

Political Institutions and Corporate Citizenship: Impact on Corporate Social Responsibility

Celia Díaz-Portugal, Minerva González, Clara Pérez-Cornejo

Abstract

The influence of political institutions on corporate behavior has emerged as a hot topic, with special attention paid to those institutions that shape a country's level of democracy. Building on institutional and corporate citizenship theories, this study explores how formal (i.e., electoral pluralism, government functioning, civil liberties) and informal (i.e., political culture, citizen participation) political institutions associated with the democratic level of a country impact corporate social responsibility (CSR). Drawing on 27,694 firm-year observations from 2016 to 2023, across 4,072 firms in 63 countries, we find that companies operating in political systems with robust electoral processes, strong civil liberties, and high levels of political participation tend to engage more actively in CSR. These results show the important role of those political institutions that underpin democracy in corporate responsible behavior.

Keywords:

CSR, political institutions, informal institutions, corporate citizenship, level of democracy

Corporate decisions have traditionally been studied through the lens of economic institutions (Boudreaux et al., 2019), while the effect of political institutions has received comparatively less attention in the literature. This lack of attention is particularly concerning in light of recent global trends, where despite their importance in peace and national well-being (Eisen & Katz, 2025) the quality of political institutions shaping the level of democracy has declined, falling to its lowest level since 2006 (EIU, 2023). This relevance of institutions in general is also underscored by the 2024 Nobel Prize in Economics awarded to Acemoglu, Johnson, and Robinson for their research on the quality of institutions and economic and social prosperity.

The institutional context matters not only for national prosperity, but also for firms, as it defines the rules of the game in which they operate, and when institutional quality is high, it provides long-term security and stability (Henisz, 2000; North, 1990). It also ensures better protection of rights, enforcement of contracts, fair competition, and free trade (Acemoglu & Johnson, 2005). This institutional quality has traditionally been associated with economic institutions, such as regulatory quality, investor protection, and economic freedom (Boudreaux et al., 2019), but recent studies have shown a growing interest in political institutions. Political institutions influence corporate behavior differently than economic institutions, emphasizing the need to differentiate their effects and explore them more deeply (Chan et al., 2024; Corina et al., 2025).

Political institutions, both formal and informal, shape regulatory, participatory, and cultural environments in which decisions are made (North, 1990). Formal political institutions are codified structures supported by official laws (Autio & Fu, 2015; Helmke & Levitsky, 2004; Stephan et al., 2015), providing a clear and stable framework for governance and political decision-making (Chen et al., 2018). By contrast, informal institutions are unwritten norms,

practices, and structures that significantly influence political dynamics. They emerge from social interactions based on conventions, customs, and shared values (Almond & Verba, 1963).

The influence of some political institutions (e.g., regulatory efficiency, rule of law, and political rights) has traditionally been examined in firm-level decisions related to internationalization, such as foreign direct investment (Adam & Filippaios, 2007; Arregle et al., 2013), but this scope has expanded more recently to areas such as new venture creation (Chowdhury et al., 2019; Stephan et al., 2015) and corporate social responsibility (CSR) (Ioannou & Serafeim, 2012; Tolmie et al., 2019). In the CSR domain, the literature suggests that the political institutional framework plays a critical role in determining companies' actions and values (Campbell, 2007; Li & Lu, 2020; Risi et al., 2023). Recent theoretical contributions highlight that political actors (i.e., European Union) actively shift and reframe CSR ideas to align companies' perspectives with their institutional interests (Van den Broek, 2024). They also theorize that populism reinforces the political dimension of CSR, as firms need to oppose populist excesses (Al-Esia et al., 2024). Moreover, empirical research has shown that the national socio-political environment also drives non-financial reporting and CSR explicitization (Bartosch & Lohmeyer, 2025). Despite these recent insights, the specific role of political institutions in CSR remains unexplored.

Among these political institutions, recent literature (Fàre et al., 2023; Filippaios et al., 2019) has called for further exploration of the role of those institutions that define the level of democracy. In this vein, Fàre et al. (2023) show that higher levels of democracy promote entrepreneurship through political institutions, such as freedom of expression, freedom of association, and involvement of civil society in political processes. These political institutions can be classified as formal, such as those that regulate civil liberties, electoral systems, or the functioning of governments (Arregle et al., 2013; Dahl, 1998), and informal, such as political culture and citizen participation (Almond & Verba, 1963; Farè et al., 2023).

Along with the literature on institutions, corporate citizenship literature emphasizes the importance of the political context and level of democracy in the country in which companies operate (Scherer et al., 2013). Belonging to a political community implies responding to specific social demands and expectations (Hettne, 2000; Matten & Crane, 2005), thus shaping how companies act as citizens and how they channel political responsibilities towards their stakeholders (Goodman & Mäkinen, 2023).

In view of the above, and combining the different demands of the literature to study the impact of political institutions and the role of companies as corporate citizens, the purpose of our study is to analyze how political institutions (that shape the level of democracy), both formal and informal, influence responsible corporate behavior.

To address this question, we draw on both the institutional theory and the corporate citizenship approaches. Specifically, we integrate both perspectives to explain how formal political institutions are linked to the accountability channel, whereas informal political institutions are related to the legitimacy channel. Formal political institutions establish accountability mechanisms that compel companies to comply with certain standards and act transparently (Hussain & Moriarty, 2018; Fioravante & Del Baldo, 2023). This ensures that business behavior is monitored and regulated, encouraging CSR adoption to avoid sanctions and meet legal requirements, while reflecting the corporate duty to assume responsibility for actions and social impacts before their stakeholders. In addition, informal institutions influence corporate legitimacy (Suchman, 1995) because they generate expectations about what constitutes acceptable and responsible behavior, prompting companies to align their behavior with societal values to gain trust and acceptance from stakeholders (Campbell, 2007; Wenzel et al., 2025). Thus, the main objective of this study is to understand how the formal and informal political institutions that define the level of democracy in firms' home countries shape CSR. This focus on home country institutions reflects their formative role in developing

organizational values and resources (Kumar & Sharma, 2018), which ultimately shapes corporate performance both domestically and globally (Cuervo-Cazurra, 2011; Marano et al., 2016). To pursue this objective, we used an international sample of 4,072 companies from 63 countries.

This study makes both theoretical and empirical contributions to the literature. First, it advances research on the role of institutional context in corporate decision-making, specifically in CSR. While prior studies have mostly focused on economic institutions, this research shifts the focus to political institutions, underscoring their significance in shaping responsible business behavior. Second, it focuses on those political institutions that define the levels of democracy, differentiating between formal and informal institutions, an area that is still underexplored in CSR research. To reflect the multidimensional nature of political systems, ranging from full democracies to autocracies and composed of various political institutions, we use the Economist Intelligence Unit (EIU) Democracy Index. This index also includes informal dimensions, such as political culture and citizen participation, thus offering a broader perspective than traditional measures of a country's democratic level, focused solely on formal political institutions, such as electoral processes or civil liberties (EIU, 2023). Third, this institutional perspective is complemented by insights from the corporate citizenship theory, introducing legitimacy and accountability as two key channels through which formal and informal political institutions influence CSR. These mechanisms help to explain how different types of institutions operate. Focusing on these channels, this study sheds light on how firms engage with society and respond to stakeholder expectations in diverse political systems. Finally, this research provides valuable empirical insights by analyzing a large number of firms across a wide range of political systems, offering a comprehensive global perspective on how different institutional settings impact companies' behavior.

Theoretical Framework

Political Systems as a Configuration of Political Institutions

Political systems are not monolithic structures, but rather institutional configurations composed of formal and informal mechanisms that guide political life (March & Olsen, 1983; North, 1990). These systems reflect how power is distributed, exercised, and legitimized within a country, and they vary widely in terms of guarantees of civil liberties, citizen participation, and government accountability, thus shaping the level of democracy. Therefore, depending on the degree of development of these political institutions, political systems can take various forms (such as full or flawed democracies, autocracies, or hybrid regimes), each defined by how political power is organized, exercised, and legitimized (Diamond, 2002; Levitsky & Way, 2010).

While democratic systems tend to be characterized by free elections, separation of powers, and civic liberties, autocratic regimes often centralize power and restrict public participation (EIU, 2023). However, these typologies are better understood along a continuum, as many contemporary regimes combine democratic and autocratic elements (Levitsky & Way, 2010). In fact, countries may differ in the configuration of their political institutions, showing significant variation even within the same type of regime (EIU, 2023). For example, some authoritarian regimes may exhibit high levels of political participation or social pressure, whereas some democracies may lack effective government functioning (O'Donnell, 1996). Indeed, prior literature points out that democracy should not be considered as something present or absent, but rather as a matter of degree (Goodman & Makinen, 2023; Stevenson & Dryzek, 2014) that depends on the quality of processes and institutions (Fung, 2005; Scherer & Palazzo, 2007).

Therefore, given that each political system could arise from different levels of political institutions, our approach does not aim to contrast democratic and non-democratic regimes per se but focuses on analyzing how the different political institutional dimensions underlying political systems influence responsible corporate behavior.

Formal and Informal Political Institutions

Institutions are understood as "systems of established and prevalent social rules" (Hodgson, 2006, p. 2) that serve as guidelines and constraints, shaping patterns of behavior (North, 1991; Scott, 2005; Stephan et al., 2015). In this sense, institutions can be seen as the 'rules of the game' that define political, economic, and social actions and relationships within a society (North, 1990). Institutional theory traditionally distinguishes these rules as either formal or informal (North, 1990).

Formal institutions are objective rules and procedures that are created, communicated, and enforced through channels that are widely recognized as official (Helmke & Levitsky, 2004; Scott, 1995, 2005; Stephan et al., 2015). When applied to political institutions, rule-based constraints and incentives are aimed at all political actors, including government authorities, corporations, political parties, and interest groups (Autio & Fu, 2015; Helmke & Levitsky, 2004; Stephan et al., 2015). Complementing the institutional approach, the literature on corporate citizenship suggests that corporations can also serve as a locus for "channeling political rights" (Matten et al., 2003). In this framework, corporations, like any other political agent, must be held accountable for democratic principles (Fioravante & Del Baldo, 2023). Consequently, what we refer to as the accountability channel encompasses rule-based mechanisms through which both governments and companies are held responsible for their actions according to democratic reasoning (Fioravante & Del Baldo, 2023; Hussain & Moriarty, 2018). In this context, formal political institutions establish the rules of the game through constitutions and electoral laws, which define the rules governing political behavior,

the use of legitimate power, and forms of governmental action (Leftwich, 2006). Key factors in this domain include the quality of the electoral process and pluralism, which are tied to degrees of freedom, fairness, transparency, and inclusiveness in a country's electoral processes (EIU, 2023). Moreover, the functioning of the government is crucial, and reflects its performance in terms of independence, transparency, and effectiveness. Simultaneously, civil liberties are a fundamental element of democracy, as they relate to the respect for individual freedoms and equal rights in society (Adam & Filippaios, 2007; EIU, 2023).

In contrast, informal institutions (those not codified or upheld by legal or political authorities) comprise norms, beliefs, and practices that, while not formally established in laws or regulations, exert significant influence over social and organizational behavior (North, 1990). These institutions arise organically from social interactions and are grounded in conventions, customs, and shared values within a community or society (Scott, 1995). In the political sphere, informal political institutions also include norms, practices, and structures that shape politics and governance without formal legal codification (Helmke & Levitsky, 2012; North, 1990). Two key components of informal political institutions that define the level of democracy are political culture and political participation (Almond & Verba, 1963; Farè et al., 2023; Lauth, 2000). Such institutions encompass expectations about the behavior of political actors and the unwritten power dynamics that influence political decision-making, the exercise of power, and public policy implementation (Helmke & Levitsky, 2004). These social and cultural norms shape legitimacy by setting expectations for what is considered acceptable and responsible behavior (Li & Lu, 2020; Suchman, 1995). Accordingly, we describe the legitimacy channel as the necessity for governments and companies to align their practices with prevailing social values and norms to be perceived as legitimate (Matten & Moon, 2008; Scherer & Palazzo, 2011). Unlike the accountability channel, which emphasizes obligation and

responsibility, the legitimacy channel focuses more on social acceptance and perception of appropriate behavior.

CSR as a Tool for Accountability and Legitimacy

CSR has emerged as a vital component in connecting firms to a broader society, fostering a better understanding of the role of companies as members of society (i.e., corporate citizens) (Matten et al., 2003; Sison, 2009). CSR reflects a company's proposal to distribute the created value by responding to the demands of different stakeholders (Barnett, 2007; Pérez-Cornejo et al., 2023), as well as a strategic tool to achieve organizational objectives in the medium and long term (Chandler, 2022). Therefore, it works as a tool for corporate legitimacy and accountability, as it connects organizational activities with the demands and expectations of different stakeholder groups.

Regarding accountability, from the stakeholder approach, companies have responsibilities toward all stakeholders and must be managed accordingly (Freeman, 2001). Therefore, companies should not only be accountable to their shareholders (Van Marrewijk, 2003) but also to other participants, as they must consider the diversity of interests of stakeholders who may be affected by the achievement of the organization's objectives (Freeman, 1984). In fact, Van Marrewijk (2003), following Göbbels (2002), points out that the term 'responsibility' in CSR may be replaced by 'accountability' to more accurately reflect the obligation of companies to respond for their actions and social impacts. This approach aligns with that of Carroll (1991) and Haberberg and Mulleady (2004), who state that within CSR, there is a legal or normative aspect with which companies must comply, regardless of whether the proposal arises from the company's internal will or not (Acharyya & Agarwala, 2022).

From a legitimacy perspective, companies exist and operate with society's permission and within its expectations (Wood, 1991). Accordingly, CSR is a company's proposal to meet

or even exceed those expectations, reflecting corporate values. In this sense, CSR is a tool for value creation (Husted & Allen, 2007) and distribution. This reflects the company's commitment to the goal of creating shared value (Porter & Kramer, 2011), which Trapp (2012), identified as one of the fundamental principles of CSR. Therefore, through CSR actions, the company puts into practice and reflects how it adapts to the sociocultural norms of its institutional environment to achieve legitimacy (Du & Vieira, 2012; Handelman & Arnold, 1999; Palazzo & Scherer, 2006; Pérez-Cornejo et al., 2023).

Institutions as CSR Drivers

The above-mentioned stakeholder approach to define CSR may be useful for identifying the groups to which a company is responsible, but it cannot, by itself, explain the broader external context in which CSR operates (Campbell, 2007; Matten et al., 2003). Institutional theory complements this approach by addressing corporations' embeddedness in a nexus of formal and informal rules (North, 1990).

The impact of institutions on CSR has been widely studied over the past two decades (Aguilera et al., 2007; Campbell, 2007; Ioannou & Serafeim, 2012; Ioannou & Serafeim, 2023; Goerzen et al., 2023). This impact is profound and multi-faceted. Regulatory frameworks, social claims, globalization, and culture play key roles in determining the implementation and type of CSR adopted by companies (Goerzen et al., 2023). Numerous studies have analyzed and evidenced the influence of institutions as factors that lead companies to engage in socially responsible behaviors (Aguilera et al., 2007; Ioannou & Serafeim, 2012; Halkos & Skouloudis, 2016; Ringov & Zollo, 2007; Risi et al., 2023; Waldman et al., 2006). For instance, some studies explored CSR as a response to government pressures (Luo et al., 2017). CSR has also been analyzed as a response to pressure from NGOs, labor groups (Altura et al., 2021), and societal stakeholders in general (Helmig et al., 2016). As mentioned, CSR may function as a mechanism through which organizations are accountable to their stakeholders (Hussain &

Moriarty, 2018), as it addresses not only explicit pressures but also implicit claims from stakeholders (Freeman, 1984; Mitchell et al., 1997; Sacconi, 2007) derived from informal institutions that are not formally defined but outline the way stakeholders act and think. This implies that the degree of CSR carried out by companies is also related to the extent to which implicit stakeholder claims are fulfilled, which, in turn, is shaped by the institutional context in which companies operate (Cho et al., 2021). In addition to being a mechanism for accountability, CSR acts as a key legitimacy tool by demonstrating a firm's adherence to stakeholder norms and expectations (Maignan & Ralston, 2002). However, the accountability and legitimacy functions of CSR are affected differently by institutions, as not all stakeholder requirements and expectations are equally influenced by them (Deephouse et al., 2016; Risi et al., 2023).

From an institutional theory perspective, only a few studies address the effects of specific political institutions on CSR. For instance, Ioannou and Serafeim (2012) examined how political, educational, financial, and cultural systems, which define national-level institutions, influence CSR. More recently, Tolmie et al. (2020) explored how regulatory efficiency (formal institutions), self-transcendence, and self-enhancement values (informal institutions) impact CSR. Other researchers have concentrated on the role of specific political institutions, such as electoral regimes (Husted & Saffar, 2023), ineffective governance (Qian et al., 2023; Ucar & Staer, 2020), and media freedom (El Ghoul et al., 2019), highlighting the importance of political institutions in the adoption of CSR.

Hypotheses Development

This study includes two distinct subsets of hypotheses on the political institutions that define the level of democracy. The first subset addresses formal institutions—the electoral process and pluralism, the functioning of government, and civil liberties—while the second refers to informal institutional institutions—political culture and political participation.

Formal Political Institutions and CSR

Electoral democracy, which ensures political pluralism and free, fair elections (EIU 2023), plays a key role in shaping institutional quality and level of democracy. Drawing on institutional theory (North, 1991), electoral systems can be seen as formal institutions that structure political behavior (Farè et al., 2013). A robust electoral process signals the presence of high-quality democratic political institutions by facilitating smooth and predictable government transitions, which helps prevent the abuse of power (Autio & Fu, 2015). Although elections may introduce political uncertainty due to changes in the ruling party or coalition, these changes are anticipated by citizens and typically lead to policy adjustments rather than radical shifts (Feng, 2001). This promotes institutional stability (Chen et al., 2018). The election of a governing party through a well-managed, predictable electoral process encompassing campaign activities and access to candidate information enhances the predictability of government policies and law enforcement (Autio & Fu, 2015; Feng, 2001).

Governments are held accountable to their citizens to gain or lose mandates through the electoral process (Hussain & Moriarty, 2018). Although such mechanisms do not yet exist for corporations (Matten et al., 2003), the corporate citizenship perspective suggests that companies may function similarly to states by treating various stakeholder groups as citizens (Sison, 2009). In democratic nations, instead of using elections for accountability, companies engage in a multi-stakeholder deliberative process, maintaining regular contact with key individuals and groups such as employees, NGOs, and government agencies (Hussain & Moriarty, 2018). As a result, countries where political leaders are elected fairly and transparently tend to be more committed to enacting and enforcing policies that promote social responsibility and sustainability, driven by oversight from an informed and demanding electorate (Acemoglu & Robinson, 2012). This environment encourages companies to align their practices with the demands of both the citizens and regulators.

Together with elections, and thus regular transitions of power, political pluralism, which involves the competition of multiple parties and ideologies for power (Dahl, 1971), is another defining characteristic of a democratic system because it helps control the potential abuse of government (Autio & Fu, 2015). Political pluralism ensures a diversity of voices is represented (Hussain & Moriarty, 2018) which intensifies pressure on governments and, by extension, pressure on companies to be more responsible and transparent (Przeworski et al., 1999). In such an environment, companies are more likely to implement CSR in response to the pressure of political actors and civil society (Aguilera et al., 2007). In countries with higher levels of democracy, and thus fair electoral processes and political pluralism, there is a stronger protection of labor and environmental rights, as well as collective interests (Almeida & García-Sánchez, 2017; Tashman et al., 2019), which, in turn, encourages higher CSR engagement as both a proactive and reactive response to regulations (Chen et al., 2018). Furthermore, these countries are more prone to developing public policies that promote the right conditions for CSR engagement (Acemoglu & Robinson, 2012). Governments accountable to diverse and active electorates receive more pressure and are more inclined to enact regulations and practices that foster ethical and sustainable corporate behavior (Knudsen et al., 2015). Moreover, companies in such environments may leverage CSR as a tool to enhance their image and differentiate themselves in markets where transparency and ethics are highly valued by consumers and other stakeholders (Kramer & Porter, 2006).

Based on these arguments, we point out that all mechanisms emerging from robust electoral processes and political pluralism (such as transparent leadership transitions, diversity of voices, and policy responsiveness) constitute what we refer to as the accountability channel. This channel shapes the political environment and guides corporate behavior by encouraging firms to adopt tools such as CSR that reflect their commitment to stakeholders.

H1a: Robust electoral processes and political pluralism are positively related to CSR.

Government functioning refers to the level of transparency, absence of corruption, and an effective system of checks and balances within a country (EIU, 2023), which are the main characteristics of democratic governments. Drawing on institutional theory, government functioning can be considered a formal institution, as it comprises mechanisms of compliance and sanctions enforced by official entities, such as separation of powers, anticorruption and transparency laws, and the capability of civil service to implement policies that determine political behavior. From this institutional perspective (Chen et al., 2018), a well-functioning government ensures the implementation of policies, compliance with laws, and the provision of quality public services and goods (Dorobantu et al., 2017).

From the corporate citizenship perspective, companies are embedded within broader societal structures and interact with external institutions in ways that reflect and respond to institutional dynamics (Sison, 2009). In this view, firms operate similarly to citizens within a society, which means that the external levels of transparency and tendency towards corruption may translate into the internal dynamics of the company.

Prior literature has shown that in environments where governments prioritize citizen welfare and institutional integrity, companies are more likely to be perceived as natural partners in achieving social goals (Stephan et al., 2015; Zahra & Wright, 2011). This alignment may foster greater engagement in CSR activities. Transparency is another key factor in a well-functioning government (EIU 2023). A transparent government ensures that its actions and decisions are open to public scrutiny, promoting institutional stability (Chen et al., 2018) and creating a stable environment for businesses (Almeida & García-Sánchez, 2017). Transparency also supports accountability efforts, not only in financial matters, but also in environmental and social issues (Almeida & García-Sánchez, 2017). This accountability reduces opportunities for corruption by limiting government officials' ability to engage in rent-seeking behavior without

detection (Lindstedt & Naurin, 2010). As a result, CSR initiatives are seen as more credible and less likely to be perceived as attempts to curry political favor (Husted & Saffar, 2023).

By contrast, corruption has been widely recognized as having a negative impact on CSR engagement (Ucar & Staer, 2020; Quian et al., 2023). The more corruption that exists in a government, the more prevalent corruption becomes in society, fostering a ‘when in Rome, do as the Romans do’ mentality. This reduces the social cost of failing to meet stakeholder interests, thereby discouraging CSR (Ucar & Staer, 2020). In environments with widespread government corruption, CSR may be viewed with suspicion and resentment, as stakeholders may question the sincerity of business philanthropy (Monin, 2007; Ucar & Staer, 2020). In addition to these moral disincentives, firms in corrupt environments face fewer instrumental incentives to engage in CSR as the benefits of stakeholder reciprocation are diminished (Quian et al., 2023). Furthermore, companies in corrupt contexts are more vulnerable to rent-seeking behavior by politicians and officials, further discouraging CSR efforts (Husted & Saffar, 2023).

Taken together, these arguments show that in contexts with a well-functioning government (that maintains transparency and controls corruption), firms have higher incentives and pressures to meet public standards and stakeholders’ demands. This constitutes what we refer to as the accountability channel, which encourages companies to be accountable to stakeholders, and thus engage in CSR.

H1b: A well-functioning government is positively related to CSR.

Civil liberties are essential components of political systems with high levels of democracy (Arregle et al., 2013; Dahl, 1998; Farè et al., 2023). Civil liberties refer to a set of basic rights enjoyed by a country's citizens (Adam & Filippaios, 2007), including freedom of speech, expression, and the press; the rights of association and organization; freedom of belief; and the right to due process (Adam & Filippaios, 2007; EIU, 2023).

From an institutional perspective, civil liberties, as formal institutions, are legally codified, enforceable through judicial systems, and provide a stable framework to empower civil society to function effectively. In this way, civil liberties structure the environment in which governments and firms operate, determining their behavior (Acemoglu, & Robinson, 2012). Moreover, according to the corporate citizenship perspective, companies embedded in democratic political systems are not merely economic entities but also play a key role in administering (Matten & Crane, 2005) and protecting citizens' rights (Wood & Logsdon, 2001) and thus, they are expected to act in the best of their stakeholders (citizens) by responding to normative pressures from civil society.

Prior research has emphasized the role of civil society as an element of scrutiny (Almeida & García-Sánchez, 2017; Marquis et al., 2016; Tashman et al., 2019). Civil liberties allow citizens to make their own decisions and discuss them publicly (Almeida & García-Sánchez, 2017; Audigier, 2000). This means that civil liberties enable civil society to monitor both governments and companies (Almeida & García-Sánchez, 2017; Marquis et al., 2016). On the one hand, in the case of governments, civil liberties, such as press freedom, create pressure on governments to act in the best interests of their citizens rather than on their own, leading to greater institutional stability (Pal, 2011) and, as a result, promote better conditions for CSR (Almeida & García-Sánchez, 2017). On the other hand, strong civil liberties make it easier to monitor and control corporate behavior and speak out against it (Marquis et al., 2016). Among these rights, freedom of speech and freedom of association have been shown to be important elements through which civil society generates normative pressures and implicit claims on companies, pushing them to commit to CSR performance (Ioannou & Serafeim, 2012; Marquis et al., 2016; Tashman et al., 2019). However, it is press freedom that has received the most attention from CSR scholars, as the media constantly monitors corporate activity (El Ghoul et al., 2019; Hartmann & Uhlenbruck, 2015; Toffel et al., 2012) and exposes

firms to the “constant threat of public exposure” (Campbell, 2007, p.958; Toffel et al., 2012). These pressures push companies to be more accountable to society, prompting them to address both societal and environmental issues more effectively through CSR (El Ghouli et al., 2019; Hartmann & Uhlenbruck, 2015). In addition to the function of civil liberties as an element of scrutiny, they are also an element in the creation and diffusion of knowledge (Farè et al., 2023; Ober, 2008). Civil liberties promote free social relations by connecting knowledge dispersed among institutions and individuals, which in turn influences corporate decision-making (Farè et al., 2023; Hayek, 2013). Free organizations and the press have the capacity to foster civic culture through public debate, reinforcing collective awareness of social protection, and thus pressuring companies to engage in CSR (Hartmann & Uhlenbruck, 2015).

In view of these arguments, the degree of civil liberties strengthens citizens' rights and capacity to demand accountability from companies, referring to the accountability channel that drives companies embedded in democratic countries to engage in CSR.

H1c: Strong civil liberties are positively related to CSR.

Informal Political Institutions and CSR

Political culture encompasses people's attitudes and beliefs regarding the political system and its actors, including perceptions of the importance of democracy and legitimacy of the government (Almond & Verba, 1963; EIU, 2023). It includes general support for democracy and the perception of its importance over alternative forms of governance such as military or technocratic rule (EIU, 2023). Based on institutional theory (North, 1990), political culture can be considered an informal institution, as it is not codified but rather drawn from the collective consciousness and values of society about democracy. Taken together with the corporate citizenship approach, this means that values from the institutional environment serve as a guide for interaction between business and society (Baumann-Pauly et al., 2016). Accordingly, firms

internalize these attitudes and values to align with societal expectations and maintain legitimacy (Scherer et al., 2013).

As shown by previous research, in countries with a high level of democracy that value transparency, fairness, and justice, firms are more likely to adopt CSR to reflect their adherence to these values as they are internalized by the company, guiding their interaction with stakeholders (Baumann-Pauly et al. 2016. Risi et al., 2023). Therefore, CSR reflects the democratic values introduced internally in the company. Furthermore, in societies with strong democratic traditions and a robust political culture, firms tend to align their practices with prevailing societal values to maintain their legitimacy and avoid societal sanctions (Campbell, 2007; Matten & Moon, 2008). In contexts where political culture emphasizes fairness, justice, and transparency, companies are more susceptible to being required by stakeholders (e.g., consumers, employees, NGOs, and media) to contribute to better social conditions (Aguilera et al., 2007). Therefore, informal political institutions, such as civic cultures, motivate firms to align with these values to be seen as responsible corporate citizens (Campbell, 2007; Matten & Moon, 2008; Scott, 2008). For example, in Scandinavian countries, where the political culture values fairness, transparency, and social welfare, companies are highly aligned with CSR. Political culture creates an environment in which societal expectations of corporate responsibility are particularly high (Strand et al., 2015). In this environment, with democratic values and high expectations of corporate performance, some stakeholders (e.g., consumers and NGOs) play a key role in the reputation and legitimacy of companies, which drives corporations to adopt CSR that reflects social expectations (Aguilera, et al., 2007; Cho et al., 2024; Freeman, 1984; Kostova & Zaheer, 1999; Rim et al., 2019). Based on its political culture, society demands different standards of responsibility and ethics, which companies internalize and thus adjust their practices to meet social expectations and maintain their legitimacy (Aguilera et al., 2007; Freeman, 1984; Mazboudi et al., 2020).

Grounded in these arguments, we expect that, to the extent that political culture promotes democratic values and societal expectations of responsible behavior, it encourages firms to adopt CSR as a means of gaining legitimacy, which we refer to as the legitimacy channel.

H2a: A strong political culture is positively related to CSR.

Political participation refers to the various ways in which citizens engage with the political system, including voter turnout, membership in political organizations, and the participation of women and minority groups (EIU, 2023). It is essential for the strengthening of democracy, as it ensures broader representation and legitimacy in decision-making. According to institutional theory (Almond & Verba, 1963, North, 1990), political participation is best understood as an informal institution as it is shaped by social values such as the perceived importance of voting, civic duty, and trust in collective action. This participatory environment enhances citizens' empowerment by increasing their access to information on both public and corporate actions. It also mobilizes public opinion, which promotes a shared understanding of social demands, and reinforces public oversight and transparency (Fung, 2006). From the corporate citizenship perspective, such empowered civic engagement strengthens dialogue with stakeholders, which becomes the main mechanism through which firms build legitimacy (Habermas, 1996).

Dialogue in this environment is not merely symbolic; it involves open, two-way communication processes in which conflicting interests are freely expressed and addressed (Foster & Jonker, 2005). Prior research shows that, in societies with high political participation, this process of dialogue is reinforced (Foster & Jonker, 2005), and CSR engagement as a result of a social process in which stakeholders participate in dialogue is also more relevant (Johansen & Nielsen, 2011). Moreover, social empowerment and dialogue drive companies to adopt CSR to meet citizens' expectations and avoid sanctions or damage to their reputation (Luo & Bhattacharya, 2006). Accordingly, active citizens may demand that companies adopt socially

responsible and sustainable practices. Citizens, in their role as voters and consumers and thus as participants in the company’s dialogue, influence the political and business agenda, requiring companies to act ethically and responsibly (Scherer & Palazzo, 2011). Furthermore, companies often need to go beyond legal requirements to maintain legitimacy in the eyes of the community and stakeholders (Gunningham et al., 2004; Mazboudi et al., 2020). To maintain their ‘social license to operate’, companies must ensure that their activities are perceived as legitimate by the community (Cho et al., 2024; Gunningham, et al., 2004). This is especially relevant in countries with high citizen participation and social activism, where societal expectations constitute a powerful force (Fung, 2006) that drives companies to adopt CSR to ensure acceptance and legitimacy. High political participation generates significant social and public mobilization (EIU, 2023), demanding that companies be responsible and transparent to maintain their reputation and market acceptance (Campbell, 2007; Zadek, 2004). In other words, high citizenship participation shapes expectations about what constitutes acceptable corporate behavior, leading companies to adopt more proactive CSR aligned with societal values (Zadek, 2004).

Considering these arguments, we suggest that high levels of political participation contribute to the intensification of stakeholder dialogue and the diffusion of civic norms and standards of acceptable behavior, encouraging firms to engage in CSR to build legitimacy (what we have defined as the legitimacy channel).

H2b: A high political participation is positively related to CSR.

Figure 1 provides a summary of this study’s research model.

Insert Figure 1 about here

Sample, Variables and Methods

Sample and Data Collection

The sample was constructed by merging data on companies with available ESG (Environmental, Social, and Governance) scores in Refinitiv Eikon/LSEG Workspace from 2016 to 2024, along with firms headquartered in countries ranked in the Democracy Indexⁱ. These criteria resulted in 34,407 observations, based on the maximum available data. To refine the sample, we applied the following exclusion criteria: i) firms with negative equity and ii) records with missing control variable data, resulting in this stage in 32,653 observations. To ensure proper temporal ordering and mitigate potential reverse causality, we aligned the dependent and independent variables using a forward-shifted design. Specifically, CSR is measured in year $t+1$, while all independent and control variables (including political institutions' indicators) are measured at t . This structure ensures that institutional- and firm-level conditions precede CSR outcomes by at least one year. After applying this forward shift and removing firm-year pairs that do not allow this temporal alignment, the final sample consists of 27,694 observations from 4,072 companies across 63 countries between 2016 and 2023.

Dependent Variables

The dependent variable, *CSR*, is measured using the overall ESG score. While several ESG indexes are available, we chose Refinitiv's score because it has been widely used in the literature as a reliable indicator of corporate CSR behavior (Ioannou & Serafeim, 2012; Mooneapen et al., 2022). Refinitiv's ESG scores are based on a comprehensive evaluation of corporate sustainability efforts, capabilities, and performance, drawing from publicly available data across 186 ESG indicators (68 environmental, 62 social, and 56 governance) grouped into

10 categories. These indicators were aggregated to generate scores for the three main pillars: environmental (E), social (S), and governance (G), as well as an overall ESG score (LSEG, 2023). The scores ranged from 0 to 100, with 0 indicating poor CSR and 100 indicating strong CSR. The dependent variable is the aggregate ESG score.

Independent Variables

To capture the multidimensional nature of the political-institutional systems in which companies operate, we draw on the Democracy Index of the Economist Intelligence Unit (EIU). This index ranks more than 160 countries based on 60 indicators from experts' assessments and public opinion surveys (EIU, 2022; 2023). It has been used in prior research to assess the impact of democracies (Amor-Esteban et al., 2019; Yao et al., 2022). Furthermore, EIU provides a categorization of political systems (full democracies, flawed democracies, hybrid regimes, and authoritarian regimes) based on their different political dimensions.

We distinguish between two sets of variables corresponding to the dimensions defined by the Democracy Index. The first refers to formal political institutions and includes the electoral process and pluralism, the functioning of the government, and civil liberties. The variable *electoral process and pluralism* includes 12 items that assess factors such as the freedom and fairness of elections, universal suffrage, transparency in campaign financing, and freedom to form political parties. Among these items are examples such as “Are elections for the national legislature and head of government free?”, “Are citizens free to form political parties that are independent of the government?” or “Do opposition parties have a realistic prospect of achieving government?”ⁱⁱ

The variable *functioning of government* includes 14 items that evaluate aspects such as the influence of elected representatives on policies, the presence of checks and balances, government transparency, corruption levels, and the capacity of public services to implement

policies. Additional criteria include the independence of the government from military or foreign powers, the government's authority throughout the territory, and public trust in institutions. Example items from the scale include: “Do freely elected representatives determine government policy?” “Do special economic, religious, or other powerful domestic groups exercise significant political power, parallel to democratic institutions?”, “Is the functioning of government open and transparent, with sufficient public access to information?” or “How pervasive is corruption?”.

The *civil liberties* variable consists of 17 items that assessed a broad range of individual rights and freedoms. These include protections related to the media (both print and electronic), freedom of expression, the right to protest, and the diversity of public opinion. The scale also covers access to the Internet, freedom of association, judicial independence, religious tolerance, and equality before the law. Additional aspects assessed included the use of torture, personal security, property rights, and perceptions of human rights and discrimination. Illustrative items include: “Is there a free electronic media?”, “Is there freedom of expression and protest?”, “Are citizens free to form professional organizations and trade unions?”, and “To what extent do citizens enjoy personal freedoms (gender equality, freedom of movement, and freedom of occupational and educational choice)?”.

The second set of variables refers to informal political institutions, including political culture and political participation. The *political culture* variable was measured using eight items that evaluated social consensus around democracy, support for autocratic leadership, and the desire for military or technocratic rule. They also consider perceptions of democracy’s ability to maintain public order and economic performance, popular support for democracy, and the separation of the Church and State. Some examples of these items are: “Is there a sufficient degree of societal consensus and cohesion to underpin a stable, functioning democracy?”, “Perceptions of military rule; proportion of the population that would prefer

military rule” or “Perception of democracy and public order; proportion of the population that believes that democracies are not good at maintaining public order”.

Finally, the variable *political participation* consists of nine items that analyze factors such as voter turnout in national elections, inclusion of minorities, representation of women in parliament, political engagement of the population, willingness to participate in demonstrations, and adult literacy rates. It also refers to being a member of political parties and NGOs, an interest in politics, and government efforts to promote public participation. Example items include “Voter participation/turn-out for national elections”, “Extent of political participation” or “Membership of political parties and political non-governmental organizations”.

Control Variables

For the selection of control variables at both country and firm levels, we draw upon previous literature on CSR (Haque & Ntim, 2018; Husted & Saffar, 2023; Mooneeapen et al., 2022). We control for *firm size* using the logarithm of total assets because larger firms generally have greater access to financial capital and more strategic resources for implementing CSR (McWilliams & Siegel, 2001; Tolmie et al., 2020). Furthermore, larger companies tend to face greater public scrutiny and pressure regarding their social and environmental impact, which positively influences their CSR practices (Tashman et al., 2019). Additionally, we control for *firm performance* by measuring the return on assets (ROA). Profitability can significantly affect a company's CSR performance by providing the necessary financial resources (Husted & Saffar, 2023; Tashman et al., 2019). Companies with greater access to resources are better positioned to implement technologies, innovations, and initiatives that enhance CSR (Bryant et al., 2020). Thus, in our analysis, we include *firm leverage*, calculated as the debt-to-net equity. Highly leveraged companies may face greater constraints on the resources available for CSR initiatives, because increased debt often requires prioritizing commitments to creditors.

Consequently, these companies may allocate their available funds primarily to servicing debt, rather than investing in CSR. Furthermore, we account for *firm age* using its logarithm, measured as the difference between the year of observation and the year when the company became publicly traded, similarly to previous studies (Gao et al., 2013). Companies that have been longer in the market and have accumulated experience (i.e., age) are more likely to know their stakeholders' demands, which may affect CSR engagement (Withisuphakorn & Jiraporn, 2016).

At the country level, we include two control variables: *GDP per capita* and *GDP growth*. GDP per capita serves as an indicator of wealth and economic development (Farè et al., 2023; Mooneepen et al., 2022), which may affect institutional contexts and CSR (Su et al., 2016). The pressure from different stakeholder groups to adopt responsible behaviors varies depending on the impact companies generate, which is closely linked to their industry (Rowley & Berman, 2000). Accordingly, we also included sector dummies. Additionally, we incorporated year dummies to control for macro trends (Tashman et al., 2019).

Table 1 presents descriptions of the research variables and data sources.

Insert Table 1 about here

Methodological Procedures

We employed panel data estimators for the empirical analysis (Tashman et al., 2019). This method captures both cross-sectional and time-series variations, allowing for better control of unobserved heterogeneity across firms (Arellano, 2003). We used random effects models because of the presence of time-invariant variables as control variables. Because the effects of independent variables on CSR may not necessarily materialize immediately, we consider a one-

year lag between CSR and the independent and control variables to mitigate endogeneity and capture the delayed effects of certain business practices on CSR outcomes, we consider a 1-year lag between CSR and the independent and control variables (Derchi et al., 2021). The standard errors were adjusted to avoid potential estimation errors. To detect multicollinearity problems, we applied variance inflation tests (VIF).

Results

Table 2 presents the descriptive analysis and correlation matrix. Table 3 displays the results of the analysis, in which the dependent variable is the CSR of the company, using the random effects methodology. All variance inflation factor (VIF) values were < 5 . Model 1 in Table 3 outlines the effects of the control variables on CSR. Models from 2 to 6 separately examine the effects of each formal and informal political institution, while Model 7 provides a comprehensive model that incorporates all the democratic features affecting CSR.

Insert Table 2 about here

As shown in Table 3, regarding formal political institutions, Models 2 and 7 indicate a positive and significant effect ($p < 0.01$) of *electoral process pluralism* on CSR, thereby confirming Hypothesis 1a. In other words, the results confirm that companies headquartered in countries with more robust electoral processes and higher degrees of freedom, fairness, transparency, and inclusiveness (i.e., political pluralism) have stronger CSR. Furthermore, Models 4 and 7 ($p < 0.01$ and $p < 0.10$, respectively) confirm a positive and significant effect of *civil liberties* on CSR. Therefore, Hypothesis 1c is supported. Companies whose home countries have governments that respect individual freedoms and favor equal rights in society have better CSR. In contrast, Model 3 does not confirm a significant relationship between *functioning of government* and CSR, while Model 7 ($p < 0.05$) revealed an unexpected result:

the negative impact of functioning of government on CSR, contrary to Hypothesis 1b. Therefore, our findings show H1b is not supported.

Table 3 presents the effects of informal political institutions on CSR. Regarding the effect of *political participation*, Models 5 and 7 ($p < 0.05$ and $p < 0.01$, respectively) confirm their positive effect on CSR. Therefore, Hypothesis 2b is supported. In countries with higher engagement of civil society in political and decision-making processes, citizens are empowered to demand more from companies to meet their societal values, which leads them to become involved in the development of CSR. Contrary to our expectations, Model 5 presents a negative and low-significance effect ($p < 0.10$) of *political culture* on CSR, whereas Model 7 does not show any statistical significance in this relationship. Therefore, our results do not support Hypothesis 2a.

Insert Table 3 about here

Robustness Analysis

To enhance the robustness of our findings, we conducted several complementary analyses. First, we employed Tobit Random Effects models, given that the dependent variable (CSR) can be considered censored, as it is bounded between 0 and 100. The Tobit model is specifically designed to handle censoring by incorporating the probability that observations fall within the limits of the distribution, thus providing more reliable and consistent estimates (Tobin, 1958). Table 4 reports the results, which are largely consistent with those obtained from the Random Effects models.

Model 8 presents the effect of the control variables on CSR, while Models 9–14 examine the impact of each political institution individually (Models 9–13) and collectively

(Model 14) on CSR. Both Model 9 and Model 14 confirm a positive and significant effect ($p < 0.01$) of *electoral process and pluralism* on CSR, supporting the results of the Random Effects models. Similarly, Models 11 and 14 show a positive and significant effect of *civil liberties* on CSR ($p < 0.01$ and $p < 0.05$, respectively). Regarding *functioning of government*, while Model 10 does not show a significant effect, the global model (Model 14) reveals a negative and significant effect ($p < 0.01$), thus not supporting Hypothesis 1b.

As for informal political institutions, Models 12 and 14 indicate a negative and significant effect of *political culture* on CSR, which does not confirm Hypothesis 2a, aligning with the results obtained in the Random Effects models. Finally, Models 13 and 14 show a positive and significant effect ($p < 0.01$) of *political participation* on CSR, reinforcing the findings from the Random Effects models and offering further support for Hypothesis 2b.

Insert Table 4 about here

Second, to ensure that our results are not driven by uneven country representation or unobserved cross-national heterogeneity, we conducted an additional robustness test based on multilevel linear models with random intercepts at the country level. These models account for the hierarchical structure of the data (firms nested within countries) and allow us to separate the sources of CSR variation within and between countries. To obtain a reliable estimate of random effects at the country level, the analysis was restricted to countries with at least 100 firm-year observations.ⁱⁱⁱ This threshold balances representativeness and statistical stability, as recommended in the literature on multilevel models (Bryan & Jenkins, 2016; Snijders & Bosker, 2011). The reduced sample includes 37 countries and 26,832 firm-year observations, providing sufficient variation within and between countries for a hierarchical estimation. A prerequisite for employing multilevel estimation is the presence of sufficient variation at the

different levels of the analysis (Aguinis, et al., 2013). A null model (intercept-only model) was calculated to assess the existence of individual-level variations across countries. The intraclass correlation coefficient (ICC) of the null model measures the proportion of total variation in the dependent variable, which can be attributed to differences across countries. In this case, the calculated ICC is 0.162, indicating that 16.2% of the variance in the dependent variable is attributable to country-level differences, whereas 83.8% is attributable to firm-level variations. While there is no specific threshold for an ideal ICC, previous studies have reported ICC values ranging from 5% to 30% (Aguinis et al., 2013). It is important to note that key institutional variables maintain their direction and significance in the multilevel specifications. As shown in Table 5, the results for the political institution variables remain consistent with those reported in the main analyses. *Electoral process pluralism* and *civil liberties* show similar positive and significant associations with CSR, while *political participation* is significant when included in isolation, but loses significance when considering all political institutional dimensions together, partially supporting this hypothesis. Furthermore, as it happens with the main results, *functioning of government* and *political culture* remains statistically insignificant across the various specifications. Overall, the multilevel analysis strengthens the robustness of our findings and demonstrates that the observed relationships are not a product of unbalanced sampling across countries.

Insert Table 5 about here

Discussion and Conclusions

This study contributes to the growing field of research that analyzes the role of political institutions, specifically those that define the level of democracy in a country, in firms'

decisions, focusing on key aspects, such as socially responsible behavior (Fatima & Elbanna, 2023). Our work seeks to clarify this phenomenon by focusing on several political institutions from both formal and informal points of view, given that companies are not only affected by the formal democratic dimensions that have been traditionally studied, but also by other aspects more deeply rooted in social behavior (i.e., informal institutions) (Farè et al., 2023). Our study analyzes the effect of formal political institutions, such as the electoral process and pluralism, the functioning of the government and civil liberties, and informal political institutions, such as political culture and participation, on CSR. We find that both formal and informal political institutions are relevant when making decisions on the responsible behavior of companies.

Another contribution of this study is that it considers the corporate citizenship perspective. Based on this perspective, we argue that formal political institutions establish accountability mechanisms that force companies to comply with specific standards and operate with greater transparency (Fioravante & Del Baldo, 2023; Hussain & Moriarty, 2018). These mechanisms ensure that business activities are monitored and regulated, incentivizing companies to adopt CSR not only to avoid sanctions and comply with current regulations, but also to be accountable to stakeholders' demands to distribute the created value. Furthermore, informal institutions play a key role in the legitimacy of companies (Suchman, 1995) by generating social expectations about what is considered responsible for corporate behavior. Companies must align their actions with these values to be perceived as legitimate, thereby gaining the acceptance and trust of stakeholders (Campbell, 2007).

Our results confirm that, as we proposed, electoral processes, political pluralism, and civil liberties have a positive effect on CSR in terms of formal political institutions. However, contrary to our expectations, our findings show that government functioning has no clear effect. A possible negative influence that may counteract the hypothesized positive effect may be related to what prior literature has called institutional capture (Dorobantu et al., 2017; Husted

& Saffar, 2023). Institutional capture assumes that institutions have been appropriated, prioritizing the interests of a narrow set of elite actors (i.e., insiders) over other actors, and whose main consequences are a lack of checks and balances and corruption (Dorobantu et al., 2017). In countries with captured institutions, companies seek preferential access to policymakers that benefit the elite to become then members of this elite, thus obtaining government contracts, subsidies, and benefits that they cannot obtain outside that elite (Husted & Saffar, 2023). In these countries, companies may increase their CSR engagement in the form of rent-seeking behavior (Husted & Saffar, 2023) as they seek to gain the favor of allies among the political elites with donations or philanthropic actions (Husted & Saffar, 2023; Jia & Zhang, 2018; Wang & Qian, 2011). In this case, CSR would increase with a poorly functioning government, as it would not be due to moral or relational reasons aligned with the country's democratic values (an accountable and legitimate behavior of companies), but rather to instrumental reasons as a way of maintaining business competitiveness and survival in the context of institutional capture (Aguilera et al., 2007; Dorobantu et al., 2017; McWilliams & Siegel, 2001). Regarding informal political institutions, our findings show that while political participation positively influences CSR, this may not happen in political culture. Indeed, our results suggest a negative relationship between political culture and CSR. Although the role of political and democratic culture is a phenomenon that has barely been studied in the literature, a possible explanation can be found in CSR research in low institutional trust contexts (Amaeshi et al., 2016). In such contexts, where democratic political culture is weak or entirely absent, local cultural norms and values shape responsible corporate behavior (Amaeshi et al., 2016), effectively replacing political culture in defining what is considered socially acceptable. In these contexts, companies complement these locally driven motivations with international sustainability standards, using CSR to meet global expectations, and enhance credibility beyond fragile national institutions (Gladwin et al., 1995).

From a theoretical perspective, this study enriches the literature on the influence of institutions on business decisions, especially decisions related to social responsibility, by focusing on those political institutions that define the level of democracy. Our findings allow us to thoroughly understand the challenges that companies face and highlight the importance of a solid political institutional system to encourage responsible behavior in the business field, not only through regulations, but also through the values generated in society. In this vein, it offers a more complete view of the political system, as it incorporates new and varied democratic dimensions, especially those referring to informal institutions (i.e., political culture and participation). Unlike formal institutions that put pressure on companies to be accountable for stakeholders' demands according to the codified framework, informal institutions shape the expectations of those stakeholders regarding political behavior, influencing, in turn, companies' CSR. Accordingly, this study shows the differentiated effects of formal and informal political institutions on CSR through the accountability and legitimacy channels respectively. These two channels bring the corporate citizenship approach closer to institutional theory, showing that political institutions that define the level of democracy influence CSR not only through coercive pressures but also through normative and dialogical processes. Finally, from a methodological perspective, we provide valuable information by including a large number of companies from various countries with different levels of democracy, thus allowing us to better understand this phenomenon. Furthermore, we use multiple methodological estimation approaches that provide robustness to the results obtained.

Limitations and Future Lines of Research

Our study has some limitations that need to be considered; however, they are also regarded as an opportunity for future research. First, it uses a sample of publicly traded companies, mainly large companies. This means that there may be certain challenges in generalizing the results to small or privately held companies. Prior research has found that CSR reporting and motivation

for CSR engagement may differ between publicly traded and other companies (Hickman, 2020). Future research could explore how institutions, specifically political institutions, influence small and privately held companies. Second, this study analyzes the political institutions that define the level of democracy within the context of the home country of the companies in the sample. Despite the advantages of focusing on home country institutions, as they help shape firms' seminal culture and strategy, and impact their domestic and global performance (Kumar & Sharma, 2018; Marano et al., 2016), our findings may not be extended to the influence of host country institutions. Future studies could consider the role of host country institutions (Filippaios et al., 2019) and explore how host country democratic and political institutions influence multinational corporations' CSR or how the interaction between the home country and the host country impacts that behavior. The third limitation relates to the measurement of the level of democracy employed. To date, academics have rarely used the Democracy Index because of its complex methodology of mixing sources of information (Graziano & Quaranta, 2024), which may lead to problems in generalizing the results of our research. However, this index has the advantage of defining democracy more comprehensively than traditional measures of democracy, incorporating the perspectives of political culture and participation (EIU, 2023; Graziano & Quaranta, 2024), which may provide insights into new research. Future studies can use these concepts of political culture and participation as a basis for further analysis of informal institutions and their impact on CSR and business practices in general. Furthermore, future research may also consider the effect of these political institutions as factors that may affect stakeholders' perceptions of corporate behaviors such as CSR. In other words, informal dimensions of democracy may affect corporate reputation and economic performance. Overall, our findings may show practitioners how institutional actors may pressure companies to adopt responsible practices not only through formal instruments such as regulations but also by boosting CSR by being held responsible for their actions according to

democratic values and social expectations and by promoting better political awareness and education towards citizens.

Funding Acknowledgement

The authors disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: For financial support, we thank the Spanish Ministry of Science, Innovation and Universities of Spain, MCIN/AEI/10.13039/501100011033 [projects PID2023-152671OB-I00 and PID2023-148350NB-C21]; and the Regional Government of Aragón [project S64_23R].

References

- Acemoglu, D., & Johnson, S. (2005). Unbundling institutions. *Journal of Political Economy*, 113(5), 949-995. <https://doi.org/10.1086/432166>
- Acemoglu, D., & Robinson, J. A. (2012). Why nations fail: The origins of power, prosperity, and poverty. *New York: Crown Business*.
- Acharyya, M., & Agarwala, T. (2022). Relationship between CSR motivations and corporate social performance: a study in the power industry in India. *Employee Relations: The International Journal*, 44(3), 663-685. <https://doi.org/10.1108/ER-01-2019-0091>
- Adam, A., & Filippaios, F. (2007). Foreign direct investment and civil liberties: A new perspective. *European Journal of Political Economy*, 23(4), 1038-1052. <https://doi.org/10.1016/j.ejpoleco.2006.08.006>
- Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of Management Review*, 32(3), 836-863. <https://doi.org/10.5465/amr.2007.25275678>
- Aguinis, H., Gottfredson, R. K., & Culpepper, S. A. (2013). Best-practice recommendations for estimating cross-level interaction effects using multilevel modeling. *Journal of Management*, 39(6), 1490-1528. <https://doi.org/10.1177/0149206313478188>
- Al-Esiah, Z., Crane, A., & Iatridis, K. (2024). Political CSR and populism: Toward an information-based theory of political CSR. *Business & Society*, 63(2), 373-408. <https://doi.org/10.1177/00076503231168078>
- Almeida, T. A. D. N., & García-Sánchez, I. M. (2017). Sociopolitical and economic elements to explain the environmental performance of countries. *Environmental Science and Pollution Research*, 24, 3006-3026. <https://doi.org/10.1007/s11356-016-8061-7>
- Almond, G. A., & Verba, S. (1963), *The Civic Culture: Political Attitudes and Democracy in Five Nations*.
- Altura, T. G., Lawrence, A. T., & Roman, R. M. (2021). The global diffusion of supply chain codes of conduct: Market, nonmarket, and time-dependent effects. *Business & Society*, 60(4), 909-942. <https://doi.org/10.1177/0007650319873654>
- Amaeshi, K., Adegbite, E., & Rajwani, T. (2016). Corporate social responsibility in challenging and non-enabling institutional contexts: Do institutional voids matter?. *Journal of Business Ethics*, 134(1), 135-153. <https://doi.org/10.1007/s10551-014-2420-4>
- Amor-Esteban, V., Galindo-Villardón, M. P., & García-Sánchez, I. M. (2019). A multivariate proposal for a national corporate social responsibility practices index (NCSRPI) for international settings. *Social Indicators Research*, 143, 525-560.
- Arellano, M. (2003). Discrete choices with panel data. *Investigaciones económicas*, 27(3), 423-458.

- Arregle, J. L., Miller, T. L., Hitt, M. A., & Beamish, P. W. (2013). Do regions matter? An integrated institutional and semiglobalization perspective on the internationalization of MNEs. *Strategic Management Journal*, 34(8), 910-934. <https://doi.org/10.1002/smj.2051>
- Audigier, F. (2000). *Basic concepts and core competencies for education for democratic citizenship* (Vol. 20). Strasbourg: Council of Europe.
- Autio, E., & Fu, K. (2015). Economic and political institutions and entry into formal and informal entrepreneurship. *Asia Pacific Journal of Management*, 32, 67-94. <https://doi.org/10.1007/s10490-014-9381-0>
- Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review*, 32(3), 794–816. <https://doi.org/10.5465/amr.2007.25275520>
- Bartosch, J., & Lohmeyer, N. (2025). Explicitization of corporate social responsibilities at the National Institutional Level. *Business & Society*, 00076503241308725. <https://doi.org/10.1177/00076503241308725>
- Baumann-Pauly, D., Scherer, A. G., & Palazzo, G. (2016). Managing institutional complexity: A longitudinal study of legitimacy strategies at a sportswear brand company. *Journal of Business Ethics*, 137, 31-51. <https://doi.org/10.1007/s10551-014-2532-x>
- Boudreaux, C. J., Nikolaev, B. N., & Klein, P. (2019). Socio-cognitive traits and entrepreneurship: The moderating role of economic institutions. *Journal of Business Venturing*, 34(1), 178-196. <https://doi.org/10.1016/j.jbusvent.2018.08.003>
- Bryan, M. L., & Jenkins, S. P. (2016). Multilevel modelling of country effects: A cautionary tale. *European Sociological Review*, 32(1), 3-22. <https://doi.org/10.1093/esr/jcv059>
- Bryant, A., Griffin, J. J., & Perry, V. G. (2020). Mitigating climate change: A role for regulations and risk-taking. *Business Strategy and the Environment*, 29(2), 605-618. <https://doi.org/10.1002/bse.2391>
- Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3), 946-967. <https://doi.org/10.5465/amr.2007.25275684>
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48.
- Chan, C. M., Shi, L., & Yi, J. (2024). Home country's economic and political institutions: firms' ownership decisions in cross-border acquisitions. *Journal of International Business Studies*, 55(8), 1020-1037. <https://doi.org/10.1057/s41267-024-00714-6>
- Chandler, D. (2022). *Strategic corporate social responsibility: Sustainable value creation*. Sage Publications.
- Chen, J., Saarenketo, S., & Puumalainen, K. (2018). Home country institutions, social value orientation, and the internationalization of ventures. *International Business Review*, 27(2), 443-454. <https://doi.org/10.1016/j.ibusrev.2017.09.011>
- Cho, C. H., Fabrizi, M., Pilonato, S., & Ricceri, F. (2024). Not all bad news is harmful to a good reputation: evidence from the most visible companies in the US. *Journal of Management and Governance*, 28(1), 9-36. <https://doi.org/10.1007/s10997-022-09645-6>
- Cho, C. H., Krasodomska, J., Ratliff-Miller, P., & Godawska, J. (2021). Internationalization and CSR reporting: evidence from US companies and their Polish subsidiaries. *Meditari Accountancy Research*, 29(7), 135-162. <https://doi.org/10.1108/MEDAR-06-2020-0922>

- Chowdhury, F., Audretsch, D. B., & Belitski, M. (2019). Institutions and entrepreneurship quality. *Entrepreneurship Theory and Practice*, 43(1), 51-81. <https://doi.org/10.1177/104225871878043>
- Corina, M., Hartwell, C. & Carballo, A. (2025). Holding back the damage: strong political institutions and the effect of populism on business investment. *Journal of International Business Studies*, 56, 608–630. <https://doi.org/10.1057/s41267-024-00769-5>
- Cuervo-Cazurra, A. (2011). Global strategy and global business environment: The direct and indirect influences of the home country on a firm's global strategy. *Global Strategy Journal*, 1(3-4), 382-386. <https://doi.org/10.1002/gsj.35>
- Dahl, R. A. (1971). *Polyarchy: Participation and opposition*. Yale university press.
- Dahl, R. A. (1998). Justifying Democracy. *Society*, 35(2).
- Deephouse, D. L., Newburry, W., & Soleimani, A. (2016). The effects of institutional development and national culture on cross-national differences in corporate reputation. *Journal of World Business*, 51(3), 463-473. <https://doi.org/10.1016/j.jwb.2015.12.005>
- Derchi, G. B., Zoni, L., & Dossi, A. (2021). Corporate social responsibility performance, incentives, and learning effects. *Journal of Business Ethics*, 173(3), 617-641. <https://doi.org/10.1007/s10551-020-04556-8>
- Diamond, L. (2002). Elections without democracy: Thinking about hybrid regimes. *Journal of Democracy*, 13(2), 21-35. <https://doi.org/10.1353/jod.2002.0025>
- Dorobantu, S., Kaul, A., & Zelner, B. (2017). Nonmarket strategy research through the lens of new institutional economics: An integrative review and future directions. *Strategic Management Journal*, 38(1), 114-140. <https://doi.org/10.1002/smj.2590>
- Du, S., & Vieira Jr, E. T. (2012). Striving for legitimacy through corporate social responsibility: Insights from oil companies. *Journal of Business Ethics*, 110(4), 413-427. <https://doi.org/10.1007/s10551-012-1490-4>
- Eisen, N. & Katz, J., (2025). Democracy Playbook 2025, Brookings Institution. United States of America. Retrieved on 07/04/2025 from <https://coilink.org/20.500.12592/3ag1q8p>.
- EIU (2023). Economist Intelligence Unit, Democracy Index 2023 ‘Age of conflict’ Report. Retrieved on 30/04/2024 from <https://www.eiu.com/n/campaigns/democracy-index-2023/>
- El Ghouli, S., Guedhami, O., Nash, R., & Patel, A. (2019). New evidence on the role of the media in corporate social responsibility. *Journal of Business Ethics*, 154, 1051-1079. <https://doi.org/10.1007/s10551-016-3354-9>
- Farè, L., Audretsch, D. B., & Dejardin, M. (2023). Does democracy foster entrepreneurship?. *Small Business Economics*, 61(4), 1461-1495. <https://doi.org/10.1007/s11187-023-00737-7>
- Fatima, T., & Elbanna, S. (2023). Corporate social responsibility (CSR) implementation: A review and a research agenda towards an integrative framework. *Journal of Business Ethics*, 183(1), 105-121. <https://doi.org/10.1007/s10551-022-05047-8>
- Feng, Y. (2001). Political freedom, political instability, and policy uncertainty: A study of political institutions and private investment in developing countries. *International Studies Quarterly*, 45(2), 271-294. <https://doi.org/10.1111/0020-8833.00191>
- Filippaios, F., Annan-Diab, F., Hermidas, A., & Theodoraki, C. (2019). Political governance, civil liberties, and human capital: Evaluating their effect on foreign direct investment in

emerging and developing economies. *Journal of International Business Studies*, 50, 1103-1129. <https://doi.org/10.1057/s41267-019-00239-3> .

Fioravante, R., & Del Baldo, M. (2023). Business Democratic Value at Stake: A Business Ethics Perspective on Embedded Social and Political Responsibility. In: Baggio, A.M., Baldarelli, MG., Idowu, S.O. (eds) *Populism and Accountability. CSR, Sustainability, Ethics & Governance*. Springer, Cham. https://doi.org/10.1007/978-3-031-20032-8_4

Foster, D., & Jonker, J. (2005). Stakeholder relationships: the dialogue of engagement. *Corporate Governance: The International Journal of Business in Society*, 5(5), 51-57. <https://doi.org/10.1108/14720700510630059>

Freeman, R. E. (1984). *Strategic management: a stakeholder approach*, Pitman. Boston, MA. ISBN 9780521151740, 0521151740

Freeman, R. E. (2001). A stakeholder theory of the modern corporation. *Perspectives in Business Ethics* Sie, 3-144.

Fung, A. (2005). Deliberation before the revolution. *Political Theory*, 33, 397–419. <https://doi.org/10.1177/0090591704271990>

Fung, A. (2006). Varieties of participation in complex governance. *Public Administration Review*, 66, 66-75. <https://doi.org/10.1111/j.1540-6210.2006.00667.x>

Gao, H., Harford, J., & Li, K. (2013). Determinants of corporate cash policy: Insights from private firms. *Journal of Financial Economics*, 109(3), 623-639. <https://doi.org/10.1016/j.jfineco.2013.04.008>

Gladwin, T. N., Kennelly, J. J., & Krause, T. S. (1995). Shifting paradigms for sustainable development: Implications for management theory and research. *Academy of Management Review*, 20(4), 874-907. <https://doi.org/10.5465/amr.1995.9512280024>

Göbbels M. 2002/2003. Reframing corporate social responsibility: the contemporary conception of a fuzzy notion. In *Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion*, Van Marrewijk M (ed.). *Journal of Business Ethics* 44: 95–105.

Goerzen, A., Sartor, M., Brandl, K., & Fitzsimmons, S. (2023). Widening the lens: Multilevel drivers of firm corporate social performance. *Journal of International Business Studies*, 54(1), 42-60. <https://doi.org/10.1057/s41267-022-00575-x>

Goodman, J., & Mäkinen, J. (2023). Democracy in political corporate social responsibility: A dynamic, multilevel account. *Business & Society*, 62(2), 250-284. <https://doi.org/10.1177/00076503211068421>

Graziano, P., & Quaranta, M. (2024). Studying Democracy in Europe: Conceptualization, Measurement and Indices. *Government and Opposition*, 59(2), 605-631. doi:10.1017/gov.2022.39

Gunningham, N., Kagan, R. A., & Thornton, D. (2004). Social license and environmental protection: why businesses go beyond compliance. *Law & Social Inquiry*, 29(2), 307-341. <https://doi.org/10.1086/423681>

Haberberg, A., & Mulleady, F. (2004). Understanding the practice of corporate social responsibility: A research agenda. In *Proceedings of British Academy of Management Annual Conference St Andrews*.

Habermas, J. (1996). *Between facts and norms: Contributions to a discourse theory of law and democracy*. Cambridge, MA: MIT Press.

- Halkos, G., & Skouloudis, A. (2016). National CSR and institutional conditions: An exploratory study. *Journal of Cleaner Production*, 139, 1150-1156. <https://doi.org/10.1016/j.jclepro.2016.07.047>
- Handelman, J. M., & Arnold, S. J. (1999). The role of marketing actions with a social dimension: Appeals to the institutional environment. *Journal of Marketing*, 63(3), 33-48. <https://doi.org/10.1177/002224299906300303>
- Haque, F., & Ntim, C. G. (2018). Environmental policy, sustainable development, governance mechanisms and environmental performance. *Business Strategy and the Environment*, 27(3), 415-435. <https://doi.org/10.1002/bse.2007>
- Hartmann, J., & Uhlenbruck, K. (2015). National institutional antecedents to corporate environmental performance. *Journal of World Business*, 50(4), 729-741. <https://doi.org/10.1016/j.jwb.2015.02.001>
- Hayek, F. A. (2013). The use of knowledge in society. In *Modern understandings of liberty and property* (pp. 27-38). Routledge.
- Helmig, B., Spraul, K., & Ingenhoff, D. (2016). Under positive pressure: How stakeholder pressure affects corporate social responsibility implementation. *Business & Society*, 55(2), 151-187. <https://doi.org/10.1177/0007650313477841>
- Helmke, G., & Levitsky, S. (2004). Informal Institutions and Comparative Politics: A Research Agenda. *Perspectives on Politics*, 2(04), 725-740. <https://doi.org/10.1017/s1537592704040472>
- Helmke, G., & Levitsky, S. (2012). *Informal institutions and comparative politics: A research agenda*. Edward Elgar Publishing.
- Henisz, W. J. (2000). The institutional environment for multinational investment. *Journal of Law, Economics, and Organization*, 16(2), 334-364. <https://doi.org/10.1093/jleo/16.2.334>
- Hettne B. 2000. The fate of citizenship in Post-Westphalia. *Citizenship Studies*, 4: 35-46. <https://doi.org/10.1080/136210200110012>
- Hickman, L. E. (2020). Information asymmetry in CSR reporting: publicly-traded versus privately-held firms. *Sustainability Accounting, Management and Policy Journal*, 11(1), 207-232. <https://doi.org/10.1108/SAMPJ-12-2018-0333>
- Hodgson, G. M. (2006). What are institutions?. *Journal of Economic Issues*, 40(1), 1-25. <https://doi.org/10.1080/00213624.2006.11506879>
- Hussain, W., & Moriarty, J. (2018). Accountable to whom? Rethinking the role of corporations in political CSR. *Journal of Business Ethics*, 149, 519-534. <https://doi.org/10.1007/s10551-016-3027-8>
- Husted, B. W., & Allen, D. B. (2007). Strategic corporate social responsibility and value creation among large firms: lessons from the Spanish experience. *Long Range Planning*, 40(6), 594-610. <https://doi.org/10.1016/j.lrp.2007.07.001>
- Husted, B. W., & Saffar, W. (2023). Elections and CSR engagement: international evidence. *Journal of Business Ethics*, 184(1), 115-138. <https://doi.org/10.1007/s10551-022-05172-4>
- Ioannou, I., & Serafeim, G. (2012). What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies*, 43, 834-864. <https://doi.org/10.1057/jibs.2012.26>

- Ioannou, I., & Serafeim, G. (2023). What drives corporate social performance? The role of nation-level institutions. *Journal of International Business Studies*, 54(1), 14-23. <https://doi.org/10.1057/s41267-022-00579-7>
- Jia, M., & Zhang, Z. (2018). The role of corporate donations in Chinese political markets. *Journal of Business Ethics*, 153(2), 519-545. <https://doi.org/10.1007/s10551-016-3378-1>
- Johansen, S.T., & Nielsen, E.A. (2011). Strategic stakeholder dialogues: a discursive perspective on relationship building. *Corporate Communications: An International Journal*, 16(3), 204-217. <https://doi.org/10.1108/13563281111156871>
- Knudsen, J. S., Moon, J., & Slager, R. (2015). Government policies for corporate social responsibility in Europe: A comparative analysis of institutionalisation. *Policy & Politics*, 43(1), 81-99. <https://doi.org/10.1332/030557312x656016>
- Kostova, T., & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review*, 24(1), 64-81. <https://doi.org/10.5465/amr.1999.1580441>
- Kramer, M. R., & Porter, M. E. (2006). Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), 78-92.
- Kumar, N., & Sharma, D. D. (2018). The role of organisational culture in the internationalisation of new ventures. *International Marketing Review*, 35(5), 806-832. <https://doi.org/10.1108/IMR-09-2014-0299>
- Lauth, H. (2000). Informal Institutions and Democracy. *Democratization*, 7(4), 21-50. <https://doi.org/10.1080/13510340008403683>
- Leftwich, A. (2006) *What are Institutions?*. IPPG Briefing Paper 1. Manchester: IPPG Programme Office, University of Manchester. www.ippg.org.uk/papers/bp1.pdf
- Levitsky, S., & Way, L. A. (2010). *Competitive authoritarianism: Hybrid regimes after the Cold War*. Cambridge University Press.
- Li, S., & Lu, J. W. (2020). A dual-agency model of firm CSR in response to institutional pressure: Evidence from Chinese publicly listed firms. *Academy of Management Journal*, 63(6), 2004-2032. <https://doi.org/10.5465/amj.2018.0557>
- Lindstedt, C., & Naurin, D. (2010). Transparency is not enough: Making transparency effective in reducing corruption. *International Political Science Review*, 31(3), 301-322. <https://doi.org/10.1177/0192512110377602>
- LSEG. (2023). Retrieved on 04/05/2024 from https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/refinitiv-esg-scores-methodology.pdf
- Luo, X. R., Wang, D., & Zhang, J. (2017). Whose call to answer: Institutional complexity and firms' CSR reporting. *Academy of Management Journal*, 60(1), 321-344. <https://doi.org/10.5465/amj.2014.0847>
- Luo, X., & Bhattacharya, C. B. (2006). Corporate social responsibility, customer satisfaction, and market value. *Journal of Marketing*, 70(4), 1-18. <https://doi.org/10.1509/jmkg.70.4.1>
- Maignan, I., & Ralston, D. A. (2002). Corporate social responsibility in Europe and the US: Insights from businesses' self-presentations. *Journal of International Business Studies*, 33, 497-514. <https://doi.org/10.1057/palgrave.jibs.8491028>
- Marano, V., Arregle, J. L., Hitt, M. A., Spadafora, E., & van Essen, M. (2016). Home country institutions and the internationalization-performance relationship: A meta-analytic

- review. *Journal of Management*, 42(5), 1075-1110. <https://doi.org/10.1177/0149206315624963>
- March, J. G., & Olsen, J. P. (1983). The new institutionalism: Organizational factors in political life. *American political science review*, 78(3), 734-749. <https://doi.org/10.2307/1961840>
- Marquis, C., Toffel, M. W., & Zhou, Y. (2016). Scrutiny, norms, and selective disclosure: A global study of greenwashing. *Organization Science*, 27(2), 483-504. <https://doi.org/10.1287/orsc.2015.1039>
- Matten, D., & Crane, A. (2005). Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Review*, 30(1), 166-179. <https://doi.org/10.5465/amr.2005.15281448>
- Matten, D., Crane, A., & Chapple, W. (2003). Behind the mask: Revealing the true face of corporate citizenship. *Journal of Business Ethics* 45, 109–120. <https://doi.org/10.1023/A:1024128730308>
- Matten, D., & Moon, J. (2008). “Implicit” and “explicit” CSR: A conceptual framework for a comparative understanding of corporate social responsibility. *Academy of Management Review*, 33(2), 404-424. <https://doi.org/10.5465/amr.2008.31193458>
- Mazboudi, M., Sidani, Y. M., & Al Ariss, A. (2020). Harmonization of firm CSR policies across national contexts: Evidence from Brazil & Sweden. *International Business Review*, 29(5), 101711. <https://doi.org/10.1016/j.ibusrev.2020.101711>
- McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, 26(1), 117-127. <https://doi.org/10.5465/amr.2001.4011987>
- Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what counts. *Academy of Management Review*, 22(4), 853-886. <https://doi.org/10.5465/amr.1997.9711022105>
- Monin, B. (2007). Holier than me? Threatening social comparison in the moral domain. *Revue Internationale de Psychologie Sociale*, 20(1), 53-68.
- Mooneeapen, O., Abhayawansa, S., & Mamode Khan, N. (2022). The influence of the country governance environment on corporate environmental, social and governance (ESG) performance. *Sustainability Accounting, Management and Policy Journal*, 13(4), 953-985. <https://doi.org/10.1108/sampj-07-2021-0298>
- North, D. C. (1990). *Institutions, institutional change and economic performance* (Vol. 4). Cambridge university press.
- North, D. C. (1991). Institutions, ideology, and economic performance. *Cato Journal*, 11(3).
- Ober, J. (2008). *Democracy and Knowledge: Innovation and Learning in Classical Athens*, Princeton: Princeton University Press. <https://doi.org/10.1515/9781400828807>
- O'Donnell, G. A. (1996). Illusions about consolidation. *Journal of Democracy*, 7(2), 34-51. <https://dx.doi.org/10.1353/jod.1996.0034>
- Pal, S. (2011). Media Freedom and Socio-Political Instability. *Peace Economics, Peace Science, & Public Policy*, 17(1).
- Palazzo, G., & Scherer, A. G. (2006). Corporate Legitimacy as Deliberation: A Communicative Framework: Guido Palazzo and Andreas Georg Scherer. *Journal of Business Ethics*, 66(1), 71-88. <https://doi.org/10.1007/s10551-006-9044-2>

- Pérez-Cornejo, C., de Quevedo-Puente, E., & Delgado-García, J. B. (2023). The role of national culture as a lens for stakeholder evaluation of corporate social performance and its effect on corporate reputation. *BRQ-Business Research Quarterly*, 26(4), 282-296. <https://doi.org/10.1177/234094442110074>
- Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*, 89(1-2 (January/February 2011): 62-77
- Przeworski, A., Stokes, S. C., & Manin, B. (Eds.). (1999). *Democracy, Accountability, and Representation*. Cambridge University Press.
- Qian, C., Weng, D. H., Lu, L. Y., & Jiang, X. (2023). Government Corruption and Corporate Social Responsibility: An Instrumental Perspective. *Journal of Management*, 01492063231195590. <https://doi.org/10.1177/01492063231195590>
- Rim, H., Kim, J., & Dong, C. (2019). A cross-national comparison of transparency signaling in corporate social responsibility reporting: The United States, South Korea, and China cases. *Corporate Social Responsibility and Environmental Management*, 26(6), 1517-1529. <https://doi.org/10.1002/csr.1766>
- Ringov, D., & Zollo, M. (2007). The impact of national culture on corporate social performance. *Corporate Governance*, 7(4), 476-485. <https://doi.org/10.1108/14720700710820551>
- Risi, D., Vigneau, L., Bohn, S., & Wickert, C. (2023). Institutional theory-based research on corporate social responsibility: Bringing values back in. *International Journal of Management Reviews*, 25(1), 3-23. <https://doi.org/10.1111/ijmr.12299>
- Rowley, T., & Berman, S. (2000). A brand new brand of corporate social performance. *Business & Society*, 39(4), 397-418. <https://doi.org/10.1177/000765030003900404>
- Sacconi, L. (2007). A social contract account for CSR as an extended model of corporate governance (II): Compliance, reputation and reciprocity. *Journal of Business Ethics*, 75(1), 77-96. <https://doi.org/10.1007/s10551-006-9239-6>
- Scherer, A. G., Baumann-Pauly, D., & Schneider, A. (2013). Democratizing corporate governance: Compensating for the democratic deficit of corporate political activity and corporate citizenship. *Business & Society*, 52(3), 473-514. <https://doi.org/10.1177/0007650312446931>
- Scherer, A. G., & Palazzo, G. (2007). Toward a political conception of corporate responsibility: Business and society seen from a Habermasian perspective. *Academy of Management Review*, 32(4), 1096-1120. <https://doi.org/10.5465/amr.2007.26585837>
- Scherer, A. G., & Palazzo, G. (2011). The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, 48(4), 899-931. <https://doi.org/10.1111/j.1467-6486.2010.00950.x>
- Scott, W. R. (1995). *Institutions and organizations*. Thousand Oaks, CA: Sage.
- Scott, W. R. (2005). Institutional theory: Contributing to a theoretical research program. In K. G. Smith, & M. A. Hitt (Eds), *Great minds in management: The process of theory development*. Oxford: Oxford University Press.
- Scott, W. R. (2008). *Institutions and organizations: Ideas and interests*. Sage.

- Sison, A. J. G. (2009). From CSR to corporate citizenship: Anglo-American and continental European perspectives. *Journal of Business Ethics*, 89 (3), 235–246. <https://doi.org/10.1007/s10551-010-0395-3>
- Snijders, T. A., & Bosker, R. J. (2011). *Multilevel analysis: An introduction to basic and advanced multilevel modeling*. SAGE
- Stephan, U., Uhlaner, L. M., & Stride, C. (2015). Institutions and social entrepreneurship: The role of institutional voids, institutional support, and institutional configurations. *Journal of International Business Studies*, 46, 308-331. <https://doi.org/10.1057/jibs.2014.38>
- Stevenson, H., & Dryzek, J. S. (2014). *Democratizing global climate governance*. Cambridge University Press.
- Strand, R., Freeman, R. E., & Hockerts, K. (2015). Corporate social responsibility and sustainability in Scandinavia: An overview. *Journal of Business Ethics*, 127, 1-15. <https://doi.org/10.1007/s10551-014-2224-6>
- Su, W., Peng, M. W., Tan, W., & Cheung, Y. L. (2016). The signaling effect of corporate social responsibility in emerging economies. *Journal of Business Ethics*, 134, 479-491. <https://doi.org/10.1007/s10551-014-2404-4>
- Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610. <https://doi.org/10.5465/amr.1995.9508080331>
- Tashman, P., Marano, V., & Kostova, T. (2019). Walking the walk or talking the talk? Corporate social responsibility decoupling in emerging market multinationals. *Journal of International Business Studies*, 50, 153-171. <https://doi.org/10.1057/s41267-018-0171-7>
- Tobin, J. (1958). Estimation of relationships for limited dependent variables. *Econometrica: journal of the Econometric Society*, 24-36. <https://doi.org/10.2307/1907382>
- Toffel, M. W., Short, J. L., & Ouellet, M. (2012). Reinforcing regulatory regimes: How states, civil society, and codes of conduct promote adherence to global labor standards. *Harvard Business School working paper# 13-045*. <http://nrs.harvard.edu/urn-3:HUL.InstRepos:10018987>
- Tolmie, C. R., Lehnert, K., & Zhao, H. (2020). Formal and informal institutional pressures on corporate social responsibility: A cross-country analysis. *Corporate Social Responsibility and Environmental Management*, 27(2), 786-802. <https://doi.org/10.1002/csr.1844>
- Trapp, N. L. (2012). Corporation as climate ambassador: Transcending business sector boundaries in a Swedish CSR campaign. *Public Relations Review*, 38(3), 458-465. <https://doi.org/10.1016/j.pubrev.2012.03.004>
- Ucar, E., & Staer, A. (2020). Local corruption and corporate social responsibility. *Journal of Business Research*, 116, 266-282. <https://doi.org/10.1016/j.jbusres.2020.05.012>
- Van den Broek, O. M. (2024). How political actors co-construct CSR and its effect on firms' political access: A discursive institutionalist view. *Journal of Management Studies*, 61(2), 595-626. <https://doi.org/10.1111/joms.12871>
- Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: Between agency and communion. *Journal of Business Ethics*, 44(2), 95-105. <https://doi.org/10.1023/A:1023331212247>

- Waldman, D. A., Sully de Luque, M., Washburn, N., House, R. J., Adetoun, B., Barrasa, A., ... & Wilderom, C. P. (2006). Cultural and leadership predictors of corporate social responsibility values of top management: A GLOBE study of 15 countries. *Journal of International Business Studies*, 37(6), 823-837. <https://doi.org/10.1057/palgrave.jibs.8400230>
- Wang, H., & Qian, C. (2011). Corporate philanthropy and corporate financial performance: The roles of stakeholder response and political access. *Academy of Management Journal*, 54(6), 1159-1181. <https://doi.org/10.5465/amj.2009.0548>
- Wenzel, M., Trittin-Ulbrich, H., Edinger-Schons, L. M., Castelló, I., & de Bakker, F. G. (2025). Toward Holistic Stakeholder Engagement: Integrating Participation, Inclusion, and Democracy. *Business & Society*, 00076503251341209. <https://doi.org/10.1177/00076503251341209>
- Withisuphakorn, P., & Jiraporn, P. (2016). The effect of firm maturity on corporate social responsibility (CSR): do older firms invest more in CSR?. *Applied Economics Letters*, 23(4), 298-301. <https://doi.org/10.1080/13504851.2015.1071464>
- Wood, D. J. (1991). Corporate social performance revisited. *Academy of Management Review*, 16(4), 691-718. <https://doi.org/10.5465/amr.1991.4279616>
- Wood, D. J., & Logsdon, J. M. (2001). *Theorising business citizenship*. In J. Andriof & M. McIntosh (Eds.), *Perspectives on corporate citizenship*: 83–103. Sheffield, UK: Greenleaf.
- Yao, L., Li, M., Wan, J. Y., Howard, S. C., Bailey, J. E., & Graff, J. C. (2022). Democracy and case fatality rate of COVID-19 at early stage of pandemic: a multicountry study. *Environmental Science and Pollution Research*, 1-11.
- Zadek, S. (2004). The path to corporate responsibility. *Harvard Business Review*, 82(12), 125-150.
- Zahra, S. A., & Wright, M. (2011). Entrepreneurship's next act. *Academy of Management Perspectives*, 25(4), 67-83. <https://doi.org/10.5465/amp.2010.0149>

Author Biographies

Celia Díaz-Portugal (PhD, University of Burgos) is Assistant Professor of Management at the University of Burgos (Spain). She has developed her career in the private sector mainly focusing on management and internationalization of small businesses. Her research interests focus on entrepreneurs' emotions and resilience, cultural and creative entrepreneurs, and the institutional context of entrepreneurship. She has published in high-impact academic journals such as *Creativity and Innovation Management*, *International Small Business Journal*, and *Long-Range Planning*.

ORCID: <https://orcid.org/0000-0002-7222-0198>

Minerva González (PhD, University of Zaragoza) is Associate Professor of Management at the University of Zaragoza (Spain). Her research examines strategic decision-making in multinational enterprises and entrepreneurial firms, with a particular focus on economic and political institutions, institutional dynamism, and their implications for firm behavior in international contexts. Her work has been published in high-impact academic journals such as *Global Strategy Journal*, *Journal of World Business*, or *Small Business Economics*—and has been presented at several international conferences.

ORCID: <https://orcid.org/0000-0002-2143-2764>

Clara Pérez-Cornejo (PhD, University of Burgos) is Associate Professor of Management at the University of Burgos (Spain). Her research areas include corporate reputation management, corporate governance, corporate social responsibility, circular economy and enterprise risk management. She has participated in several international conferences and has published in high-impact academic journals such as the *Business Ethics, the Environment and Responsibility, CSR and Environmental Management, European Management Journal*, and *European Management Review*. Clara also contributed to several research projects, focusing on sustainability and enterprise risk management.

ORCID: <https://orcid.org/0000-0002-9523-5392>

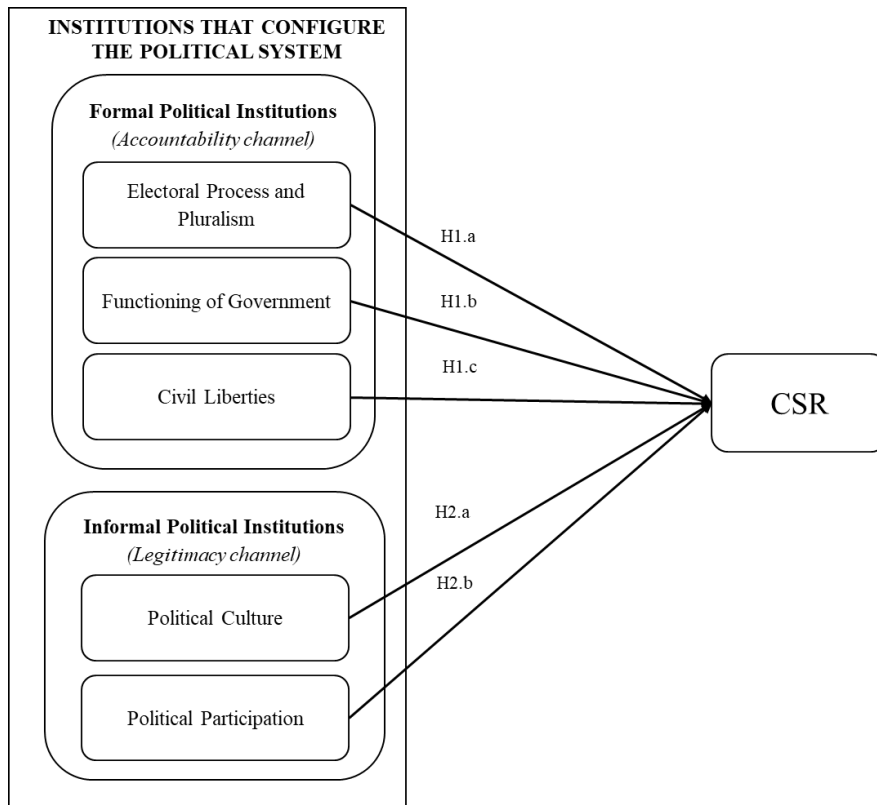


Figure 1. Research Model

Table 1 – Research Variables

| Variable | Description | Database |
|--|--|---|
| Dependent Variables <i>CSR</i> | The company's aggregate ESG score in year t+1. | Refinitiv Eikon/ LSEG Workspace |
| Independent Variables <i>Electoral process pluralism</i> <i>Functioning of government</i> <i>Civil liberties</i> <i>Political culture</i> <i>Political participation</i> | Based on the scores of 12 questions related to the quality of electoral democracy. It reflects the importance of free and fair elections. Based on the scores of 14 questions related to the overall functioning of the government. Based on the scores of 17 questions related to the degree of civil liberties in a country. Based on the scores of 8 questions related to the level of support for democratic political culture. Based on the scores of 9 questions related to the level of political participation in the country. | Democracy Index, 2023 (Appendix A) |
| Firm-level controls <i>Firm size</i> <i>Firm performance</i> <i>Firm leverage</i> <i>Firm age</i> | The logarithm of a firm's total assets. Return on assets (Profitability) Total Debt to Net equity of a firm The logarithm of the result by calculating the difference between the year of observation and the year in which the company went public. | Refinitiv Eikon/ LSEG Workspace |
| Country-level controls <i>GDP per capita</i> <i>GDP growth</i> | Natural logarithm of the country's GDP per capita (annual) | World Bank |

Table 2. Descriptive Statistics and Correlations

| | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | | | | | | | | | |
|--------------------------------|--------|--------|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-----|-------|-------|------|-------|-----|-------|-----|------|
| 1. CSR | 52.65 | 20.03 | 1.00 | | | | | | | | | | | | | | | | | | | | | |
| 2. Electoral process pluralism | 8.46 | 2.42 | 0.08 | *** | 1.00 | | | | | | | | | | | | | | | | | | | |
| 3. Functioning of government | 7.31 | 1.46 | 0.03 | *** | 0.71 | *** | 1.00 | | | | | | | | | | | | | | | | | |
| 4. Civil liberties | 8.09 | 1.91 | 0.04 | *** | 0.84 | *** | 0.71 | *** | 1.00 | | | | | | | | | | | | | | | |
| 5. Political culture | 7.16 | 1.51 | -0.02 | *** | 0.55 | *** | 0.74 | *** | 0.69 | *** | 1.00 | | | | | | | | | | | | | |
| 6. Political participation | 7.34 | 1.46 | 0.10 | *** | 0.80 | *** | 0.53 | *** | 0.74 | *** | 0.41 | *** | 1.00 | | | | | | | | | | | |
| 7. Firm size | 23.97 | 2.93 | 0.29 | *** | -0.21 | *** | -0.10 | *** | -0.26 | *** | -0.25 | *** | -0.34 | *** | 1.00 | | | | | | | | | |
| 8. Firm leverage | 5.27 | 195.3 | -0.01 | ** | 0.00 | | -0.00 | | 0.00 | | 0.00 | | -0.01 | | 1.00 | | | | | | | | | |
| 9. Firm performance | 3.90 | 12.63 | 0.10 | *** | -0.03 | *** | -0.05 | *** | -0.04 | *** | -0.05 | *** | -0.01 | * | 0.07 | *** | -0.06 | *** | 1.00 | | | | | |
| 10. Firm size | 3.06 | 0.77 | 0.21 | *** | 0.09 | *** | 0.09 | *** | 0.09 | *** | 0.04 | *** | 0.07 | *** | 0.21 | *** | 0.00 | 0.04 | *** | 1.00 | | | | |
| 11. GDP per capita | 45,097 | 22,238 | -0.01 | | 0.39 | *** | 0.31 | *** | 0.52 | *** | 0.55 | *** | 0.51 | *** | -0.42 | *** | 0.01 | -0.03 | *** | 0.03 | *** | 1.00 | | |
| 12. GDP growth | 2.04 | 3.367 | -0.02 | *** | -0.13 | *** | -0.07 | *** | -0.19 | *** | -0.11 | *** | -0.11 | *** | 0.00 | | 0.00 | 0.01 | | -0.06 | *** | -0.02 | *** | 1.00 |

Standard errors in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3. Results of the Random Effects Analysis for EGS Overall Score

| | CORPORATE SOCIAL RESPONSIBILITY | | | | | | |
|--|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 |
| Formal political institutions | | | | | | | |
| <i>Electoral process pluralism</i> | | 0.725*** | | | | | 0.700*** |
| | | (0.113) | | | | | (0.169) |
| <i>Functioning of government</i> | | | -0.045 | | | | -0.467** |
| | | | (0.152) | | | | (0.195) |
| <i>Civil liberties</i> | | | | 0.819*** | | | 0.345* |
| | | | | (0.140) | | | (0.192) |
| Informal political institutions | | | | | | | |
| <i>Political culture</i> | | | | | -0.201* | | -0.141 |
| | | | | | (0.105) | | (0.125) |
| <i>Political participation</i> | | | | | | 0.801*** | 0.356** |
| | | | | | | (0.140) | (0.176) |
| Control variables | | | | | | | |
| <i>Firm size</i> | 2.288*** | 2.365*** | 2.285*** | 2.326*** | 2.255*** | 2.308*** | 2.341*** |
| | (0.121) | (0.122) | (0.121) | (0.121) | (0.121) | (0.121) | (0.122) |
| <i>Firm leverage</i> | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** | -0.000*** |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| <i>Firm performance</i> | 0.003 | 0.004 | 0.003 | 0.004 | 0.004 | 0.003 | 0.004 |
| | (0.008) | (0.008) | (0.008) | (0.008) | (0.008) | (0.008) | (0.008) |
| <i>Firm age</i> | 3.205*** | 3.102*** | 3.208*** | 3.124*** | 3.201*** | 3.192*** | 3.097*** |
| | (0.388) | (0.386) | (0.388) | (0.386) | (0.387) | (0.382) | (0.382) |
| <i>GDP per capita</i> | 0.000*** | 0.000*** | 0.000*** | 0.000*** | 0.000*** | 0.000*** | 0.000*** |
| | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) | (0.000) |
| <i>GDP growth</i> | -0.075*** | -0.056** | -0.074*** | -0.094*** | -0.082*** | -0.076*** | -0.062** |
| | (0.024) | (0.024) | (0.024) | (0.024) | (0.025) | (0.024) | (0.026) |
| <i>Year</i> | YES | YES | YES | YES | YES | YES | YES |
| <i>Sector</i> | YES | YES | YES | YES | YES | YES | YES |
| <i>_cons</i> | -11.87*** | -18.60*** | -11.50*** | -17.63*** | -9.58*** | -16.98*** | -17.83*** |
| | (3.288) | (3.411) | (3.337) | (3.454) | (3.374) | (3.470) | (3.539) |
| <i>N</i> | 27,694 | 27,694 | 27,694 | 27,694 | 27,694 | 27,694 | 27,694 |

Robust standard errors in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 4. Results of the Tobit Effects Analysis for EGS Overall Score

| | CORPORATE SOCIAL RESPONSIBILITY | | | | | | |
|--|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Model 8 | Model 9 | Model 10 | Model 11 | Model 12 | Model 13 | Model 14 |
| Formal political institutions | | | | | | | |
| <i>Electoral process pluralism</i> | | 0.723*** (0.092) | | | | | 0.697*** (0.123) |
| <i>Functioning of government</i> | | | -0.048 (0.104) | | | | -0.465*** (0.129) |
| <i>Civil liberties</i> | | | | 0.818*** (0.110) | | | 0.350** (0.142) |
| Informal political institutions | | | | | | | |
| <i>Political culture</i> | | | | | -0.203*** (0.068) | | -0.143* (0.078) |
| <i>Political participation</i> | | | | | | 0.794*** (0.096) | 0.349*** (0.118) |
| Control variables | | | | | | | |
| <i>Firm size</i> | 2.289*** (0.088) | 2.366*** (0.089) | 2.286*** (0.089) | 2.328*** (0.088) | 2.256*** (0.089) | 2.310*** (0.088) | 2.342*** (0.089) |
| <i>Firm leverage</i> | -0.000** (0.000) | -0.000** (0.000) | -0.000** (0.000) | -0.000** (0.000) | -0.000** (0.000) | -0.000** (0.000) | -0.000** (0.000) |
| <i>Firm performance</i> | 0.003 (0.005) | 0.004 (0.005) | 0.003 (0.005) | 0.004 (0.005) | 0.003 (0.005) | 0.003 (0.005) | 0.003 (0.005) |
| <i>Firm age</i> | 3.209*** (0.248) | 3.107*** (0.248) | 3.212*** (0.248) | 3.130*** (0.248) | 3.206*** (0.248) | 3.200*** (0.247) | 3.107*** (0.248) |
| <i>GDP per capita</i> | 0.000*** (0.000) | 0.000*** (0.000) | 0.000*** (0.000) | 0.000*** (0.000) | 0.000*** (0.000) | 0.000*** (0.000) | 0.000*** (0.000) |
| <i>GDP growth</i> | -0.075*** (0.025) | -0.056** (0.025) | -0.074*** (0.025) | -0.094*** (0.025) | -0.082*** (0.025) | -0.076*** (0.025) | -0.062** (0.026) |
| <i>Year</i> | YES | YES | YES | YES | YES | YES | YES |
| <i>Sector</i> | YES | YES | YES | YES | YES | YES | YES |
| <i>_cons</i> | -11.90*** (2.476) | -18.64*** (2.608) | -11.53*** (2.607) | -17.68*** (2.589) | -9.60*** (2.594) | -16.99*** (2.538) | -17.85*** (2.757) |
| <i>sigma_u</i> | 17.170*** (0.195) | 17.043*** (0.194) | 17.173*** (0.195) | 17.100*** (0.194) | 17.187*** (0.195) | 17.038*** (0.194) | 17.003*** (0.193) |
| <i>sigma_e</i> | 6.752*** (0.031) | 6.752*** (0.031) | 6.752*** (0.031) | 6.749*** (0.031) | 6.750*** (0.031) | 6.751*** (0.031) | 6.746*** (0.031) |
| <i>N</i> | 27,694 | 27,694 | 27,694 | 27,694 | 27,694 | 27,694 | 27,694 |

Robust standard errors in parentheses * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 5. Multilevel Mixed-Effects Regression Analysis

| | CORPORATE SOCIAL RESPONSIBILITY | | | | | |
|--|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Model A | Model B | Model C | Model D | Model E | Model F |
| Firm-level variables (level 1) | | | | | | |
| <i>Firm size</i> | 5.649*** (0.483) | 5.648*** (0.483) | 5.647*** (0.482) | 5.648*** (0.483) | 5.647*** (0.482) | 5.647*** (0.483) |
| <i>Firm leverage</i> | -0.001*** (0.000) | -0.001*** (0.000) | -0.001*** (0.000) | -0.001*** (0.000) | -0.001*** (0.000) | -0.001*** (0.000) |
| <i>Firm performance</i> | 0.082*** (0.028) | 0.082*** (0.028) | 0.082*** (0.028) | 0.082*** (0.028) | 0.082*** (0.028) | 0.082*** (0.028) |
| <i>Firm age</i> | 2.733*** (0.559) | 2.733*** (0.559) | 2.733*** (0.559) | 2.731*** (0.559) | 2.734*** (0.559) | 2.732*** (0.559) |
| Country-level variables (level 2) | | | | | | |
| <i>GDP per capita</i> | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) | 0.000 (0.000) |
| <i>GDP growth</i> | -0.056 (0.048) | -0.067 (0.051) | -0.104** (0.047) | -0.074 (0.053) | -0.070 (0.049) | -0.077 (0.048) |
| <i>Year</i> | YES | YES | YES | YES | YES | YES |
| <i>Sector</i> | YES | YES | YES | YES | YES | YES |
| Formal political institutions | | | | | | |
| <i>Electoral process pluralism</i> | 0.736** (0.374) | | | | | 0.750* (0.413) |
| <i>Functioning of government</i> | | -0.090 (0.347) | | | | -0.316 (0.390) |
| <i>Civil liberties</i> | | | 0.878** (0.365) | | | 0.650* (0.389) |
| Informal political institutions | | | | | | |
| <i>Political culture</i> | | | | -0.225 (0.172) | | -0.141 (0.236) |
| <i>Political participation</i> | | | | | 0.463* (0.278) | 0.052 (0.378) |
| _cons | -94.055*** (11.775) | -87.023*** (11.432) | -93.657*** (11.678) | -85.681*** (11.165) | -90.449*** (11.499) | -95.093*** (12.966) |
| <hr/> | | | | | | |
| lnsl_1_1 | | | | | | |
| _cons | 2.642*** (0.144) | 2.685*** (0.135) | 2.647*** (0.139) | 2.701*** (0.134) | 2.677*** (0.135) | 2.647*** (0.145) |
| <hr/> | | | | | | |
| Insig_e | | | | | | |
| _cons | 2.756*** (0.030) | 2.756*** (0.030) | 2.756*** (0.030) | 2.756*** (0.030) | 2.756*** (0.030) | 2.756*** (0.030) |
| <hr/> | | | | | | |
| Obs. | 26,832 | 26,832 | 26,832 | 26,832 | 26,832 | 26,832 |
| Log-likelihood | -112133.3 | -112135.80 | -112132.59 | -112135.02 | -112134.06 | -112129.97 |

Standard errors (clustered by country) are in parentheses, * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Note: Countries excluded: Vietnam (6), Zimbabwe (6), Jordan (7), Kazakhstan (7), Kenya (7), Malta (7), Mauritius (7), Panama (7), Sri Lanka (7), Ukraine (7), Cyprus (12), Czech Republic (14), Morocco (21), Peru (21), Bahrain (24), Hungary (35), Oman (42), Portugal (49), Egypt (58), the United Arab Emirates (60), Argentina (70), Colombia (70), Kuwait (70), Saudi Arabia (78), Luxembourg (81), and Qatar (89).

APPENDIX A

Table A. Composition of the sample

| Country | Observations | Country | Observations | Country | Observations |
|----------------|---------------------|----------------------------|---------------------|--------------------------|---------------------|
| Argentina | 70 | Indonesia | 259 | Peru | 21 |
| Australia | 1,818 | Ireland; Republic of | 209 | Philippines | 173 |
| Austria | 109 | Israel | 110 | Poland | 180 |
| Bahrain | 24 | Italy | 233 | Portugal | 49 |
| Belgium | 164 | Japan | 2,753 | Qatar | 89 |
| Brazil | 480 | Jordan | 7 | Russia | 212 |
| Canada | 1,498 | Kazakhstan | 7 | Saudi Arabia | 78 |
| Chile | 157 | Kenya | 7 | Singapore | 266 |
| China | 1,042 | Korea; Republic (S. Korea) | 812 | South Africa | 726 |
| Colombia | 70 | Kuwait | 70 | Spain | 268 |
| Cyprus | 12 | Luxembourg | 81 | Sri Lanka | 7 |
| Czech Republic | 14 | Malaysia | 335 | Sweden | 412 |
| Denmark | 173 | Malta | 7 | Switzerland | 463 |
| Egypt | 58 | Mauritius | 7 | Thailand | 221 |
| Finland | 158 | Mexico | 223 | Turkey | 182 |
| France | 559 | Morocco | 21 | Ukraine | 7 |
| Germany | 564 | Netherlands | 212 | United Arab Emirates | 60 |
| Greece | 111 | New Zealand | 315 | United Kingdom | 1,892 |
| Hong Kong | 736 | Norway | 126 | United States of America | 8,018 |
| Hungary | 35 | Oman | 42 | Vietnam | 6 |
| India | 663 | Panama | 7 | Zimbabwe | 6 |

Table B. Items comprising the independent variables¹

| I. Electoral process and pluralism | II. Functioning of government | III. Civil liberties | IV. Political culture | V. Political participation |
|---|--|--|--|--|
| <p>1. Are elections for the national legislature and head of government free?</p> <p>2. Are elections for the national legislature and head of government fair?</p> <p>3. Are municipal elections both free and fair?</p> <p>4. Is there universal suffrage for all adults? Bar generally accepted exclusions (for example, non-nationals; criminals; members of armed forces in some countries).</p> <p>5. Can citizens cast their vote free of significant threats to their security from state or non-state bodies?</p> <p>6. Do laws provide for broadly equal campaigning opportunities?</p> <p>7. Is the process of financing political parties transparent and generally accepted?</p> | <p>1. Do freely elected representatives determine government policy?</p> <p>2. Is the legislature the supreme political body, with a clear supremacy over other branches of government?</p> <p>3. Is there an effective system of checks and balances on the exercise of government authority?</p> <p>4. Government is free of undue influence by the military or the security services.</p> <p>5. Foreign powers and organizations do not determine important government functions or policies.</p> <p>6. Do special economic, religious or other powerful domestic groups exercise significant political power, parallel to democratic institutions?</p> | <p>1. Is there a free electronic media?</p> <p>2. Is there a free print media?</p> <p>3. Is there freedom of expression and protest (bar only generally accepted restrictions, such as banning advocacy of violence)?</p> <p>4. Is media coverage robust? Is there open and free discussion of public issues, with a reasonable diversity of opinions?</p> <p>5. Are there political restrictions on access to the Internet?</p> <p>6. Are citizens free to form professional organizations and trade unions?</p> <p>7. Do institutions provide citizens with the opportunity to petition government to redress grievances?</p> <p>8. The use of torture by the state.</p> | <p>1. Is there a sufficient degree of societal consensus and cohesion to underpin a stable, functioning democracy?</p> <p>2. Perceptions of leadership; proportion of the population that desires a strong leader who bypasses parliament and elections*.</p> <p>3. Perceptions of military rule; proportion of the population that would prefer military rule*.</p> <p>4. Perceptions of rule by experts or technocratic government; proportion of the population that would prefer rule by experts or technocrats*.</p> <p>5. Perception of democracy and public order; proportion of the population that believes that democracies are not good at maintaining public order*.</p> <p>6. Perception of democracy and the economic system; proportion of the population that believes</p> | <p>1. Voter participation/turn-out for national elections. (Average turnout in parliamentary elections since 2000. Turnout as proportion of population of voting age.)</p> <p>2. Do ethnic, religious and other minorities have a reasonable degree of autonomy and voice in the political process?</p> <p>3. Women in parliament. % of members of parliament who are women.</p> <p>4. Extent of political participation. Membership of political parties and political non-governmental organizations.</p> <p>5. Citizens' engagement* with politics*.</p> <p>6. The preparedness of population to take part in lawful demonstrations*.</p> <p>7. Adult literacy.</p> |

| | | | | |
|--|--|--|--|--|
| <p>8. Following elections, are the constitutional mechanisms for the orderly transfer of power from one government to another clear, established and accepted?</p> <p>9. Are citizens free to form political parties that are independent of the government?</p> <p>10. Do opposition parties have a realistic prospect of achieving government?</p> <p>11. Is potential access to public office open to all citizens?</p> <p>12. Are citizens allowed to form political and civic organizations, free of state interference and surveillance?</p> | <p>7. Are sufficient mechanisms and institutions in place for ensuring government accountability to the electorate in between elections?</p> <p>8. Does the government's authority extend over the full territory of the country?</p> <p>9. Is the functioning of government open and transparent, with sufficient public access to information?</p> <p>10. How pervasive is corruption?</p> <p>11. Is the civil service willing to and capable of implementing government policy?</p> <p>12. Popular perceptions of the extent to which citizens have free choice and control over their lives*.</p> <p>13. Public confidence in government*.</p> <p>14. Public confidence in political parties*.</p> | <p>9. The degree to which the judiciary is independent of government influence. Consider the views of international legal and judicial watchdogs. Have the courts ever issued an important judgement against the government, or a senior government official?</p> <p>10. The degree of religious tolerance and freedom of religious expression. Are all religions permitted to operate freely, or are some restricted? Is the right to worship permitted both publicly and privately? Do some religious groups feel intimidated by others, even if the law requires equality and protection?</p> <p>11. The degree to which citizens are treated equally under the law. Consider whether favored groups or individuals are spared prosecution under the law.</p> <p>12. Do citizens enjoy basic security?</p> <p>13. Extent to which private property rights are protected and private business is free from undue</p> | <p>that democracy benefits economic performance*.</p> <p>7. Degree of popular support for democracy*.</p> <p>8. There is a strong tradition of the separation of Church and State.</p> | <p>8. Extent to which adult population shows an interest in and follows politics in the news*.</p> <p>9. The authorities make a serious effort to promote political participation.</p> |
|--|--|--|--|--|

| | | | | |
|--|--|---|--|--|
| | | <p>government influence</p> <p>14. Extent to which citizens enjoy personal freedoms. Consider gender equality, right to travel, choice of work and study.</p> <p>15. Popular perceptions on protection of human rights; proportion of the population that think that basic human rights are well-protected*.</p> <p>16. There is no significant discrimination on the basis of people's race, color or religious beliefs.</p> <p>17. Extent to which the government invokes new risks and threats as an excuse for curbing civil liberties.</p> | | |
|--|--|---|--|--|

¹ The five dimensions of the Democracy Index corresponding to the five independent variables use a mixed scoring system comprising dichotomous (0 or 1) and three-point scales (0, 0.5, and 1), depending on the item. For some items, the binary approach offers simplicity and facilitates cross-national comparability. However, the introduction of an intermediate score of 0.5, addresses ambiguities or “grey areas,” where a strict yes/no classification is not sufficient. For instance, national elections may be formally free but constrained in practice (the score for this item would be 1: essentially unrestricted conditions for the presentation of candidates (for example, no bans on major parties); 0.5: there are some restrictions on the electoral process; 0: a single-party system or major impediments exist (for example, bans on a major party or candidate]). The final scores for each of the five variables are averaged and normalized on a 0–10 scale, with higher values indicating greater democratic quality. Scores between 8 and 10 correspond to full democracies, while scores below 4 represent authoritarian regimes.

* For these items, the Democracy Index uses data for the respective country from the World Values Survey when available.

ⁱ See the Appendix A (Table A) for more information on the composition of the sample in terms of countries and observations from each country.

ⁱⁱ See the Appendix A (Table B) for a detailed description of the Democracy Index measurement items.

ⁱⁱⁱ To preserve the representativeness of the full cross-country sample, the multilevel model was not used as the main estimation approach, as this specification requires excluding countries with limited firm-year observations.