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Multinational Corporations and Their Corporate Citizenships: Exploring Their Effects on Corporate Performance Under Different Legal Traditions

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ABSTRACT

In this paper, we focus on the conceptualization of corporate citizenship and examine the effects of its tangible manifestation, in the form of corporate philanthropy, on company performance recognizing the importance of the institutional contexts where companies are embedded. Based on a sample of 752 multinational companies that have joined the UN Global Compact, we explore the derived benefits, using as a moderator the legal environment where companies operate. The results of the random-effect regression analysis show the existence of a positive relationship between corporate citizenship and corporate market valuation over the study period (2016–2022). Findings on corporate citizenship are consistent with previous studies, and the role of the legal tradition emerges as a salient avenue for future investigation. Companies that highly leverage the philanthropic dimension of corporate citizenship and are primarily embedded in a common-law tradition benefit more than those operating in a civil-law system.

1 | Introduction

Corporate social responsibility (CSR) is a cross-disciplinary field of research that has been examined by a variety of academic disciplines (e.g., Gillan, Koch, and Starks 2021; McWilliams, Siegel, and Wright 2006) for more than half a century. Researchers have primarily focused on understanding why companies increasingly engage in CSR practices (Gupta and Kumar 2022; Marano and Kostova 2016), and their implementation and potential benefits (Coelho, Jayantilal, and Ferreira 2023). Interest in the multi-level nature and effects of CSR has increased in the last decades, with a strong focus on whether socially responsible firms are also profitable (Fu et al. 2024; Busch and Friede 2018).

In this debate, the concept of corporate citizenship has attracted significant attention. According to Carroll (1998), corporate citizenship encompasses the multi-level effects of being a good corporate citizen. Compared to the traditional concept of CSR, corporate citizenship can be seen as a distinct and broader category, able to capture the new role that corporations might play in the globalized scenario (Sacconi 2007; Baumann-Pauly and Scherer 2013). Given the global economy in which organizations operate today, it seems to be more appropriate to address this issue through the lens of corporate citizenship. This approach implicitly incorporates the socio-political commitments of businesses and the welfarist approach aligning with the idea of businesses contributing to the public welfare and providing public goods as goods or services that benefit society collectively

(English 2023). This is especially relevant in the case of multinational corporations (MNCs), which have started to perform certain governmental functions associated with the enablement, facilitation, and protection of certain rights (Scherer and Palazzo 2011).

As part of the general shift in the relationship between business and society, companies have gradually taken on many of the roles and actions previously undertaken by governments (Matten and Crane 2005), for example, through the promulgation of codes of conduct and industry initiatives to improve working conditions (Pedersen and Andersen 2006). By making philanthropic donations to public affairs as a tangible manifestation of their corporate citizenship, firms have also contributed to filling gaps in basic rights (Saiia, Carroll, and Buchholtz 2003), such as access to adequate healthcare and education services (Powell 2019). Hence, they can actively participate in the provision of public goods for society as well (Morgan and Tumlinson 2019), while pursuing their own economic aims (Liket and Maas 2016).

Several studies have examined the overall benefits for good corporate citizens by considering a wide set of different responsible practices and CSR initiatives. Some researchers have investigated how organizational members develop attitudes and behaviors according to the ways in which they perceive corporate citizenship (Block et al. 2017; Raza, Khan, and Hakim 2024). Others have concentrated on the analysis of corporate citizenship in the context of internationalization strategies, considering the effects of institutional distance and corporate philanthropy on corporate performance (Gardberg and Fombrun 2006; Wang, Dou, and Jia 2016; Cha and Rajadhyaksha 2021). Several scholars have highlighted and recognized the importance of specific institutional elements on corporate citizenship practices and organizational outcomes. While existing research has explored the broad benefits of corporate citizenship and its impact on various stakeholders, fewer studies have delved into the nuanced pathways through which these practices translate into tangible business performance outcomes. This gap is particularly pronounced in the context of differing legal and regulatory frameworks, where the effectiveness of corporate citizenship initiatives and outcomes may vary (Kumar et al. 2021; Marano and Kostova 2016; Marquis and Tilcsik 2016).

In this study, we focus on the philanthropic dimension of corporate citizenship and examine its direct effect on market value, examining the impact of the moderating role played by different institutional contexts, in particular legal traditions (i.e., common-law and civil-law traditions). By delving into the nuances of how actively contributing to social welfare affects business outcomes, the research sheds light on the multifaceted nature of the relationship between corporate citizenship and business performance. Moreover, the assessment of institutional contexts provides valuable insights into how legal environments shape corporate practices and outcomes. Understanding these dynamics is crucial for policymakers, regulators, and advocacy groups seeking to promote responsible business practices and foster sustainable development. Our findings have broader implications for public affairs professionals, informing their strategies and initiatives aimed at promoting corporate accountability and social responsibility.

2 | Literature Review and Hypotheses Development

2.1 | From CSR to Corporate Citizenship: The Central Role of the Philanthropic Dimension

The concept of CSR was initially developed after the 1930s Great Depression in the context of a normative debate about the desirable role of firms toward/within the society. Over the following decades, the CSR concept evolved despite academic skepticism. Friedman (1962) claimed indeed that a firm's sole responsibility is to increase its profits. However, in contrast to Friedman's view, one of the most salient contributions came from Carroll with the pyramid of responsibilities (1979). He proposed a path-breaking four-part definition which indicates that the responsibilities of a business should encompass the economic, legal, ethical, and discretionary expectations of the society in which it operates. According to this framework, the responsibilities of an enterprise go beyond increasing revenues and obeying the law, embracing as well a full range of responsibilities toward society.

During the 1980s and 1990s, the concept of CSR evolved significantly toward disciplines and alternative themes for portraying CSR-oriented policies and practices including business ethics, corporate citizenship, and sustainability issues (Carroll 2021). Looking at this progress, it is remarkable to note the revision of Carroll's four-part CSR definition, which enhanced the capture of a plethora of organizations' existing and desirable behaviors. In particular, he labeled the discretionary component as being philanthropic, specifying that discretionary "social expectations" (Carroll 1979) should be understood as "responsibilities" in all respects (ibidem). By relabelling this last dimension, the author drew a silver thread between CSR and corporate citizenship, stating that philanthropy encompasses those corporate actions that respond to society's expectation "that businesses be good corporate citizens" (Carrol 1991, p.42). This evolution in the definition empowered a conceptual conflation between the two terms, characterizing the equivalent view of corporate citizenship (Crane, Matten, and Moon 2008; Gautier and Pache 2015).

Academic and practitioner contributions have ranged from particular business cases to philanthropic approaches (Baumann-Pauly and Scherer 2013), as well as to the political definition of corporate citizenship (Matten and Crane 2005). In its early usage, and still very much in evidence today, corporate citizenship is often recognizable in the form of charitable donations and other corporate philanthropy undertaken within the community. This view, known as the limited view of corporate citizenship, still relies on a continuing overlap between corporate citizenship and CSR concepts. As noted in Carroll's framework, being a good corporate citizen refers to a specific element of CSR, namely the philanthropic dimension. In this perspective, the organization's choice goes beyond profit-making and refers mainly to giving something back to the community, with corporate philanthropy being associated with corporate citizenship. Some studies have stressed, within the new-institutional economic theory framework, the contractarian foundation of the CSR concept, by which is meant an extended model of corporate governance based on the fiduciary duties owed to all the firm's stakeholders (Sacconi 2007).

Within the broader range of community and stakeholders engagement activities, corporate philanthropy appears as one option (Bowen, Newenham-Kahindi, and Herremans 2010) that is particularly salient as it is seen as the most visible way in which a company can help the community (Wulfson 2001). Visibility made philanthropy a business opportunity resulting from a strategic implementation of corporate citizenship activities, popularly referred to as "strategic philanthropy" (Saiia, Carroll, and Buchholtz 2003; Vishwanathan et al. 2020). Also, corporate citizenship has been rationalized and operationalized in terms of social investing (Waddock 2008). Aligned with this view and referring to the language of corporate finance, *Forbes* magazine has extensively employed the label "corporate citizenship" to describe the most generous companies.

The extended view of corporate citizenship dwells on the different notions of citizenship and is strictly tied to the political turn taken by CSR in the last decade. While the traditional understanding of CSR emphasizes the strict separation of economic and political domains, recent studies have highlighted how firms are increasingly involved in providing goods and services that benefit society as a whole, rather than just individuals or specific groups (English 2023). Corporate citizenship refers to the fact that corporations have gradually replaced some of the functions historically performed by government institutions under the traditional concept of citizenship (Matten and Crane 2005). Finally, in examining the link between CSR and corporate citizenship, it is worth mentioning the concept of ESG, which stands for environmental, social and governance. This conceptualization has recently been used to evaluate investments based on companies' responsible impacts (Latapí Agudelo, Jóhannsdóttir, and Davídsdóttir 2019), and narrows on how corporations and investors integrate these concerns into their business models. ESG is considered a more comprehensive concept than CSR (Gillan, Koch, and Starks 2021) because, among other things, it helps to measure or quantify social initiatives, whereas CSR holds companies accountable for their social commitments in a more qualitative way.

In this study, we continue to refer to the limited definition of corporate citizenship that follows Carroll (1998), while integrating socio-economic aspects related to the extended view, such as the promulgation of certain rights and the involvement of different stakeholders in corporate activities to downsize the impacts, when we empirically address its possible manifestation in the form of corporate philanthropy. We keep on referring to the corporate citizenship concept conceived as a "higher-level" concept that encompasses ESG and CSR elements, but also a broad concept with missions that are associated with a plethora of societal areas. By having elements from both views, we are able to better and more deeply analyze the effects of corporate citizenship on corporate performance.

2.2 | Corporate Citizenship and Corporate Performance

Interest in the relationship between business responsibilities and corporate performance has grown significantly since the 1980s. Drucker (1984) was one of the first studies highlighting possible positive relationships between corporate social responsibility and business opportunities in terms of market opportunities, productivity, human capabilities, and improving the competitive context. Since then, this line of research has been extensively fruitful, especially in the last two decades.

Researchers in the fields of CSR and corporate citizenship both agree that the deployment of these practices helps to strengthen corporate reputation (Brammer and Millington 2005; Gardberg et al. 2019; Sacconi 2007), especially when they are capable of satisfying stakeholders' needs and contextually operate profitably (Michelon, Boesso, and Kumar 2013). The implementation of these activities allows companies to build stronger and long-term relationships with their stakeholders and facilitate the enhancement of a brand image and reputation as well as customer loyalty (Pérez and Rodríguez del Bosque 2015; Wolter, Donavan, and Giebelhausen 2021). Firms can differentiate themselves from competitors and, in line with the logic of competitive advantage, they can enhance their performance (Zhao and Zhang 2020).

Defenders of corporate philanthropy state that philanthropic giving evokes positive attributions among stakeholders in the form of reputation enhancement (Gardberg et al. 2019; Lev, Petrovits, and Radhakrishnan 2010), with the ability of companies to properly communicate their social contributions being crucial (Gupta and Kumar 2022; Shafeeq Nimr Al-Maliki, Salehi, and Kardan 2023). In fact, it is not only required to be a good corporate citizen but also to demonstrate it through tangible manifestations, such as corporate donations to community affairs, with corporate philanthropy being considered as the most visible form (Wulfson 2001).

Regarding the risks, empirical evidence supports the idea that engaging in certain responsible practices facilitate risk reduction (Luo and Bhattacharya 2009), with the relationship between managerial entrenchment and social responsibility disclosure enabling to reduce firm-risk taking (Salehi, Dashtbayaz, and Abdulhadi 2022). By relying on these initiatives, a company may mitigate its risks (Benlemlih and Girerd-Potin 2017) and reduce possible litigation (Freund, Nguyen, and Phan 2023). Having a lower firm-specific risk helps to preserve corporate values as it reduces the risk of exposure to direct legal expenses (Vishwanathan et al. 2020) and also expenses related to personnel turnover and forgone sales (Koh, Qian, and Wang 2014).

Lastly, a closer relationship with stakeholders also allows firms to identify new market opportunities (Tantalo and Priem 2016). This identification helps to facilitate the allocation of resources, thereby improving organizational efficiency and also paving the way for the adjustment of internal competencies to modify current products and services and to launch new ones. Hence, it will enable firms to differentiate themselves from competitors and lead to a sustainable competitive advantage (Hawn and Ioannou 2016).

Considering the above arguments, we formally propose the following positive association:

Hypothesis 1. *There is a positive relationship between corporate philanthropy, as a tangible manifestation of corporate citizenship, and corporate performance.*

2.3 | The Moderation Role of the Legal Environment

The variety of capitalism literature (Dore, Lazonick, and O'Sullivan 1999; Hall and Soskice 2001) looks at economic activity as being socially embedded within institutional contexts. In line with this, certain elements of the institutional context, particularly those associated with the legal system where firms are embedded, may moderate the effects that being a good corporate citizen has on corporate performance. Indeed, there are differences not only in the formulation of the laws, but also in the level of enforcement and protection of stakeholders (La Porta et al. 1998; Lele and Siems 2007). Therefore, the perception and interpretation of corporate philanthropy as a tangible manifestation of corporate citizenship may differ between legal systems, leading to different corporate outcomes.

Several researchers in the CSR and corporate citizenship domains have studied them in a variety of institutional contexts (Gardberg and Fombrun 2006; Kim, Park, and Ryu 2017; Marquis and Tilcsik 2016; Matten and Moon 2008). Within the legal environment, Benlemlih and Girerd-Potin (2017) examined the effects of CSR on corporate financial risk within the two main legal systems defined by La Porta et al. (1998). They found the existence of significant differences between shareholder-oriented (i.e., the common-law systems) and stakeholder-oriented (i.e., the civil-law systems) countries. By distinguishing different levels of CSR, Liang and Renneboog (2017) also found significant differences in responses to CSR shocks depending on whether firms were embedded in common-law or civil-law systems.

In terms of corporate governance, it is important to notice that managers in common-law systems have greater managerial freedom than those in civil-law systems (Sandhu, Orlitzky, and Louche 2019). This means they can decide whether or not the company contributes to society, for example through corporate donations. However, the decision to tangibly materialize their commitment as good corporate citizens through corporate philanthropy is not a risk-free strategy in the common-law tradition since the company operates in a shareholder-oriented system. In this institutional context, the laws and their enforcement in relation to protecting shareholder rights tend to be substantially high (Lele and Siems 2007). This means that in the event of a conflict, the legal system will always tend to favor the claims of shareholders, to the detriment of the company's managers. Given the adverse consequences for managers, the society in common-law environment will perceive the tangible manifestation of corporate citizenship through corporate philanthropy in a more positive sense. This positive recognition will heighten the corporate reputation, further enhancing its performance. Therefore, we suggest the existence of the following moderator effect in the relationship between corporate citizenship and corporate performance:

Hypothesis 2. *Firms that leverage corporate philanthropy, as a tangible manifestation of their corporate citizenship, and are embedded in common-law environment will have higher benefits than those embedded in civil-law environment.*

3 | Methodology

3.1 | Data Collection and Sample

We employ two primary data sources to examine the relationship between corporate citizenship and firm performance, and investigate the moderating role of the legal environment. These sources are Refinitiv (now LSEG) and Worldscope. The ESG Refinitiv database provides environmental, social, and governance information on the firms that are listed on the leading world stock indices. They also include other relevant non-financial data such as the corporation's adhesion to the UN Global Compact and corporate donations to community affairs, among others. The Worldscope database offers financial information for public companies worldwide, applying a consolidated approach that allows a comparison across countries despite differences in the accountability principles of each country.

In order to test our hypothesis, we define our sample by applying a two-step selection process. Firstly, we merge the ESG Refinitiv and Worldscope databases. Then, we cross them with the list of MNCs adhering to the UN Global Compact, which is the world's largest corporate citizenship initiative according to Rasche (2009), and we selected only those companies meeting the following three criteria. They have to be corporations that participate in this global initiative, operate in three or more countries and have financial information for at least two consecutive years within the study period (2016–2022). Following previous research on corporate citizenship (e.g. Baumann-Pauly and Scherer 2013), we select only those companies that are participants in the UN Global Compact participants, as they have already accomplished the economic, legal, and ethical dimensions according to Carroll's (1998) framework, and instead differ in the philanthropic dimension.

Based on these selection criteria, our sample consists of 752 MNCs belonging to different sectors and operating in different legal environment. Since not all the companies have the necessary financial information to compute the variables employed in the study, we conduct the analysis using an unbalanced sample of 4086 firm-year observations.

3.2 | Measurement

3.2.1 | Dependent Variable

To assess the effects on corporate performance we employ the firm market valuation. Like most studies that examine the market value of the company as a performance measure, we employ Tobin's *Q*. The data comes from Worldscope and is computed as the sum of the company's market equity value plus the book value of the debt divided by the book value of the assets.

3.2.2 | Independent and Moderating Variables

Following Carroll's (1998) work, we focus on the philanthropic dimension. Specifically, we use the information corresponding to the corporate donations, as previous research suggests that this type is the most prominent and visible manifestation of being a good corporate citizen (Wulfson 2001). We use the total amount donated to community affairs, expressed in monetary terms annually, as a tangible manifestation of corporate citizenship. We then scale them by revenues, using the total donations over the revenues as our independent variable. As this variable exhibits large and dispersed positive values, we take a log scale, which is a well-established practice to reduce skewness.

To construct the common-law legal environment variable, we rely on La Porta et al.'s study (La Porta et al. 1998). We first identify all countries linked to the common-law tradition. Then, we create a binary variable, which takes the value 1 when the firm's headquarter country is included in this list of common-law countries, and 0 otherwise.

3.2.3 | Control Variables

We also control for potentially confounding effects on corporate performance by including in the analyses variables that account for different organizational aspects. These are size, debt ratio, efficiency, R&D intensity, intangible assets, age, board size, and board independence. Size is measured through the logarithm of the total assets. A high value can signal an excessive accumulation of assets, expecting a negative impact on the corporate market value. To maximize firm value, companies should perform the best practices in debt financing and efficiently manage their assets. In this sense, any decision that increases the following two variables would positively affect its market value. The debt ratio, which captures the financial leverage, is measured through the book value of total debts over the total assets. Efficiency, which reflects organizational efficiency, is computed as revenues over the assets. Intangible investments can also have a positive impact on market value. R&D intensity is computed as the total amount of R&D expenses over the total sales, and intangible assets are measured through the percentage of the intangible assets over the total assets. The market value of a company can also be influenced by its age, which reflects the company's establishment in the market. With regard to the organizational governance, we include the key aspects of the board, namely its size and independence. Board size is measured as the total number of board members. It is expected to have a negative impact as the problems of coordination and communication increase with the number of board members. Board independence, which is computed as the percentage of board members that are independent, is expected to have a positive effect on firm value, capturing the autonomy of the decision-making process.

3.3 | Estimation Methods: Random-Effect Regression and Control Function Approach

To test our hypotheses, we perform a random-effect regression analysis. A pooled regression with cluster by firm (to overcome the cross-sectional dependence) and adding industry and time-fixed effects can be used instead. However, this specification would not be suitable under the presence of a significant panel data structure. In our case, the Breusch and Pagan Lagrange multiplier test rejects the null hypothesis that the variances across units-firm are zero, which means that the panel regression formulation should be employed instead of a pooled regression.

In testing Hypothesis 1, we run the following equation to examine the effects of corporate philanthropy as the manifestation of corporate citizenship on corporate performance.

$$\text{Tobin's } Q_{i,t} = \beta_o + \beta_1 CC_{i,t-1} + \beta_2 \text{ Common}_{i,t-1} + \beta_j \text{Controls}_{i,t-1} + u_{\text{i}} + e_{i,t-1} \quad (1)$$

In Equation (1), Tobin's Q represents the corporate performance of firm i in time t; CC reflects corporate citizenship of firm i in time t−1; Common indicates whether firm i is embedded in the common-law legal environment; Controls denotes a list of the control variables included in the analysis for firm i in time t−1 and u_i and $e_{i,t-1}$ are the composite error terms of the random-effects specification.

To examine the moderating effect of the common-law legal environment on the relationship between corporate citizenship and performance, we include the interaction term between the two in the analysis (see Equation 2). According to Hypothesis 2, we expect the coefficient of this interaction term to be positive and significant.

$$\begin{aligned}\text{Tobin's } Q_{i,t} = \beta_o + \beta_1 CC_{i,t-1} + \beta_2 \text{ Common}_{i,t-1} \\ + \beta_3 \; CC * \text{Common}_{i,t-1} \\ + \beta_j \text{Controls}_{i,t-1} + u_i + e_{i,t-1}\end{aligned} \quad (2)$$

The materialization of corporate citizenship through corporate philanthropy and firm performance may be affected by endogeneity, biasing the results. To overcome this issue, we first employ independent and control variables with a one-year lag to avoid reverse causality. Second, we use the control function approach among the estimators to address endogeneity as we also have an interaction term in the analysis, which also needs to be instrumented (Wooldridge 2015). Grounded on theory, we consider several factors that may determine how corporate citizenship turns to be manifests in the form of corporate philanthropy. These can be grouped into those associated with the level of development of corporate citizenship itself, the philanthropic giving activities of their peers and the community, and the socio-economic aspects of the context in which the firms operate.

Regarding the stage of development of corporate citizenship, we use the three dimensions suggested by Baumann-Pauly and Scherer (2013). In particular, we employ the variables of UNGC, Committee and Human rights, and Stakeholder interaction. The variable UNGC represents the firm's public commitment, and is operationalized as the number of years since adherence to the global initiative of the UN Global Compact. The variable Committee & Human rights reflects whether organizations have the structural and procedural levels ensuring that the firm's commitments are realized, being measured through the existence of a formal sustainability/CSR committee and presence of a human rights policy that guide the business operations aligned with the extended view of corporate citizenship. Last, the variable stakeholder interaction captures whether there are enabling interaction elements that facilitate two-way communication between firms and their stakeholders, otherwise taking a value of zero.

In relation to the mimetic behaviors, we annually compute the average donations of a firm's peers and the CAF World Giving Index scores for the country in which the company headquartered. For the socio-economic aspects of the context, we rely on the Human Developing Index, which is a well-known socioeconomic index compiled by the aid agency of the UN Development Programme. Similar to the legal tradition and CAF index, we use the yearly value associated with the country of the company's headquarter.

All the above variables, in addition to those used in Equation (1), are employed to obtain the reduced form residuals in the control function approach. That is, we address endogeneity concerns by first estimating the control function of the tangible manifestation of corporate citizenship through corporate philanthropy, and we then use the obtained residuals (i.e., residuals CFA) of this control function in the assessment of the relationship between corporate citizenship and performance.

4 | Results

Table 1 displays the descriptive statistics and correlations coefficients. There are no correlation coefficients with unusually high values. Focusing on the relation between Tobin's *Q* and corporate citizenship, the Pearson correlation indicates the existence of a positive association, being significant at the 5% level. While this is an interesting initial finding, a causality analysis needs to be carried out in order to fully understand this relationship.

Table 2 shows the results of the regression results on Tobin's *Q*. The first two columns display the results using random-effects regression analysis, while the last two columns also include the corrections for addressing endogeneity concerns. The variable residuals (CFA) is significant at 10%, which implies the need to correct for endogeneity to avoid biased results. Therefore, the appropriate estimates are those shown in the last two columns, but we also report the results without addressing endogeneity (i.e., the first two columns) for reasons of completeness.

As we predicted, the variable reflecting being a good corporate citizen is positive and significant ($p<0.01$). Companies that undertake corporate philanthropy as a tangible manifestation of their corporate citizenship exhibit a positive effect on performance in comparison to those that have not yet done so. Therefore, this confirms Hypothesis 1. The interaction term coefficient that captures the moderating role of the legal environment is positive and significant ($p<0.001$). This result suggests that the relationship between corporate citizenship and corporate performance is strengthened when the firm is embedded in common-law systems. This supports Hypotheses 2.

Regarding the control variables, the results are in line with prior studies. We find positive effects of debt ratio, organizational efficiency, both intangibles (i.e., R&D intensity and intangible assets), roa and board independence, while size and board size show negative effects. The variable Covid-19, reflecting the post-pandemic shift, is also positive and significant, supporting the need to also control for this global event.

Table 3 shows the results of the control function approach used to overcome endogeneity concerns regarding the tangible manifestation of corporate citizenship through corporate philanthropy. The variables capturing the dimensions of structural and procedure level and the stakeholder interaction are positive and significant ($p<0.01$ and $p<0.05$, respectively). Regarding mimetic behavior, only the firm's peers appear to be determinant ($p<0.10$). Finally, the socio-economic aspects, as reflected by the variable Human Development Index, are also relevant ($p<0.001$).

We perform several analyses to examine the robustness of these findings. First, we run the models with a two-year lag instead of a one-year lag. The results remain consistent. Second, we also evaluate the proposed hypotheses in a short period of time before the irruption of the Covid-19, with findings being the same. Last, we extend the sample size by incorporating companies participating in the OECD Guidelines initiative that satisfied the selection criteria of operating in three or more countries and having at least two consecutive years with information in our primary sources, with the same results. Therefore, our findings are highly robust to different specifications.

5 | Discussion, Limitations and Conclusions

5.1 | Theoretical and Practical Implications

There is still quite a rich debate over the nature of the complex relation between being a good corporate citizen and firm performance (Barnett, Henriques, and Husted 2020). Some studies have unveiled the difficulty of exploring the linkages without taking into consideration the differences across institutional environments. Researchers have tackled the presence of the moderating effects of the contextual factors on this relationship (e.g., Wang, Dou, and Jia 2016), but they have not properly integrated socioeconomic aspects, as well as the emerging roles played by the companies in promoting and ensuring the human rights principles, better working conditions, and community well-being. Our paper advances on both fronts, attempting also to provide further connections to conciliate the different views of citizenship applied to organizations, and also respond to Cha and Rajadhyaksha's (2021) and De Bakker et al. (2020) recent calls for deepening the exploration of this phenomenon in different institutional contexts.

Previous empirical studies on CSR have often underestimated the implications resulting from the theoretical framework of corporate citizenship. However, our results offer additional insights to be considered, as the philanthropic dimension turned out to be a relevant lever to also increase market value. Findings reveal that companies implementing corporate philanthropy as a tangible manifestation of their corporate citizenship positively impact on performance. Moreover, as the interaction term shows, the relationship between corporate citizenship and corporate performance are enlarged when the company operates within common-law systems. The findings of this study also complement prior research arguing that contextual factors are critical moderator elements (Kim, Park, and Ryu 2017). The theory suggests that managers in

TABLE 1 | Descriptive statistics and correlation matrix.

		1	2	3	4	5	6	7	8	9	10	11	12
1	Tobin's *Q*	1.00											
2	Corporate citizenship (CC)	0.11*	1.00										
3	Common-law	0.14*	0.17*	1.00									
4	Size	−0.22*	0.11*	−0.04*	1.00								
5	Debt ratio	−0.02	−0.02	0.08*	−0.08*	1.00							
6	Efficiency	0.18*	−0.20*	−0.01	−0.29*	−0.13*	1.00						
7	R&D intensity	0.36*	0.09*	0.04*	−0.10*	−0.13*	0.08*	1.00					
8	Intangibles assets	0.33*	0.06*	0.16*	−0.17*	0.16*	0.03*	0.15*	1.00				
9	Roa	0.42*	0.02	0.04*	−0.11*	−0.16*	0.15*	0.14*	0.10*	1.00			
10	Age	0.01	0.01	−0.04*	−0.03	−0.01	0.00	0.12*	−0.07*	−0.02	1.00		
11	Board size	−0.20*	0.08*	−0.15*	0.22*	0.02	−0.16*	−0.04*	−0.04*	−0.10	0.13*	1.00	
12	Board independence	0.12*	0.11*	0.40*	0.01	0.06*	−0.03	−0.02	0.23*	0.06	−0.16*	−0.20*	1.00
	Mean	1.18	3.70	0.28	16.55	26.85	0.72	1.54	0.19	4.86	46.18	11.53	58.92
	SD	0.84	3.43	0.45	1.66	16.22	0.47	2.68	0.20	3.17	36.77	3.53	25.49

Note: $N = 4806$ observations.
*$p < 0.05$.

TABLE 2 | Tobin's *Q* results.

	Random-effects regression		Random-effects regression with endogeneity correction	
	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*	Tobin's *Q*
Corporate citizenship (CC)	0.0090**	0.0086*	0.0093**	0.0089*
	(0.003)	(0.004)	(0.003)	(0.004)
Common-law	0.1600***	0.1429**	0.1656***	0.1493**
	(0.046)	(0.047)	(0.047)	(0.047)
CC × Common-law		0.0243***		0.0235***
		(0.006)		(0.007)
Size	−0.1745***	−0.1756***	−0.1706***	−0.1717***
	(0.014)	(0.014)	(0.014)	(0.014)
Debt ratio	0.0019*	0.0019*	0.0020**	0.0020**
	(0.001)	(0.001)	(0.001)	(0.001)
Efficiency	0.1803***	0.1835***	0.1776***	0.1802***
	(0.037)	(0.037)	(0.037)	(0.037)
R&D intensity	0.0502***	0.0495***	0.0508***	0.0501***
	(0.006)	(0.006)	(0.006)	(0.006)
Intangible assets	0.4672***	0.4666***	0.4638***	0.4630***
	(0.087)	(0.086)	(0.087)	(0.087)
Roa	0.0085***	0.0084***	0.0083***	0.0082***
	(0.001)	(0.001)	(0.001)	(0.001)
Age	0.0005	0.0005	0.0005	0.0005
	(0.001)	(0.001)	(0.001)	(0.001)
Board size	−0.0078*	−0.0079*	−0.0073*	−0.0074*
	(0.004)	(0.004)	(0.004)	(0.004)
Board independence	0.0015**	0.0015**	0.0016**	0.0016**
	(0.001)	(0.001)	(0.001)	(0.001)
Covid-19	0.1377***	0.1391***	0.1394***	0.1406***
	(0.019)	(0.019)	(0.019)	(0.019)
Residuals (CFA)			−0.0058+	−0.0054+
			(0.003)	(0.003)
Constant	3.2613***	3.2759***	3.1816***	3.1961***
	(0.248)	(0.247)	(0.250)	(0.250)
Wald Chi-squared	1048.88***	1066.44***	1006.56***	1022.20***
R^2 (overall)	0.3565	0.3604	0.3663	0.3626

Note: The study period is from 2016 to 2022 ($N = 4806$ observations; Firms = 752). All models include dummy variables for industry and year but they are not reported. $^{+}p < 0.10$; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$.

common-law environments face greater managerial autonomy compared to those in civil-law environments, allowing them to decide whether the company engages in corporate philanthropy. However, within the common-law tradition, being a good corporate citizen is inherently risky due to its shareholder-centric nature. Nevertheless, our results show that it still leads to corporate improved performance.

In this study, we did not limit the contextual analysis to comparing countries as previous research (e.g., Kumar et al. 2021). Indeed,

TABLE 3 | Control function approach: Corporate citizenship (Endogeneity correction).

	Corporate Citizenship
UNGC	0.0326
	(0.022)
Committee & Human Rights	0.7228**
	(0.220)
Stakeholders interactions	0.4446*
	(0.179)
Firm's peers	0.0000+
	(0.000)
CAF World Giving Index	0.0041
	(0.008)
Human Development Index	−11.9978***
	(2.176)

Note: Control variables included in the Tobin's Q analysis are also included in this control function estimation, but they are not shown.
$^{+}p<0.10$; $^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$.

we make advances in line with recent calls for evidence that highlight how CRS varies across institutional environments (Cha and Rajadhyaksha 2021; De Bakker et al. 2020), which also aims to begin the process of better integrating the core elements of different institutional contexts into conceptual and empirical analysis.

Regarding the managerial implication, as our results suggested the act of subscribing to an advanced responsibility framework, such as the UN Global Compact, needs to be complemented by other explicit behaviors. This implies that the tangible manifestation of corporate citizenship should be performed in a regular base. In the case of corporate philanthropy, as suggested by Seo, Luo, and Kaul (2021), the optimal strategy would be to donate a minimum amount to a larger number of causes. This would mean addressing different deficits in society at the same time but without high prioritization, enhancing the corporate reputation as a good citizen in society at large.

The study also provides additional information for managers seeking to amplify the benefits of corporate citizenship. It offers actionable insights on how to cultivate a culture of responsible corporate citizenship that goes beyond mere public gestures and fosters lasting positive impact beyond the boundaries of their organizations. As such, it can be seen as bringing a new avenue in the debate on the critical determinants of the relationship between corporate responsibility and performance.

5.2 | Limitations and Future Research

In this study, we have primarily relied on corporate philanthropy as a tangible manifestation of corporate citizenship. Indeed, we consider the philanthropic dimension, as Carroll's limited view suggested, to be crucial for defining a corporation as a good citizen. However, there are also other ways in which being a good corporate citizen can be manifested. Future research should explore alternative manifestations of corporate citizenship and assess their strengths and weaknesses in terms of business and societal outcomes.

Although some studies have dealt empirically with the effects of corporate citizenship on stakeholders, there is still a gap in the literature regarding the impacts of the four dimensions of corporate citizenship on corporate performance. In this work, we have opened a debate by focusing on the latter dimension. While we examined the philanthropic dimension in a sample of highly responsible firms, future studies should fully assess the effects of being a good corporate citizen within the different profiles. Moreover, to act as good citizens and reach a high level of stakeholder compliance, the minimal and optimal thresholds in each corporate citizenship dimension need to be identified. These findings could be highly valuable for managers looking to better prioritize their efforts, but also to achieve better societal outcomes.

6 | Conclusions

In the present-day scenario, for both companies and society, corporate citizenship seems a valuable concept through which to explore the possible and plausible advantages of being good corporate citizens. Moreover, considering the current worldwide political and economic role of companies, it seems more appropriate to address the businesses' responsibilities toward society through the lens of corporate citizenship. As the coronavirus pandemic has highlighted the existence of significant differences across the different capitalisms in relation to their preparation for and handling it, corporations must seriously set out their goals regarding societal needs and concerns and to truly act upon them. Having corporate citizenship at the core of the business seems to be the best way to meet future challenges, especially when they are embedded in shareholder-oriented context, such as the common-law environment.

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Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

The data that support the findings of this study are available from LSEG. Restrictions apply to the availability of these data, which were used under license for this study. Data are available from https://www.lseg.com/en with the permission of LSEG.

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