employability - Human Resources Management and Development	- Adequacy - Perpetuity - Sustainability - Efficacy	- Job security - Working Conditions - Occupational health - Environmental impact management
	External	- Corporate volunteering - Sociocultural support - Establishment of relations with community	- Socioeconomic support - Sponsorships - Establishment of relations with suppliers, clients and partners	- Measures of protection and conservation of the environment

The dimensions of this framework are characterized as follows:

- *Internal Social Responsibility*: Responsibilities towards people working in the organization;
- *External Social Responsibility*: Responsibilities towards people outside the organization, namely consumers, clients and suppliers;
- *Internal Economic Responsibility*: Responsibilities towards achieving economic prosperity of the organization;
- *External Economic Responsibility*: Responsibilities towards societies in general by contributing to their economic prosperity;
- *Internal Environmental Responsibility*: Responsibilities towards minimizing the environmental impact of businesses' operations;
- *External Environmental Responsibility*: Responsibilities towards contributing to the protection and preservation of the environment.

(adapted from Neves & Bento, 2005)

Table 3. Popular CSR theories and models (adapted from Brin & Nehme, 2019)

CSR Theory / Model	Characteristics of CSR		
	Strength of the Theory / Model	*Benefits of Applying the Theory / Model*	*Challenges Applying Theory/Model*
The Carroll CSR Model	Considering four main responsibilities for CSR approach: economic, legal, ethical and philanthropic – Arranging the four responsibilities in the order of the hierarchy	Revealing good citizen image for corporation – Improving the reputation of corporations	Before implementing the Carroll CSR theory, external social and environmental situations must be studied; it will take more time and effort to apply the theory
The Triple Bottom Line Theory	Taking into account three main responsibilities for CSR approach: economic, social and environmental	Supporting the corporation to achieve sustainability	When using the approach any corporation has to balance between the three CSR responsibilities in order to achieve sustainable goals in society and ecology
The Stakeholder Theory	Taking into account the interest of various stakeholders groups	Allowing the corporation to keep a strong interrelation with community and business components. If the aim is achieved, the company will gain the trust and loyalty of all stakeholders	When using the approach any corporation has to balance the interests of all stakeholders and adopt a transparent policy with them

Recently, Brin and Nehme (2019) synthetized three popular theories/models of CSR: The model of Carroll (1979), Triple Bottom Line Theory, and Stakeholder theory (Table 3).

In spite of popular theories, other approaches to CSR emerged. For example, Kreitlon (2004) discussed the antecedents of CSR adoption, i.e., three main CSR approaches, as follows: (1) business ethics: provides a normative conception of CSR, based on the normative theory. This perspective considers that corporations are ethically judged, therefore they have the duty to act responsibly, i.e., their actions must reflect moral values; (2) business & society: drawing on integrative contracts theory, this approach claims that both organizations and societies are connected to each other, therefore they are bounded by a social contract i.e., while society operates according to the rules implicitly established by the organizations, companies are also under control of society; and (3) a Rawlsian approach to CSR which takes a defensive approach in which corporations make sure to follow the law so legal action cannot be taken against them.

3.3.2. CSR motivations

Following the firms' explicit interest in doing well by doing good, another lively academic debate concerns the instrumental versus altruistic motivations underlying CSR engagement (Scherer, 2018). Beyond institutional pressures to act responsibly (Lim & Tsutui, 2012) and isomorphic forces (Campbell, 2007), CSR remains inconclusive as to what motivates corporations to contribute to the social good (Benabou & Tirole, 2010; Scherer, 2018; van Aken et al., 2013). While CSR has been argued to go beyond self-interest (Baron, 2010), CSR motivations have also been found to be instrumentally motivated, especially for being a source of economic and financial benefits (Kitzmueller & Shimshack, 2012; McWilliams & Siegel 2001; Vishwanathan et al., 2020), market and stakeholder corporate visibility (Chiu & Sharfman, 2011).

Regardless of its underlying motivations, the CSR rhetoric is about social good and how such pro-social behavior often translates into monetary incentives towards different stakeholders, including governments and society at large (Bénabou & Tirole, 2003, 2006; Deci et al., 1999; Scherer, 2018). For instance, the financial support given to political institutions that do not have the financial resources to handle social problems is of particular academic interest (Wang & Qian, 2011), especially because through such desirable conduct, corporations foster their political legitimacy (Du et al., 2019; Godfrey, 2005).

3.3.3. The importance of CSR disclosures and certifications

In corporate business world, CSR-related criteria have been increasingly adopted by corporations. Beyond reputational effects (De Roeck & Delobbe, 2012; Fatma et al., 2019; Porter & Kramer, 2002), corporations feel, more than never, pressured to condition their activities to intergovernmental organizations' socially responsible criteria (Vogel, 2005). UN, for instance, is a dominant institution pushing corporations to implement sustainable principles (e.g., 2030 agenda for sustainable development), to solve global problems, and to promote peace (Mun & Jung, 2018). For corporate image purposes, the compliance with sustainable and ethically related principles ultimately ends up being exhibited in diverse public channels; corporate sustainability reports are one of them (Sethi et al., 2017).

Duarte (2014) systematized specific management tools used to consolidate and manage CSR. They are organized as follows:

- *Codes of Conduct / Internal Policies*: These are internal documents that integrate a set of values, objectives and rules of the organization and its culture. CSR initiatives are usually outlined in these documents.
- *External Principles*: These are documents developed by external organizations, for example ONGs, governments and intergovernmental entities. They develop a set of pivotal values that should be desirably adopted by corporations. The principles developed by UN are, nowadays, widely adopted, namely the UN global compact principles and the UN Sustainable Development Goals.
- *Certifications*: These documents are issued by an independent entity that audits a certain management system and ensures the conformity to the requirements. There are three key international norms: SA8000 – Social Responsibility; AA-1000AS – Assurance Standard; and ISO26000 – Social Responsibility.
- *Sustainability Reports*: In order to show commitment with CSR related norms and values, corporations disclose their practices to the wider public through their sustainability reports. The most consensual guide used for the development of these reports was developed by GRI (Global Reporting Initiative).

The key question is: Why do corporations put effort to exhibit their engagement in CSR? Due to its benevolent nature, CSR is broadly known as a legitimacy strategy that manages the expectations of its stakeholders (Scherer & Voegtlin, 2020). Moreover, CSR helps

building trust-based relationships with stakeholders (Aker, 1996; Brown & Dacin, 1997; Swaen & Chumpitaz, 2008). For providing some social gain to companies, especially legitimacy and trust (De Roeck & Delobbe, 2012; Porter & Kramer, 2002), CSR has also been widely perceived as a source of competitive advantage, with strong evidence of improving financial performance, organizational image, and corporate reputation (e.g., Kotler & Lee, 2005; Porter & Kramer, 2006; Yamak et al., 2018).

From a political standpoint, a traditional approach to CPA argues that contributing to social welfare is not necessarily important while adopting political strategies (Barnett, 2007). As altruism and benevolence stemming from CSR are gradually viewed as required features to gain political influence (Du et al., 2019), we submit that this conception of CPA might pose a challenge to corporations. At least, within the European context. As Barber and Diestre (2019) state, "nonmarket strategies are determined by their market environment" (p. 1194), and EU political institutions, for example, pay due attention to businesses' contributions to social and environmental issues, sustainability, and citizenship initiatives (Suder, 2011).

3.4. Framing the political CSR phenomenon

Raising awareness on the political outcomes of CSR emerged, and with it a new research stream appeared, coined as political CSR. Overall, this topic refers to "activities where CSR has an intended or unintended political impact or where intended or unintended political impacts on CSR exist (i.e., impacts related to the functioning of the state as a sphere of activity that is distinctive from business activity)" (Frynas & Stephens, 2015, p. 485).

In the extant literature, we may find a wide variety of political CSR theories and perspectives, each having its own peculiarities. Table 4 depicts the political CSR theories.

Table 4. Most cited theoretical perspectives on political CSR

Theoretical perspective	Main political CSR-related rationale
Habermasian	Appeals to the Habermasian concept of discourse ethics and/or deliberative democracy to offer an account of the way in which political CSR can be legitimized
Institutional Theory	Explains the changing function of CSR as a result of the companies' conformity to different institutional pressures
Legitimacy Theory	Explains the emergence of political CSR as a strategy to achieve legitimation via congruence with the norms and values of the society in which they operate
Rawlsian	Applies Rawls' Theory of Justice in order to establish the just (and legitimate) rights and responsibilities of the corporation as a social and political actor
Resource-Based View	Considers the way in which political CSR is being used as a specialized skill or capability in order to gain a competitive advantage
Social Contract Theory	Employs the Social Contract mechanism to offer an account of what the political role of companies should be and/or how it could be realized
Stakeholder Theory (normative)	Asserts that the legitimacy gap created by political CSR should be addressed by appealing to the interests of stakeholders and increased involvement of affected parties in the decision-making processes of the corporations
Stakeholder Theory (descriptive)	Explains the changing function of CSR in terms of its response to stakeholder demands

(adapted from Frynas & Stephens, 2015)

In spite of theoretical discrepancies, all political CSR perspectives share one important assumption, and it concerns the motivations underlying CSR adoption. Overall, PCSR scholars posit that corporations engage with CSR for only one aim: to create a positive impact in society (Dawkins, 2019). Therefore, literature on this topic claims that CSR governance contributions held by corporations encompass an altruistic motivation only (e.g., Banerjee, 2010; Baron, 2010; Carroll & Shabana, 2010; Mantere et al., 2009; Matten, 2009; Rasche, 2015; Scherer & Palazzo, 2011; Scherer et al., 2013; Scherer et al., 2016; Willke & Willke, 2008). This position

over CSR is often interpreted as naïve because it neglects the possible self-interest motivations when corporations engage with CSR (Dawkins, 2019).

Despite this, and as globalization and other geopolitical changes have been shaking the power of nation-states (Beck, 2000; Kobrin, 2009; Scherer et al., 2016), the topic has gained room in academia, especially for shedding light on a fairly recent phenomenon, i.e., the governance contributions from CSR activities. These contributions are particularly important in areas of limited statehood i.e., in areas where nation-states fail to implement binding rules or to provide public goods (Börzel & Risse, 2010; Börzel et al., 2012; Risse, 2011).

One notorious example of firms' intervention, illustrating the political CSR phenomenon, took place in South Africa, where a high prevalence of HIV/AIDS was encountered. With the increase of employee turnover alongside a lack of capacity and will from the South African government to invest on public health care, multinational companies operating in South Africa took the initiative of providing HIV/AIDS-related services via their workplace, and community programs to fight the disease (Börzel et al., 2012).

A modern outlook on societies seems to reinforce the thesis that political institutions need to be aligned with corporate resources to provide a better governmental response. Political CSR literature proposes that such governmental response can be achieved through CSR (Scherer & Palazzo, 2011). This contention is again rooted on the ability of corporations to fill governance gaps through their CSR initiatives, especially in areas where governments are ineffective in addressing social problems (Joutsenvirta & Vara, 2015). In this respect, Scherer and Voegtlin (2020) recently argued that post-COVID-19 societies need to be built upon a political CSR viewpoint because it is the only one that ensures a self-limited approach in case of state failure.

3.4.1. PCSR and CPA: so far yet so close

Overall, the big difference between PCSR and CPA lies on how CSR is treated. While political CSR literature proposes CSR as being a political activity *per se* (Scherer, 2018), CPA scholarship treats CSR as a complementary approach to political behavior (Du et al., 2019).

From a theoretical standpoint, investigation on CPA focuses on how corporations can influence political processes by using CSR with a self-interest motivation. Conversely, political CSR scholars rather explore corporate contributions to political processes that foster the common good (Scherer & Palazzo, 2011). Despite the lack of a strategic approach of political CSR, this research stream is conceived by many scholars as a promising topic in the extant

literature, suggesting that CPA and PCSR should be integrated (e.g., Frynas & Stephens, 2015; Voegtlin & Greenwood, 2015).

But what unites these lines of research? In line with previous CPA assumptions, both topics contend that corporate activity can be intrinsically political. Nonetheless, PCSR argues that corporations do not have to be intrinsically instrumental towards political institutions and this aspect manifests as a huge difference between both research streams.

3.4.2. On the highway to the Habermasian conception

Amongst wide-ranging theories within PCSR, the *Habermasian* conception of political CSR is currently one of the most popular approaches (for reviews, see Aguinis & Glavas, 2012; Rasche, 2015; Scherer et al., 2016). Based on Habermas' theories of deliberative democracy and discourse ethics (1996; 1998), this perspective has been gaining momentum within political CSR scholarship since it was put forward by Palazzo and Scherer (2006). On their pioneering work on PCSR, the authors begin by emphasizing the ability of responsible firms to fill government gaps through CSR. As CSR turn into governance contributions, corporations have been assuming political responsibilities that are usually expected from governments.

Based on these contentions, the *Habermasian* approach of political CSR zooms in the question of political legitimacy that stems from CSR (Palazzo & Scherer, 2006). In other words, the authors claim that responsible corporations have legitimacy to influence political decisions because they perform a state-like role (Palazzo & Scherer, 2006). But what does political legitimacy stand for? Overall, political legitimacy concerns "the ought to be obeyed" (Berstein, 2010, p. 96) and is deeply rooted in the concept of obedience as it sustains governmental power (e.g., Coakley, 2011; Gleeson, 2000; Matheson, 1987). By relying on this key concept, the *Habermasian* perspective of PCSR unfolds a new form of democracy by proposing an "extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer & Palazzo, 2011, p. 901).

Another key question is: to what extent is the *Habermasian* perspective of political CSR instrumental to explain PCSR? Two *Habermasian* proposals gain relevance in this matter: the theory of deliberative democracy and the theory of discourse ethics (Habermas, 1996; 1998). Overall, the theory of deliberative democracy suggests that a political role can be played by multiple actors in the society, including non-state actors, as their legitimacy to perform it depends on the validity of reasons given by them (Sabadoz & Singer, 2017). Accordingly, in Habermas' view, "the public deliberation of free and equal citizens is the core of legitimate

political decision-making and self-government" (Bohman, 1998, p. 401). Therefore, within the political arena, deliberation is the central process of political legitimacy through which participants communicate, exchange arguments, and make decisions (Palazzo & Scherer, 2006).

Complementarily, Habermas (1998) proposed the integration of an ethical discourse for legitimation purposes, i.e., to obtain the right to govern. There is a lack of consensus about the definition of legitimacy (Anderson, 2015; Haldenwang, 2016), yet it is overly accepted that it expresses one's perceived actions as being desirable and proper within a system of beliefs, norms, and values (Suchman, 1995).

The *Habermasian* PCSR framework is controversial. In general terms, it proposes that corporations should have a voice in political decision-makings. However, in this regard there is a plot twist, i.e., corporations already do so, either directly or indirectly, through the adoption of political strategies such as PAC contributions of financial inducements to policymakers (Lawton et al., 2013; Suder, 2011).

Regardless, the *Habermasian* political CSR goes beyond other political strategies in its nature and conception. Through political CSR, corporations gain the political benefits (via contributing to global regulations), but they also have the political responsibilities through contributing to social good (i.e., via CSR). This phenomenon does not occur with the adoption of political strategies which focus only on self-serving motives. Moreover, the *Habermasian* framework accounts for one concept currently missing in most corporate political activities: legitimacy to influence political decisions (Rasche, 2015). This occurs because corporations own the benefit but also have a responsibility towards communities, environments, and other stakeholders. Another important aspect underlying this perspective is that corporations would only be democratically accountable, as long as the nation-state remains the dominant institution (e.g., Mena & Palazzo, 2012; Scherer et al., 2016).

From an institutional standpoint, the *Habermasian* conception of political CSR fits particularly well in libertarian or classical liberal political settings, where strong political and social roles for corporations easily become a political reality (Mäkinen & Kasanen, 2015; Mäkinen & Kourula, 2012).

3.4.3. Political CSR limitations and research venues

The application of deliberative democracy theory to the political CSR scholarship is not without criticism. As mentioned, PCSR is controversial for presuming that companies do not

prioritize their strategic interests when deliberating, which might be challenging in the context of for-profit companies (Banerjee, 2010; Dawkins, 2019; Levy, et al., 2016; Sabadoz & Singer, 2017; Willke & Willke, 2008).

Moreover, previous literature claims that the *Habermasian* principles are limited to political economies where weak boundaries exist between business and government (Mäkinen & Kourula, 2012). Ultimately, in these political settings, such a political phenomenon might damage state authority (Whelan, 2012), contributing to an unstable line between society and business (Djelic & Etchanchu, 2015).

Another concern about the *Habermasian* conception of political CSR is related to the scarcity of empirical studies (e.g., Frynas & Stephens, 2015; Rasche, 2015; Scherer et al., 2016; Scherer, 2018; Voegtlin & Greenwood, 2015). Despite (i) corporations are being increasingly regarded as both economic and political actors, and (ii) the political interpretations of CSR hold great potential for conceptual and empirical developments (Scherer & Voegtlin, 2020; Voegtlin & Greenwood, 2015), most PCSR research is, so far, conceptual and theoretical in nature. For instance, the contention that responsible corporations are perceived as competent to fill government gaps, thus increasing their legitimation to perform a political role has yet limited empirical evidence for its support or rejection (Frynas & Stephens, 2015; Scherer, 2018).

To the best of our knowledge, empirical research on PCSR has not yet considered corporate trust as an important psychological mechanism that might account for corporate political legitimacy through CSR initiatives. As CSR is increasingly proposed as a source that leverages trust in corporate political endeavors (Liedong et al., 2015), and social judgment formation and affective and cognitive aspects are particularly valuable to understand how individuals conceive organizational responsibilities (Bitektine, 2011; Bitektine & Hack, 2015), there is a substantial research gap as regards trust-based mechanisms and the role of political skills in bridging CSR and political legitimacy. Despite the extended literature on PCSR and the rich body of theory mobilized to explain it, in our view, the altruistic nature ascribed to PCSR (thus rejecting its instrumental side) made such an emerging and promising core concept of organizations, remain under-studied in several fronts (Scherer, 2018). A micro-behavior foundation that explores mechanisms such as trust in corporations and business leaders, or their political skills can offer novel insights and empirical evidence to test long-hauled claims on its merits. Table 5 summarizes the studies developed in this thesis that were intended to address the mentioned research gaps.

Table 5. Overview of Ph.D. studies

Objective	Type of Research	Design/Method	Sample Criteria
Study 1: Understand the joint-effect of CPA and CSR in **EU**, with a **multilevel** approach **2 studies** (study 1a and 1b)	Quantitative	Secondary Research *Sources:* *Boardex;* *LobbyFacts.eu;* *GRI;* *Eikon / Datastream.* Methodology: *HLM (study 1a, multilevel);* *GLM (study 1b).*	Companies with EU lobbying expenses (100.000€ or >); with EC meetings and/or EP passes.
Study 2: Conceptual approach to PCSR considering the role of boards' political skills **1 study**	Conceptual	General review	-
Study 3: Empirical testing of the Habermasian political CSR framework from an **employees'** perspective **1 study**	Quantitative	Correlational Methodology: *Structural Equation Modelling (SEM)*	Employed individuals, with 18 years or over.
Study 4: **Experimental** testing of the Habermasian Framework (citizens' perspective) **1 study**	Quantitative	Quasi-Experimental (study 3). Methodology: *Analyses of variance (ANOVAS) and Structural Equation Modelling (study 3b).*	Manipulation check scale

4

– STUDY 1 –

Study under review in *Corporate Social Responsibility and Environmental Management*.

A multi-level model integrating Corporate Social Responsibility and Political Activity in the European Union: What are the institutional implications for foreign companies?

4.1. Introduction

Corporations have been paying increased attention to the social and political contexts in which they operate (Shirodkar et al., 2020). These contexts, integrated in the non-market environment, have been linked to business success (Barber & Diestre, 2019; Kamasak et al., 2019). Overall, non-market activities are predictors of a good organizational performance (Bach & Allen, 2010; Boddewyn, 2003; Doh et al., 2012; Shirodkar et al., 2020) and this occurs because non-market strategies are key to structure interactions with stakeholders (Lux et al., 2011). In this regard, corporate political activity (CPA) and corporate social responsibility (CSR) are two of the most popular strategies, representing political and social domains (Du et al., 2019).

Within the political sphere, business-government relations are often built through CPA (Lawton et al., 2013). Established by corporations, CPA refers to influence processes, such as lobbying and financial benefits to political decision-makers, aiming at the development of beneficial public policies and regulations to corporations (Hillman & Hitt, 1999; Hillman et al., 2004). Although advantageous, especially in terms of financial performance (Hadani & Schuler, 2013), the self-serving nature linked with political strategies have been generating controversy amongst various stakeholders; this is mostly due to corruption cases (Rajwani & Liedong, 2015) and ethical breaches that have been increasingly disclosed to wider public (Gao & Hafsi, 2017; Kamasak et al., 2019).

Unlike CPA, CSR is a non-market strategy that is intrinsically rooted in ethical prospects. Expressions of CSR can range from within-firm (e.g., development of internal policies promoting employee and board gender diversity; Economist Intelligence Unit, 2014), outside-firm (e.g., environment, community, and social interventions), to the institutional level (e.g., independent accreditation of CSR, with special emphasis on United Nations (UN) criteria; Mun & Jung, 2018). Given the benevolent nature of CSR, scholarship recently suggested that such asset should be combined with CPA (Du et al., 2019) as it facilitates the establishment of political connections (Zhao, 2011), helps creating a favorable corporate image, and enhances political access (Liedong et al., 2015) thus bypassing the shortcomings of CPA. In addition,

CSR protects corporations from political hazards (Godfrey, 2005), thereby generating more financial gains (Du et al., 2019).

Despite the promising proposition that CPA and CSR interact to leverage firms' performance, literature linking CPA and CSR research streams is scant, and both lines of research evolve with limited empirical integration (Du et al., 2019; Frynas & Stephens, 2015; Mellahi et al., 2016). Calls to bridge these lines of research have long been repeated by scholars (e.g. Anastasiadis et al., 2018; den Hond et al., 2014; Rodriguez et al., 2006), yet the integrative approach of CPA and CSR remains largely overlooked in various political environments. From an institutional view, we submit that testing an integrated CPA-CSR approach in the European context would be of special interest. First, because Europe has a heterogeneous market environment that aggregates corporations coming from both European and non-European countries (Argandoña & Hoivik, 2009). Second, due to attention that European Union (EU) institutions give to businesses' contributions to social and environmental issues, sustainability, and citizenship initiatives (Suder, 2011).

Drawing on the Institutional Theory, the current research thus aims to contribute with understanding on how within-firm and institutional CPA and CSR indicators interactively affect corporations' political embeddedness and financial performance in the EU. In this research, CPA is addressed via lobbying as it represents a central activity and recurrent practice in the EU business environment (Shirodkar et al., 2020). This evidence was retrieved from a panel dataset of publicly listed corporations with EU lobbying investments from 2008 to 2019.

In addition, given the existing business heterogeneity, we advocate the EU context is suitable to test the moderator role of corporations' country headquarters. Therefore, the current research addresses country-of-origin effects when examining the CPA-CSR dynamics. Differences across European and non-European corporations is, to our best knowledge, empirically unexplored within CPA scholarship, although they are, in our view, deemed important as international companies own institutional frameworks that may differently overlap with the institutional requirements set in the EU.

To fully address the objectives set for the current research, we conducted two studies. Study 1a examines within-firm indicators, specifically the interaction effect of individual-level lobbying and board diversity on corporate political embeddedness. Due to the multi-level nature of variables, we conducted a Hierarchical Linear Model (HLM) analysis considering the moderator role of corporation country-of-origin. Study 1b complements the latter by examining the role of corporate political embeddedness, and the moderator effects of lobbying and CSR at institutional level on financial performance. For this endeavor, we relied on multiple ethical

compliance standards (i.e., UN Guidelines; ISO26000; and assurance standards) and lobbying expenditures. Consistent with study 1a, we also investigate the possible moderation effects of country-of-origin.

The current article intends to make several important contributions to research. First, we account for theoretically grounded explanatory mechanisms to the non-market strategy literature. Second, we examine multiple CPA and CSR indicators that were not addressed so far, intending to provide a more comprehensive view on the phenomenon. Third, setting the focus on business representatives in study 1a provides a novel perspective to non-market literature that, to date, has empirically looked exclusively at the joint effect of CPA and CSR at a macro-level. Fourth, a multi-level view on the link between CPA and CSR provides a process view to the phenomenon which, to our best knowledge, does not exist so far. Fifth, the examination of such dynamics within the EU context is of special interest given the relative scarcer knowledge on these topics in Europe as compared to the US context. Lastly, we submit the current study provides a comprehensive non-market approach to business practitioners. By examining multiple levels of business, and differences across EU and non-EU corporations, we submit that the current research contributes to a better non-market manage within the EU environment.

The article is organized as follows: We begin by providing the rationale underlying our research model (depicted in Figure 1), focused on CSR and CPA non-market activities in the European environment. In the methodology section, we explain our analytic strategy and research variables relying on secondary data. After showing results from preliminary analyses, we outline the results of study 1a and study 1b. The research ends by highlighting the main contributions and implications of our findings for both academia and business practitioners, as well as limitations, directions for future research and main conclusions.

4.2. Theoretical background and hypotheses development

4.2.1. The role of business ethics in CPA

A traditional approach to CPA contends that the adoption of political strategies, such as lobbying or campaign donations, are important in improving relationships with political stakeholders; for this endeavor, corporations do not have to be necessarily focused on enhancing social welfare (Barnett, 2007). This view over CPA can pose a challenge to corporations nowadays. At least, within the European context. As Barber and Diestre (2019) state, "nonmarket strategies are determined by their market environment" (p. 1194), and EU committedly stands for a sustainable future (Suder, 2011). Therefore, it is reasonable to posit that the more corporations integrate sustainable activities within their business activities, the more they are appreciated by EU institutions.

In Brussels, the often-called European capital of lobbying (Laurens, 2017), EU regulators are in fact pressuring corporations to 'do well by doing good'. In particular, they pay due attention to US corporations' responsible contributions to sustainability, citizenship, and environmental protection. Those displaying greater care about social issues stand out from others (Suder, 2011).

Given this scenario, CSR-related practices are unsurprisingly taking ground in political endeavors. As corporate intentions of goodwill become more appreciated by governments (Wang & Qian, 2011), CSR is thus acknowledged as critical to businesses aiming to establish connections with key political decision-makers (Zhao, 2011), especially within the EU. Moreover, CSR shields corporations from political upheavals that might generate from business-government interactions (Liedong et al., 2015).

Due to benevolent nature of CSR, previous studies have been recently suggesting that CSR non-market strategy should be aligned with CPA (e.g., Du et al., 2019; Mellahi et al., 2016). Following previous research calls, the current study explores the joint effect of CSR and CPA, ranging from within-firm to institutional levels, within the EU. In our view, the European context is of special interest, not only because of its business heterogeneity but especially due to the pivotal role that sustainability and ethical values play amongst EU institutions.

4.2.2. Politicized CSR: What does it take?

Overall, CSR encompasses a set of policies and practices that aim to contribute to social good (Blowfield & Frynas, 2005; Turker, 2009). Beyond its altruistic side, CSR is widely

acknowledged for being a source of competitive advantage (Yamak et al., 2018). So far, greater research focus has been given to the impact of CSR on financial performance (Vishwanathan et al., 2020). However, a promising outcome lies in CSR ability to increase political influence (Du et al., 2019; Liedong et al., 2015).

As business leaders play a crucial role in strategically managing CSR (e.g., Borghesi et al., 2014; Chin et al., 2013) and CPA activities (Hillman, 2005; Sun et al., 2012; Sun et al., 2016), we submit that the development of a politicized CSR strategy should start within-firm. At the EU level, business leaders should, in our view, pay particular attention to the EU ethical values and aspirations when designing a CPA-CSR integrated approach, with the attempt to display a more desirable internal image.

One important EU principle, which we reason that should be accounted for by business leaders, concerns the equality between women and men. EU considers this as going beyond a fundamental right, intrinsically assuming gender equality as a European common principle (European Commission, 2009). In line with this, special emphasis has been given to an initiative set by EC towards corporations, intending to promote boards' gender diversity. In this initiative, EC announced the intention to introduce a 40 % quota for women, currently the under-represented gender, among non-executive directors of European firms listed on stock exchanges (European Commission, 2012).

Overall, board diversity is, in all its records, an EU standard but also an ethical feature tightly linked with CSR (Harjoto et al., 2018). Alongside board gender diversity, the proportion of foreign board directors is an indicator of diversity that responds to the business needs of globalization (Oxelheim & Randoy, 2003). Not only the presence of foreign directors fosters a climate that leads boards to implement socially responsible activities (Lau et al., 2014), but also provides new skills and resources, increases access to important networks, and enhances the number of political connections (Beji et al., 2020). Lobbyists, from a political standpoint, similarly play a crucial role in bridging businesses and governments. Despite their importance in upholding corporate interests in political decisions, the impact of lobbyists in the EU political system remains scarce (Chalmers & Macedo, 2020; Laurens, 2017).

Drawing on the premises that (i) board diversity is a key CSR-related asset, and (ii) lobbyists are pivotal in CPA, study 1b proposes a within-firm CPA-CSR approach. To our best knowledge, a within-firm focus remains overlooked within non-market research. Specifically, study 1b examines the interactive effect of board gender diversity, board nationality diversity, and corporate lobbyists (treated as individual-level lobbying) on political embeddedness. The latter considers corporate meetings with EC officials and EP passes gathered by corporations.

We postulate the wider the access to political institutions and policymakers, the higher the possibility to exert political influence in laws and public regulations. We thus hypothesize that (study 1b):

H1: There is an interaction effect between board diversity and individual-level lobbying such that the association between individual-level lobbying and corporate political embeddedness is stronger at higher levels of board diversity and weaker at lower levels of board diversity.

> H1a: There is an interaction effect between board gender diversity and number of lobbyists such that the association between individual-level lobbying and corporate political embeddedness is stronger at higher levels of board gender diversity and weaker at lower levels of board gender diversity.
>
> H1b: There is an interaction effect between board nationality diversity and number of lobbyists such that the association between individual-level lobbying and corporate political embeddedness is stronger at higher levels of board nationality diversity and weaker at lower levels of board nationality diversity.

Although business-government relations developed within the EU have been a subject of interest in the extant literature, there is much to unfold about the business heterogeneity existing in the European environment (McGuire et al., 2012). Therefore, the current non-market research explores additional corollaries of the Institutional Theory that were not considered so far by analyzing institutional differences across EU and non-EU corporations. We propose the *allochthon* concept to frame the institutional effects of non-EU corporations, as *allochthon* refers to the nature of what has been originated in a place other than the one it is found. Conversely, to determine CPA-CSR practices conducted by domestic (EU) entities, we use the term autochthonous.

Building upon these concepts, study 1a thus examines within-firm CPA-CSR differences across allochthonous and autochthonous corporations in terms of EU political embeddedness. We thus hypothesize that (study 1a):

H2: There is a three-way interaction effect between board diversity, individual-level lobbying and allochthonous lobbying, such that the positive interaction between number of lobbyists and board diversity in fostering corporate political embeddedness is stronger when corporations are allochthonous and weaker when they are autochthonous.

H2a: There is a three-way interaction effect between board gender diversity, individual-level lobbying and allochthonous lobbying, such that the positive interaction between number of lobbyists and board gender diversity in fostering corporate political embeddedness is stronger when lobbying corporations are allochthonous and weaker when they are autochthonous.

H2b: There is a three-way interaction effect between board nationality diversity, individual-level lobbying and allochthonous lobbying, such that the positive interaction between number of lobbyists and board nationality diversity in fostering corporate political embeddedness is stronger when lobbying corporations are allochthonous and weaker when they are autochthonous.

4.2.3. Institutional and performance implications

While corporations exert sociopolitical pressures to influence political decisions (Lawton et al., 2013), corporations also feel pressured to condition their activities to intergovernmental organizations' socially responsible criteria (Vogel, 2005). UN, for instance, is a dominant institution pushing corporations to implement sustainable principles (e.g., 2030 agenda for sustainable development), to solve global problems, and to promote peace. Seemingly, such intergovernmental influence is significant as UN criteria have been increasingly adopted by corporations (Mun & Jung, 2018).

Beyond institutional pressures, corporations also act sustainable due to the reputational effects that sustainability generates (De Roeck & Delobbe, 2012; Fatma et al., 2019; Porter & Kramer, 2002). For corporate image purposes, firms commonly exhibit their compliance with sustainable and ethically related principles on diverse public channels; corporate sustainability reports are one of them (Sethi et al., 2017).

From a political perspective, integrating socially responsible criteria is also advantageous, especially because CSR fosters political legitimacy (Du et al., 2019; Godfrey, 2005). Overall, legitimacy is obtained through actions that are perceived as desirable and proper within the systems of beliefs, norms, and values (Suchman, 1995). We submit that legitimacy attained through CSR is particularly beneficial between EU institutions, especially when corporations integrate it with an established EU political strategic approach.

Under the Chinese context, for example, evidence shows that financial performance is more expressive when CPA and CSR operate as complementary non-market strategies (Du et al., 2019). Conversely, and despite being a promising approach to the EU environment, research

examining the joint effect of CPA and CSR on profitability is lacking under the EU setting. Following this research gap, study 1b examines the interactive effect of CPA-CSR institutional indicators on financial performance in the EU. Specifically, we analyze the interaction of lobbying expenditures with multiple ethical compliance standards, and its impact on Return on Assets (ROA). In contrast with previous literature, which analyzes CSR as a single measure, study 1b differentiates between UN guidelines, ISO26000, and assurance standards. We thus hypothesize that:

H3: There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and ethical compliance such that it increases firms' financial performance at higher levels of political embeddedness.

H3a: There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and United Nations (UN) guidelines such that increases firms' financial performance at higher levels of political embeddedness.

H3b: There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and ISO26000 such that increases firms' financial performance at higher levels of political embeddedness.

H3c: There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and assurance standards such that increases firms' financial performance at higher levels of political embeddedness.

Lastly, the current research aims to understand CPA-CSR institutional differences across EU and non-EU corporations. In line with the concepts proposed in Hypothesis 2, we hypothesize that:

H4: The interaction effect between corporate political embeddedness, lobbying expenditures, and ethical compliance on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

H4a: The interaction effect between corporate political embeddedness, lobbying expenditures, and UN guidelines on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

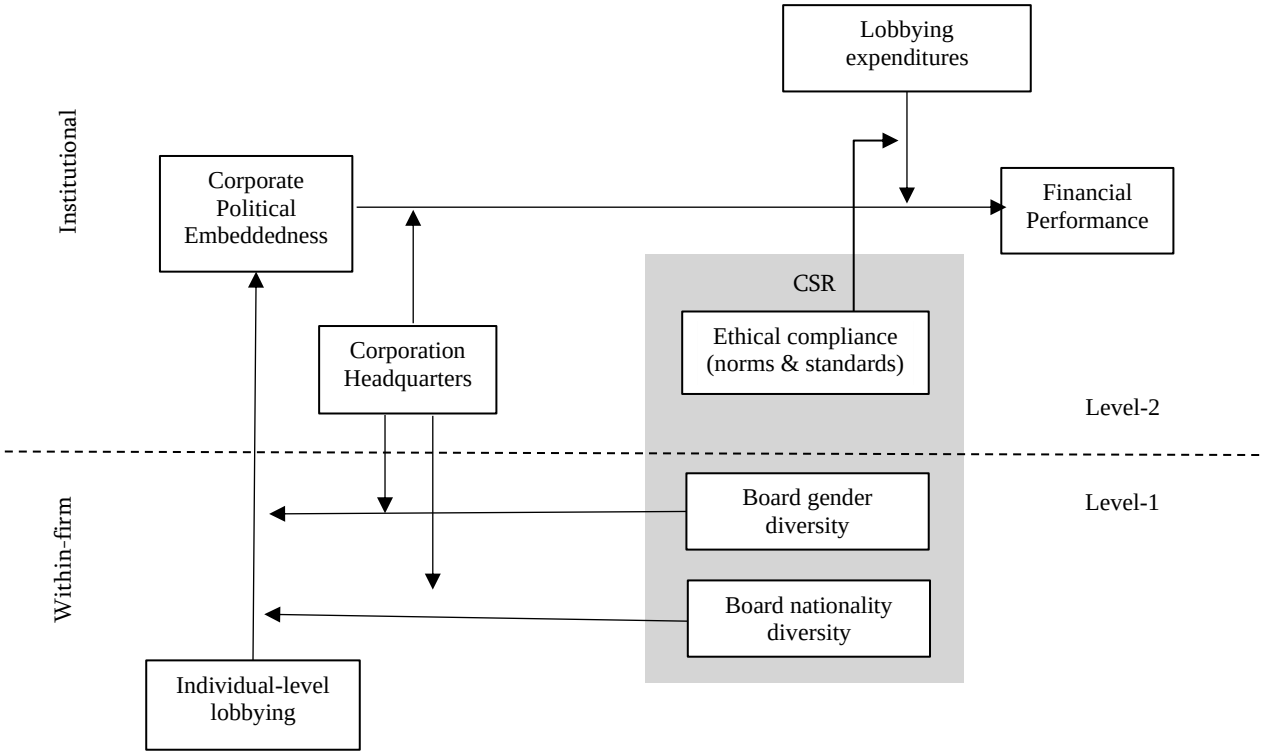
H4b: The interaction effect between corporate political embeddedness, lobbying expenditures, and ISO26000 on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

H4c: The interaction effect between corporate political embeddedness, lobbying expenditures, and assurance standards on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

Overall, this research contends that to achieve financial prosperity in the EU, corporations should develop a pathway strategy starting within-firm (study 1a), prior to develop an institutional approach (study 1b). We submit this evidence is of special interest to business practitioners.

In our view, EU political embeddedness is crucial to influence public regulations, thus gaining a central role in the proposed conceptual model, linking within-firm and institutional strategies. Figure 5 depicts the associations hypothesized that guides this research.

Figure 5. Research Model of Study 1.



4.3. Overview of Methods

To test our hypotheses, we conducted two studies. Study 1a offers empirical evidence about individual-level lobbying interacting with boards' diversity and its impact on corporate political embeddedness (i.e., H1 and H2). Study 1b complements the latter by examining the influence of corporate political embeddedness, and the interaction effect of various CPA and CSR institutional-level indicators on the firm's financial performance (i.e., H3 and H4). Both studies analyzed the corporations' headquarters as a moderating variable to account for institutional-based differences.

4.3.1. Sample and Procedures

This research relies on secondary data, retrieved from four data sources. We began by accessing LobbyFacts.eu, a widely used EU platform compiling essential data on European

lobby activities, disclosed in the official EU Transparency Register[11]. From this data, we extracted 589 corporations listed that, until 2019, had meetings with the European Commission (EC) and/or European Parliament (EP) passes, plus EU lobbying accumulated expenses equal or exceeding EUR100.000. Then, we obtained evidence from Global Reporting Initiative (GRI) to measure CSR engagement. In corporate business world, there has been a heavy adherence of corporations to GRI. The institutional approach of this organization has been playing an important role in promoting the development of sustainability reports with quality and consistency (Sethi et al., 2017). Thus, we extracted the latest corporations' sustainability reports from GRI, and further performed a content analysis to identify information regarding the adoption of specific CSR and sustainability standards/guidelines. Data for boards of directors was collected from BoardEx. Lastly, market and financial data were retrieved from Thomson Reuters Datastream. The study ends up with a sample of European and non-European corporations with explicit EU-lobbying activity, coming from 21 countries. Amongst these, 68.6% are non-European. Overall, the final sample comprises a group of 173 heterogeneous firms politically active amongst EU institutions, and frames a fairly recent period, preceding the turbulent socio-economic impact brought by COVID-19 pandemic (Ma et al., 2021; Nicola et al., 2020).

4.3.2. Variables and measurements

The variables used for the current research (i.e., study 1a and study 1b) are measured as follows:

Within-firm variables

Individual-level lobbying is measured by the number of lobbyists, based in Brussels, representing each corporation in the EC. This information is publicly declared in the LobbyFacts.eu.

Overall, Brussels has over 30,000 lobbyists in town (Laurens, 2017). Lobbyists represent an important feature of lobbying that has been vastly acknowledged in the literature (e.g., Hertel-Fernandez, 2018; Payson, 2020; Ritchie & You, 2018). In the EU, special relevance is

[1] See http://ec.europa.eu/transparencyregister/public/homePage.do and https://lobbyfacts.eu

given to the meetings that lobbyists have with top European Commission officials (Chalmers & Macedo, 2020).

Through their lobbying activity, these agents negotiate key public policies directly with government officials (Schuler et al., 2017).

Board Diversity is measured with two indicators pertaining to the board of directors, that are tightly linked with CSR (Harjoto et al., 2018): (i) the gender proportion of directors in the board, and (ii) the proportion of foreign board directors. The first indicator allows us to quantify the presence of women in the boards of directors and is a commonly used measure in literature (e.g., Adams & Ferreira, 2009; Campbell & Mínguez-Vera, 2008; Guldiken et al., 2019; Hafsi & Turgut, 2013). The second measure is, alongside with the latter, an indicator of diversity that responds to the business needs of globalization (Oxelheim & Randoy, 2003). Overall, boards' characteristics have been recently associated with CSR research (Fu et al., 2020).

Institutional variables

Political embeddedness is measured with two indicators: (i) the total number of meetings that corporations had with the EC, and (ii) the total amount of European Parliament's (EP) passes gathered by corporations. This evidence was retrieved from EP records on the number of accredited passholders. Both were extracted from the LobbyFacts.eu dataset.

Lobbying expenditures. Drawing on the LobbyFacts.eu database, we addressed corporations' lobbying expenses over the period 2008-2019. As most available data outlined an interval of financial investment rather than a fixed value of Euros invested, we opted to code lobbying expenses as follows: 1 = until 1 million of Euros' lobbying investment; 2 = from 1 to 2 million of Euros' lobbying investment; 3 = from 2 to 3 million Euros' lobbying investment; and 4 = from 3 to 4 million Euros' lobbying investment.

Ethical and social compliance. Macro-level CSR variables were measured by defining corporations' adherence or non-adherence to CSR/sustainable standards. All were coded as dummy variables (0 = the corporation did not adhere to the specific CSR norm; 1 = the corporation adhered to the specific CSR norm). These standards include: (i) ISO26000; (ii) United Nations (UN) Guidelines: i.e., OECD guidelines for Multinational Enterprises, 2030 Sustainable Development Goals (SDGs), and UN Global Compact principles (UNGC); and (iii) assurance standards, namely A1000AS, IFC, and ISAE3000.

Corporations' country headquarters refers to whether each listed company has the headquarter within or outside EU countries. We dummy coded this variable as 1 (European headquarters) and 2 (non-European headquarters).

Financial performance is measured with ROA (return on assets), defined as the ratio of net income to total assets. ROA is a commonly used measure to examine corporate profitability, in both CPA and CSR research (e.g., Chalmers & Macedo, 2020; Du et al., 2019; Orji et al., 2021).

Control variables

Firm sector. In line with previous CSR studies (e.g., Gil et al., 2009; Griffin & Mahon, 1997;), we examined the impact of firms' industry, grouped as follows: Energy; Materials; Industrials; Consumer Discretionary; Consumer Staples; Health Care; Financials; Information Technology; Communication Services; Utilities; and Real Estate.

Firm size. This variable is measured by the natural log of the total number of employees. Previous literature indicates that larger firms gain more visibility, thus attracting more attention to their social and political activities (Barnett & Salomon, 2006).

Intangible assets. Measured as the total amount of intangible assets of a firm, we used this indicator for being strategic assets and a source of competitive advantage, often viewed as principal cause of additional corporate profit (Shakina & Molodchik, 2014).

Long-term debt. Calculated as the total long-term debt divided by total assets, to control for the influence of corporations' capital structure. Long-term debt has been used in prior CPA-CSR studies (e.g., Du et al., 2019), and is of special importance as the financial constraints may influence corporate decisions to engage in social and political activities (Sun et al., 2016).

EU lobbying Tenure. This variable was measured by the number of years since a corporation has lobbying EU expenses, according to what is listed in the EU Transparency Register.

We begin by analyzing descriptive statistics and correlations between all variables prior to testing our hypotheses. On the next step, we introduce study 1a. Given the nature of the study, we tested our proposed multilevel models using HLM 8 (Raudenbush et al., 2019). In study 1ab, we use general linear modelling (GLM) to test hypotheses 3 and 4.

4.3.3. Descriptive statistics and correlations

Table 6 shows means, standard deviations and correlations of all variables. Results reveal similarities but also some significant differences between variables across EU and non-EU

corporations. In common, political embeddedness is significantly related to the number of lobbyists (EU: r = 0.692; p = 0.001; non-EU: r = .672, p = 0.001). Also, political embeddedness is positively related to lobbying expenditures in both EU (r =.430, p = 0.001) and non-EU corporations ($r_{non\text{-}EU}$ = .632, p = 0.001). In addition, number of lobbyists and lobbying expenditures are associated in both samples (r_{EU} = .663, p = 0.01; $r_{non\text{-}EU}$ = .818, p = 0.001). From the correlational analyses, we presume that CPA and CSR/diversity variables are not *per se* significant in improving financial performance in both EU and non-EU corporations.

Conversely, results indicate differences across EU and non-EU corporations, especially in regard to CSR standards. Specifically, UN guidelines are only positively associated with number of lobbyists and boards' nationality diversity in the EU corporations' sample ($r_{lobbyists(N)}$ = .703, p = 0.01; $r_{boardsnationalitydiversity}$ = .393, p = 0.01). Still, across non-EU corporations, UN guidelines are significantly related to lobbying expenditures (r = .247, p = 0.03), thus denoting a higher impact of UN standards when compared with the other CSR norms under analysis. Although lobbying expenditures are positively associated with assurance standards, such result is only significant across EU corporations (r =. 340, p = 0.03). Lastly, interesting findings from this analysis show that political embeddedness is positively related to long-term debt (r = .240, p = 0.02) and intangible assets (r = .208, p = .05) across non-EU corporations.

To provide a more granular analysis comparing EU-based and non-EU-based corporations, we conducted a series of univariate ANOVAS. Overall, results show significant differences on the adoption of CSR standards, namely UN guidelines (F(119) = 4.974, p = 0.03), assurance standards (F(119) = 14.976, p = .001) and ISO26000 (F(119) = 8.886, p = 0.001), with more EU corporations reporting adoption of these standards (respectively, $M_{UNguidelines}$ = .36, $SD_{UNguidelines}$ = .39; $M_{AssuranceStandards}$ = .16, $SD_{AssuranceStandards}$ = .16; $M_{ISO26000}$ = .14; $SD_{ISO26000}$ = .35). EU corporations also have more lobbying expenses, number of lobbyists and higher political embeddedness; differences are also statistically different when compared with non-EU corporations (lobbying expenditures: F(139) = 13.640, p = .001; M = 1.59, SD = .75; number of lobbyists: F(139) = 4.173, p = 0.05; political embeddedness: F(139) = 6.931, p = 0.01). Significant differences across groups are not found on financial performance (ROA: F(136) = 1.318, p = 0.25).

Table 6. Correlations and descriptive statistics of variables.

		EU															**Non-EU**	
		Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Mean	SD
1.	Lobbyists (N)	3.53	1.30	1	.064	-.262	.672	.818	.275	.184	.032	.305	.155	.350	.313	-.010	-.131	2.33	2.07
2.	Boards' Gender Diversity	.68	.10	-.045	1	.012	-.123	-.116	-.081	-.159	-.060	-.028	-.099	.056	.076	-.051	.083	.72	.08
3.	Boards' Nationality Diversity	.51	.26	-.351	-.262	1	-.153	-.103	-.028	-.075	.042	.040	-.073	-.046	-.052	-.003	.132	.26	.22
4.	Political Embeddedness	13.77	12.79	.692	.155	-.258	1	.632	-.030	.005	.110	.142	.339	.229	.208	.240	-.053	8.30	11.22
5.	Lobbying Expenditures (€)	1.59	.75	.663	.051	-.069	.430	1	-.039	.247	.140	-.044	.131	.245	.066	.061	-.047	1.19	.54
6.	ISO26000	.14	.35	-.402	-.036	.047	-.206	-.235	1	.172	.172	.028	-.001	.117	.036	-.018	-.015	.01	.11
7.	UN Guidelines	.36	.39	-.703	-.289	.393	-.154	.203	.200	1	.612	-.222	.104	.297	.065	-.003	.184	.22	.29
8.	Assurance Standards	.16	.16	-.372	.081	.079	.090	.340	.114	.450	1	-.102	.151	.301	.238	.061	.050	.06	.12
9.	Firm Sector	33.69	13.20	-.012	.292	-.285	.166	-.102	-.292	-.109	-.026	1	-.106	-.082	.224	.139	.073	33.16	11.80
10.	Firm Size	83.07	59.33	.089	-.193	.111	.336	.072	-.026	-.001	.059	.053	1	.188	.293	.411	-.004	68.76	116.13
11.	Tenure in EC	7.40	2.64	.388	-.205	.072	.318	.364	.054	.140	.074	-.124	.307	1	.173	.175	-.127	6.68	2.86
12.	Intangible Assets	26557.36	36318.69	.311	-.016	.126	.015	.201	-.116	.099	.034	-.002	.348	.243	1	.448	-.063	18071.84	37761.53
13.	Long-Term Debt	47480.98	60667.84	.164	.091	-.123	.237	.216	-.076	-.040	.282	.120	.457	-.134	.121	1	.036	27143.97	48818.14
14.	Return on Assets (ROA)	.026	.586	.117	-.116	.094	.139	-.149	-.024	.091	.075	.122	.018	.032	-.124	-.064	1	.046	.091

Note: Correlations for EU companies shown below diagonal; non-EU companies above diagonal. N = 140.

p = .05 ; p = .01 (two-tailed tests).

STUDY 1(a)

In Study 1a, we examine allochthonous vs. autochthonous firms' interaction between board diversity and number of lobbyists on corporate political embeddedness. The variables that entered the model are political embeddedness; number of lobbyists; boards' gender diversity; boards' nationality diversity, political embeddedness, and corporations' country headquarters.

To secure robustness of the within-firm and individual-level effects, we controlled for institutional-level CPA (i.e., lobbying expenditures) and CSR (i.e., ethical standards and guidelines). Additionally, we controlled for firm sector, firm size and EU lobbying tenure (to see how variables were assessed, please consult *"2.2. Variables and measurements"* section).

Results

Table 7 shows results of the hierarchical modelling in study 1a. Hypothesis 1 proposed that the joint effect of lobbyists (N) and boards' diversity would increase corporate political embeddedness. As shown in model 3 (table 5), lobbyists increase, *per se*, corporate political embeddedness (EU corporations: β = 5.59, p = 0.012; non-EU corporations: β = 8.05, p = 0.001).

In contrast, the main effects of board gender and nationality diversity are not significant (p values superior to 0.194). In line with the hypothesized, results from both models 4 of Table 5 show significant and stronger effects on corporate political embeddedness when number of lobbyists interact with board gender diversity, in both EU (β = 10.19; p = 0.001) and non-EU corporations (β = 10.88; p = 0.001). Hypothesis 1a was thus supported. Conversely, Hypothesis 2 was rejected as the positive interaction between number of lobbyists and board gender diversity fosters corporate political embeddedness in both allochthonous and autochthonous corporations.

Hypothesis 1b proposed that lobbyists (N) and boards' nationality diversity interactively affect corporate political embeddedness. In contrast with the hypothesized, results were not significant neither in EU corporations (β = -5.33; p = 0.06) nor in non-EU corporations (β = -3.64; p = 0.31). Therefore, Hypothesis 1b and 3 were rejected, as the interaction between boards' nationality diversity and lobbyists (N) on corporations' political embeddedness is not significantly positive neither stronger amongst allochthonous corporations.

Although unpredicted, results show that lobbying expenditures have a positive effect on corporate political embeddedness amongst non-EU corporations (model 3: β = 15.51; p = 0.001).

Table 7. Results of Hierarchical Modelling in Study 1a

	EU Corporations				Non-EU Corporations			
	Political Embeddedness				Political Embeddedness			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Level 1 (model variables)								
Lobbyists (N)		5.59 *** (1.71)	5.28 ** (2.01)			8.05*** (1.17)	4.15*** (1.48)	
Boards' Gender Diversity		- 15.54 (11.89)	37.84 (32.65)			-24.90 (18.39)	-20.16 (17.30)	
Boards' Nationality Diversity		40.17 (30.79)	- 16.51 (12.49)			- 2.13 (7.40)	-4.83 (6.81)	
Level 2 (control variables)								
Lobbying Expenses (€)			2.61 (5.60)				15.51*** (3.90)	
ISO26000			- 10.95 (9.85)				-2.86 (14.87)	
UN Guidelines			1.15 (10.68)				-15.98* (7.29)	
Assurance Standards			11.03 (21.39)				16.41 (17.04)	
Level 1 interactions (model variables)								
Lobbyists (N) x Boards' Gender Diversity				10.19*** (2.47)				10.88*** (1.68)
Lobbyists (N) x Boards' Nationality Diversity				- 5.33 (2.78)				- 3.64 (3.53)
Level 2 interactions (control variables)								
Lobbying (€) x ISO26000				- 7.93 (7.03)				- 5.18 (16.44)
Lobbying (€) x UN Guidelines				- 3.18 (4.81)				- 10.31 (5.89)
Lobbying (€) x Assurance Standards				14.89 (10.67)				23.28 (13.66)
Additional control variables								
Firm Sector	0.42	0.24	0.17	.08	0.34*	.28*	0.26*	0.27
	(0.28)	(0.25)	(0.26)	(0.25)	(0.17)	(0.14)	(0.13)	(0.14)
Firm Size	0.08	.09	.09	.08	.06***	0.03	.03*	0.04*
	(0.07)	(0.06)	(0.05)	(0.05)	(0.02)	(0.01)	(0.01)	(0.02)
EU Lobbying Tenure	2.55 *	1.35	1.07	1.25	1.11	-0.50	0.19	-0.46
	(1.44)	(1.32)	(1.35)	(1.21)	(0.70)	(0.62)	(0.58)	(0.65)

p = .05*, p = .01**, p =.001*** (two-tailed tests). Note: Robust standard errors in parenthes

Contribution of Study 1a

Study 1a provided evidence of the hypothesized relationships between CPA-CSR within-firm variables and EU political embeddedness. Overall, study 1a lends support to the idea that corporate political embeddedness mostly relies on business representatives' characteristics. Specifically, results suggest that the interaction between the number of lobbyists and boards' gender diversity helps both allochthonous and autochthonous corporations to embed the EU political sphere. Regarding non-European corporations, Study 1a presents an additional finding: lobbying expenditures are positively linked with corporate political embeddedness. Flowing from this finding it is timely to explore the interaction effects between macro level CPA and CSR, namely by focusing on the interplay between corporate political embeddedness, lobbying expenditures, and CSR / ethical standards on organizational outcomes, namely, financial performance as a key indicator. The ensuing study is designed to test these relationships.

STUDY 1(b)

In Study 1b, we analyze the three-way interaction effect between corporate political embeddedness, lobbying expenditures and CSR/ethical standards on financial performance. Similar to Study 1a, this study examines differences between EU and non-EU corporations. The variables used to test the model are described in "*2.1. Measures section*", i.e., EU lobbying expenditures; ethical and social compliance, namely: ISO26000, UN Guidelines, and assurance standards; corporate political embeddedness; and ROA. To secure reliability of the macro-level effects, we controlled for within-firm variables, that is, (i) number of lobbyists, (ii) boards' gender diversity, and (iii) boards' nationality mix. Given the nature of the current study, we also controlled for firm sector, firm size, EU lobbying tenure, firms' intangible assets and long-term debt.

Results

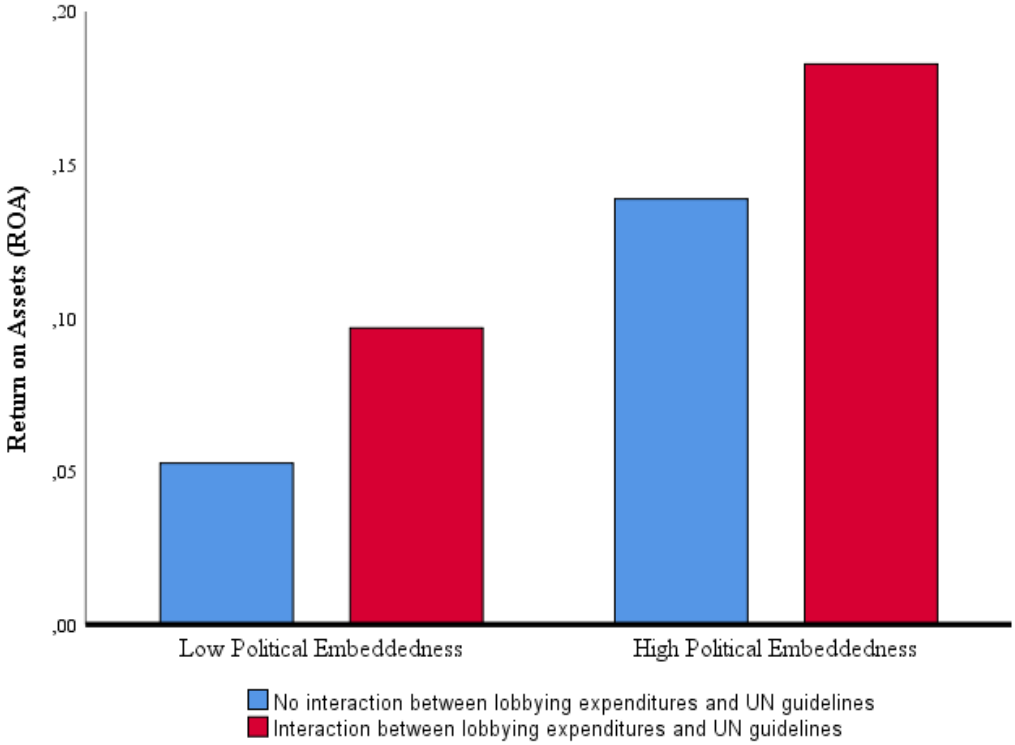
Prior to test hypotheses 3 and 4, we tested the main effect of corporate political embeddedness on ROA using GLM. Results from the sample comprising European corporations showed that the impact of corporate political embeddedness on ROA is not significant: $F_{PoliticalEmbeddedness}(1, 36) = 2.53$, $p = 0.50$; CI95 [-29.82; 34.89]). Likewise, the main effect of corporate political embeddedness on ROA across non-European corporations is not

significant either: $F_{PoliticalEmbeddedness}$ (1, 92) = 2.22, p = 0.40; CI95 [-3.40; 7.85]). Thus, results show that corporate political embeddedness is not *per se* enough to increase financial performance.

On the next step, and as in line with the hypothesized, we tested a series of three-way interaction models examining crossed effects between corporate political embeddedness; lobbying expenditures; and each of the following CSR standards: (i) UN guidelines; (ii) assurance standards; and (iii) ISO26000, on ROA and across European and non-European corporations. GLM models for European corporations showed that three-way interaction effects between variables was not significant, neither when corporations are engaged with UN guidelines (F(1.36) = 34.19, p = 0.17, CI95 [-36.26; 104.65]), assurance standards (F (1, 36) = 22.44, p = 0.20, CI95 [-28.88; 73.77]), nor with ISO 26000 (F(1, 36) = 4.81, p = 0.33, CI95 [-10.93; 20.55]).

In contrast, across non-European corporations, results indicated one significant interaction effect between lobbying, UN guidelines and corporate political embeddedness (F(1, 92) = 10.10, p = 0.02, CI95 [1.67; 18.53]) on ROA. Therefore, Hypothesis 4a was supported. As Figure 6 depicts, results suggest that non-European corporations increase their financial performance in the EU when they meet the following conditions: high EU political embeddedness; investments in lobbying expenditures (desirably equal or over EUR100.000); and engagement with UN-related guidelines.

Figure 6. Interaction plot between UN guidelines, lobbying expenditures and corporate political embeddedness on ROA (across non-EU corporations).



Contribution of Study 1b

Findings from study 1b offer insight regarding the impact of institutional-CPA-CSR variables, and corporate political embeddedness on financial performance. Across non-EU corporations, the joint effect of political embeddedness, lobbying expenditures, and adoption of UN guidelines has a significant impact on ROA. This singular yet crucial result emphasizes the importance, especially to foreign corporations, of adopting a CPA-CSR integrated approach in order to be more profitable within the EU.

4.4. Discussion and Conclusion of Study 1

Following previous research calling for a non-market integrative approach of CPA and CSR (e.g. Anastasiadis et al., 2018; den Hond et al, 2014; Du et al., 2019; Rodriguez et al., 2006), the current study took the challenge to examine how CSR and CPA interactively affect corporations' political embeddedness and financial performance within the EU environment. In doing so, we explored differences across EU and non-EU corporations, respectively defined

as autochthonous and allochthonous firms. The study also set out to offer a whole picture of the non-market phenomenon by drawing on a multilevel approach, i.e., it empirically examines the impact of within-firm (level 1) and institutional (level 2) CSR-related and CPA indicators.

Overall, study 1 suggests that business representatives' characteristics are crucial for embedding corporations with EU political institutions. Indeed, corporate political embeddedness is important, as a closed connection with governments translates into a stronger influence on the development of public laws and regulatory conditions (Zhao, 2011). First, findings from study 1 emphasize the importance of lobbyists in the EU. These representatives are viewed as pivotal in any political sphere, but especially within the EU. Through lobbyists, corporations can more easily uphold their interests in EU political decisions (Laurens, 2017). In addition to hiring lobbyists, results suggest that EU political embeddedness is higher when firms display responsible leadership choices, in this case, via the integration of women in the commission of boards. The linkage between boards' gender diversity and EU political embeddedness may be rooted in the fact that equality between men and women is a fundamental right and a European common principle (European Commission, 2009). Ultimately, the combination between lobbyists and boards' gender diversity represents a significant within-firm CPA-CSR strategy that leverages EU political embeddedness of both autochthonous (EU) and allochthonous (non-EU) corporations.

Study 2 complements the latter by providing an institutional CPA-CSR approach. Through the analysis of lobbying expenditures and multiple ethical compliance standards, findings from this study add to previous research suggesting CPA-CSR significant effects on financial performance (Hadani & Schuler, 2013). We submit that examining this approach within the EU environment is of particular interest as CSR and sustainability values are highly appreciated by EU (Suder, 2011). By relying on multiple CSR standards, findings extend previous research by revealing the standout of UN guidelines over other standards, and its impact on financial performance.

In particular, results from study 2 show that allochthonous (i.e., foreign) corporations increase their financial profitability within the EU political sphere when they meet the following conditions: high political embeddedness (achieved through the image displayed by business representatives); high lobbying expenditures; and adoption of UN guidelines, namely OECD guidelines for Multinational Enterprises, 2030 Sustainable Development Goals (SDGs), and UN Global Compact principles (UNGC).

4.4.1. Theoretical and practical implications

The current research has numerous important implications. From an academic standpoint, we empirically provide a EU non-market approach integrating social and political strategies, which was previously acknowledged as a crucial knowledge gap (Mellahi et al., 2016; Anastasiadis et al., 2018). Moreover, although previous studies have already analyzed the interactive effect of CPA and CSR on financial performance (e.g., Du et al., 2019) any study had, to the best of our knowledge, drew on a thorough and multilevel approach to delineate a CPA-CSR pathway strategy. In addition, the current study highlights the crucial role that corporate political embeddedness plays within the EU institutional context, an aspect that has been equally overlooked (Chalmers & Macedo, 2020). Specifically, findings from study 1 show how important business representatives' characteristics are to do define a solid CPA-CSR business strategy. Although pivotal to embed the EU political environment, these characteristics have been unexplored. We also submit that the exploratory nature of this research, considering differences across EU and non-EU firms, might translate into a solid empirical contribution to corporate strategy and non-market research.

From a practical view, the development of two complementary studies has its advantages.

First, it enabled to provide a non-market strategic comprehensive approach that can be deployed in the corporate business world. In our view, the proposed model is insightful due to objective evidence it provides, from within-firm to institutional.

Second, findings clearly suggest that corporate efforts to lobby and behave ethically pay off, as the more corporations do so, the more they can get into the EU political sphere. Specifically, the current research shows how and which corporate strategies help establishing stronger connections with key political decision-makers, and ultimately how can corporations leverage their financial and political success by relying in a non-market CPA-CSR integrative approach. We contend this evidence is crucial to business practitioners, and to a wide variety of firms, whether national or multinational; autochthonous or allochthonous. In fact, findings can be of extreme importance to non-EU corporations aiming to extend their reach within such powerful business environment as the EU.

4.4.2. Limitations and directions for future research

The current study is not without limitations. First, although our empirical analyses contribute to a better understanding of the non-market environment within the EU context, the study is very specific as it does not explore how CPA and CSR interactively affect political

embeddedness and financial performance in other institutional contexts (Du et al., 2019). Future research might explore the joint effect of these non-market strategies in other business environments.

Another limitation underlying this research concerns the lack of consensus about board diversity being a CSR indicator; while previous research considers board diversity as an ethical aspect tightly linked with CSR (Harjoto et al., 2018), a more institutional approach to CSR assumes board diversity as being an expression of CSR *per se* (Economist Intelligence Unit, 2014). Given that equal opportunity is an EU cornerstone, especially in regard to gender (European Commission, 2009), we approached board nationality and gender diversity as a within-firm indicator of CSR. Following this concern, future non-market studies could address more objective within-firm indicators.

In fact, future studies could contribute to the within-firm CPA-CSR approach as it is seemingly important; not only due to its scarcity in the extant literature but also due to the impact that such indicators have on business political and financial outcomes. Desirably, further macro social and political aspects of business should be explored and integrated, as well as other specific political strategies besides lobbying, and dimensions of CSR that go beyond ethical compliance standards.

Moreover, we acknowledge as limitation the inability to provide a longitudinal perspective to the phenomenon; this is majorly due to restricted access to data, especially within Lobbyfacts.eu dataset. To overcome this constraint, we opted control time effects with a variable we had available, i.e., EU lobbying tenure, which was entered in the model.

Given the exploratory side that underlies the current research, we submit the hypotheses tested opens new avenues to non-market and strategic research. In this regard, there is one important finding that can be further explored in future studies, i.e., the positive impact that lobbying expenditures has on EU political embeddedness across non-EU corporations. Future research could explore this condition, which only holds for non-EU corporations. Lastly, this study examined CPA-CSR indicators referring to a time frame prior to COVID-19 outbreak. Future studies could, for example, replicate the current study to explore possible differences in a post COVID-19 period.

4.4.3. Conclusions

Governments define the rules of the game in most business environments (Du et al., 2019); in Europe, such political scenario is not an exception. Therefore, various corporations, with EU

business operations, lobby to reach political actors and influence regulatory decisions. Expressive EU lobbying expenditures, involving millions of Euros yearly, stresses the prominence of the EU political setting to several business firms.

Based on this phenomenon, the current research set out to offer an integrative non-market strategic model considering social and political aspects of business that take place either within-firm and in the EU institutional setting. The main finding of this research shows that the integration of specific lobbying and CSR strategies ultimately help establishing a close connection with EU political regulators, thereby leveraging financial performance.

Considering that: (i) governments play a crucial role on business success, as they can either benefit or prejudice corporations in terms of public policies and regulations (Lawton et al., 2013); and (ii) the importance that EU institutions pay to sustainability, social and environmental contributions of business (Suder, 2011), the integrative CPA-CSR approach proposed in the current study has, in our view, the potential to bring success to those firms that implement it. In addition, we submit that the multi-level nature of this study opens ways to future studies within the non-market literature, which has so far disregarded the role of business representatives and their characteristics.

5

– STUDY 2 –

Study published as: Borges, A., & Ramalho, N. (2023). Building political capital through corporate social responsibility: a microlevel focus on the role of business leaders. *Social Responsibility Journal, 19*(3), 566-578.

Building political capital through Corporate Social Responsibility: A micro level focus on the role of business leaders

5.1. Introduction

In the end of last century, Habermas' theories of deliberative democracy and discourse ethics (1996; 1998) established a governance model where political decisions are not an exclusive of politicians. Inspired by this contention, political CSR scholars then acknowledged corporations as legitimate political actors due to their governance contributions through CSR (e.g., Scherer & Palazzo 2007, 2011). Tightly linked with political CSR topic, corporate political activity (CPA) is a research stream that also views corporate action as intrinsically political (Palazzo & Scherer, 2006). However, whereas political CSR scholarship takes an altruistic approach by exploring how can corporate contributions to political processes foster the common good, investigation on CPA has a self-interest motivation, and focus on how corporations can influence regulators and political decision-makers in their favor (Hillman et al., 2004).

In corporate business world, CPA usually takes form with the adoption of political strategies, such as lobbying, financial inducements to policy makers, and the development of close relationships with government officials. These purposefully aim to influence political processes that are beneficial to corporations (Hadani et al., 2019).

Although advantageous, these corporate efforts have deserved much criticism by stakeholders. Due to its self-serving nature and for being often isolated from any consideration for society, CPA is viewed as lacking legitimacy to influence political decision-makings (Kamasak et al., 2019; Rasche, 2015; Scherer, 2018). The Habermasian conception of political CSR fits the legitimacy requirement because it departs from the premise that CSR activities, widely viewed as intrinsically altruistic and motivated to foster social betterment, are a powerful source of legitimacy to influence political decisions (Scherer et al., 2016). Overall, this theoretical approach highlights the ability of corporations to fill government gaps through CSR, especially when nation-states fail to do so.

As corporations perform state-like roles by addressing social and environmental problems in the same way as governments should be able to, such makes them legitimate to hold a political position (e.g., Joutsenvirta & Vaara, 2015; Palazzo & Scherer, 2006; Scherer & Palazzo, 2007; Scherer et al., 2013; 2016; Scherer, 2018).

This promising framework has not yet been fully explored in business strategy literature, most probably because it rejects an instrumental motivation to engage with CSR (Dawkins, 2019). Instead, business strategy scholars have been mostly focused on the studying the positive impact of CPA on financial performance when corporations are simultaneously engaged with CSR (Du et al., 2019). In general terms, the explanation underlying these findings lies in CSR being a powerful source of legitimacy and trust (Abdullah & Aziz, 2013; De Roeck & Delobbe, 2012; Fatma et al., 2019; Porter & Kramer, 2002), and therefore perceived as an ethical asset that complements CPA, creating a desirable corporate profile.

Ultimately, the convergence of CPA and CSR has been increasingly viewed as important to establish an effective governance system where corporations enhance their political influence while preventing from ethical risks commonly associated to CPA (Liedong et al., 2015).

Despite several calls for integrating CPA with political CSR (e.g., Anastasiadis et al., 2018; den Hond et al., 2014; Mellahi et al., 2016; Tortosa-Edo & López-Navarro, 2020), these lines of investigation have been evolving separately without much research bridging them. Thus, we submit that a promising future direction on CPA field should lie in some key political CSR propositions. The Habermasian conception of political CSR deserves special attention for focusing on legitimacy processes, an aspect that has been acknowledged as lacking in CPA (Schultz & Seele, 2020).

Although political CSR has been gaining prominence, this research stream is generally lacking crucial empirical evidence (e.g., Frynas & Stephens, 2015; Rasche, 2015; Scherer, 2018; Scherer et al., 2016; Voegtlin & Greenwood, 2016). Most noticeably, literature acknowledges poor contributions at a micro-level (Maak et al., 2016; Scherer, 2018), which creates a significant research gap that would be valuable to CPA as well.

Therefore, the current study draws on the Habermasian conception of political CSR to offer a comprehensive framework to CPA literature by approaching CSR as a political activity i.e., as an activity that might translate into governance contributions, thereby generating legitimacy gains to influence political decisions. Moreover, we do so by relying on a critical realism paradigm, thus assuming that the existence of reality is independent from our knowledge as researchers; instead, our accessibility is rather mediated. Overall, this philosophy of science has been recognized as important to increase understanding on how business and society entities operate together (Wry, 2009).

As political actions are usually managed by business leaders (Sun et al., 2016), we also take the challenge to explore an overlooked explanatory mechanism that might foster corporate

political legitimacy through CSR adoption, i.e., leaders' political skills (Maak et al., 2016). Therefore, this study addresses whether leaders' political skills influence engagement in multiple stakeholder-based CSR activities, and how these activities leverage corporate political legitimacy.

The proposed political CSR framework intends to bring novelty and to contribute with knowledge to CPA literature. In contrast with previous scholarship, which has been treating CSR only as complementary activity to corporate political behavior, we propose CSR should be interpreted as a political activity - not only for shielding corporations from reputational risks but also due to its benevolence feature that translates into governance contributions. It would also help overcome legitimation issues that are commonly associated with CPA. Lastly, this study intends to offer insights to business leaders and practitioners regarding the importance of political skills in securing political corporate benefits from CSR.

5.2. Theoretical Background

5.2.1. Corporate Political Activity: Walking on thin ice

Over 50 years ago, Epstein (1969) had already considered government as a competitive tool to create a more favorable business environment. Thus, corporate attempts to strategically influence political decision-makers are not new, and they have been made part of everyday business life. Overall, CPA encompasses corporate efforts to shape government policy in ways that are beneficial, leading to various advantages such as increased market size and power towards different stakeholders (Hillman et al., 2004; Liedong et al., 2020).

Despite the potential benefits, the pitfalls of adopting political strategies are significant. One major pitfall concerns the negative impact on corporate image due to CPA being in some way linked to immoral behavior and corruption (Banerjee et al., 2018; Mantere et al., 2009). Often, corruption bounces back negatively to organizations, as stakeholders refuse to do business with corporations labelled as corrupt (Farah & Newman, 2010). The reputational risks stemming from CPA are becoming even more perilous as political scandals involving corporations are being increasingly exposed (Den Hond et al., 2014; Kamasak et al., 2019).

To prevent from these corporate blows, emphasis has been put on political transparency which has been highly encouraged through lobbying disclosure (Favotto & Kollman, 2019). However, the adoption of corporate political strategies continues being a matter of discussion

regarding ethical and social concerns (Kamasak et al., 2019). In general, this scenario reflects a crucial viewpoint held by stakeholders, i.e., that business-government relations lack legitimacy (Rasche, 2015). There is no consensus about what legitimacy stands for, but it is widely defined as emerging from desirable and proper actions within a system of beliefs, norms, and values (Suchman, 1995).

Therefore, one reasonably presumes that CPA remains illegitimate especially because companies have an undesirable conduct when influencing political and regulatory decisions, essentially motivated by self-interest (Mantere et al., 2009). One key question arises: in a contemporary world, where corporate transparency and ethical behavior are highly demanded, how can corporations gain legitimacy to influence political decisions without damaging their reputation?

5.2.2. CSR as a political legitimation strategy

During past years, CSR has gone mainstream for being acknowledged as a powerful source of competitive advantage (de Bakker et al., 2020; Jha, 2021; Turker, 2009; Vishwanathan et al., 2020). Likewise, recent literature has been recognizing the political gains of CSR (Mellahi et al., 2016).

Overall, CSR complements CPA by creating a favorable corporate image, increases political access, and helps establishing political connections (Liedong et al., 2015; Zhao, 2011). CSR also shields corporations from political hazards (Godfrey, 2005). Linked with this view of CSR, political CSR scholarship offers compelling insights not only for advocating that CSR is political in nature, but also for repeatedly using the political legitimacy concept to define the impact of CSR (Schultz & Seele, 2020).

Amongst various definitions and applications of general theories within political CSR topic, one of the most popular approaches concerns the Habermasian perspective of political CSR (Frynas & Stephens, 2015). This contemporary approach, set by Palazzo and Scherer (2006), is strongly grounded in Habermas' theories of deliberative democracy and discourse ethics (Habermas, 1996; 1998). In Habermas' view, deliberation is the central process of political legitimacy (Palazzo & Scherer, 2006), thus political roles can be performed by non-political actors as their legitimacy depends on the reasons given by them to assume this role (Sabadoz & Singer, 2017). Tightly linked with political legitimacy is the obedience concept as the latter sustains governmental power (e.g. Coakley, 2011; Gleeson, 2000; Matheson, 1987).

Therefore, to gain political legitimacy i.e. the right to be obeyed, and to influence political decisions because others approve them (Bernstein & Cashore, 2007), Habermas suggests the integration of an ethical discourse. Alongside with a perception of benevolence, the discourse must be perceived as truthful, sincere, appropriate, and intelligible to be validated and promote consensus (Habermas, 1984).

Departing from this theoretical contribution, the Habermasian conception of political CSR advocates that, as CSR activities turn into governance contributions, responsible companies are being increasingly perceived as legitimate to perform a political role. Therefore, Scherer and Palazzo (2011) proposed an 'extended model of governance with business firms contributing to global regulation and providing public goods' (p. 901), yet the nation-state would always remain the dominant institution. From an institutional standpoint, the Habermasian conception of political CSR fits particularly well in libertarian or classical liberal political settings, where strong political and social roles for corporations easily become a political reality (Mäkinen & Kourula, 2012; Mäkinen & Kasanen, 2015).

Nonetheless, for entailing a set of "activities where CSR has an intended or unintended political impact or where intended or unintended political impacts on CSR exist" (Frynas & Stephens, 2015, pp. 485), and political power towards responsible corporations (Scherer & Palazzo, 2011), recent anti-globalization and protectionist movements (Kobrin, 2017) are promoting a reversal in this trend. Yet, as Curran and Eckhardt (2020) argue, it is likely that organizations will react by increasing their corporate political behavior. Likewise, the idea of a shared political power between governments and corporations to better address social problems has been highly disseminated (Monciardini & Conaldi, 2019). In fact, the Habermasian contention is gaining prominence as governance processes are being re-invented to provide a better governmental response (Kourula et al., 2019).

One corporate intervention of special importance would take place in a post-COVID19 society as this is the only framework that is self-limited in case of state failure (Scherer & Voegtlin, 2020).

Despite being a promising framework, the Habermasian conception of political CSR is not without criticism. The first critique concerns the presumption that responsible companies fill government gaps through CSR only for altruistic purposes (Palazzo & Scherer, 2006).

For rejecting the self-interest instrumental approach that CPA highlights when engaging in political behavior (Whelan, 2012), such political conception has been neglected from a CPA standpoint. Another limitation underlying this political CSR perspective is the contention that the Habermasian principles are limited to political economies where weak boundaries exist

between business and government (Mäkinen & Kourula, 2012). Ultimately, in these political settings, such a political phenomenon might damage state authority (Whelan, 2012), contributing to an unstable line between society and business (Djelic & Etchanchu, 2015).

Despite limitations, the Habermasian framework accounts for political legitimacy towards corporations, which is a critical aspect that, as stated, is currently lacking in CPA (Rasche, 2015). We submit that the Habermasian perspective is not incompatible with acknowledging an instrumental motivation as long as the action is perceived as benevolent as well. Based on this view, the current study draws on a conceptual approach to examine the Habermasian political proposition that CSR activities legitimize companies to perform a political role at a micro-level. Although a perceptual-based approach (i.e., social judgment formation) helps understand how individuals conceive corporate legitimacy (Bitektine, 2011; Bitektine & Haack, 2015), it is currently more important to offer a critical realism paradigm as there is a primary need to conceive the perceptive reality of business, i.e., the role that business leaders play in political CSR management (Wry, 2009).

But prior to address the role of business leaders, how are political CSR activities conceived in the extant literature? So far, political CSR scholarship has been emphasizing the impact of multi-stakeholder CSR initiatives on companies' political legitimation processes (Mena & Palazzo, 2012). However, differences amongst stakeholder groups require further understanding (Ingenhoff & Marschlich, 2019). Based on these contentions, the current study proposes that multiple stakeholder-based CSR activities need to be examined as discrepancies may exist when it comes to leverage corporate political legitimacy.

5.2.3. The role of C-Suite: a general approach

As Cohen (1993, p. 57) states: "organizations do not "behave" but managers and staff do". Despite previous calls to examine the relation between corporate political actions and individual behavior, a wider focus has been put on the macro-level of firms (Maak et al., 2016; Scherer, 2018).

With the micro-level of political CSR being heavily neglected, the role of business representatives' behavior and ethicality in conducting political endeavors has been overlooked (Scherer, 2018). However, their role is pivotal to understand corporate political behavior as it is often managed and acquired by business leaders that meet the right skills to do so (Hillman, 2005).

According to Rehbein and Schuler (2015), enhancing the quality of the personal relationships with key public officials and their staff is important, not only to raise their visibility but also to improve legitimacy in a particular community.

As business leaders' ability to open opportunities to network with political institutions and access to a wide range of regulatory and financial resources (Sun et al., 2016), is strongly linked with their individual attributes (Zuydam, 2014), the current study intends to examine how extensively business leaders' traits are predictors of political legitimacy gained through CSR.

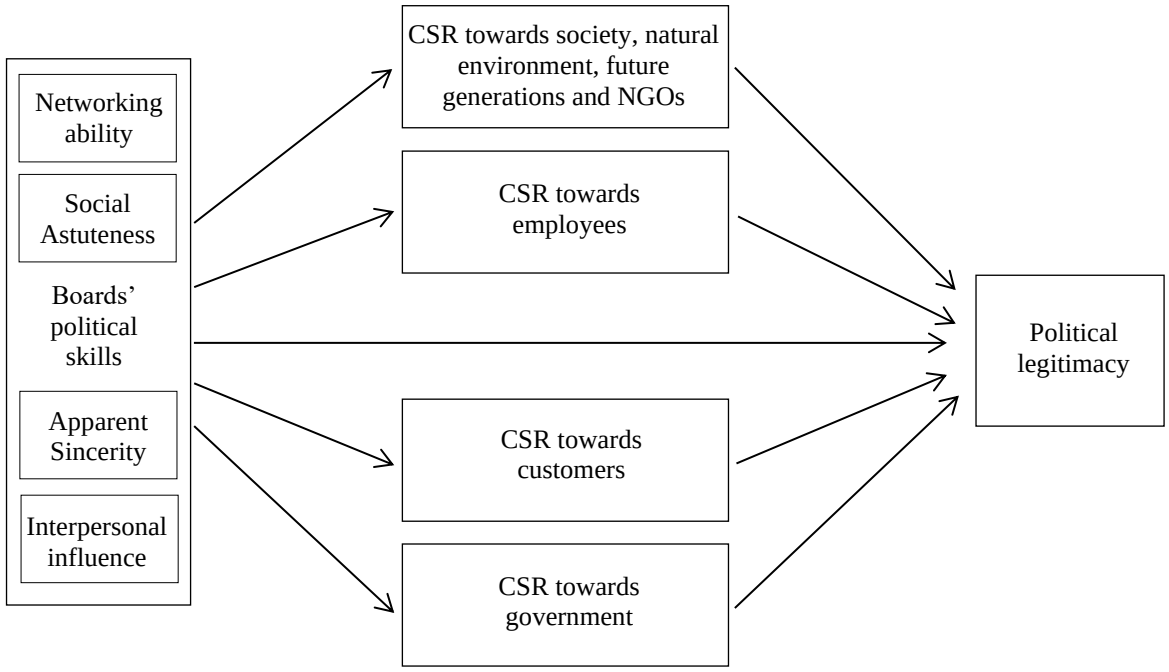
We thus follow Maak and colleagues' (2016) suggestion to empirically examine boards' political skills, viewed as critical for political CSR management. As proposed, our conceptual framework relies on the political skills identified by Ferris and colleagues (2005), i.e. (1) social astuteness, (2) interpersonal influence, (3) networking ability, and (4) apparent sincerity. Accordingly, social astuteness consists of the ability of individuals to thoroughly examine various social situations and interpersonal interactions. Regularly associated with persuasion, interpersonal influence is also an important political skill, referring to the ability of adapting behaviors to each situation with persuasive intent. The authors also highlight networking ability as a skill, which entails the development of friendships and strong coalitions and alliances that are beneficial and ultimately extend individual's reach. Lastly, apparent sincerity concerns the ability to inspire confidence, trust, and being perceived by others as authentic, sincere, and genuine. This skill is in line with the Habermasian predicate of discourse validity claims that stresses precisely sincerity as a fundamental feature to gather consensus jointly with truth, appropriateness, and intelligibility (Scherer & Palazzo, 2007).

By keeping this in mind, what is the actual role of CSR on the relationship between business leaders' political skills and corporate political legitimacy? We postulate that business managers, when perceived as holders of political skills, are more likely to adopt CSR strategically, i.e., as a means to build political legitimacy, which ultimately leverages corporate political legitimacy.

The conceptual framework that guides this study is illustrated in Figure 7. Adding to the proposed framework, the mechanisms of how the legitimization process occurs should be more specifically explained. We contend that boards' political skills help them strategically reach local and state political actors, important figures in society as they define the "rules of the game" in any political economy. Given the importance of sustainable development nowadays, we submit these leaders find in political CSR a favorable strategy to influence politics. Subsequently, and in our view, legitimacy is gained because society perceives responsible corporations as having political benefits, e.g., through the influence of public policies, but also

perceives them as having a responsibility towards society through CSR. Therefore, this balance may leverage political legitimacy.

Figure 7. Proposed framework (study 2).



5.3. Discussion: How can business leaders build political capital through CSR?

Based on previous literature, the current study aims to answer this question by reflecting the complexity of political CSR, comprehending a twofold nature: that of entailing CSR activities, and that of being linked to legitimation processes for operating in the political sphere (Scherer, 2018; Scherer & Palazzo, 2011). By speaking of complexity, there is a need for examining CSR as an umbrella construct as well, that is, as an asset that comprises multiple CSR stakeholder-based activities with differentiated impact on corporate political legitimacy. For this endeavor, the current study relies on the Habermasian conception of political CSR, which claims that responsible corporations are legitimate political actors due to their ability to fill government gaps (Palazzo & Scherer 2006; Scherer & Palazzo, 2011). Ultimately, this study overlaps with CPA literature for taking CSR as a legitimate political strategy.

At macro-level, the greatest contribution of the current study lies in the idea that CSR activities need to be differentiated. Previous literature strongly suggests that CSR practices, when perceived as going beyond instrumental motivations, are more appreciated (Baron, 2010). Therefore, they are seemingly more likely to have a positive direct effect on corporate political legitimacy.

In this sense, we submit that CSR initiatives directed to society, environment, future generations, and NGOs are the most consensual sources of political legitimacy. Nevertheless, one must keep in mind that CSR activities directed towards society at large and employees, may be purely strategic, through social initiatives such as local workforce training (Porter & Krammer, 2002).

However, this might not be true in the eyes of these stakeholders. They may perceive these activities as being less instrumental, and if they do so, these actors may legitimize corporations to influence political decisions through CSR. Nevertheless, this aspect needs to be explored in future political CSR empirical studies. This external perceptual-based approach is aligned with literature claiming that responsible companies own a state-like role (Scherer & Palazzo, 2007) due to their ability to handle societal problems in the same way as governments should be able to. Accordingly, we submit that stakeholders more easily legitimize these companies to operate in the political sphere given their benevolent work for community betterment.

Moreover, we postulate that CSR activities developed towards employees should be also perceived as a potential predictor of corporate political legitimacy. We contend that employees

want to benefit from these philanthropic activities not only in their workplaces but also at a community level, thus legitimizing responsible companies to be politically accountable.

Conversely, we suggest that the positive relationships established with customers and governments need to be further explored, especially to understand how far they are perceived by stakeholders as intentional, altruistic, and beyond legal obligation.

We argue that political legitimacy gained through CSR requires that the perceiver believes it was intentional, altruistic, and beyond legal obligation. As pleasing clients and political actors is within the direct interest of the organization, such actions might be taken as self-serving rather than altruistic, and the instrumental view of CSR might fall short from social expectations.

At a board level, previous literature support that political skills play an important role in political endeavors (Maak et al., 2016). We suggest that boards' political skills help them (1) build alliances with political actors, (2) make constituency building efforts, and (3) deploy information strategy crucial for business activity. Therefore, we submit that business leaders who have political skills are viewed as more likely to engage in all CSR stakeholder-based activities, due to CSR being a fruitful business strategy that enables to create favorable relationships with public officials.

5.3.1. Theoretical Implications

Again, by drawing on the proposed conceptual framework, we intend to bring to debate that not all CSR activities have the potential to generate political legitimacy, proving that differences on CSR initiatives directed towards multiple groups of stakeholders must be addressed in the political CSR phenomenon (Ingenhoff & Marschlich, 2019). By doing so, we aim to offer insightful theoretical contributions for two lines of research, i.e. political CSR and CPA. Likewise, by relying on previous literature showing the positive relationship between CSR and corporate political legitimacy, we emphasize the crucial need for creating a bridge between political CSR and CPA, especially because legitimacy issues keep on taking a center stage within CPA scholarship (Rasche, 2015).

Lastly, this research intends to aid in our understanding of the role of boards' attributes. We strongly suggest that politically skilled leaders treat CSR as a non-market strategy that helps create networks and exert influence in political endeavors. Political skills also reveal being pivotal to gain political legitimacy.

Habermas' (1984) emphasis on ethical discourse, which must be perceived as truthful and sincere to be politically accountable, gains form in corporate business world when business leaders rely on CSR and on their political skills to gain legitimacy to influence political decisions. Accordingly, we claim that business leaders, who own the ability to network and influence others, while being taken as sincere and socially astute have the potential to be successful on enhancing political legitimacy through CSR. The study also empirically supports that boards' political skills are pivotal to understand the political CSR phenomenon (Maak et al., 2016). Indeed, boards' political skills are pivotal to help establish strategies that legitimize corporate political behavior and for this reason they should be considered in future CPA research and practice. We instigate future contributions to the micro-level of analysis of political CSR by exploring whether boards' political skills are predictors of CSR adoption and corporate political legitimacy.

5.3.2. Managerial Implications

The proposed framework provides insightful knowledge contributions for business practice in numerous fronts.

First, by suggesting that corporations should not treat CSR only as complementary activity to CPA. We submit that CSR should rather be taken as a political activity on its own because it is a powerful source of political legitimacy that ultimately helps build a good reputation (e.g., Agarwal et al., 2014). Through this knowledge, corporations can take best advantage of this asset that has been widely treated as only economic in nature.

Second, this study highlights that CSR is more politically effective when expressing intentions of goodwill that go beyond instrumental motivations. Also, we postulate that political legitimacy is more dependent on the social judgment that stakeholders hold about CSR motivations, rather than on the true motivation itself.

Lastly, we suggest practical implications regarding the selection and development of business leaders and their individual attributes. Namely, investment on training for the development of boards' political skills is highly recommended and should take a center stage due to their importance for strategic political management. Also, taking CSR as a political activity and including it in CPA disclosures might be pivotal to prevent corporations from reputational blows arising from other political activities.

5.3.3. Directions for future research

With corporations increasingly regarded as both economic and political actors, the political interpretations of CSR hold great potential for conceptual and empirical developments (Scherer & Voegtlin, 2020; Voegtlin & Greenwood, 2015). Overall, the role that CSR plays in leveraging corporate political influence has still much to explore. In this regard, we highlight the impact that business leaders have in either CSR engagement and political activity (Liedong et al., 2015; Zhao, 2011). We thus highly encourage future political CSR research to consider a wide range of boards' individual attributes and leadership styles that might foster legitimate and well reputed political influence. Also, at group level, addressing aspects regarding the commission of boards would be interesting.

From another standpoint, the conceptual design of this study may preclude the ability to ascertain a causal nexus from perceived CSR to ascribed political legitimacy. Therefore, we suggest future research to empirically test and extend the proposed framework using different methodologies, especially through experimental and/or longitudinal approaches (e.g., Anderson, 2015). Overall, the adoption of diverse research in political CSR research would be equally important, which includes qualitative-based research strategies, as they may offer a closer-to-reality view between CSR activities and attributed political legitimacy.

We also encourage the development of empirical studies addressing this phenomenon in different populations and political contexts. In this regard, one must keep in mind that the application of the Habermasian framework strongly depends on the institutional conception of business and politics, and in the way they shape the ability of various stakeholders to have a political role and to deliberate. Given that liberal political settings are more open to the idea of having political roles for corporations (Mäkinen & Kourula, 2012; Mäkinen & Kasanen, 2015), we suggest future studies that empirically examine ways in which these political institutions shape the ability of companies to perform a political position through CSR.

Finally, although transparent and effective disclosures seem to have a positive impact on corporate reputation (Favotto & Kollman, 2019), it would be relevant to explore in future studies practical alternatives to enhance corporate political legitimacy, as ways to lessen negative perceptions arising from corporate political involvement. In particular, the following research question arises: how far lobbying spending disclosures, such as those currently taking place in the European Union through Transparency Register, would be perceived as more legitimate and trustworthy if they included political CSR investments as well?

5.4. Conclusion

This study attempts to help overcome limitations within CPA and political CSR literatures by conceptually integrating both lines of research. By relying on a critical realism paradigm, this study offers a modest yet relevant contribution supporting the Habermasian perspective of political CSR, while providing a strategic view that also accounts for a board level. In doing so, this study highlights the importance of political skills, a potential predictor of political legitimacy through CSR. Almost like an exchange of benefits, corporations offer governance contributions, while stakeholders offset by conferring them the right to hold a political position.

6

– STUDY 3 –

Study under review in *Social Responsibility Journal*.

Becoming a political actor by doing good: The political returns of CSR inside organizations

6.1. Introduction

Corporate political activity (CPA; Baysinger, 1984) has been an emerging construct that scholars have been using to explain corporate deliberate action towards political actors intending to shape governmental policy in ways that are beneficial to them (Hillman et al., 2004). This is understandable as regulators and political decision-makers play a critical role due to their control over infrastructural and regulatory conditions (Hillman & Hitt, 1999) and are thus, strategic stakeholders. To exert this influence, corporations adopt instrumental strategies, such as administrative and legislative lobbying, appointment of politicians on boards, political connections or political action committee (PAC) contributions (Brown et al., 2022), that raise doubts concerning ethical issues (Gao & Hafsi, 2017; Kamasak et al., 2019) and lack of legitimacy (Rasche, 2015) with high reputational risks (Den Hond et al., 2014). Isolated from any consideration for society, CPA has been creating problems for the common good, thus consequent scandals have been plaguing both business and political actors (Cook & Gronke, 2005; Kamasak et al., 2019). Subsequently, increased pressure has been put on companies to disclose their lobbying activities (Favotto & Kollman, 2019). The key question is then: how can corporations act politically without risking their reputation and legitimacy? A plausible answer lies in corporate social responsibility (CSR, Carroll, 1999).

This idea was put forward by Palazzo and Scherer (2006), based on responsible corporations' ability to fill governance gaps, especially when governments fail to do so (Joutsenvirta & Vaara, 2015). Since then, raising awareness on the political side of CSR emerged, coined as political CSR. In line with previous CPA assumptions, Political CSR contends that corporate activity can be intrinsically political; yet, corporations do not have to be intrinsically instrumental towards political institutions. While investigation on CPA focuses on how corporations can influence political processes with a self-interest motivation, political CSR scholars rather explore corporate contributions to political processes that foster the common good (Scherer & Palazzo, 2011). The benevolent nature of corporations argued by political CSR literature unquestionably aims to create positive impact in society, however this might neglect the self-interest of the corporations (Dawkins, 2019). Albeit unintended,

corporate benevolent actions may trigger social exchange processes (SET) where society at large returns to corporations, the social-good they do under the form of political legitimacy (Scherer, 2018).

Overall, political CSR is conceived by many scholars as an emerging and a promising topic in the extant literature, although it is lacking some crucial research (Frynas & Stephens, 2015; Rasche, 2015; Scherer et al., 2016; Scherer, 2018; Voegtlin & Greenwood, 2015). In particular, the Habermasian perspective has been gaining momentum within political CSR scholarship (for reviews, see Aguinis & Glavas, 2012; Rasche, 2015; Scherer et al., 2016), but the idea of CSR being a source of legitimate political influence is an issue that requires further empirical testing (Frynas & Stephens, 2015; Scherer, 2018).

Following calls for addressing political CSR within organizations (e.g., Scherer, 2018; Voegtlin & Greenwood, 2015), this research addresses the Habermasian political CSR framework by empirically examining to which extent employees legitimize their companies to perform a political role due to CSR initiatives as well as exploring the possible mediator role of trust on business leaders. We chose to focus on the working population due to their double status of being citizens and employees, bounded to the political institutions as voters, and therefore representatives of society's willingness or unwillingness to accept corporations as legitimate political actors, and bounded as well to their corporations as wage earners. In this sense, by drawing on employees' perceptions, we submit that this study provides an important view to corporations that aim to influence political decision-making while preserving their corporate internal image.

To achieve this, we will firstly examine the instrumental CPA research field and its linkage with CSR initiatives. Hence, an altruistic approach to CSR that is covered by the political CSR topic, i.e., Habermasian perspective is integrated. After explaining the Habermasian view of political CSR, the argument conflates with political CSR research challenges. Finally, we outline the role of trust in business leaders to act politically, underpinning the conceptual model. The next section delineates the method, followed by the results section. The interpretation of findings is depicted at the light of the Habermasian Theory and Social Exchange Theory drawing its main implications and contributions towards political CSR and CPA scholarship, corporate business world, and society at large. Lastly, the paper draws limitations, directions for future research, and main conclusions.

All in all, this study attempts to bridge political CSR with CPA which have often been treated separately, although mounting literature suggests they should be integrated (e.g., Anastasiadis, 2014; Anastasiadis et al., 2018; den Hond et al., 2014; Mellahi, et al., 2015;

Rodriguez et al., 2006). In our view, relating these research streams seems to offer significant advantages.

6.2. Theoretical Background and Hypotheses

Business-government relations are not a product of modern societies. For a long time, they have been fundamentally bi-directional (Pfeffer & Salancik, 1978), albeit asymmetrical, as governments have the institutional prerogative of defining the "rules of the game" in most economic contexts (Jackson & Deeg, 2008). To uphold their interests, corporations struggle by strategically conducting a set of political activities, such as administrative and legislative lobbying, financial inducements to policymakers, or PAC contributions (Brown et al., 2022; Hillman & Hitt, 1999; Lawton et al., 2013).

As politicians also rely on corporations and their resources (Lux et al., 2011; Miles, 1987; Oliver, 1991), business firms gain influence on the establishment of public policies and regulations. By these means, they have access to valuable information and increase power in the community, market size, and the distribution of resources (Hillman & Hitt, 1999; Jacobs, 2011; Lawton et al., 2013).

Conversely, the self-serving nature of corporate political strategies, especially those that involve many bureaucratic and political connections, leads to a corrupt image (Kamasak et al., 2019; Rajwani & Liedong, 2015). Despite existing frameworks that are intended to guarantee CPA is ethically conducted (e.g. Hamilton & Hoch, 1997; Oberman, 2004), this activity is persistently perceived as illegitimate and is recurrently a matter of concern and discussion among scholars due to social and ethical concerns (Mantere et al., 2009; Rasche, 2015; Scherer, 2018; Scherer & Palazzo, 2011).

In corporate business world, CPA ultimately undermines corporate efforts to build trust amongst different stakeholders (Liedong et al., 2015; Mantere et al., 2009), and this scenario aggravates when linked with corruption speculations, as it bounces back negatively to organizations because stakeholders may refuse to do business with corporations labeled as corrupt (Farah & Newman, 2010).

To overcome CPA limitations, previous scholarship recently suggested that the philanthropic nature of CSR should be aligned with CPA (Du et al., 2019). Broadly viewed as credible and overcoming any legal or contractual constraint, corporations often 'do well by

doing good' through the integration of a set of socially responsible policies and practices in business activities (Turker, 2009). Therefore, CSR is a valuable resource to build trust-based relationships with stakeholders (Aaker, 1996; Brown & Dacin, 1997; Swaen & Chumpitaz, 2008), thus providing some social gain to companies, especially in terms of legitimacy and trust (De Roeck & Delobbe, 2012; Porter & Kramer, 2002). CSR has also been widely perceived as a source of competitive advantage, with strong evidence of improving financial performance, organizational image, and corporate reputation (e.g., Kotler & Lee, 2005; Porter & Kramer, 2006; Yamak et al., 2018).

Although CPA and CSR are often separately managed within the corporate business world, the latter is believed to facilitate political access and complements the political activity, thus creating the "desirable corporate profile" (Liedong et al., 2015). The political gains from CSR are thought of being a result of its benevolent activity, which promotes networking that establishes and strengthens political connections (Zhao, 2011). Subsequently, responsible companies are more likely to be buffered from political hazards (Godfrey, 2005) and to mitigate negative effects on financial performance (Du et al., 2019). In this sense, altruism and benevolence are increasingly viewed as required features for corporations to gain political influence without the ethical and corporate image risks.

6.2.1. Politics and CSR: Conflicting Perspectives

Beyond institutional pressures to act responsibly (Lim & Tsutui, 2012) and isomorphic forces (Campbell, 2007), CSR scholarship remains inconclusive as to what motivates corporations to contribute to the social good (Benabou & Tirole, 2010; Scherer, 2018; van Aaken et al., 2013). In particular, the ambiguity concerning instrumental versus altruistic motivations to engage with CSR has been generating lively debate within academia (Scherer, 2018).

While CSR has been argued to be instrumentally motivated, especially for being a source of economic benefits (Kitzmueller & Shimshack, 2012; McWilliams & Siegel 2001), market and stakeholder corporate visibility (Chiu & Sharfman, 2011), CSR motivations have also been argued to go beyond self-interest (Baron, 2010). In this latter respect, we submit that economic and financial issues may be misrepresented, and the debate may end up contending that these perspectives are not mutually exclusive. Tightly linked with this academic discussion, scholars may also consider that a key question lies instead in the representation stakeholders hold about their motivations.

Regardless, the CSR rhetoric is about social good and such pro-social behavior often translates into monetary incentives towards different stakeholders, including society at large (Bénabou & Tirole, 2003, 2006; Deci et al., 1999; Scherer, 2018). Specifically, financial support given to political institutions that do not have the financial resources to handle social problems (Wang & Qian, 2011) is of particular academic interest. From a political CSR standpoint, all governance contributions held by responsible corporations comprehend an altruistic motivation (e.g., Banerjee, 2010; Baron, 2010; Carroll & Shabana, 2010; Mantere et al., 2009; Matten, 2009; Scherer & Palazzo, 2011; Scherer et al., 2013; Scherer, 2018; Scherer et al., 2016; Willke & Willke, 2008). In this sense, political CSR approaches CSR differently from CPA scholarship, which asserts a self-interest instrumental position (Whelan, 2012).

Overall, political CSR gained room as globalization and other geopolitical changes have been decreasing the power of nation-states (Beck, 2000; Kobrin, 2009; Scherer et al., 2016). For entailing a set of "activities where CSR has an intended or unintended political impact or where intended or unintended political impacts on CSR exist" (Frynas & Stephens, 2015, p. 485), and legitimate political power attributed to responsible corporations (Scherer & Palazzo, 2011), recent anti-globalization and protectionist movements (Kobrin, 2017) are promoting a reversal in this trend. Yet, as Curran and Eckhardt (2020) argue, it is likely that organizations will react by increasing their corporate political behavior. Likewise, the modern outlook on societies is reinforcing the thesis that political institutions need to be aligned with corporate resources to provide a better governmental response. From a political CSR view, such can be achieved through CSR (Scherer & Palazzo, 2011). In particular, as Scherer and Voegtlin (2020) argue, responsible innovation is mandatory in a post-COVID19 society, thus corporations should no longer rely on a shareholder value approach or stakeholder approach. Instead, societies need to be built upon a political CSR viewpoint because it is the only one that ensures a self-limited approach in case of state failure.

Indeed, governance contributions arising from CSR initiatives revealed being particularly important in areas of limited statehood i.e., in areas where nation-states fail to implement binding rules or to provide public goods (Börzel & Risse, 2010; Börzel et al., 2012; Risse, 2011). One notorious intervention made took place in South Africa, where a high prevalence of HIV/AIDS was encountered. With the increase of employee turnover alongside with a lack of capacity from the South African State to invest on public health care, multinational companies operating in South Africa have been providing HIV/AIDS-related services via their workplace, and community programs to fight the disease (Börzel et al., 2012).

Gradually, as responsible corporations fill government gaps, they are being perceived as holders of state-like roles and therefore legitimate to perform a political position by their own right (Scherer, 2018). The political conception of CSR is thus strongly rooted in Habermas' theories of deliberative democracy and discourse ethics (Habermas, 1996; 1998), which suggest that a political role can be owned by multiple actors in the society, including non-state actors (Habermas, 1996; 1998). Subsequently, the application of deliberative democracy theory, which sustains that "the public deliberation of free and equal citizens is the core of legitimate political decision-making and self-government" (Bohman, 1998, p. 401), has gone mainstream into the political CSR debate since it was first proposed by Scherer and Palazzo (2007).

This theory posits that, within the political arena, deliberation is the central process of political legitimacy through which participants communicate, exchange arguments, and make decisions (Palazzo & Scherer, 2006). Accordingly, a political role can be owned by numerous players in society as their legitimacy depends on the validity of reasons given by them (Sabadoz & Singer, 2017). Although there is a lack of consensus about the definition of legitimacy (Anderson, 2015; Haldenwang, 2016), it is overly accepted that it expresses one's perceived actions as being desirable and proper within a system of beliefs, norms, and values (Suchman, 1995). In this sense, Habermas (1998) proposed the integration of an ethical discourse for legitimation purposes, i.e., to obtain approval to govern. Political legitimacy thus concerns "the ought to be obeyed" (Berstein, 2010, p. 96) and is deeply rooted in the concept of obedience as it sustains governmental power (e.g., Coakley, 2011; Gleeson, 2000; Matheson, 1987).

Tightly linked with this theoretical contribution, the Habermasian perspective of political CSR zooms in the question of legitimacy that stems from the integration of CSR policies and practices by corporations and unfolds a new form of democracy by proposing an "extended model of governance with business firms contributing to global regulation and providing public goods" (Scherer & Palazzo, 2011, p. 901). In particular, the Habermasian conception of political CSR fits particularly well in libertarian or classical liberal political settings, where strong political and social roles for corporations easily become a political reality (Mäkinen & Kasanen, 2015; Mäkinen & Kourula, 2012).

6.2.2. Research Problems on the Political CSR field

The application of deliberative democracy theory into the political CSR scholarship is not without criticism. This theoretical approach is particularly controversial for presuming that companies withdraw their strategic interests when deliberating, which might be challenging in

the context of for-profit companies (Banerjee, 2010; Dawkins, 2019; Levy et al., 2016; Sabadoz & Singer, 2017; Willke & Willke, 2008).

Previous literature also contends that the Habermasian principles are limited to political economies where weak boundaries exist between business and government (Mäkinen & Kourula, 2012). Ultimately, in these political settings, such a political phenomenon might damage state authority (Whelan, 2012), contributing to an blurred line between society and business (Djelic & Etchanchu, 2015). On the other hand, political CSR scholarship contradicts this argument by stating that corporations would only be democratically accountable, as the nation-state would always remain the dominant institution (e.g., Mena & Palazzo, 2012; Scherer et al., 2016).

Although some authors remain skeptical about the Habermasian propositions, the possibility of having corporations addressing social and environmental issues that are usually of governments and nation-states responsibility has been widely spread (Frynas & Stephens, 2015; Monciardini & Conaldi, 2019). Seemingly, this alternative form of integrating CSR and corporate political behavior, which has been long discussed, increasingly takes shape as governance processes are being reconsidered and re-invented to address the complexity of social problems more effectively (Kourula et al., 2019).

With corporations increasingly regarded as both economic and political actors, the political interpretations of CSR also hold great potential for conceptual and empirical developments (Scherer & Voegtlin, 2020; Voegtlin & Greenwood, 2015). Following a lack of empirical evidence on the political CSR topic (e.g., Frynas & Stephens, 2015; Rasche, 2015; Scherer, 2018; Scherer et al., 2016; Voegtlin & Greenwood, 2015), this study empirically draws on the Habermasian conception of political CSR as we agree that such framework is pivotal to help shape the contemporary dynamics of governance that would better contribute to the social good (Scherer & Voegtlin, 2020).

Specifically, one important research gap on political CSR lies in understanding how to manage political CSR within organizations (Scherer, 2018). In this regard, the implications of the emerging political responsibilities of companies for individuals, groups, and leaders that work inside corporations should be further investigated (Constantinescu & Kaptein, 2015). Besides, little is known about whether workers entitle companies to hold a political position due to their CSR initiatives (Scherer, 2018).

As social judgment formation and affective and cognitive aspects are particularly valuable to understand how individuals conceive organizational responsibilities (Bitektine, 2011; Bitektine & Haack, 2015; Scherer, 2018), the current study relies on employees' perceptions

to address this research gap. In our view, workers are of special interest as they are bounded by a double dependency, both from political institutions as well as from their employers (Akoto et al., 2019).

Nonetheless, employees also have power due to their condition as voters (Dimitriu, 2017), and as promoters of their companies in the community (Austin et al., 2006). Given this, we submit that this population is a prime target to explore one important political CSR Habermasian proposition, i.e., that corporations are legitimized to perform a political role due to CSR initiatives. We thus hypothesize that:

H1: Employees' perceptions of CSR activities are positively related to employees' ascribed corporate political legitimacy.

CSR is broadly known as a legitimacy strategy that manages the expectations of its stakeholders (Scherer & Voegtlin, 2020). Therefore, CSR activities are usually clustered in different dimensions and groups of stakeholders (e.g., Turker, 2009). Previous political CSR scholarship claims that multi-stakeholder CSR initiatives foster companies' political legitimization processes (Mena & Palazzo, 2012), yet possible differences amongst stakeholder groups are still overlooked and require further research (Ingenhoff & Marschlich, 2019).

Accordingly, we submit that CSR stakeholder-based initiatives should be differentiated, especially regarding their impact on corporate political legitimacy. The current study thus explores self-serving versus altruistic perceptions on multiple CSR initiatives. For this endeavor, we rely on the following CSR stakeholders-based activities, which we advocate as being pivotal to understand the suggested dynamic: community at large, the employees, and the customers.

In general terms, we address how far some activities legitimize corporations to influence political decision-makings. Namely, (1) the impact of CSR activities aiming to protect and improve the quality of the natural environment, while contributing to the well-being of all community generations; (2) CSR activities towards employees, reflecting fair actions that are aligned with their needs and wants, aiming to promote their careers, education and a good work and life balance; and (3) CSR activities towards customers, aiming to promote transparency, satisfaction and respect their rights beyond legal requirements.

Given that these activities are demonstrative of corporations' ability to solve public problems in the same way as governments are expected to, while reflecting benevolent motivations i.e., they are altruistic and considerate of all parties' interests, we hypothesize, in

line with the Habermasian political CSR standpoint, that these characteristics transform companies into desirable political actors. Nonetheless, we propose that CSR activities directed towards customers can more easily be taken as being profit-driven due to a quick return on consumer buying behavior, while those initiatives targeting the community at large and employees may be perceived as more benevolent and less self-serving.

We thus unfold the first hypothesis according to these three main stakeholders as follows:

H1a: Employees' perceptions of CSR activities towards community members are positively related to employees' ascribed corporate political legitimacy.

H1b: Employees' perceptions of CSR activities towards themselves and their fellow employees are positively related to employees' ascribed corporate political legitimacy.

H1c: Employees' perceptions CSR activities towards customers are positively related to employees' ascribed corporate political legitimacy.

6.2.3. The Role of Trust in Political Endeavors

CSR is increasingly viewed as a source that leverages trust in corporate political endeavors (Liedong et al., 2015). Taken as "the willingness of a party to be vulnerable to the actions of another party" (Mayer et al., 1995, p. 712), organizational trust comprises two components, i.e. (1) performance or credibility trust and (2) benevolence trust. On the one hand, performance trust concerns the stakeholders' belief in the ability, infrastructures, skills, and knowledge of the companies in the sector where they operate. In contrast with being self-centered, benevolence trust is thus based upon the stakeholders' perceptions of care, benevolence, honesty, concern, and integrity (Sirdeshmukh et al., 2002).

In general, trust-based relationships are widely recognized for helping create and preserve long-term relationships with stakeholders (Hosmer, 1995; Morgan & Hunt, 1994). Previous evidence indicates that trust improves organizational performance (Zaheer et al., 1998), team performance (e.g., Wildman et al., 2012), and anti-corruption effectiveness (La Porta et al., 1997).

With public trust in corporate morality on the decline, trust is especially relevant when managing corporate political behavior (Kamasak et al., 2019; Sethi, 2002). In this regard, the implementation of effective and transparent disclosures is particularly valuable, as companies

that publicly expose their lobbying activities more easily foster corporate trust and establish long-term relationships (Favotto & Kollman, 2019; Parker, 2002; Wickert, 2016).

To our knowledge, empirical research on political CSR has not yet considered corporate trust as an important psychological mechanism that might account for corporate political legitimacy through CSR initiatives. Thus, we submit that the role of corporate trust should be more fully explored, especially from an Habermasian perspective where responsibility is expected to foster political legitimacy. This is of special relevance given that, within the political arena, trust is also an important source of legitimacy to governance actors, as it is more likely to put in charge leaders that are trusted (Börzel & Risse, 2016; Paller, 2014; Schatzberg, 2001).

With literature lacking empirical integration of CSR, trust, and corporate political behavior (Liedong et al., 2015), this study attempts to integrate corporate trust as a crucial psychological mechanism for the Habermasian political CSR framework. Given that political actions are often managed by business leaders (Hillman, 2005; Sun et al., 2012), we hypothesize that:

H2: Employees' perceptions of CSR activities are positively related to employees' ascribed corporate political legitimacy through the mediation effect of trust in business executives by employees

Departing from the same rationale concerning a multi-stakeholder approach to CSR research, this hypothesis unfolds as follows:

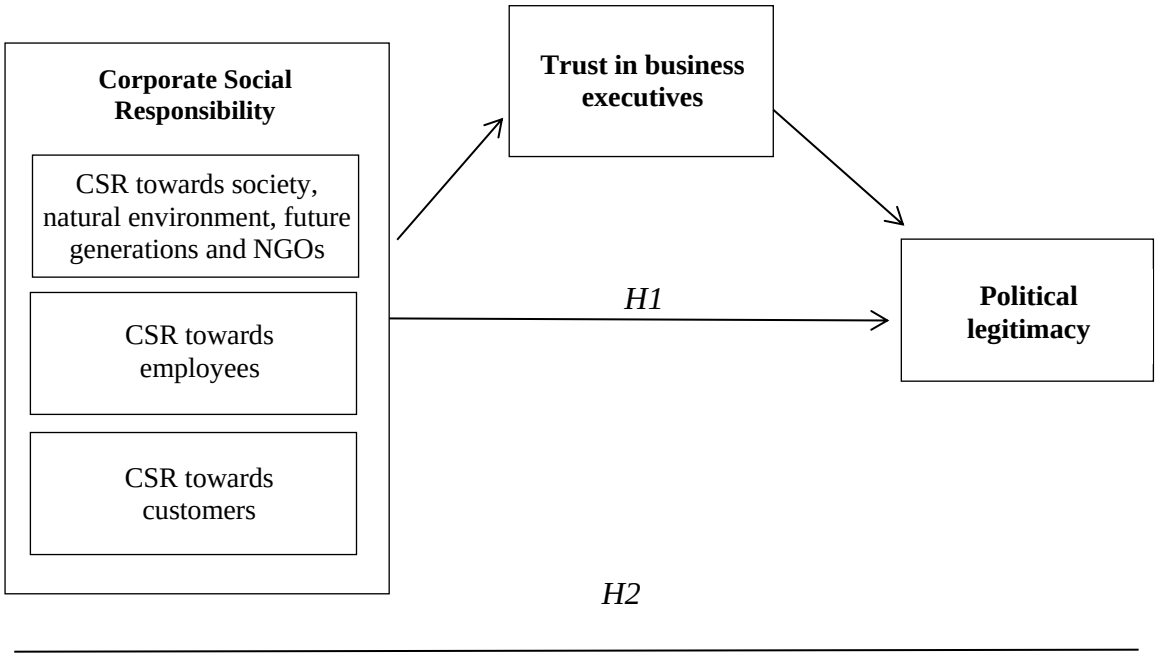
H2a: Employees' perceptions of CSR activities towards community members are positively related to employees' ascribed corporate political legitimacy through the mediation effect of trust in business executives by employees

H2b: Employees' perceptions of CSR activities towards themselves and their fellow employees are positively related to employees' ascribed corporate political legitimacy through the mediation effect of trust in business executives by employees

H2c: Employees' perceptions of CSR activities towards customers are positively related to employees' ascribed corporate political legitimacy through the mediation effect of trust in business executives by employees

This study thus postulates that, from an employees' perspective, trust building is the intervening mechanism that links CSR initiatives to corporate political legitimacy. The conceptual model that guides this study and depicts the associations hypothesized is displayed in Figure 8.

Figure 8. Conceptual Model of CSR, Trust, and Political Legitimacy (in line with the Habermasian perspective of political CSR).



6.3. Method

6.3.1. Procedure and Sample

To address the employees' perspective of political CSR, we drew on a purposive sample via chain sampling, comprising perceptions of individuals living in Portugal. In our view, this is an interesting context to explore the question of political legitimacy ascribed to non-state actors.

Portugal is considered a state-led market economy (Alvarez & Custodio, 2017), yet has experienced a deep economic crisis due to sovereign debt with a Troika (IMF/EC/ECB) bailout (Lains, 2019) and since then, a wobbling trust in political institutions (Muro & Vidal, 2016; Tormos, 2019). Therefore, we targeted diverse economic sectors operating in Portugal to

maximize sample heterogeneity. First, participants were chosen based on NACE industry level 1 classification system, and two to five individuals in each industry were invited to participate in the study as well as to extend the invitation to their professional network.

Overall, only individuals legally employed in private corporations, aged 18 or over, were eligible to participate. Following Podsakoff et al. (2012) recommendations, participants were informed about the general goals of the study, the anonymity, and confidentiality of data, that there were no right or wrong answers, as well as the estimated response time, and an institutional contact for further information. Hence, respondents completed an individual online survey (via Qualtrics) where they were asked to assess their workplaces. Each survey included measures of the constructs adapted to focus on their organizations' engagement in CSR practices, leadership trust, and corporate political legitimacy. The last part of the survey gathered socio-demographic data.

In general, the chosen sample procedure covered a broad range of economic sectors, to the exclusion of (1) non-profit organizations; (2) NACE, Level1 – Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles industries; and (3) NACE, Level1 – activities of Households as employers; undifferentiated goods and services-producing activities of households for own use.

The sample comprises individuals working in NACE industries varying from agriculture, forestry and fishing (N = 23), manufacturing (N = 12), education (N = 10), human health (N =10), and social network activities (N = 7). This closely matched the distribution of companies across NACE industries at national level. The final sample comprises 220 participants, aged between 20 and 64 (M= 30.80; SD= 8.78), mostly male (59.2%) and with the following educational level: 9.3% have up to nine years of schooling, 38.3% have a high school diploma and 51.4% have a higher education qualification.

6.3.2. Measures

As this study intends to empirically address the Habermasian foundations of political CSR, its quantitative form of measurement comprises two founding constructs: CSR, and political legitimacy. The hypothesized associations in the conceptual model rely on multi-item scales adopted from the extant literature. All measures use a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Perceived engagement in CSR was measured with Turker (2009) CSR subscales that comprehensively cover initiatives towards different groups of stakeholders: 1) society,

environment, future generations, and NGOs (e.g., Our company participates in activities which aim to protect and improve the quality of the natural environment); 2) employees (e.g., The managerial decisions related with the employees are usually fair); and 3) customers (e.g., Customer satisfaction is highly important for our company). All subscales showed acceptable reliability (Cronbach alpha=.919, .877, .834, CR=.921, .909, and .820, respectively). Likewise, in line with Fornell and Larcker (1981) criteria, the three scales have both convergent (AVE=.661, .668, and .604 respectively) and discriminant validity (all inter-factor squared correlations fell below the corresponding AVEs).

Trust in business executives was measured following Fungacova et al. (2017), with a version of the World Values Survey question on general trust, adapted so to focus on business executives. We opted to examine multiple business executive positions, namely those assuming responsibilities in large international corporations, those in SMEs, and those in representative business associations. For each of these agents, we asked: *"Could you tell how much confidence you have in…"*. Responses were recorded using a 5-point scale ranging from 1 (don't trust at all) to 5 (absolutely trust). The scale showed acceptable reliability (Cronbach alpha=.841; CR=.806) as well as convergent validity (AVE=.582).

Corporate political legitimacy has no explicit operational measure, reflecting the emergent nature of the political CSR research topic. However, conceptual convergence allowed us to assess corporate political legitimacy using the three-item obedience dimension from Anderson (2015) legitimacy scale. Widely defined as the right to be obeyed, this legitimacy-obedience scale reflects prior definitions of political legitimacy (e.g. Bernstein, 2011; Matheson, 1987; Suchman, 1995), and is in line with the Habermasian view of political CSR (Scherer & Palazzo, 2007; 2011), especially for subtly capturing the distinction between authority and legitimacy (e.g., "Rulers of this country should follow the proposals of my organization, even when this country disagrees because it is this organization that proposed the policy"). This measure has good psychometric quality as indicated by high reliability (Cronbach alpha=.923; CR=.924) as well as convergent validity (AVE=.802).

6.3.3. Control variables

In our model, we controlled for gender (dummy coded as 0=male and 1=female), age, and level of education coded in three categories (1=up to 9 years schooling, 2= high school diploma 12 years, and 3= higher education, degree or above).

Also, because previous research has argued that CSR shares similarities with "responsible leadership", with a possible confounding effect (Waldman & Balven, 2014), we controlled for this construct. We measured it with Voegtlin (2011) responsible leadership scale that, in our study, showed good reliability (Cronbach alpha and CR, both with .901) and convergent validity (AVE=.697).

6.4. Results

Table 8 shows the means, standard deviations, and correlations between all variables. Overall, political legitimacy is significantly related to CSR towards society, environment, future generations, and NGOs (r=.675, p<0.01), employees (r=.566, p<0.01); and customers (r=.446, p<0.05). In contrast, sociodemographic variables do neither significantly relate to any CSR dimensions nor with political legitimacy.

Table 8. Descriptives and bivariate analysis.

		Med.	SD	1	2	3	4	5	6	7	8
1.	Gender	-	-	1							
2.	Age	30.8	8.78	-.012	1						
3.	Education	2.43	0.66	.222**	-.161*	1					
4.	CSR-Society	3.19	1.08	-.029	.010	-.046	1				
5.	CSR-Employees	3.23	1.09	-.021	-.120	.085	.639**	1			
6.	CSR-Customers	3.91	0.91	-.034	-.012	.039	.542**	.586**	1		
7.	Responsible Leadership	3.18	1.00	.121	.023	.204**	.404**	.473**	.454**	1	
8.	Trust	2.93	0.83	.098	-.045	.112	.281**	.337**	.359**	.219**	1
9.	Political legitimacy	3.10	1.08	.025	.013	-.018	.693**	.586**	.471**	.363**	.337**

Note: N = 220. Gender was coded as 0 = male and 1 = female; level of education was coded as 1 = up to 9 years schooling, 2 = high school diploma 12 years, and 3 = higher education, degree or above.
*p<.05
**p<.01 (two-tailed tests)

6.4.1. The Measurement Model

To validate the quality of the constructs in the conceptual model, we conducted confirmatory factor analyses using AMOS 24.0. The measurement model comprises six latent variables (CSR society, CSR employees, CSR customers, Responsible leadership, trust in business executives, and political legitimacy) with 22 indicators (5 items for CSR society, 4 items for CSR employees, 3 items for CSR customers, 4 items for Responsible leadership, 3

items for trust in business executives, and 3 items for political legitimacy) and it yields a better fit to the data (χ^2 (215)=340.85, CFI=.96, TLI=.95, RMSEA=.052, SRMR=.048) when compared with a five-factor model where each CSR factor is sequentially combined with responsible leadership (the best-fitted model is χ^2 (220)=564.05, CFI=.90, TLI=.88, RMSEA=.085, SRMR=.101, $\Delta\chi 2$=223.20, p<.001).

All CFI differences (ΔCFI) are above the 0.01 threshold recommended by Cheung and Rensvold (2002) and are thus meaningful. All factor loadings were above .72, much higher than the recommended minimum acceptable level of .50 (Hair et al., 2010).

Due to the cross-sectional design of this study, common method variance must be accounted for, and recommendations by Podsakoff et al. (2003, 2012) were followed to mitigate such possibility. The single-factor test showed unacceptable fit indices (χ^2(230) = 1639.74, CFI=.60, TLI=.56, RMSEA=.167, SRMR=.116) which clearly differentiate from the proposed model ($\Delta\chi 2$ (15) = 1282.89, p<.001; ΔCFI=.36) thus indicating that common method bias is not occurring.

Further details are shown in Table 9. This provides evidence of the convergent and discriminant validity of the hypothesized model.

Table 9. Measurement Models.

Latent Variable	Loading Range	Composite Reliability	Cronbach's Alpha	CSR Society	CSR Employees	CSR Customers	Responsible Leadership	Trust	Political Legitimacy
1. CSR Society	(.793-.895)	.921	.919	[.701]					
2. CSR Employees	(.821-.874)	.909	.877	.552	[.668]				
3. CSR Customers	(.717-.872)	.820	.834	.378	.464	[.604]			
4. Responsible leadership	(.744-.903)	.901	.901	.458	.504	.503	[.697]		
5. Trust	(.715-.910)	.849	.841	.280	.373	.397	.219	[.653]	
6. Political Legitimacy	(.838-.950)	.924	.923	.697	.599	.478	.369	.344	[.802]

Note: AVEs shown in diagonal.

Model	χ^2	df	χ^2/df	CFI	TLI	RMSEA	SRMR	$\Delta\chi^2$	Δdf	AIC	ΔCFI
6-Factor model	340.85	215	1.58**	.96	.95	.052	.048	-	-	340.85	-

5-Factor model CSRSociety-ResponsibleLeadership	804.21	220	3.65**	.83	.81	.110	.094	463.36**	5	962.21	.13
5-Factor model CSREmployees-ResponsibleLeadership	736.06	220	3.34**	.85	.83	.103	.075	395.85**	5	894.06	.11
5-Factor model CSRCustomers-ResponsibleLeadership	564.05	220	2.56**	.90	.88	.085	.101	223.20**	5	722.05	.06
1-Factor model	1639.74	230	7.64	.60	.56	.167	.116	1282.89**	15	1639.74	.36

Table 10. Comparison of measurement models.

** $p<.001$

6.4.2. The Structural Model

The purpose of testing the hypothesized model was to examine the proposed direct (H1a, H1b, H1c) and indirect effects (H2a, H2b, H2c), of the three stakeholder-based CSR variables upon political legitimacy, via the mediator role of trust in business executives. Results show that the structural model has a good fit to the data ($\chi^2(142)=227.146$, CFI=.97, TLI=.96, RMSEA=.052, SRMR=.050). In contrast, we conducted a series of alternative model tests to explore alternative theoretical associations between the constructs that integrate the model.

The first alternative model (Alternative Model 1) constrained all indirect effects to zero to verify in which measure such effects operate in our model. This alternative model had a significantly worse fit ($\Delta\chi^2$ (3) = 33.722, $p<.001$, AIC=388.864, and ΔCFI achieved a meaningful value of .011) than our hypothesized model, indicating that indirect paths should be considered. Another alternative model pertains to the possibility that trust in business executives is a predictor of both perceived CSR and political legitimacy. This model had a significantly worse fit ($\Delta\chi^2(6)= 234.158$, p<.001, AIC=583.304, and ΔCFI achieved a meaningful value of .079) than our hypothesized model.

This indicates that interpreting results as being spurious outcomes of previously established trust in business executives is not correct. Lastly, we tested a reverse mediation model which had also worse model fit ($\Delta\chi^2(3)= 83.471$, p<.001, AIC=438.617, and ΔCFI achieved a meaningful value of .028) supporting the proposed order between constructs. Overall, the results of these model comparisons support the hypothesized model.

Table 11. Comparison of structural models.

Model	χ^2	df	χ^2/df	CFI	TLI	RMSEA	SRMR	$\Delta\chi^2$	Δdf	AIC	ΔCFI
Hypothesized Model	227.146	142	1.600	.97	.96	.052	.050	-	-	361.14	-
Alternative model: Direct effects only	260.868	145	1.799	.96	.95	.060	.124	33.722**	3	388.86	.01
Alternative Model: Trust in business executives as a predictor	461.304	148	3.117	.89	.87	.098	.088	234.158**	6	583.30	.07
Alternative Model: Reversed mediation	310.617	145	2.142	.94	.93	.072	.099	83.471**	3	438.61	.02

** $p<.001$

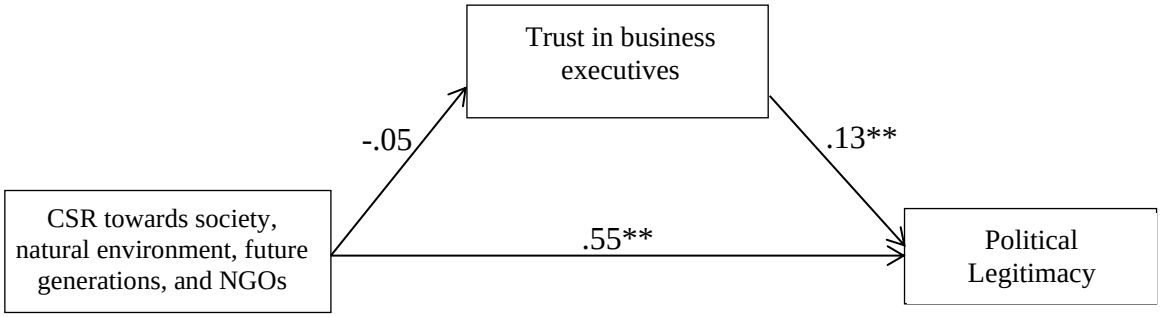
To examine Hypothesis 1, we tested the direct effect of CSR on political legitimacy. Results showed that CSR towards community members was positively related to political legitimacy (β=.53, $p<.001$) thus supporting hypothesis 1a. Similar results were found for the relationship between CSR towards employees and political legitimacy (β=.20, $p<.05$) which supports hypothesis 1b. However, the relationship between CSR towards customers and political legitimacy was found not to be significant (β= -.042, $p=.63$) which does not support hypothesis 1c.

To test the indirect effects, we applied a bootstrapping procedure (n=2000 repetitions) for a confidence interval set at 95 percent as recommended by Hayes (2013) where the non-inclusion of zero within the lower and upper bounds indicates a significant indirect effect. Results showed that the indirect effect of CSR towards community members on political legitimacy through trust in business executives was not significant (indirect effect = -.003, CI 95 = [-.044, .015]) not supporting hypothesis 2a. Conversely, the indirect effect of CSR towards employees on political legitimacy through trust in business executives was significant (indirect effect = .033, CI 95 [.002, .106]) supporting hypothesis 2b. Likewise, the indirect effect of CSR towards customers on political legitimacy through trust in business executives was significant (indirect effect = .049, CI 95 [.003, .150]) supporting hypothesis 2c.

Overall, the CSR towards community members has only a direct positive effect with political legitimacy ruling out a mediation effect of trust. CSR towards employees has both a significant positive direct and indirect effect with political legitimacy through trust in business

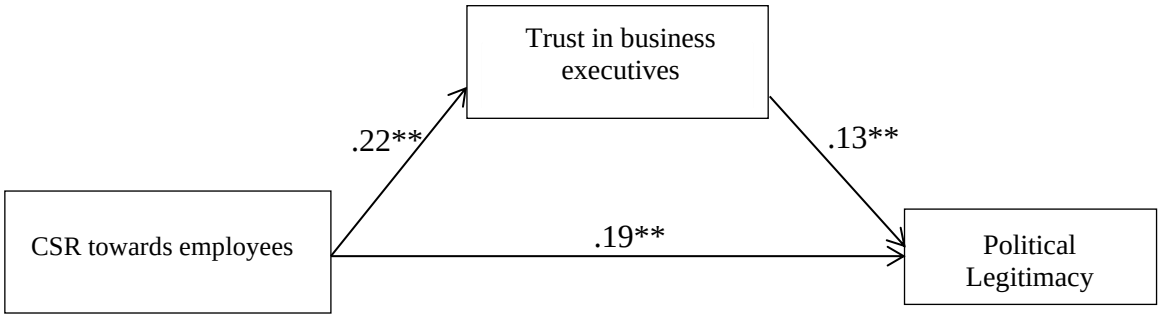
executives that suggests a partial mediation. Lastly, although no direct effect was found between CSR towards customers and political legitimacy, the support given to hypothesis 2c does suggest a total mediation by trust in business executives.

Figure 9. The mediation effect of Trust in business executives in the relationship between CSR towards society, natural environment, future generations and NGOs, and political legitimacy.



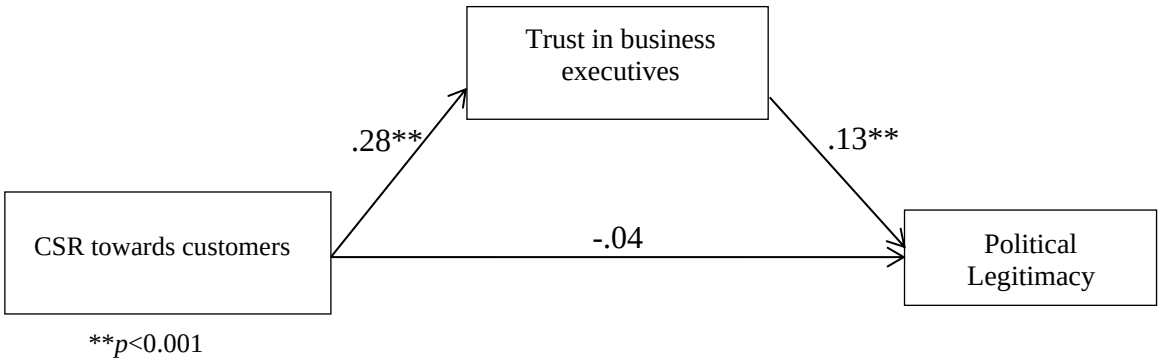
** $p<0.001$

Figure 10. The mediation effect of Trust in business executives in the relationship between CSR towards employees and political legitimacy.



** $p<0.001$

Figure 11. The mediation effect of Trust in business executives in the relationship between CSR towards customers and political legitimacy.



6.5. Discussion

There is plenty indication that CSR has a political dimension that requires further understanding. Therefore, the current study empirically addresses political CSR from an employees' perspective, following previous calls to examine political CSR within organizations (e.g., Gond et al., 2011; Scherer, 2018; Voegtlin & Greenwood, 2015). In doing so, this study explores employees' perceptions regarding multiple stakeholder-based initiatives to understand whether they bestow their companies' political legitimacy. It also examines how business leaders' behavior affects the processes of political CSR by considering the mediator role of trust in these individuals, thereby contributing to the neglected micro-level of political CSR (Frynas & Stephens, 2015; Scherer, 2018).

Overall, findings reflect the complexity of political CSR, comprehending a twofold nature: that of entailing CSR activities, and that of being linked to legitimation processes for operating in the political sphere (Scherer, 2018; Scherer & Palazzo, 2011). Accordingly, results are supportive of literature that considers CSR as a potential predictor of corporate political legitimacy. By controlling variables such as gender, age, and education level of the respondents in the model, this study found that such sociodemographic variables seem not to influence the perceptions of companies' political legitimacy. This is of special interest, as it seems that the processes underlying political legitimacy attribution are universal.

Results also suggest that CSR stakeholder-based practices do need to be differentiated as they reflect the duality concerning altruistic versus self-serving attributions on CSR activities. Specifically, evidence corroborates previous literature stating that CSR initiatives are more appreciated when perceived as non-strategic and intrinsically altruistic (Baron, 2010). In this sense, CSR initiatives directed to society, environment, future generations, and NGOs are the

most acceptable sources of political legitimacy amongst all CSR practices. This finding is also fairly aligned with literature claiming that responsible companies own a state-like role (Scherer & Palazzo, 2007) due to their ability to handle societal problems in the same way as governments should be able to. Accordingly, employees more easily legitimize these companies to operate in the political sphere given their benevolent work for community betterment.

Likewise, the same occurs with CSR activities developed towards employees, which is also perceived as a potential predictor of corporate political legitimacy. Drawing on these results, we contend that employees want to benefit from these philanthropic activities not only in their workplaces but also at a community level, thus legitimizing responsible companies to be politically empowered.

In contrast with the predicted, CSR initiatives towards community members do not require trust in business executives to leverage corporate political legitimacy. This evidence strongly suggests that such activities are an effective source of trust *per se*. Linked with benevolence trust (Sirdeshmukh et al., 2002), employees take their companies as honest and trustworthy because they perceive these initiatives as going beyond self-interest, offering a null or low return to companies, thus showing its altruistic motivation.

On the other hand, findings on the mediation between CSR towards customers and political legitimacy through trust in business executives indicate that providing benefits to organizations' customers is not a sufficient condition to be perceived as politically legitimate. We thus argue that political legitimacy gained through CSR requires that the perceiver believes it was intentional, altruistic, and beyond legal obligation. As pleasing clients is within the direct interest of the organization, such actions might be taken as self-serving rather than altruistic, and the instrumental view of CSR might fall short from social expectations. Yet, by highlighting the role of trust in business leaders, findings offer a meaningful contribution to mitigate employees' misleading perceptions on the relationship between CSR towards customers and political legitimacy. That is, CSR initiatives towards these stakeholders can be perceived as legitimate if employees trust their business leaders and their benevolent actions.

6.5.1. Contributions to Political CSR literature

This study predominantly contributes to understand how political CSR works inside organizations. Therefore, findings from this study support and extend previous political CSR frameworks, especially those comprehending an Habermasian approach to political CSR.

Specifically, the current paper offers an employees' standpoint to this research stream which, to our knowledge, remains absent from the literature. It also empirically reveals an important psychological mechanism through which employees legitimize corporations to perform a political role via CSR. In addition, by drawing on multiple CSR stakeholder-based practices, this study ultimately proposes a multidimensional approach to political CSR, to the example of what has been already settled in strategic CSR (Vishwanathan et al., 2020; Yoon & Chung, 2018). Finally, this study offers a meaningful contribution to the current political CSR debate that focuses on the underlying motives of companies to engage in CSR (e.g., Borges & Ramalho, 2022; Frynas & Stephens, 2015; Scherer, 2018; Scherer et al., 2016). Findings encourage the assumption that, regardless of companies' motives to engage in CSR, its implications are highly dependent on the perceptions that stakeholders hold about responsible behavior. Therefore, we advocate that corporate political actions implemented through CSR are appreciated by employees when companies display an altruistic motivation to fill government gaps, which goes in line with the political CSR standpoint in the extant literature (e.g., Baron, 2010; Mantere et al., 2009; Matten, 2009; Rasche, 2015; Scherer, 2018; Scherer & Palazzo, 2011). Conversely, employees do not politically endorse their companies when they perceive CSR as a political strategy used for profit-seeking yet trust in business representatives emerge as a psychological process that would mitigate these negative perceptions.

6.5.2. Contributions to CPA Literature

For covering the instrumental side of CSR, findings from this study also offer valuable insights for CPA scholarship. Overall, results indicate that CSR is a powerful political asset within organizations, regardless of corporate motivation. Tightly linked with a good reputation (Den Hond et al., 2014), we argue that legitimacy gained through such governance contributions helps preserve corporate internal image and mitigates reputational issues that generally arise from CPA disclosures and scandals involving corporations and political institutions (Kamasak et al., 2019).

Following previous calls for integrating political CSR and CPA lines of research (e.g., Anastasiadis, 2014; den Hond et al., 2014; Mellahi et al., 2015), this study proposes that the Habermasian framework translates into a meaningful contribution to CPA knowledge. In contrast with existing ethical CPA frameworks (e.g., Hamilton & Hoch, 1997; Oberman, 2004), which are insufficient to politically legitimize companies, we contend that CPA literature would benefit from the integration of the Habermasian political CSR model.

Although pressures for lobbying disclosure are favorable for trust and legitimation processes (Favotto & Kollman, 2019), we submit that corporate transparency and corporate internal dialogue regarding the ethics of lobbying objectives might not be enough i.e., benevolence and willingness to address social problems should be a key point in corporate political behavior. Rather than being approached as an activity that complements corporate political behavior, we advocate that CSR should be pivotal in this domain as it represents a legitimate and reputational way to act politically in modern times.

5.5.3. Managerial Contributions

Findings from this study are overall helpful for improving corporate political performance, as it provides useful knowledge to organizations that aspire to act politically and influence governmental decisions (on their behalf or someone else's behalf) without risking their reputation. Also, this study emphasizes that political roles are not static and restricted, i.e., companies and business representatives are able to hold multiple roles and to participate in different spheres, namely those with a political nature, as long as they are perceived as being legitimate to perform them. Political legitimacy is thus earned by ethical behavior and attributed benevolence.

On the other hand, as in line with Mäkinen and Kasaken (2015), we assert that political CSR research requires further economic understanding of businesses' role in society. Results from this study, which draw on perceptions of individuals living in a state-led economy, suggest that even when institutional forces are not receptive to corporate intervention, they do not restrict the idea of having responsible corporations performing political roles, as it is widely accepted by employees, which are also voting citizens. This knowledge may be useful for corporations, but further empirical investigation is needed, especially in political settings where nation-states have supremacy and strong boundaries exist between business and government. Also, it is still unknown whether, in democratic contexts, low trust in governments conditions explicit political endorsement given to responsible and highly trusted corporations.

6.5.4. Limitations and Future Directions

Due to the lack of existing scales explicitly addressing political legitimacy, the current study measured this construct with an adaptation of the legitimacy scale developed by Anderson (2015). Despite this limitation, items are in line with the definition of Habermasian

political CSR (Palazzo & Scherer, 2006) and reflect the pivotal notion that political legitimacy concerns the right to be obeyed (Bernstein, 2011; Matheson, 1987; Suchman, 1995). Additionally, the scale was found to have construct, convergent, and discriminant validity as well as good reliability, which offers empirical assurance.

On the other hand, the cross-sectional design of the study may preclude the ability to ascertain a causal nexus from perceived CSR to ascribed political legitimacy. Yet, the reversed structural model displays worse fit than our proposed model, which encourages the proposed effect directions. Still, given the methodological nature of our study, conducting research designs that assure causality in future studies would be valuable, especially if they follow an experimental or a longitudinal approach. Likewise, the adoption of diverse approaches in political CSR research would be equally important, which includes qualitative-based research strategies, as they may offer a closer-to-reality view between CSR activities and attributed political legitimacy.

We also encourage the replication of this study in different populations and political contexts. In this regard, one must keep in mind that the application of the Habermasian framework strongly depends on the institutional conception of business and politics, and in the way they shape the ability of various stakeholders to have a political role and to deliberate. Given that liberal political settings are more open to the idea of having political roles for corporations (Mäkinen & Kasanen, 2015; Mäkinen & Kourula, 2012), we suggest future empirical studies to examine ways in which these political institutions shape the ability of companies to perform a political position through CSR.

Indeed, the recency and scarcity of empirical research in political CSR stream opens way to a wide range of promising future studies. Considering the dual status that employees hold, as workers and voting citizens, future studies could investigate spillover effects arising from workers that perceive their employers as legitimate to perform a political role. In this regard, the implications on employees' behavior are of special relevance, both within their workplaces, i.e., especially in terms of performance and organizational identification, but also outside as employees might act as political promoters of their organization's benevolent behavior in the surrounding community.

On the other hand, as this study covers an employees' perspective, further research may also consider other stakeholders' perceptions, such as those stemming from community members and customers, about the political CSR phenomenon. Besides, the potential multidimensionality of political CSR should be tested in future studies.

Finally, although transparent and effective disclosures seem to build corporate trust under the political CSR phenomenon (Parker, 2002; Wickert, 2016), it would be relevant to explore in future studies practical alternatives to enhance corporate political legitimacy, as ways to lessen negative perceptions arising from corporate political involvement. In particular, the following research question arises: how far lobbying spending disclosures would be perceived as more legitimate and trustworthy if they include political CSR investments?

6.6. Conclusion

This study empirically addressed the Habermasian approach of political CSR from an employees' perspective and extended it by investigating the impact of multiple stakeholder-based CSR activities and trust in business leaders. Findings indicate that one cannot state that deploying CSR practices is enough to gain corporate political legitimacy. Employees politically legitimize their companies when CSR practices are perceived as going beyond self-interest, so they are only taken as utterly benevolent when directed towards key-stakeholders with no vested direct economic interest, i.e., mostly society in general, and employees. Thus, we conclude that resources allocated to CSR activities are taken as legitimate when economic return is not expected by constituents. Yet, when dealing with other groups of stakeholders that are within the interest of corporations, business representatives must build trust amongst employees.

Overall, the Habermasian view offers support to the premise that corporate political behavior is not always intrinsically linked to ethical hazards. Within CPA scholarship, the novelty brought by this framework seems to lie on the benevolence requirement that, to our knowledge, has not yet been fully highlighted in the CPA literature thus suggesting that corporate transparency is not enough. Most importantly, benevolence should be manifested through a state-like role.

7

– STUDY 4 –

Becoming a political actor by doing good: The political returns of CSR outside organizations

7.1. Introduction

Beyond the market environment, companies operate in societal and political contexts (Shirodkar & Strange, 2019). Baron (1995) assumes that market and nonmarket strategies are complementary because, jointly, they improve organizational performance (Bach & Allen, 2010). Overall, companies embedded in the nonmarket environment are more able to structure interactions with stakeholders (Lux, Crook & Woehr, 2011). Among these interactions, CSR and CPA emerge as two popular strands, representing social and political domains, used by companies to strategically manage the nonmarket environment (Du et al., 2019, Kamasak et al., 2019).

Given the complementary nature of these strands, mounting literature suggests that CSR and CPA should be integrated (e.g., Anastasiadis et al., 2018; den Hond et al., 2014; Mellahi et al., 2015; Rodriguez et al., 2006; Siegel, 2009). However, within nonmarket environments, CSR and CPA are often managed separately (Anastasiadis, 2014) and, in the extant literature, this linkage is still overlooked (Beloe et al., 2007; Borges & Ramalho, 2022; Liedong et al., 2014). Political CSR scholarship is tightly linked with this research gap and it treats CSR as a political activity which occurs because companies supposedly assume political responsibilities through CSR (Anastasiadis, 2014; Scherer & Palazzo, 2007, 2011; Liedong et al., 2014).

Inspired by Study 3, which examines employees' judgements on political CSR, this study complements the latter by following a quasi-experimental approach. In the current study, we aim to understand citizens' perceptions on political CSR. Specifically, we investigate the mediator role of corporate trust on the relation between CSR and political legitimacy from a citizen perspective. Like Study 2, we followed Barnett, Henriques and Husted's suggestion (2020) by relying on "small data" as means to better determine causation on the relationship between multiple CSR stakeholder-based practices and corporate political legitimacy.

The current study intends to make important contributions. First, for being a quasi-experimental study, the current research suggests causality relations between variables. Second, our focus with an experimental approach provides a novel perspective to the political CSR literature that, to date and our knowledge, has not yet been explored. Lastly, by providing a more in-depth explanation for the link between CSR and corporate political legitimacy

through corporate trust, Study 4 adds to the deliberative conception of political CSR set by the previous study.

7.2. Literature review[2]

Literature on political CSR states that, while the political class loses power due to scandals and corruption cases (Cook & Gronke, 2005), responsible companies are being positively connoted for providing public goods and for promoting the protection of human rights, especially when governments fail to do so (Scherer, 2018; Scherer & Palazzo, 2007).

With CSR initiatives turning into governance contributions, a deliberative conception of political CSR contends that such companies own a state-like role (Habermasian approach; Matten & Crane, 2005) and, for this reason, they are legitimate to directly influence political decision-makings in the societies where they operate (Mena & Palazzo, 2012; Scherer & Palazzo, 2011; Scherer et al., 2016). Therefore, in contrast with previous literature which focuses on corporate behaviors used to influence the political actors, political CSR scholarship suggests that responsible companies should be political actors by their own right.

Accordingly, Scherer and Palazzo proposed an "extended model of governance with business firms contributing to global regulation and providing public goods" (2011, pp. 901). Although some authors remain skeptical about this assumption (e.g., Monciardini & Conaldi, 2019), this alternative form of integrating CSR and corporate political behavior, that has been long discussed, increasingly takes shape as governance processes are being rethought and re-invented to effectively address the complexity of social problems (Kourula et al., 2019).

7.2.1. Political CSR research gaps

Overall, the political interpretations of CSR hold great potential for conceptual and empirical development (Voegtlin & Greenwood, 2015). However, literature has insufficiently integrated this new political role of businesses (Scherer & Palazzo, 2011).

Despite the extensive literature covering the theoretical and conceptual nature of political CSR, this promising topic is yet to unfold. First, only a few political CSR studies offer empirical evidence. As such, there are calls suggesting an empirical integration of political CSR in the extant literature (e.g., Borges & Ramalho, 2022; Frynas & Stephens, 2015; Scherer,

[2] To avoid redundancy with previous chapters, the hypotheses are motivated with a shorter and focused literature review as some of the theoretical and empirical findings contributive to them have already been shown and discussed in the previous study. Thus, this chapter is presented as a short report form.

2018). Second, although previous theoretical research state that CSR legitimizes corporations to operate in the political sphere, little is known about whether different stakeholders entitle such companies to do so. As "empirical validation is necessary because it reveals whether the conceptualization has achieved what was intended" (Finn & Kayande, 2005, pp. 12), the current study answers previous calls for modelling the response of individuals, groups and leaders to the growing responsibilities of companies, namely in political terms (e.g., Constantinescu & Kaptein, 2015; Gond et al., 2011; Greenwood, 2002; Scherer, 2018; Voegtlin & Scherer, 2014). So far, Study 3 empirically addressed employees' perceptions, yet it is still unexplored whether society members legitimize responsible companies to perform a political role. We thus investigate whether CSR initiatives leverage corporate political legitimacy in the eyes of the wider public by following a quasi-experimental approach. We formulated the following hypothesis:

Hypothesis 1: Citizens politically legitimize corporations due to their CSR adoption.

As understanding this phenomenon becomes pivotal to help shape the contemporary dynamics of governance, we need to address CSR multidimensionality. Responsible behavior is usually measured and categorized according to triple bottom lines of sustainable development i.e., social, economic and environmental performance (Auld et al., 2008; Brundtland, 1987; Elkington, 1998). Thus, there is a general consensus amongst business practitioners in using these indicators, which are often disclosed (e.g., Global Reporting Initiative, 2019; International Organization for Standardization, 2019). Based on this evidence, we formulated the following hypotheses:

Hypothesis 1a: Citizens politically legitimize corporations due to their CSR activities directed to community and environment.

Hypothesis 1b: Citizens politically legitimize corporations due to their CSR activities directed towards employees.

Hypothesis 1c: Citizens politically legitimize corporations due to their CSR economic.

7.2.2. The role of corporate trust in political endeavors

Public trust in corporations has declined dramatically in many Western countries since the financial crisis in 2008. Critiques of corporate influence on public policymaking have intensified in its wake (Luyckx & Janssens, 2016). Large corporations in particular have come under increasing pressure to justify their policy interventions and to explain how these policy positions are compatible with their publicly stated social and environmental commitments. To promote transparency in this regard, the prominent Global Reporting Initiative (GRI) standard for voluntary sustainability reporting, for example, encourages firms to report on their lobbying activity in their annual nonfinancial disclosures (Global Reporting Initiative, 2019).

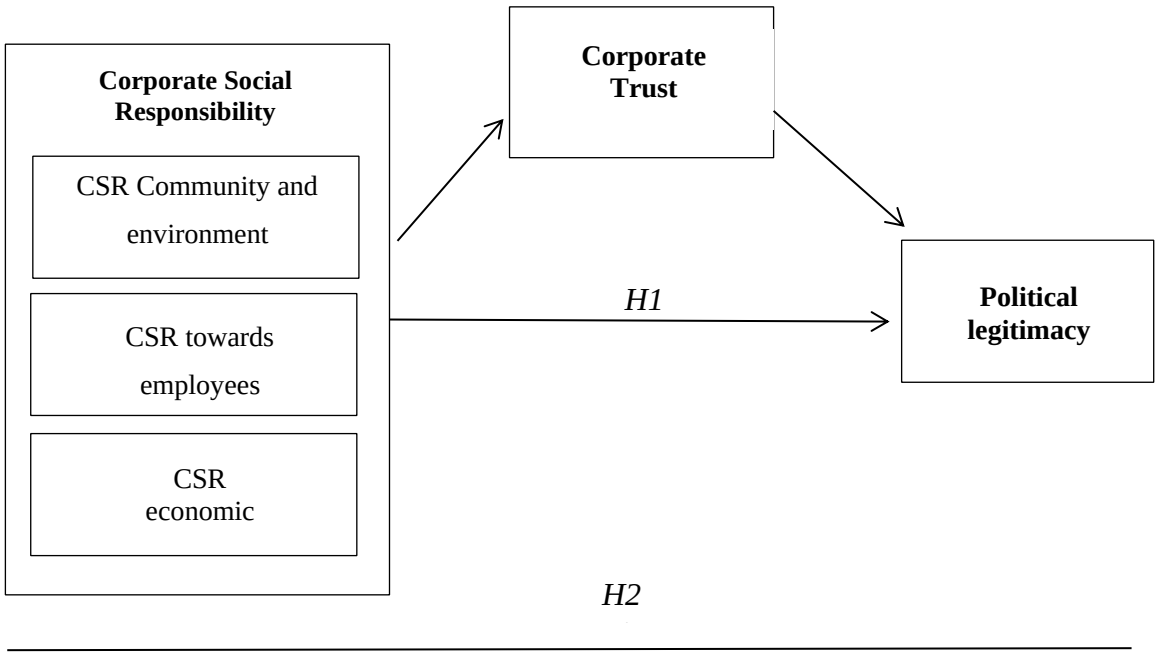
Taking hypotheses 1, we propose that trust operates as a mediating mechanism between CSR and corporate political legitimacy. That is, as companies develop philanthropic activities, they ignite trust in others which ultimately enhances legitimacy on these companies to influence political decision-makings. The model that guides our hypotheses is depicted in Figure 12. The remaining hypotheses are:

Hypothesis 2a: Corporate trust mediates the relationship between their CSR community and environment and corporate political legitimacy at the eyes of citizens.

Hypothesis 2b: Corporate trust mediates the relationship between CSR towards employees and corporate political legitimacy at the eyes of citizens.

Hypothesis 2c: Corporate trust mediates the relationship between CSR economic and corporate political legitimacy at the eyes of citizens.

Figure 12. Conceptual Model of CSR, Corporate Trust, and Political Legitimacy.



7.3. Method

To test our proposed hypotheses, we designed this quasi-experimental study to address the complexity of political CSR phenomenon by using CSR hypothetical stories as stimuli. In doing so, we explore the positive effect of CSR perceptions on corporate political legitimacy through corporate trust. To provide reliable empirical evidence about the causality of the proposed direct and indirect effects (CSR and corporate trust, respectively) on corporate political legitimacy, we controlled for social desirability bias thus avoiding the shortcomings of a cross-sectional design.

7.3.1. Participants, design and procedures.

We recruited 207 participants from Portugal with 18 years or over, who were randomly assigned to one of three between-subject conditions (CSR community and environment, CSR employees or CSR economic). Given that 6.3% of these participants did not select the indicated responses in some CSR manipulation check items (Duarte, 2011) we had to exclude them from our data, ending up with a final sample comprising 194 participants. The age of participants ranged from 20 to 65 (M= 32.3 years; SD= 8.84), and 31.4% were female. Most participants

reported having a university degree or above (51.5%) and were legally employed by the time of the study (85.1%), with an average work tenure ranging from 1 to 5 years.

As stated, participants were first asked to read a short case that describes an ethically concerned company named "Tutti", widely recognized for their social responsibility practices. To manipulate multiple CSR dimensions, we adapted the experiment materials developed by Evans and Davis (2008) and Duarte (2011), which consider CSR activities towards community and environment, CSR towards employees, and CSR economic.

Therefore, each case describes some perceptions from one Tutti employee regarding their company's sense of social responsibility, either when Tutti deals with community and environment (e.g. "John knows that Tutti has been investing in several environmental protection programs"), employees (e.g. "The company allows, whenever necessary, employees to make adjustments to working schedules to attend to personal matters"), or perceptions of economic sustainability (e.g. "Tutti does not fail to their investment compromises").

To clarify the vignettes we provide an example below:

CSR Community and Environment

> *Tutti is very committed in "doing good". That is, annually the company offers itself to support several social, cultural and sports activities as well as local community activities. Usually, the company responds positively to request for support from both charitable and environmental protection associations. John/Jane knows that Tutti has been investing in several environmental protection programs. Besides that, Tutti gives regularly support to minor local entrepreneurs, helping then to start up their businesses.*

After reading the randomized case, participants were asked to answer the manipulation check questions and, drawing on the case they read, participants further completed questions regarding corporate trust and corporate political legitimacy (see measures below and the appendix B for still shots of the three CSR cases). Finally, participants concluded the survey with questions of social desirability and personal information.

7.3.2. Measures

All variables were measured using a 5-point Likert-type scale (from 1 = strongly disagree to 5 = strongly agree).

To assess *corporate trust*, we used a scale that was adapted for use in prior business ethics studies (e.g., Bachmann & Ingenhoff, 2017), i.e., the 4-item *trustworthiness* scale from Newell and Goldsmith (2001). One sample item is: "Tutti makes truthful claims" (Cronbach α = .89; M = 3.65, SD = .65).

In line with study 2, we measured *corporate political legitimacy* using the 3-item subscale *obedience*, comprised on the legitimacy scale developed by Anderson (2015). One sample is: "Rulers of this country should abide by the recommendations of my organization even if they don't like what they hear" (Cronbach α = .84; M = 3.07, SD = .83).

Social desirability was assessed with the 8-item *impression management* scale, comprised on the short version of the Balanced Inventory of Desirable Responding (BIDR) developed by Hart and colleagues (2015; BIDR-16). Participants were asked to indicate whether they agreed that each of the 8 items described their behavior. One sample item was: "I sometimes tell lies if I have to" (Cronbach α = .69; M = 3.32, SD = .67).

Beyond social desirability, this study includes control variables such as participants' age, gender, work tenure and education.

7.3.3. Manipulation checks

As mentioned, participants started by being assigned to one of three CSR conditions. To confirm CSR was manipulated effectively, we asked participants to recall the case they read, and rate how extensively they agreed (from 1 = strongly disagree to 5 = strongly agree) with the CSR manipulation check items adapted from Duarte (2011; e.g. "Tutti is concerned with society's well-being"; Cronbach α = .60). This evidence led us to exclude participants who provided unexpected responses. Nevertheless, we ended up with generally high rates which means participants were attentive ($M_{CSRcom\&env;\ CSRemployees;\ CSReconomic}$ = 4.00, SD = .44).

Given the successful quasi-experimental manipulations, we were able to follow a 3 (CSR community and environment, employees and economic) x 1 (corporate trust) x 1 (political legitimacy) between-person design to test our hypotheses.

7.4. Results

7.4.1. Preliminary Analyses

To rely on honest responses, we first examined whether social desirability was affecting our data prior to hypotheses testing. Therefore, we began by coding social desirability as a dummy variable (1= low social desirability; 2= high social desirability), and further conducted one univariate ANOVA to check possible differences across social desirability groups.

Overall, evaluations are consistent across levels of social desirability in terms of corporate trust ($F_{(2,178)}$ = 2,12, p = 0.123; M_{lowSD} = 3.55, SD = .70, 95% CI of difference = [3.33, 3.77], M_{highSD} = 3.72, SD = .64, 95% CI of difference = [3.61, 3.84]). Similar results were found with corporate political legitimacy ($F_{(2,178)}$ = 0.73, p = 0.483; M_{lowSD} = 2.99, SD = .86, 95% CI of difference = [2.72, 3.26], M_{highSD} = 3.10, SD = .84, 95% CI of difference = [2.95, 3.25]). As findings indicate that social desirability is not biasing our data, we proceeded with the analyses.

7.4.2. Hypotheses testing

Table 12 presents means, standard deviations, and correlations between variables. Among the primary study variables, both CSR community and environment and CSR employees are positively related to corporate trust (r = .312, p<.001; r =.527, p<.001 respectively) and corporate political legitimacy (r = .222, p<.001; r = .250, p<.001, respectively). In addition, social desirability is not correlated to corporate political legitimacy (r = .125, p = .94), which is aligned with the results from preliminary analyses.

Table 12. Descriptive Statistics and Interitem Correlations Among Variables

	M	*SD*	1	2	3	4	5	6	7	8	9	10
1. Age	32.36	8.84										
2. Gender	1.32	.46	.060									
3. Work tenure	3.95	.98	.658**	-.170*								
4. Education	2.84	1.23	-.156*	.183*	-.269**							
5. Social desirability	3.32	.68	.135	-.032	.166*	-.202**						
7. CSR comm. & environ	3.83	.77	.015	.061	-.026	-.043	.122	.011				
8. CSR employees	4.00	.71	-.047	.027	-.015	-.089	.077	.137	.172*			
9. CSR Economic	4.06	.75	-.035	.097	-.102	.076	.036	.079	.028	.127		
10. Corporate trust	3.65	.65	.023	.073	.062	-.015	.148*	.203**	.312**	.527**	.073	
11. Corporate pol. legit.	3.07	.83	.073	.061	.054	.011	.125	.285**	.222**	.250**	-.001	.485**

*p <.05

** p<.01 (two-tailed tests).

7.4.3. Path modelling

To explore direct and indirect effects, we path modelled using *AMOS version 25* running a bootstrap with 5000 extractions, computed for a 90% confidence interval. The model had good fit indices (X^2(20)=35.799, p=.016, X^2/df=1.790, CFI=.980, TLI=.964, RMSEA=.064 CI90[.027, .097] PClose=.228, SRMR=.0413). Hypotheses H1a, H2a and H2b were supported while H1b, H1c, and H2c were not, thus rendering partial support to both H1 and H2.

Table 13. Direct and indirect effects CSR-Trust-Pol.Legitimacy

	Trust			Political legitimacy			
	Coeff.	p-value	95% CI	Coeff.	p-value	95% CI	HH
Direct effects							
CSR-Comm&Env	.214	p=.001	CI95 [.086, .319]	.227	p=.003	CI95 [.011, .243]	H1a sup.
CSR-Employees	.467	p<.001	CI95 [.306, .562]	.220	p=.005	CI95 [-.177, .138]	H1b n.s.
CSR-Economics	-.007	p=.916	CI95 [-.106, .107]	-.029	p=.699	CI95 [-.152, .097]	H1c n.s.
Trust				.493	p<.001	CI95 [.292, .604]	
Indirect effects							
CSR-Comm&Env				.106	p=.014	CI95 [.042, .171]	H2a sup.
CSR-Employees				.230	p=.007	CI95 [.148, .328]	H2b sup.
CSR-Economics				-.003	p=.986	CI95 [-.056, .053]	H2c n.s.
	R^2=29.7%			R^2=28%			

7.5. Discussion of Study 4

This discussion will be briefer not to be redundant with previous related findings and discussions. The current quasi-experimental study addressed the role of corporate trust on the relationship between CSR dimensions and political legitimacy. In doing so, our study responds to continuous calls for addressing political CSR empirically (e.g., Palazzo & Scherer, 2006; Rizal et al., 2021; Scherer and Palazzo, 2007; Scherer et al., 2013; Scherer et al., 2016; Scherer 2018).

Drawing on the Habermasian conception of political CSR, our evidence shows surprising results. The support given to H1a shows that whatever an organization gives to community and environment is directly legitimizing it to exert a political function. However, such seems not to be the case when the target of such benevolence are employees or the economics dimension of the organization itself. Reminding these dimensions, community and environment CSR refers to activities intended to foster the well-being in communities as well as to protect the environment. Employees' CSR refers to activities targeting employees' workplace well-being, health and meaningful work activity. Economics CSR refers to ensuring the financial robustness of business and its economic sustainability. This suggests that any investment in external goodness activates a sense for political legitimacy most likely without the need to build trust. Results pertaining to H2 clarify those found in H1, namely why the direct effect is absent for employees' CSR. By including trust as a mediator, the model showed that employee directed CSR will enact political legitimacy because it builds trust. The same

occurs for H1a but the mediation is partial, meaning that political legitimacy is fostered both directly and through trust building. Conversely, H1c and H2c were not supported thus showing that an economic target may not raise enough trust nor political legitimacy. The obvious explanation lies in attribution theory, where self-serving ascribed motivation may explain the degree with which individuals believe CSR activities are truthful or just instrumental.

The authenticity of CSR has been long questioned ever since the term greenwashing was used in the 1980s to label organizational activities primarily self-serving but presented under the guise of cause-serving (Yang et al., 2020). Suspicion on CSR motives have been ever since increasing (Chun & Giebelhausen, 2012) and the positive effects that CSR could enact in individuals may be overridden by such self-serving attribution (Donia et al., 2019). Investing in economics can easily be taken as self-serving as it is (although not necessarily in the short term) most likely linked to profit making purposes, at least on the long term. From another viewpoint, this relates with the American versus European concept on the nature of CSR. While American conception hold that Economics or Employee addressed benevolent actions are expressions of CSR, the European approach holds these as merely expressing compliance (Turker, 2009).

The analyses support the importance that corporate trust plays in order to gain political legitimacy. Seemingly, CSR economic and CSR directed towards employees are not enough to increase corporate political legitimacy alone; corporations need to build trust as well.

Consistent with Study 3, results show that CSR practices viewed as going beyond self-serving motives i.e., CSR directed towards community and environment leverage corporate political legitimacy *per se*. This evidence highlights the important role of these CSR dimensions to directly influence political decisions without damaging political legitimacy.

7.5.1. Limitations and future research

The current study is not without limitations. First, we adopted a quasi-experimental approach which implies that we do not have control groups in our study. We opted to do so due to the utilization of small data. Future studies should use a full experimental approach to address these issues. Second, the Anderson's (2015) scale presents the same limitations reported in study 2. We suggest the development of a political CSR scale.

Future research could extend our model. Studying psychological mechanisms that can trigger the right to be obeyed would add to extant theory. Also, the replication of the current

study would be important. Considering different populations with other political economies would enrich investigation in political CSR.

8

– DISCUSSION AND CONCLUSION –

8.1. Discussion

Corporate political endeavors are increasingly disclosed by media (Kamasak et al., 2019) and such political involvement, publicly disclosed, is not always well taken by stakeholders. In this regard, political actions like corruption might negatively affect corporate reputation (Banerjee & Venaik, 2018; Mantere et al., 2009). On the other hand, stakeholders and intragovernmental entities are pushing corporations to have an ethical conduct and to develop partnerships that contribute to social good (Mun & Jung, 2018) which might also be taken as political action. Thus, there is a contradiction (or at least a blurred frontier) in society as regards the legitimacy corporations have to play political roles. Some as clearly off-limits or a subject of suspicion (e.g. CPA such as lobbying) while others may not be subjected to this sort of reputational liability, e.g. mimicking community target benevolent actions a government would be expected to do, within the line of CSR.

The current thesis focuses on CSR actions to propose a new form of influencing politics and public policies without damaging corporate reputation. For this purpose, we relied on the promising yet underexplored political CSR research stream (PCSR). By reviewing literature this thesis has highlighted some benefits that companies can reap from engaging in political CSR activities. These benefits include improved reputation, corporate political legitimacy, and trust (at micro and macro levels).

Specifically, we relied on the *Habermasian* perspective of PCSR which views the role of corporations in society from the standpoint of Jürgen Habermas (1996; 1998). According to Palazzo and Scherer (2006), corporations perform a state-like role and therefore they are perceived as legitimate to influence political decisions (Scherer & Palazzo, 2007; Scherer, Palazzo & Seidl, 2013; Scherer et al., 2016). Overall, although political CSR has received increasing attention amongst academia and practitioners, there are still various research gaps in our understanding of this concept. The lack of empirical evidence is the biggest gap in political CSR literature as most research is conceptual or theoretical in nature (Scherer, 2018).

This thesis also argues that political CSR and Corporate Political Activity (CPA) are related but distinct concepts. In summary, political CSR is focused on companies' efforts to address societal, environmental and employees' issues, while CPA is focused on companies' efforts to influence political decisions. We suggest that political CSR can still be an optional, voluntary approach for corporations to improve their reputation and build trust with stakeholders, but can also be a way of protecting and advancing political interests.

Lastly, from a management standpoint, PCSR research has yet one main limitation: that of neglecting the strategic side of CSR (Dawkins, 2019). The current thesis overcomes this constraint by proposing that CSR should be considered, by corporations and political institutions, as a political activity *per se*. In line with Zhao (2012), we claim that CSR can favor the creation of a network of business-CSR-state relationship that can benefit corporations and increase their political influence. Public-private partnerships created to cover social areas such as health or education can be auspicious to all parties, from governments to societies and/or corporations. Indeed, we corroborate that the strict approach (i.e., classical *versus* liberal) separation of private and public domains of society does not hold in the era of globalization anymore (Scherer et al., 2006).

Political CSR contentions were tested on studies 2, 3 and 4. Specifically, we uncovered two mechanisms yet unexplored in political CSR literature, i.e., the role that perceived trust and boards' political skills play on the relationship between CSR and political legitimacy. We also endeavored to clarify what does corporate political legitimacy stands for. We submit that corporate political legitimacy linked with PCSR refers to the perception and acceptance by stakeholders that a corporation has the right to engage in political activities and influence public policy. Such can be achieved through CSR and trust-based measures such as transparency. Ultimately, corporate political legitimacy is about building trust and credibility with stakeholders and ensuring that a company's political activities are perceived as serving the social good and contributing to the long-term sustainability of society and the environment.

Overall, we provide a conceptual approach on Study 2, and empirically test PCSR assumptions within and outside organizations in, respectively, studies 3 and 4.

Study 2 conceptually explores political CSR with a micro-level approach by highlighting the role that board political skills play in increasing political legitimacy. Specifically, study 2 shows that boards do need to have the right political skills to leverage their political legitimacy. Therefore, we claim that boards' political skills (networking ability, interpersonal influence, social astuteness and apparent sincerity) are predictors of CSR engagement which leads to higher corporate political legitimacy.

Studies 3 and 4 empirically explore whether multiple stakeholder-based CSR initiatives and corporate trust bestow companies' political legitimacy. Taken as "the willingness of a party to be vulnerable to the actions of another party" (Mayer et al., 1995, p. 712), trust-based relationships are widely recognized for helping create and preserve long-term relationships with stakeholders (Hosmer, 1995; Morgan & Hunt, 1994). Previous evidence indicates that trust improves organizational performance (Zaheer et al., 1998), team performance (e.g.,

Wildman et al., 2012), and anti-corruption effectiveness (La Porta et al., 1997). With public trust in corporate morality on the decline, trust is especially relevant when managing corporate political behavior (Kamasak et al., 2019; Sethi, 2002). In this regard, the implementation of effective and transparent disclosures is particularly valuable, as companies that publicly expose their lobbying activities more easily foster corporate trust and establish long-term relationships (Favotto & Kollman, 2019; Parker, 2002; Wickert, 2016).

Study 3 and study 4 thus conclude that building trust, both corporate and board trust, is pivotal to legitimately influence political decisions. In summary, results from study 3 show that, from an employees' standpoint, altruistic CSR activities legitimize their corporations to hold a political position, specifically CSR initiatives towards community members, environment and employees. Conversely, instrumental CSR activities require building trust to translate into political legitimacy.

Similar conclusions were found from a citizen standpoint (study 4), i.e., CSR activities directed to community and environment and CSR activities directed to employees have an indirect effect on political legitimacy through corporate trust (although CSR directed towards community and environment has a direct effect on political legitimacy *per se*).

In future studies, we propose that the role of corporate trust should be more fully explored. This is of special relevance given that, within the political arena, trust is also an important source of legitimacy to governance actors, as it is more likely to put in charge leaders that are trusted (Börzel & Risse, 2016; Paller, 2014; Schatzberg, 2001).

Overall, studies 2, 3 and 4 intend to make contributions to knowledge in political CSR field by exploring the impact of multiple CSR dimensions on corporate political legitimacy, which remained unexplored. As political CSR research has not yet integrated the multidimensionality of CSR that strategic CSR already examines (e.g., Vishwanathan et al., 2020; Yoon & Chung, 2018), future studies could similarly explore possible CSR differences on corporate political legitimacy. Evidence also shows that CSR is an important asset that legitimizes corporations to influence political decisions, and this is especially true when CSR activities are directed towards key stakeholders, namely communities, and practices aiming at social and environmental betterment.

Complementary to studies 2, 3 and 4, evidence from study 1 shows that, so far, CSR and CPA have been interrelated in the EU. This evidence corroborates previous studies performed in other geographical areas (Du et al., 2019; Liedong et al., 2015). We built upon institutional theory to understand whether the joint effect of corporate political activity (CPA) and social responsibility (CSR) leverages political embeddedness and financial performance in

the EU. Overall, findings show that lobbying in Europe pays off, especially when corporations seek to be aligned with EU ethical values and aspirations. Hiring lobbyists, to be based in Brussels, and promoting gender equality help establish EU political connections. Subsequently, findings highlight the role that EU political embeddedness, lobbying expenditures, and United Nations guidelines play in leveraging financial performance, particularly across non-EU corporations. Evidence thus suggests that CSR helps creating a favorable image, and helps establishing a close relationship with key stakeholders: in this case, political decision-makers. These, which define the rules of the game in any political environment, ultimately facilitate corporations entering new markets by creating favorable laws to corporations. In corporate business world, findings from this research support corporations growing businesses in Europe via a stronger investment in CSR and CPA.

In political CSR there are several venues scholars can explore. The possibility of having corporations addressing social and environmental issues that fall usually within the scope of governments and nation-states responsibility has been widely spread and progressively accepted (Frynas & Stephens, 2015; Monciardini & Conaldi, 2019). Therefore, CPA scholars can, in line with the work developed in this thesis, approach political CSR as a strategy to help overcome reputational issues arising from corporate political behavior (Gao & Hafsi, 2017; Kamasak et al., 2019). Seemingly, taking CSR as a political asset, has been gaining ground as governance processes are being reconsidered and re-invented to address the complexity of social problems more effectively (Kourula et al., 2019). Future research could also focus on delineating concrete implications to businesses and governments, thus extending or adding to what is going to be proposed in the current research. Also, the implications of the emerging political responsibilities of companies for specific individuals, groups, and leaders should be further investigated (Constantinescu & Kaptein, 2015). From a conceptual view, the Habermasian approach of political CSR has room to grow, specifically by examining psychological mechanisms through which corporations gain political legitimacy through CSR.

8.2. Conclusion

The current thesis' studies explored political CSR assumptions. Overall, findings support and extend the *Habermasian* proposal, and encourage a shift in corporate political activity research by showing that benevolence is required to legitimately influence governmental decisions without risking internal reputation.

We submit that political CSR is important to business for some reasons. First, it helps establishing good reputation. In short, by engaging in political CSR activities, companies can enhance their reputation and build trust with stakeholders. Second, political CSR can help companies address important social and environmental issues and promote sustainability. Lastly, through political CSR companies can differentiate themselves from their competitors and gain a competitive advantage in the market.

We contend that political CSR is important to societies too. First, because it addresses social and environmental issues. Political CSR can help governments address important social and environmental issues and promote sustainability with the support of companies. Second, because it promotes economic growth and stability. In short, companies that engage in political CSR can contribute to the economic growth and stability of society by creating jobs, improving working conditions, and promoting sustainable development. This can help to reduce poverty, create a more stable operating environment, and promote long-term economic growth. Subsequently, political CSR can help companies in protecting human rights and ensure that they are not contributing to human rights abuses. For example, companies can advocate for policies and regulations that promote human rights such as the right to free speech or the right to fair labor practices.

In summary, we submit that the planning of CSR activities should not only be discussed internally but also in partnership with governments as they can more easily identify social and environmental needs. In addition, beyond being an expression of ethics, or an economic asset or a marketing tool, this thesis concludes that CSR is a political tool that should be used to uphold corporate political interests. It is inconsequential if corporations engage in CSR purposively to gain such legitimacy or without such purposes. Legitimacy is ascribed and as such the political dimension of CSR is intrinsically present and does not entail the risks of CPA. Finally, CPA suggests that CSR is an asset that helps establish political connections, however we submit that CSR should be treated as a political activity *per se* and that future research benefits from taking this position.

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Appendix A. Questionnaire

Construct	Item	Adapted from
CSR Society, environment, future generations, and NGOs (1- strongly disagree; 5 – strongly agree)	Our company participates in activities that aim to protect and improve the quality of the natural environment. Our company invests to create a better life for future generations. Our company implements special programs to minimize its negative impact on the natural environment. Our company targets sustainable growth which considers future generations. Our company supports nongovernmental organizations working in problematic areas. Our company contributes to campaigns and projects that promote the well-being of the society. Our company emphasizes the importance of its social responsibilities to the society.	Turker (2009)
CSR Employees (1- strongly disagree; 5 - strongly agree)	Our company encourages its employees to participate in voluntary activities. Our company policies encourage employees to develop their skills and careers. The management of our company is primarily concerned with employees' needs and wants. Our company implements flexible policies to provide good work & life balance for its employees. The managerial decisions related to the employees are usually fair. Our company supports employees who want to acquire additional education.	
CSR Customers (1- strongly disagree; 5 - strongly agree)	Our company respects consumer rights beyond the legal requirements. Our company provides full and accurate information about its products to its customers. Customer satisfaction is highly important for our company.	
Legitimacy: "Obedience" (1 – strongly disagree; 5 – strongly agree)	Rulers of this country should follow the recommendations of my organization, even when the reasons for their decisions are not clear. Rulers of this country should abide by the recommendations of my organization even if they don't like what they hear. Rulers of this country should follow the proposals of my organization, even when this country disagrees because it is this organization that proposed the policy.	Anderson (2015)
Trust in business executives (1- I don't trust at all, 5-I absolutely trust)	Trust1: Managers of large international corporations Trust2: Managers in SME Trust3: Business Associations Chairmen	World Values Survey

Appendix B. CSR Scenarios and manipulation Checks

John/Jane is an employee at Tutti Company. Tutti Company manufactures various types of consumer goods that are widely available in most retail stores. John/Jane has recently been thinking about Tutti and specifically about various aspects of Tutti's organizational performance. To John/Jane's knowledge, Tutti…

CSR Employees	CSR Community and Environment	CSR Economic
Tutti has adopted a professional code of conduct that all employees must read and sign as evidence of their understanding. John/Jane considers Tutti a labor law obedient organization that provides job security to its employees. Tutti invests regularly on training and has human resource management practices that promote equity between men and women. The company allows that, whenever necessary, employees make adjustments to working schedules to attend to personal matters, a corporate practice that fosters work/family balance. John/Jane knows that Tutti has been recruiting handicapped people for its working teams thus helping their professional integration.	Tutti is very committed in "doing good". That is, annually the company offers itself to support several social, cultural and sports activities as well as local community activities. Usually the company responds positively to request for support from both charitable and environmental protection associations. John/Jane knows that Tutti has been investing in several environmental protection programs. Besides that, Tutti gives regularly support to minor local entrepreneurs, helping then to start up their businesses.	Tutti is growing in terms of revenue and number of employees. The company is in the best five companies of their industry. The company always pays employees' salaries on time. Many times Tutti reports income that exceeds budget expectations, whereas actual costs are below expectations. Last time that John/Jane checked, stock value had significantly increased.

Manipulation Check Scale

Item 1. "Tutti is concerned with society's well-being"

Item 2. "Tutti manages its employees in a responsible way"

Item 3. "Tutti is a socially responsible company"

(from Duarte, 2011)