Socio- political and economic influences on consumers' willingness to punish irresponsible corporate behaviour across 30 countries

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Abstract

This paper explores the relationship between consumer behaviour, corporate social responsibility (CSR) and a set of socio-political and economic factors using a sample of nearly 90,000 stakeholders drawn from 30 countries over the period 2000-2003. We develop a set of hypotheses relating consumers’ willingness to punish poor CSR to a number of economic, social and political indicators. Our results show that globalisation, free markets and the development of liberal citizenship rights increase the willingness and ability of consumers to regulate firm behaviour and to punish bad CSR. However we find very limited evidence that government involvement makes much of a difference. Paradoxically, these market oriented implications contradict the Friedman (1970) view since they suggest that when exposed to market pressures and, “free-to-choose,” consumers firms have to pay more attention to social concerns not less as implied by the, “shareholder-only,” view. The observation that consumer attitudes to CSR depend on social and institutional differences between countries has implications for our understanding of CSR and for the development and assessment of theoretical models of CSR in different contexts. Further our results provide insights into how CSR strategies might be designed by multinational firms and addressed by NGOs and for how government policy in this area should be devised and implemented.

Keywords:

Corporate Social Responsibility, Socio-Political Factors, Markets, Governments, Globalization, Business Strategy

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1. Introduction

The social role and responsibility of business has been the subject of debate for decades and in the last ten years or so, Corporate Social Responsibility (CSR) has been one of the most important areas of focus in management research from both the academic and the practitioner viewpoints.

The vast literature on CSR (see Garriga and Mele 2001 for a comprehensive survey) is characterised by huge diversity in the approaches and theoretical frameworks used to understand the concept. These can be classified broadly into (1) *institutional and instrumentalist models* which consider CSR as a set of institutional constraints which profit maximizing firms have to accommodate or circumvent (Freidman 1970, Hart 1995, Porter and Kramer 2000); (2) *socio-political models* which view CSR as part of the function of firms' action as social organisations or actors in the political realm (Davis 1960, 1967, Donaldson and Dunfee 1994, Rodewald 1987, Matten and Crane 2005); (3) *social demands models* in which CSR is a mechanism allowing firms to accommodate stakeholder interests and develop social as well as business legitimation (Ackerman 1975, Sethi 1975, Jones 1980, Carroll 1979. 1998, 1999, Maignon and Ferrell 2000, 2001) or; (4) *ethical models* in which CSR is a recognition of the fiduciary responsibilities or firms or is a way in which managers can integrate their own ethics into their business processes (Freeman, 1984, 1994, Donaldson and Preston 1995, Karpakin 1999, Mele 2002, Pava 1998).

There is also growing recognition that CSR is highly contextual not only in terms of corporate environment but also its national environment (Moon 2003, Chambers et al 2003, Maignon and Ralston 2002). The challenge this poses to managers of multinational organizations with respect to corporate environmental and social responsibility has been studied in some depth, (Maignan & Ferrell, 2000, 2001, Maignan, Ferrell & Hult, 2000, Graves, McWilliams and Siegel 2002, Smith, 2003 and Egri et al, 2004).

A number of studies have attempted to explain this diversity in terms of culture, drawing on the literature on the impact of cultural determinants on societal values (Hofstede, 1980, Hofstede and Hofstede 2005; Hamdpen-Turner and Trompenaars, 1993, 2000; Schwartz, 1994; Smith, Dugan and Trompenaars, 1996; Sen, 1999) and the effect this has on CSR as practised in different countries (Katz, Swanson and Nelson, 2001, Williams and Zinkin 2005). However there have been fewer studies on ethical sensitivity and unethical business practices (Collins, 2000). Other approaches have identified religion as a potential cause of divergent contexts (Brammer, Williams and Zinkin 2005).

However most of these studies tend to be vitiated by the fact that they focus on surveys of particular stakeholders, mostly managers or student populations. Also, they tend to focus on single cultures or on comparisons of similar cultures (see Maignon and Ralson 2002, Maignon and Ferrell 2000, 2001 or Brammer et al 2005, Egri 2004 and Williams and Zinkin 2005 for exceptions)

Alternatively some studies look at single potential causes for this diversity such as globalisation and FDI noting that even though globalisation is not new and economies were perhaps more interdependent before the First World War than they are now (Cable, 1999), companies find it easier to practice globalisation as a result of the death of time and distance (Talalay, 1999). This, combined with the McDonaldization of work processes to make them uniform, measurable and impervious to behavioural variation (Stevenson, 1999) has led to the view that globalization and the industrialization that is associated with it are reducing the differences between countries and the ways of doing business (Barnet and Cavanaugh, 1994), as firms increasingly have to operate to one universal set of standards. These standards have been incorporated into the nine principles of UN Global Compact launched in 2000, with a tenth principle relating to the avoidance of corruption added in 2004 (UN Global Compact[1]).

The presumption is therefore that people are increasingly held to and willing to be held to one set of standards. This in turn assumes that people have sufficiently similar values and beliefs so that they are willing to be measured in the similar ways across the globe. When translated into Environmental, Health and Safety (EHS) behaviour, a strong case has been made in a survey by Cap Gemini Ernst & Young of Global 500 executives that CSR of this type should not just be regarded as a cost of doing business, but instead as a proxy for good management and as a driver of shareholder value that is increasingly recognised by the investing community worldwide (Global Environmental Management Initiative, 2004). This is reinforced by another survey of fund managers and analysts (CSR Europe, Deloitte and Euronext, 2003), and by the argument that ultimately successful firms depend on a vibrant economy, which in turn depends on a healthy civil society and a sustainable planet (The Global Compact: Financial Sector Initiative, 2004).

Other approaches have been based on citizenship and the role of the state, (Matten and Crane 2005). Many noting that the retreat of the State from activities that used to be undertaken by governments as a result of deregulation and privatization has raised the visibility of firms, in particular those that operate across borders (Ronit and Schnieder 1999, Zinkin, 2000a, Hetz 2001). This has led to an apparent disempowerment of governments as they become exposed to actions originating outside their territorial control (Beck, 1998; Martin & Schumann, 1997) and in turn has often required new strategies and policies on their part (Moon 2004).

Work has also been done linking economic indicators and cultural values to levels of corruption (Husted 1999; Getz and Volkema, 2001) but these studies did not look at cross-cultural differences in perceptions of individuals of the importance of CSR and again most of these studies mostly use single countries. Their focus on single causes limits their potential to pick up the multidimensional aspects of CSR in different contexts.

In this paper we focus on the regulatory dimension of stakeholder behaviour as a potential explanation for the diversity of CSR experiences by examining the propensity of consumers, including those who are also shareholders and employees in large companies, to punish firms for socially irresponsible behaviour. In the past the influence of consumers has been viewed as relatively limited (Dierkes, and Coppock 1973) but more recent research suggests that this role is potentially very important (Mohr et al 2001, Sen and Bhattacharya 2001) especially where privatisation and liberalisation has reduced the impact of government (Hertz 2001, Moon 2004).

Consumer decision making in the context of CSR is often viewed as a process involving several stages, for example, Rest's (1986) framework suggests that ethical decisions are composed of; (1) issue recognition; (2) ethical decision or judgement; (3) intention to act, and finally; (4) actual market behaviour (Rest, 1986). The first stage has been widely discussed in the literature on cause related marketing, (Varadarajan and Menon (1988), Holt, Quelch and Taylor, (2004)) and there is some evidence that consumer recognition of CSR can be high and is increasing over time, for example Ross, Stutts and Patterson (1990-1) suggest that recognition in the US was around 53% by the late 1980s and Webb and Mohr (1998) show it was around 79% by the end of the 1990s.

A number of studies show that there is a positive relationship between CSR, consumer attitudes and their behaviour towards companies (Brown and Dacin 1997, Creyer and Ross 1997, Ellen, Mohr and Webb 2000). Mohr et al. (2001) using US surveys found that the more consumers view their purchases as influential on firm behaviour, the more likely they are to use their buying power to influence CSR (Socially Responsible Consumer Behaviour (SRCB)). They also found that the higher the level of consumer awareness of CSR and of the CSR performance of companies the more likely they are to practice SRCB. They find that consumers are more likely to boycott or punish bad companies than they are to support good companies but there is some evidence of inconsistency between attitudes and behaviours. Sen and Bhattacharya (2001) using surveys of MBA students, also found consumer reactions to be more sensitive to negative CSR than to positive CSR and that the influence on buying intentions is both direct and indirect with some effects actually being negative, that is some CSR activities puts consumers off some companies.

We make three main contributions. First we look at the socio-political factors that might or might not predispose consumers to penalise companies for perceived irresponsible behaviour and develop hypotheses related to the following research questions: To what extent will greater economic development in terms of economic freedom, wealth or human development affect the likelihood of punishment? Does the deployment of people measured in terms of their participation in the workforce affect this propensity? Does the age distribution of a population make a difference to its willingness to punish? Does the openness of the economy in terms of foreign direct investment and trade as a percentage of GDP have an effect on how consumers act? Does the political system measured in terms of the percentage of the economy in government hands, the political freedom index, the freedom of the press, the civil liberties index and the levels of inequality have an impact? To what extent will the presence of corruption affect the incidence of punishment? Finally, we look at the environmental aspects and use the measure of metric tonnes of CO_2 per capita as an indicator of sensitisation to environmental issues.

Second, we make an empirical contribution based on a large representative survey of more than 90,000 consumers across 30 countries over four years, 2000-2003, which is published annually as the *GlobeScan CSR Monitor* and was first published as the *Environics Millennium Poll* in 2000.[2] This allows us to shed light on variations in the consumer environment in which CSR managers must operate and so in turn offers some insights as to how CSR practices might be adjusted from country to country in response to differing economic, social and political factors.

Finally we suggest ways in which our results can be used to influence our understanding of the theoretical models in which CSR is analysed and also the implications for CSR managers and business strategies across multi-country, multi-context scenarios.

The paper is organised as follows; in the next section we develop a set of fifteen hypotheses relating consumer behaviour in response to CSR to the economic and socio-political environment in which they live. Section 3 discusses our data set and our empirical methodology. Our results are described in Section 4 and we finish with a discussion of our conclusions, highlighting some of the implications for multinational businesses.

2. Hypotheses

Our hypotheses stem from a general premise, that by and large the more economically developed a country is and the greater its social and political freedom, the greater the choices available to its population acting as consumers who could take action to regulate, “irresponsible” companies through punishing them in the market place.

We can conceptualise this idea within the context of a, “Stages of Growth” model (for example Rostow, 1960, Mendelson, 1970), in which attitudes and behaviours towards firms by all stakeholders may be affected by the stage of economic, political and social development. Thus in the Mendelson model, for example, “Stage One: Nation-Building,” suggests that the political development of the country takes priority over other considerations so that there may be little room for CSR. In “Stage Two: Industrialisation,” the need to accumulate capital is paramount leading to poor workers’ rights and little regard for the environment (Mendelson, 1970; Auerbach, 1959). In “Stage Three: The Welfare State,” the move away from the primacy of capital accumulation redresses the balance in terms of responsible behaviour towards stakeholders other than investors or owners of capital.[3]

It follows that the structure of the economy in terms of economic freedom, income, inequality and the level and form of government involvement will affect the behaviour of agents within the economy. We examine stage two directly by looking at whether the proportion of the workforce employed in industry and the proportion of the population actively engaged in economic activity has an effect on enhancing or hindering the propensity of consumers to punish poor CSR.

A closely related issue is that of the openness of the economy, which often also evolves in stages of development. Models of internationalisation (for example the Uppsala models, Johanson and Vahle 1977, 2003, Johanson and Matteson 1988) suggest that firms focus on their domestic market first, then on export markets and finally develop overseas operations through FDI, joint ventures and strategic partnerships (Vernon, 1960, Buckley and Casson 1985, Dunning, 1988, 1993). This may have implications for their CSR strategy because of the need to adhere to global standards in production, supply chains and marketing (Holt, Quelch and Taylor 2004). Second, we also looked at the openness of the economy to trade as another indicator of consumers' freedom to act, since open economies are likely to offer more choices than closed ones and therefore where choice plays a part in the willingness to punish we might expect a relationship between the openness of the economy, defined in terms of foreign direct investment and the proportion of the GNP in foreign trade and the willingness or otherwise to punish irresponsible behaviour.

We also consider a set of socio-political determinants of the freedom of consumers to act against firms. These include the political freedom and civil liberties indices, the proportion of the economy in government hands and the level of inequality, recognising the possible importance of Hofstede's Power Distance in determining how society responds to authority and CSR (Katz et al 2001, Williams and Zinkin 2005). In addition we examined the freedom of the press and internet usage, which are essential ingredients in CSR reporting (Guthrie and Parker 1990, Esrock and Leichty 1998) and the effectiveness of whistle-blowing in the arsenal of "civil society" for exposing "irresponsible" behaviour (Crane and Livesey 2002), most particularly in the areas of the abuse of human rights and environmental pollution (Roberts 1991, Gray, Kouchy and Lavers 1995, Williams 1999, Patton 2002). Taken together these comprise the elements of liberal citizenship which include civil, social and political rights (Marshall 1965). Finally we looked at the impact of corruption.

Given this general background we developed a series of specific hypotheses which we grouped into four categories according to; (1) the structure and nature of the economy; (2) the openness of the economy; (3) political and media freedom and (4) the impact of existing levels of corruption and pollution. These are summarised in Table 1 and discussed in greater detail below.

< TABLE 1 HERE >

2.1 Effects of the structure and nature of the economy:

We begin by looking at the basic structure of the economy that is, whether it is a free market, a mixed economy or a highly regulated economy. The extent to which an economy is free depends on a range of institutional, legal and political factors which include *inter alia* the level and scope of government intervention, the extent of regulation of the market, restrictions on bank lending and other financial instruments, restrictions on ownership of firms and the legal defence of property rights.[4] Economic freedom is often reflected in a wider range of choices customers have in buying from suppliers, thereby giving them the real option of withdrawing their custom. In countries which are highly regulated the range of options available to consumers is often restricted or even monopolised by state owned or state licensed firms. This implies that consumers are more likely to change their spending behaviour in free economies than in regulated economies in response to actual or perceived poor CSR on the part of firms and this leads to our first hypothesis: -

> *H1: Greater economic freedom will increase the incidence of punishment of irresponsible behaviour*

Our second hypothesis is related to the first but notes that economic freedom will only be effective in practice if consumers have the resources to exercise their options to punish bad CSR or not. If alternative products or services are available but are more expensive then the propensity to punish firms for bad CSR may be income constrained, especially if there are also switching, transactions or other sunk costs associated with the change in buying pattern. We would therefore expect that where incomes are lower, the incidence of punishment will be lower and our second hypothesis is therefore:-

> *H2: Higher incomes will increase the incidence of punishment of irresponsible behaviour*

A closely related concept is the distribution of income, which can be measured by the GINI Inequality index. We hypothesise that where income is concentrated in the hands of a small proportion of the population the incidence of punishment will be lower since fewer people will have the resources to exercise their alternative consumption options. Whereas, if income is distributed more evenly, a greater proportion of the population will have access to the resources necessary to switch consumption patterns in response to bad CSR and so punishment will be higher. Also, the link between income inequality and Hofstede's (1980) Power Distance concept has been shown to have implications for consumer attitudes toward CSR in that greater Power Distance appears to reduce consumers' willingness to punish firms (Katz et al. (2001), Williams and Zinkin (2005)). Together with our earlier observations this gives us our third hypothesis: -

H3: Greater income inequality will reduce the incidence of punishment of bad CSR

The process of industrialisation is one which has some of the most significant effects on the nature of an economy (Landes (1969)) and there are a number of ways in which this might impact the willingness of consumers to punish bad CSR. For example, consumers who are employed in the industrial workforce may be less likely to punish firms since they depend on them for a living and therefore a country with a high percentage of the population in the industrial workforce may exhibit a lower willingness to punish irresponsible behaviour. Alternatively, industrialisation is often also associated with unionisation and increased collective action on the part of workers whereas, in agricultural economies, for example, the workforce is often less well organised (Singh and Nirvikar (2003), Singh and Zammit (2004)). As a consequence we might expect that in countries with high industrial employment, poor CSR especially related to health and safety for example, will be regulated in the workplace rather than by consumers directly in the market and so the number reporting having punished firms will be lower. Industrialisation also often brings with it new technologies and global standards which help to improve the quality of domestic production, whether FDI related or not and this again may reduce the incidence of punishment. Taken together these considerations suggest our fourth hypothesis: -

H4: The propensity to punish firms will fall as the proportion of the workforce in industrial employment rises

Economic participation is also determined by the dependency ratio, that is, the proportion of the population who are not active in the workforce because they are too young or are retired. We hypothesise that a higher dependency ratio will increase the incidence of punishing since if it is due to large young populations, for example, consumers are likely to be more actively informed about bad CSR and its implications. Indirect evidence for this comes from age profiles of socially responsible investors who tend to be younger than conventional investors (Tippet and Leung 2001). In addition, because by definition the dependent population are not active in the workforce they are less able to use collective action in the workplace to address CSR concerns. Finally, the spending behaviour of consumers in this group is likely to be different to that in the economically active cohort since they have more time and lower opportunity cost to search for alternative options and they might be more willing and more able to forgo spending altogether since a greater proportion of their spending, especially amongst the young, is discretionary. It is also the case that they are more likely to be income constrained especially those in the young cohort in developing countries.This leads us to our fifth hypothesis: -

H5: Countries with a lower proportion of the population dependent on work – i.e. with a higher proportion of young and old in the population make-up - will exhibit a higher willingness to punish irresponsible behaviour

Companies' policy and attitudes to CSR are often influenced by the institutional regime established by the Government (Moon 2004), which in turn has direct and indirect implications for consumer behaviour. For example, big government is often associated with regulation especially for example in Europe and so punishment of firms by consumers is less necessary since it is delegated to authorities. Alternatively, even if regulation and enforcement is relatively undeveloped, as in say China or India, big government may be associated with crowding out of competition and state owned monopolies may reduce consumer options so that punishment will be lower. On the other hand, if countries have small governments with less active involvement in the economy, consumers will have to take on more of the responsibility to regulate poor CSR (Hertz 2001) and so the incidence of reported punishment will be higher. This leads to our sixth hypothesis: -

H6: Consumers in countries with higher government involvement in their economies are less likely to punish irresponsible behaviour

The ability of consumers to exercise their buying options in the market place is also dependent on the level of human development within an economy. The United Nations Human Development Index (HDI) provides a measure of this by looking at life expectancy, access to education and knowledge, access to the resources needed to live a decent standard of living and ability to participate actively in the life of the community (UNDP 2005). In the context of our discussion, human development and a high HDI indicate greater consumer empowerment which we hypothesise leads to a higher propensity to punish: -

H7: Higher levels of human development will increase the propensity to punish irresponsible behaviour

2.2 Effects of the economic openness of the economy

The ongoing debate about the impact of globalisation (Stanley, 1990, Stiglitz, 2002, Bhagwati 2004, Wolf 2004) also has implications for consumer regulation of bad CSR. One side of the debate argues that globalisation leads to poorer CSR if multinationals seek to exploit lower standards and weaker government regulation in less developed economies, of which there are many alleged cases including Shell, Nestle, Nike and others. An alternative view is that, foreign direct investment (FDI) transfers higher global standards across countries and is associated with modernisation and better use of capital. Where FDI provides new technologies and business models it may bring with it better environmental outcomes, better health and safety for workers and higher productivity which allows greater scope for CSR responsiveness on the part of firms. We test this view by proposing the following hypothesis: -

H8: Greater foreign direct investment FDI will reduce the propensity to punish irresponsible behaviour

A related issue is that of international trade, in which many of the arguments are similar. On the one hand, firms operating in their home country where CSR practices are poorer can exploit cost advantages which help them to build market share in exported goods, an example being China's exports of finished clothing and footwear to the US and the EU. Also, for multinationals and companies reliant on traded inputs in their supply chain, issues of poor CSR can also affect their relationship with consumers even if they themselves practice good CSR in their own operations. This will lead to greater punishment, especially if greater trade brings with it wider choice for consumers in their consumption options. Our trade hypothesis is therefore: -

H9: A higher dependency on trade will increase the propensity to punish irresponsible behaviour

2.3 Effects of media and political freedom

Access to information about the social performance of companies is a key element in stakeholder recognition of CSR and their subsequent behaviour towards firms (Mohr et al 2001, Crane and Livesey 2002). A number of media are used by firms to publicise their CSR performance (Zeghal and Ahmed 1990) amongst which the Internet is of increasing importance (Esrock and Leichty 1998, Williams and Ho 1999, Coupland 2003, Coupland and Brown 2004, Chapple et al 2005).[5] Traditional media provide a mechanism by which CSR can be both reported and scrutinised by investigative journalists. This is also true of the web which gives better and freer exchange of information from international sources and in addition offers greater scope for consumers to change their behaviour by allowing access to alternative web-based suppliers at low transactions costs. By contrast, where the media is regulated and censored, poor CSR may go unreported and so consumer recognition and therefore their propensity to punish will be lower. Given these observations, we propose two hypotheses on media freedom: -

H10: Greater access to the Internet will increase the propensity to punish irresponsible behaviour

H11: Greater press freedom will increase the propensity to punish irresponsible behaviour

The ability of consumers to influence firm behaviour is very closely linked to the concept of, "citizenship" (Matten and Crane 2005) which in most modern, liberal societies is defined as the set of individual rights (Faulks 2000, p55-82) in the realms of civil, social and political rights (Marshall 1965). Greater civil and political freedoms allow the development of private means of regulation or of opportunities to influence government regulation regimes, particularly in the areas of human rights and environmental abuses. This in turn increases the power of stakeholders, especially consumers, and leads to a more developed and active role for, "civil society," in the regulation and governance of business activity (Donaldson and Preston 1995, Ronit and Schneider 1999, Scherer and Smid 2000, Hertz 2001). This leads to the following two hypotheses: -

H12: Greater political freedom will lead to a greater propensity to punish irresponsible behaviour

H13: Restrictions on civil liberties will reduce the propensity to punish irresponsible behaviour

2.4 Effects of the levels of corruption and pollution

Our penultimate hypothesis addresses the issue of whether the actions of consumers are likely to be effective in regulating the behaviour of companies at all. In countries where corruption is typical the market mechanism and the behaviour of firms may well be distorted by corrupt practices, either by the firms themselves or by the relationship between firms and authorities (Schiefer and Vishny 1993, Treisman (2000), Jain (2001a,b)). There is also empirical evidence which suggests that there is a significant empirical relationship between the level of corruption in a society and corporate values, (Lee and Ng 2002). There are at least two ways of interpreting the impact this may have on consumer behaviour. First consumers may be more willing to use their buying power to regulate firms since formal regulation by governments and their agents may be ineffective. Or, second, consumers may be less inclined to punish firms since they may believe that any attempts by them to regulate the behaviour of firms will be futile, since the impact on firms' behaviour, revenues and profitability will be minimal due to corruption (Jain 2001a). That is, consumers may be more accepting of bad CSR since it may be perceived as an inevitable consequence of endemic malpractice. Either alternative may be appropriate but we choose the latter, which gives us the following hypothesis:-

H14: In countries ranking high on the corruption index consumers are more likely not to punish irresponsible behaviour

Our final hypothesis relates directly to the impact of firm activity on the environment which is a topical area of CSR focus and one which has arguably been the most frequently highlighted area of bad behaviour by firms. We look at the level of pollution and make a very simple claim: -

H15: In countries with high levels of pollution (measured in terms of CO_2 emissions) consumers are more likely to punish irresponsible behaviour than those that do not

3. Data and methodology

In order to evaluate our propositions we used data from an extensive survey of stakeholder attitudes to CSR, which is published annually by GlobeScan Ltd and first appeared as the *Environics Millennium Poll* in 2000. In each year the survey covers a representative sample of around 1000 respondents in each of a wide selection of countries around the world.

We focus on the willingness of stakeholders to punish companies for socially irresponsible behaviour, which we measure using answers to the following survey question:-

> *"In the past year, have you considered punishing a company you see as not socially responsible by either refusing to buy their products or speaking critically about the company to others? Would you say you have…?*
>
> 1. *Not considered doing this*
> 2. *Considered this but did not actually do it, or*
> 3. *You have actually done this in the past year"*

In total we had 90,606 responses available across thirty countries, from which we took the mean responses for each category, in each country, in each year 2000-2003. The country coverage varies in each of the annual surveys so over the four years and thirty countries we had a sample of 86 observations on the question above. Summary statistics are shown in Table 2, which reveal considerable variation across the sample.

< TABLE 2 HERE >

At first glance, the variation does not appear to be related to obvious factors such as income or regional similarity since, for example, the proportion of respondents who have actually punished firms is high in Australia, Canada and the USA but low in other high-income countries such as Japan and

South Korea. In terms of regions, within Europe actual punishment is high in Great Britain and Germany but relatively low in France and Spain. In Latin America punishment is relatively high in Argentina and Mexico but low in Brazil and Uruguay. We take this as *prima facie* evidence that the variation may be related to a range of other socio-political, economic and cultural (Williams and Zinkin 2005) factors which we described earlier.

We collected secondary data on these factors from a number of sources in the public domain. The data set and data sources are summarised in Table 3. This allowed us to connect average country characteristics across our set of potential explanatory factors with the average responses in the annual surveys. Although individual responses were available, it is not necessarily the case that the country factors that we identify will affect individual respondents in the same way. For example, not everyone is affected by corruption in highly corrupt countries and even in countries where corruption is rare, some people experience it nonetheless. Conducting the analysis at an aggregate level helps us to overcome this objection. Summary statistics for these variables are shown in Table 4

< TABLE 3 AND TABLE 4 HERE >

The empirical method employed three separate OLS regressions of the following form: -

$$\begin{aligned} ACTION_i &= b_0 + b_1 EFI_i + b_2 GDP_i + b_3 GINI_i + b_4 IND_i + b_5 DEP_i \\ &+ b_6 GOV_i + b_7 HDI_i + b_8 FDI_i + b_9 TRADE_i + b_{10} WEB_i \\ &+ b_{11} PRESS_i + b_{12} PRIGHTS_i + b_{13} CLIBS_i + b_{14} CI_i + b_{15} CO2_i \end{aligned} \qquad \textbf{(1)}$$

Where $ACTION_i$ is one of the three outcomes; *PUNISH*, *CONSIDERED* but did not punish or *NOT PUNISH*. We performed a general to specific search for the best specification using restrictions on the general model in Equation **(1)** in which insignificant variables from the encompassing equation are excluded on the basis of statistical tests of their explanatory power. These restrictions were based on Wald tests, which are distributed as $\chi^2(n)$ for n restrictions of jointly zero co-efficient values on those variables that were not individually significant. The restrictions are appropriate if the Wald tests indicate that the new, reduced equation is at least as good or better at explaining the outcome than the larger preceding equation. This allowed us to find well-specified models in which all of the explanatory variables in the restricted or specific form are statistically significant.

4. Results

The OLS regression results are presented in Table 5 and the equation diagnostic statistics are presented in Table 6, these show that the models are well specified and free of anomalies in the residuals. The R^2 values in the specific or reduced form models range from around 0.50 to 0.65 and the F-statistics for the joint significance of the coefficients are all significant at the 1% level. The reductions from the general to the specific models are supported by the Wald-test statistics and in all cases the adjusted R^2 increases following the re-specification. This level of explanatory power is very satisfactory for panel data models of this type.

< TABLE 5 AND TABLE 6 HERE >

A priori, a number of our explanatory variables may be related, for example human development and GDP per capita and this may lead to multicolinearity.[6] The cross-correlation coefficients shown in Table 7 are generally low suggesting that this is unlikely to be a problem in our models.

< TABLE 7 HERE >

A summary of our results compared to our original hypotheses is presented in Table 8. We discuss these below in four groups and then discuss the implications in the following section.

< TABLE 8 HERE >

4.1 Effects of the structure and nature of the economy

Hypothesis 1, that greater economic freedom leads to a greater likelihood of punishment was supported in both the *PUNISH* and *NOT PUNISH* equations. The propensity to punish rises and the propensity to ignore bad behaviour falls as economic freedom rises. This appears to be a distinctive effect since *EFI* is not significant in influencing the propensity to consider but not punish. This is consistent with the argument that the greater economic choices associated with greater economic freedom do in fact allow consumers to take action against companies they perceive to be acting irresponsibly.

Hypothesis 2, that higher incomes per capita will increase the likelihood of punishment and considering punishment was supported, although the GDP variable is not significant in the *NOT PUNISH* case. This may be because in high income countries there is less need to punish, since firms respond quickly to consumer power whilst in low income countries consumers do not punish because their options are income constrained, even though they may have considered doing so. The fact that the hypothesis was supported in the other two cases lends weight to the idea that consumers will punish when they can afford to do so.

Hypothesis 3, on income equality was not supported in any of the three cases. This may be because in high income societies in which inequality is low, such as Sweden or Australia, firms often adopt good CSR practices so the need to punish is lower. In low income countries where inequality is also low most consumers may be income constrained and so do not punish. Whereas in low income countries where inequality is high, the propensity to punish will also be low and this will be similar for high income countries with high inequality. So the level of inequality does not distinguish between the propensities to punish in each of these cases.

Hypothesis 4, that countries with a higher percentage of the workforce in industrial employment are less likely to punish firms is supported, in all three cases. As industrial employment increases the propensity to punish falls and the propensity to consider but not punish or to not punish at all both rise. These are consistent with two interpretations, that consumers who work in industry are dependent on these firms and so are reluctant to cause them harm or that regulation of firm behaviour takes place amongst the workforce rather than at the level of the consumer. This of course depends upon a number of other factors which may be country specific such as the availability of industrial jobs (since scarcity makes workers more dependent) and the level of unionization, for example.

Hypothesis 5 on the dependency ratio is supported in the *PUNISH* case but not in the other two. The propensity to punish rises as the dependency ratio rises which is supportive of this hypothesis and is consistent with the view that the age profile of a population will affect the CSR environment amongst the country's consumer base. Further research would be warranted on this issue to establish whether the greatest impact comes from the younger cohort or from the older cohort and to establish the reasons behind the behaviour of each group. Also it would be useful to investigate whether this result is more significant in developing countries where the age profile is younger, but because of income constraints the option to punish do not really exist.

Hypothesis 6, that countries with a higher level of government involvement are less likely to punish firms was not supported in the *PUNISH* and *NOT PUNISH* but was in the *CONSIDERED* case, where higher government reduced the number reporting that they had thought about poor CSR. This may be consistent with the view that consumers do not look to the government in CSR cases but simply switch their own behaviour. It may also be that the influence of this variable depends upon the type of government regime in each country. For example, countries such as Sweden or the Netherlands have large governments in relative terms but also have good CSR whereas countries such as China and Poland also have large government but less well developed CSR regimes. To some extent we pick up the type of regime in other variables in the equation, such as the political freedom index, *PRIGHTS*.

Hypothesis 7, that countries with a higher level of human development are more likely to punish was not supported. This may well be because most of the countries in our sample are at high and medium levels of development according to the *HDI* and/or that many of the determinants of the *HDI* are picked up in the other variables in the regressions.

4.2 Effects of the openness of the economy

Hypothesis 8, that countries with a higher percentage of foreign direct investment were less likely to punish irresponsible behaviour was supported in the *PUNISH* case but was not significant in the other two cases. This supports the argument that by and large foreign direct investment brings higher standards with it, rather than lower standards, and contradicts the argument that foreign direct investment and its components promote a "Race to the Bottom" (Scherer and Smid 2000, Singh and Zammit 2004).

Hypothesis 9, that countries with a higher percentage of the economy dependent on trade are more likely to punish "irresponsible" behaviour was also supported, which again is supportive of the view that openness to foreign influences and global standards is more likely to improve the quality of business performance than to reduce it (Bhagwati 2004).

4.3 Effects of political openness

Hypothesis 10 that countries with a higher Internet penetration would be more likely to punish irresponsible behaviour because of the ease of access to information provides mixed results. Web access appears to have a small but significant effect in reducing the incidence of both punishing and not punishing, whereas our initial hypothesis was that it would increase punishing and reduce not punishing. One way of interpreting this is that in countries where internet penetration is high companies face stiffer competition and so have a better CSR performance. As a consequence consumers may not need to punish so often and so the number reporting having punished is lower in these cases. This is supported in part by the positive sign in the *CONSIDERED* case, which is consistent with the idea that consumers think about punishing but then do not have to. The negative sign in the *NOT PUNISH* equation is consistent with the view that without market knowledge and scope in alternative suppliers offered by the internet, consumers are less aware of bad CSR and/or have fewer options. As a result they punish it less often.

Hypothesis 11, that in countries with a freer press consumers are more likely to punish irresponsible behaviour was supported in the *CONSIDERED* and *PUNISH* cases. Where the press is free to report bad CSR more people consider punishing companies and where the press is not free to report bad CSR it goes unpunished.

Hypothesis 12, that countries with greater political freedom would be more likely to punish irresponsible behaviour, particularly in the areas of human rights and the environment was supported in the *PUNISH* case but was insignificant in the other two cases.

Hypothesis 13, that countries with greater civil liberties are more likely to punish irresponsible behaviour was also supported but only in the *PUNISH* case. This is consistent with the general view that political and social freedom which allows the development of citizenship and an active civil society, allows consumers to regulate the behaviour of firms effectively, especially when taken together with the results on the *PRIGHTS* variable, (Ronit and Schneider (1999), Hertz (2001)).

4.4 Effects of the levels of pollution and corruption

Hypothesis 14, that countries with high rankings on the corruption index are less likely to punish irresponsible behaviour was not supported in any of the three cases. The fact that there is no significant relationship between corruption and the reluctance to punish irresponsible behaviour suggests that companies in corrupt countries cannot rely upon their relationships with the authorities to protect them from consumer reactions to perceived irresponsible behaviour which perhaps goes some way to explaining the troubles experienced by some oil companies in countries with a less than perfect record on corruption.

Hypothesis 15, that countries with high levels of pollution are more likely to punish irresponsible behaviour than countries without was supported. As CO_2 emissions rise the propensity to punish rises in the *PUNISH* equation and in the *NOT PUNISH* case as CO_2 emissions rise the propensity to not punish falls. This is consistent with the view that consumers punish poor environmental CSR actively and suggests that the focus of many lobby groups and other NGOs on the environmental impact of business activity has been extremely effective.

5. Discussion and Conclusions

Our results show that globalisation, free markets and the development of citizenship rights in the liberal tradition increase the willingness and ability of consumers to regulate firm behaviour and to punish bad CSR.

We show that the size of government in the economy is not important and it appears that the institutional and social contract elements of stakeholder involvement in the economy are more relevant than the level of government spending in the market. That is, the overall level of governance within a society appears to influence the regulation of firms most significantly. (Ronit and Schneider 1999, Hertz 2001, Matten and Crane 2005)

Paradoxically, these market oriented implications contradict the Friedman (1970) view since they suggest that when exposed to market pressures and, “free-to-choose,” consumers firms have to pay more attention to social concerns not less as implied by the, “shareholder-only,” view.

The empirical evidence we provide is consistent with the range of approaches taken to the theoretical taxonomy of CSR (see Garriga and Mele 2004 for a comprehensive survey) and with the view that the concept of CSR is not a universal idea but is different in different contexts (Moon 2004, Chambers et al 2003, Maignon and Ralston 2002, Egri et al 2004). Our contribution demonstrates that these contexts appear to be determined by the economic, social and political environment in which consumers live and work.

Further, our results reveal that the determinants of consumer attitudes and behaviour in respect of CSR are multidimensional and so context will be highly important for CSR strategies. This provides insights for managers in multinationals who need to appreciate cross-border issues since it allows a better understanding of the determinants of the likely CSR environment they will face amongst consumers in host markets. For example, firms cannot expect to avoid punishment for poor environmental policies even in countries where the general level of environmental pollution is poor, since the, “pollution haven,” hypothesis is not supported by our results. Alternatively firms may be able to get away with poor CSR in countries where press freedom is restricted but not if consumers have access to the internet as a source of information and alternative suppliers. Finally, the age profile of host markets will matter and for example, if the dependency ratio is high firms may find it more difficult to avoid punishment for poor CSR in the marketplace.

Our results have some implications for the debate on globalization, off-shoring and outsourcing. We show that greater FDI and trade penetration appears to have a positive impact on the willingness and ability of consumers to regulate poor CSR behaviour in the market. This is supportive of the view that globalisation is more likely to lead to a transfer of high standards rather than encourage a, “race to the bottom,” (Bhagwati 2004).

Our results also have implications for lobby groups and NGOs since we find very clear evidence that environmental campaigns for example, appear to have been very successful in encouraging consumers to act decisively against poor environmental CSR in their actual market behaviour. Our results also show that consumers can be most effective where they are well informed by a free press and have access to the internet which is consistent with other studies of the relationship between CSR recognition and consumer behaviour (Mohr et al (2001) and Sen and Bhattacharya (2001)).

Further research stemming from these results might include studies of particular stakeholder groups, for example, how effectively do workers use industrial power to regulate CSR in the workplace and how effective are shareholders' investment strategies in regulating CSR through the stock market? To what extent do economic, social and political factors affect the behaviour of each of these groups? Another fruitful area might be the development of strategies for CSR managers facing cross-country contexts, which we have mentioned in passing. Case studies of particular approaches might provide useful insights in this context. Overall, the empirical support we provide for the idea that well informed consumers can regulate the market effectively if given the freedom, opportunities and resources to do so will hopefully help to guide the evaluation of existing theories and the development of future theories on CSR and should suggest that research lines based on free markets, globalisation and liberal citizenship may be more fruitful than those based on alternative paradigms.

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Table 1:
Summary of hypotheses

			Expected Sign		
	Description	Variable	Punished	Considered but did not	Have not punished
H1	Economic Freedom Index	EFI	+	+/0	-
H2	GDP per capita in $PPP	GDP	+	+	-
H3	Gini Index of Inequality	GINI	+	+	-
H4	% Workforce in Industry	IND	-	+/-	+
H5	% Dependent Population	AGE	+	+/-	-
H6	% Government in GDP	GOV	+	-	-
H7	Human Development Index	HDI	+	+/-	-
H8	% Foreign Owned Capital	FDI	-	-/0	+
H9	% Trade in GDP	TRADE	-	-/0	+
H10	Internet Users per 1000	WEB	+	+	-
H11	Press Freedom Index	PRESS	+	+	-
H12	Political Freedom Index	PRIGHTS	+	+/0	-
H13	Civil Liberties Index	CLIBS	+	+	-
H14	Corruption Index	CI	-	+	+
H15	CO2 Emissions per capita	CO2	+	+/0	-

Table 2:
Summary of Punishment and Non-Punishment Responses
(Average responses in each country, 2000-2003)

Countries	Year Coverage	Respondents	% Have Actually Punished	% Have Not Considered Punishing	% Considered but did not punish
Argentina	2000-02	2801	35.22	45.44	16.30
Australia	2002-03	2013	61.25	22.92	15.19
Brazil	2001-02	2004	13.42	70.61	14.47
Canada	2000-03	4530	46.16	34.09	19.06
Chile	2001-03	3400	13.99	55.84	26.05
China	2000-03	7356	19.25	43.76	31.77
Dominican Republic	2000	501	22.95	67.66	7.98
France	2001-2003	3019	20.09	57.15	14.52
Germany	2000-03	4000	40.03	37.23	20.15
Great Britain	2000-03	3926	38.03	42.17	16.73
India	2000-03	4006	10.56	69.62	16.98
Indonesia	2000-03	4034	4.59	51.53	29.49
Italy	2000-03	4054	39.27	50.35	14.73
Japan	2000-03	3463	12.94	55.52	24.09
Kazakhstan	2000-2002	2031	9.78	59.95	21.20
Malaysia	2000	1036	20.56	39.67	34.07
Mexico	2000-03	4307	25.90	47.89	19.72
Netherlands	2002-03	2613	32.80	46.50	16.23
Nigeria	2000-03	4300	19.81	48.97	21.21
Poland	2000	994	21.13	59.15	9.05
Qatar	2001-03	3237	6.89	65.89	16.59
Russia	2002-03	1033	26.90	42.77	14.74
South Africa	2000-03	5000	14.43	59.78	18.37
South Korea	2001-03	1712	14.94	40.38	43.11
Spain	2000-03	3756	18.99	52.38	19.48
Sweden	2001	977	29.89	53.94	14.53
Turkey	2000-03	4800	12.56	51.58	21.53
United States	2000-3	4003	47.41	31.78	19.81
Uruguay	2000	900	7.44	75.22	12.67
Venezuela	2002	800	14.50	56.38	23.50
All Countries		90606	23.39	51.20	19.78
Maximum		7356	61.25	75.22	43.11
Minimum		501	4.59	22.92	7.98
Standard Deviation			13.78	12.18	7.38

Table 3: Variables Description and Sources

	Variable	Data Source	Description
H1	Economic Freedom Index[a]	www.heritage.org	Scale 5 (best) to 1 (worst) of an average of ten criteria
H2	GDP per capita ($ '000s)	HDR 2004	GDP per capita in $PPP terms
H3	Gini Index of Inequality	HDR 2004 & CIA Fact Book	Scale 1 (Highly Equal) to 100 (Highly Unequal)
H4	% Workforce in Industry	HDR 2004	Industrial Employment as % of Total Employment
H5	% Dependent Population	HDR 2004	Children plus Retired People as % of Total Population
H6	% Government in GDP	HDR 2004	Government Final Consumption as % of GDP
H7	Human Development Index	HDR 2004	Scale 0 (Poor) to 1 (High) Human Development
H8	% Foreign Owned Capital	UNCTAD 2004	FDI stock as % GDP
H9	% Trade in GDP	HDR 2004	Sum of Imports and Exports as % GDP
H10	Internet Users	HDR 2004	Internet access per 1000
H11	Press Freedom Index	www.freedomhouse.org	Free: 0-30; Partly Free: 31-60; Not Free: 61-100
H12	Political Freedom Index[b]	www.freedomhouse.org	Scale 7 (Good Political Rights) to 1 (Poor Political Rights)
H13	Civil Liberties Index[b]	www.freedomhouse.org	Scale 7 (Good Civil Liberties) to 1 (Poor Civil Liberties)
H14	Corruption Index	Transparency International	10 = highly clean, 0 = highly corrupt
H15	CO_2 Emissions per capita	HDR 2004	CO_2 emissions metric tonnes per capita

Notes: HDR is the annual Human Development Report published by the United Nations Development Programme publicly available at http://hdr.undp.org/statistics/ ; UNCTAD is the United Nations Conference on Trade and Development, the data is available at www.unctad.org ; (a) This scale is reversed to be consistent with our approach, the published scale is 1 (best) to 5 (worse); (b) These scales are reversed from 1 (Good) to 7 (Poor) in the published indices

Table 4:
Summary Statistics of the Dependent and Independent Variables
(86 observations across 30 countries, 200-2003)

Variables	Maximum	Minimum	Mean	Standard Deviation	Skewness	Coefficient of Variation
Dependent Variables						
Punished	68.40	0.99	23.99	15.22	0.91	0.63
Considered but did not	55.20	7.98	20.57	8.58	1.22	0.42
Did not punish	81.06	18.10	49.75	13.38	0.02	0.27
Independent Variables						
Economic Freedom Index	4.14	1.78	2.72	0.69	0.33	0.26
GDP per capita ($ '000s)	35.75	8.30	15.65	10.66	0.18	0.68
Gini Equality Index	59.50	24.90	40.15	9.99	0.45	0.25
% Industrial Employment	69.00	17.00	25.72	8.21	3.40	0.32
Dependency Ratio	0.88	0.35	0.53	0.10	1.81	0.19
% Government in GDP	30.00	6.60	16.07	4.66	0.35	0.29
Human Development Index	0.95	0.46	0.81	0.13	-1.06	0.16
FDI Stock	75.40	1.00	25.57	17.32	0.91	0.68
Trade % GDP	217.57	18.55	59.28	28.46	2.03	0.48
Internet Access	551.89	0.46	183.72	177.90	0.65	0.97
Press Freedom Index	80.00	10.00	34.72	19.88	0.71	0.57
Political Rights Index	7.00	1.00	2.37	1.81	1.23	0.76
Civil Liberties Index	6.00	1.00	2.79	1.60	0.70	0.57
Corruption Index	9.40	1.00	5.17	2.41	0.18	0.47
CO2 Emissions	69.55	0.28	8.37	10.68	4.46	1.28

Table 5:
OLS Regression Results on Punishment
(86 observations across 30 countries, 2000-2003)

	Punished		Considered but did not punish		Did not punish	
	General Model	Specific Model	General Model	Specific Model	General Model	Specific Model
Intercept	-86.059	-72.206	28.371	12.904	107.579	95.125
	(40.122)**	(24.495)**	(23.098)	(4.045)**	(40.243)**	(12.015)***
EFI	8.815	11.516	2.452	-	-13.515	-11.829
	(4.490)*	(3.535)***	(2.805)	-	(4.503)**	(3.064)***
GDP	1.063	1.037	-0.311	-0.616	-0.432	-
	(0.509)**	(0.299)***	(0.313)	(0.164)***	(0.511)	-
GINI	0.126	-	-0.006	-	0.052	-
	(0.168)	-	(0.103)	-	(0.168)	-
IND	-0.899	-0.953	0.211	0.284	0.568	0.580
	(0.332)**	(0.297)***	(0.463)**	(0.108)**	(0.333)*	(0.237)**
AGE	0.508	0.471	-0.242	-	-0.253	-
	(0.263)*	(0.148)***	(0.162)	-	(0.264)	-
GOV	-0.041	-	-0.485	-0.420	0.373	-
	(0.372)	-	(0.229)**	(0.168)**	(0.373)	-
HDI	8.991	-	-32.431	-	15.981	-
	(31.778)	-	(19.545)*	-	(31.874)	-
FDI	-0.306	-0.300	0.151	-	0.105	-
	(0.127)**	(0.112)***	(0.079)*	-	(0.127)	-
TRADE	0.124	0.129	-0.041	-	-0.082	-
	(0.067)*	(0.062)**	(0.043)	-	(0.067)	-
WEB	-0.034	-0.039	0.051	0.054	-0.014	-0.027
	(0.017)*	(0.016)**	(0.011)***	(0.008)***	(0.017)	(0.011)**
PRESS	0.169	-	0.327	0.189	-0.206	-0.355
	(0.260)	-	(0.159)**	(0.052)***	(0.260)	(0.092)***
PRIGHTS	4.072	5.315	0.051	-	-1.484	-
	(2.824)	(2.186)**	(1.742)	-	(2.997)	-
CLIBS	5.909	5.789	1.015	-	2.597	-
	(2.988)*	(2.760)**	(1.868)	-	(2.832)	-
CI	0.720	-	-0.240	-	0.317	-
	(1.332)	-	(0.823)	-	(1.336)	-
CO2	0.413	0.489	-0.163	-	-0.421	-0.507
	(0.302)	(0.224)**	(0.187)	-	(0.303)	(0.188)***
D2001	7.668	7.605	-0.054	-	-4.750	-
	(2.567)**	(2.458)***	(1.590)	-	(2.575)*	-

Standard Errors in Parentheses; *, ** and *** indicate statistical significance at the 10%, 5% and 1% levels respectively

Table 6:
Diagnostic Statistics for the OLS Regressions
(86 observations across 30 countries, 200-2003)

	Punished		Considered but did not punish		Did not punish	
	General Model	Specific Model	General Model	Specific Model	General Model	Specific Model
Wald Test for the General to Specific Reduction	-	1.673 [0.892]	-	0,924 [0.523]	-	9.226 [0.601]
R^2	0.651	0.644	0.553	0.486	0.545	0.491
R-bar^2	0.570	0.591	0.448	0.453	0.440	0.459
F-Statistic (Zero Slopes)	8.038 [0.000]	12.165 [0.000]	5.253 [0.000]	14.934 [0.000]	5.175 [0.000]	15.425 [0.000]
Durbin Watson	1.948	1.855	1.615	1.707	1.925	1.831
Serial Correlation	0.075 [0.784]	0.586 [0.444]	3.151 [0.076]	1.774 [0.183]	0.113 [0.736]	0.456 [0.499]
Functional Form	2.531 [0.112]	2.394 [0.122]	18.295 [0.000]	8.929 [0.003]	0.802 [0.370]	0.0863 [0.769]
Normality	4.125 [0.127]	3.457 [0.177]	1.1809 [0.554]	1.478 [0.478]	0.007 [0.997]	0.192 [0.908]
Heteroskedasticity	4.587 [0.032]	4.2297 [0.040]	3.553 [0.059]	1.936 [0.164]	0.153 [0.695]	0.029 [0.864]

Probability values in brackets

Table 7:
Correlation Coefficient Matrix

	PUN	CON	NOT	EFI	GDP	GINI	IND	DEP	GOV	HDI	FDI	TRADE	WEB	PRESS	PRIGHTS	CLIBS	CI	CO2
PUN	1.00																	
CON	-0.18	1.00																
NOT	-0.72	-0.42	1.00															
EFI	0.63	-0.04	-0.50	1.00														
GDP	0.66	-0.12	-0.48	0.81	1.00													
GINI	-0.15	-0.04	0.16	-0.29	-0.46	1.00												
IND	0.10	-0.02	-0.07	0.18	0.42	-0.02	1.00											
DEP	-0.15	-0.11	0.19	-0.35	-0.54	0.41	-0.43	1.00										
GOV	0.33	-0.33	-0.11	0.30	0.47	-0.14	0.22	0.06	1.00									
HDI	0.52	-0.09	-0.37	0.80	0.86	-0.42	0.32	-0.72	0.22	1.00								
FDI	0.00	0.13	-0.11	0.03	-0.17	0.23	-0.31	0.28	0.10	-0.14	1.00							
TRADE	-0.03	0.22	-0.16	-0.03	-0.05	0.00	0.16	0.03	0.11	-0.07	0.58	1.00						
WEB	0.58	0.17	-0.55	0.79	0.83	-0.50	0.09	-0.44	0.31	0.75	-0.02	0.07	1.00					
PRESS	-0.49	0.24	0.21	-0.79	-0.72	0.36	-0.08	0.22	-0.37	-0.67	0.08	0.20	-0.70	1.00				
PRIGHTS	-0.42	0.25	0.14	-0.71	-0.61	0.33	-0.05	0.08	-0.27	-0.55	0.17	0.23	-0.58	0.94	1.00			
CLIBS	0.52	-0.14	-0.27	0.79	0.69	-0.33	0.01	-0.17	0.28	0.62	-0.02	-0.15	0.72	-0.93	-0.94	1.00		
CI	0.60	-0.11	-0.43	0.86	0.84	-0.39	0.18	-0.45	0.43	0.81	0.11	0.04	0.79	-0.64	-0.78	0.75	1.00	
CO2	0.32	0.03	-0.31	0.21	0.55	-0.02	0.80	-0.46	0.21	0.34	-0.17	0.12	0.27	0.01	-0.07	0.05	0.30	1.00

Table 8:
Summary of Results

	Variable	Punished		Considered but did not		Have not punished	
		Expected	Result	Expected	Result	Expected	Result
H1	EFI	+	+	+/0	n.s.	-	-
H2	GDP	+	+	+	-	-	n.s.
H3	GINI	+	n.s.	+	n.s.	-	n.s.
H4	IND	-	-	+/-	+	+	+
H5	AGE	+	+	+/-	n.s.	-	n.s.
H6	GOV	+	n.s.	-	-	-	n.s.
H7	HDI	+	n.s.	+/-	n.s.	-	n.s
H8	FDI	-	-	-/0	n.s.	+	n.s.
H9	TRADE	-	-	-/0	n.s.	+	n.s.
H10	WEB	+	-	+	+	-	-
H11	PRESS	+	n.s.	+	+	-	-
H12	PRIGHTS	+	+	+/0	n.s.	-	n.s.
H13	CLIBS	+	+	+	n.s.	-	n.s.
H14	CI	-	n.s.	+	n.s.	+	n.s.
H15	CO2	+	+	+/0	n.s.	-	-

ENDNOTES

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[1] "The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

- Principle 10: Businesses should work against all forms of corruption, including extortion and bribery".

January 3rd 2005, http://www.unglobalcompact.org

[2] See the GlobeScan website for more details, www.globescan.com/sp-csr.asp
[3] In Rostow's model there are five stages (1) The Traditional Society; (2) The Preconditions for take-off; (3) The take-off period; (4) The drive for maturity and; (5) The age of high mass consumption. Stages (1) and (2) correspond to Mendelson's Stage One. Stages (3) to (5) to his Stage Two and a further stage; (6) Beyond Consumption, to Mendelson's Stage Three.
[4] See for example the Economic Freedom Index compiled by the Heritage Organization at www.heritage.org on which we base our analysis.
[5] Most major corporations have a CSR link on their web-pages, for example BP: www.bp.com or McDonalds: www.mcdonalds.com/corp/values/socialrespons.html
[6] Multicolinearity occurs when there is a perfect or exact linear relationship between some or all of the explanatory variables. If this occurs, the regression coefficients are indeterminate and their standard errors are infinite, so that the estimates have no precision or accuracy.