

# “Doing Good” for the Customers? Evidence from Offshore Sales

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## ABSTRACT

Using data of offshore activities by U.S. publicly listed companies, we document that firms selling to countries characterized by higher social capital respond to customer demand for corporate social responsibility (CSR) by increasing their CSR strengths but not CSR-concerns. The improved social performance stems from the adoption of firm policies that are favorable to the employees and diversity. The effect persists after controlling for country economic development and legal origins and is robust to an alternative social-capital measure constructed based on Google search data. Subsample tests show that the positive effect concentrates on industries that sell predominantly to businesses (as opposed to end consumers) and have low environmental activism. Overall, our evidence is consistent with firms seeking legitimacy vis-à-vis their business customers through engaging in socially responsible activities.

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“The fundamental problem isn’t lack of capital. It’s lack of trust. And without trust, Wall Street might as well fold up its fancy tents.”

—Former U.S. Labor Secretary Robert Reich (2008)

## 1. Introduction

The past decades have witnessed a significant increase in the prevalence of corporate social responsibilities (CSR) in business practices globally,<sup>1</sup> attracting a growing body of research to study the impact of CSR engagement on firm’s operations. On the one hand, advocates of the stakeholder view argue that socially responsible firms benefit from a greater support from stakeholders (e.g., Flammer and Kacperczyk, 2016). For example, higher CSR performance enhances customer loyalty (Luo and Bhattacharya, 2006) and promotes stakeholder trust and cooperation, which in turn improves firm profitability and firm value (Lins et al., 2017). On the other hand, the traditional view, rooted in classical economics, asserts that adopting firm policies in favor of stakeholders incurs substantial costs and yields little monetary benefits (e.g., Smith, 2003; Ferrell et al., 2016). The mixed evidence highlights that it remains an open question why companies voluntarily engage in socially responsible activities. In this paper, we attempt to offer some insights to this question by examining the role of customers in influencing the firm’s decisions of “doing good.”

Firms do not operate in a vacuum; their survival and competitiveness often depend on their relationships with other important stakeholders, such as customers. Prior literature has shown that customers, especially those who have large buying power and more advantageous bargaining positions (Williamson, 1971; Williamson, 1979; Ganesan, 1994), may exercise their power and exert substantial influences over their supplier firms (Iyer and Villas-Boas, 2003;

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<sup>1</sup> To illustrate the increasing emphasis on CSR, as of 2015, more than 90% of Fortune Global 250 firms communicated their CSR performance with their investors in their sustainability reports, up from 35% in 1999 (KPMG, 2015).

Leung et al., 2020). At the same, they are not always competitive but also collaborative, since customers must induce supplier firms to make relationship-specific investments (RSI) that have little and often negative outside value. Firms ignoring the requests and demands by their customers risk losing sales and incurring substantial switching costs if the relationship terminates (Maxwell et al., 2000; Godfrey et al., 2009).<sup>2</sup> Prior research shows that firms collaborate with close trading partners and often imitate and learn from one another through RSIs, repeated transactions, and frequent interactions, such as in the form of knowledge spillover (Isaksson et al., 2016) and coordinated tax planning strategies (Cen et al., 2017; 2019). Since firm behaviors are shaped continuously by their connections with customers, such inter-relationships are important and must be accounted for when analyzing corporate policies and outcomes.

From the demand side, firms have strategic incentives to obtain legitimacy vis-à-vis their customers. Organizational legitimacy helps corporations gain access to valuable resources from other stakeholders (Sonpar et al., 2010), build moral capital that protects against future negative contingencies (Godfrey et al., 2009), and foster trustful relationships with other business partners all of which are vital to firm survival and growth (Lins et al., 2017). Apart from ensuring the quality of products and services, one of the most important ways through which firms obtain legitimacy or foster trust vis-à-vis customers is by meeting the latter's requirements, standards, or preferences in social performance. As such, facing customers who have a strong preference for social responsibility, firms are driven or pressurized to expend effort and resources to improve their social performance.

Testing this relationship is challenging because CSR preferences of customers are difficult to quantify. For instance, under a revealed preference approach, one may analyze

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<sup>2</sup> Similarly, in cases where downstream customers are the end consumers, firms may be subject to the latter's demand because a failure to comply could result in boycotting campaigns that are costly and damaging to firm reputation and brand value.

whether customers purchase more products from companies with better CSR. Yet, as pointed out by McWilliams et al. (2006), consumers formulate purchase decisions based on many factors other than simply how well firms treat their stakeholders, making it almost impossible to isolate the customer-side factors. Another way to capture preferences is to survey consumers directly. However, the survey approach is costly, typically has a limited sample size, and is subject to potential “social desirability bias”—attitudes expressed in surveys tend to echo views favored by others but differ from actual behaviors (Auger and Devinney, 2007). A third approach would be to examine how firms alter CSR policies in response to negative events, such as those triggered by sales of “bad” products causing harm to the environment. Nonetheless, past engagement in CSR develops “moral capital” that mitigates adverse consequences of negative events (Godfrey et al., 2009), and, hence, such analysis is open to simultaneity or selection issues.<sup>3</sup>

Our paper devises a new empirical test strategy that exploits variation in the preference for CSR, captured by “social capital” at the country level. The managerial literature defines social capital as the extent of trust among individuals that one person (institution) expects another person (institution) to act beneficially (Paldam, 2000), or at least not detrimentally (Sapienza and Zingales, 2012). A growing body of literature shows that social capital vis-à-vis strong cooperative norms associate with more philanthropic behaviors (Brown and Ferris, 2007; Wang and Graddy, 2008), higher pressure in constraining opportunistic behaviors (Hasan et al., 2017), fewer crimes (Buonanno et al., 2009), and higher social trust and thus financial development (Guiso et al., 2004). To the extent that more altruistic individuals tend to expect others to behave in a similarly ethical and socially optimal manner, because a strong network stimulates good behavior and punishes adverse behaviors (Coleman, 1994;

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<sup>3</sup> Furthermore, since boycotting campaigns are mostly organized by groups of consumers or political activists, the role of business customers would be underestimated.

Spagnolo ,1999). This idea is further supported by Akerlof (2007) who argues that humans develop a set of norms and ideals based on their environment, and aim to conform by the group's expectations, because deviating from these norms is costly (Akerlof 2007; Coleman 1994). This is supported by empirical findings with the proposition that firms located in high social capital counties facilitates positive CSR activities (Hoi, Wu, and Zhang, 2013) lowers poverty rates (Rupasingha and Goetz, 2007) and property crime rates (Buonanno et al., 2009). Therefore, customers from high social-capital countries likely have a stronger preference for CSR compared to those from other countries. Hence, we hypothesize that firms who have trading relationships with such customers have strong incentives to adopt socially responsible policies for legitimacy purposes.

A test of this hypothesis requires information about the geographical composition of a firm's customer base. To this end, we make use of offshore sales data, recently developed by Hoberg and Moon (2017) using text analysis on U.S. firms' 10-K reports. From the database, we obtain the names of all countries to which a firm is selling and the number of times these countries are mentioned in the 10-K reports. To measure the social capital of customers, we rely on the responses from the World Value Survey (WVS) that assesses the beliefs, values, and motivations of people from different nations worldwide, and use those from questions relating to social trust as a proxy for social capital. For each of the offshoring-selling firms, an overall customer-social-capital index (henceforth referred to as "customer social capital") is constructed by averaging the country's social-capital measure across the offshore countries within a firm's customer base.

Based on a comprehensive sample of offshore-selling, publicly listed firms in the U.S., our tests show that, consistent with our main hypothesis, firms selling to countries with higher social capital have significantly greater CSR performance, measured by an overall firm-level

CSR index based on MSCI KLD data. Additional tests reveal that the increased CSR performance stems from the adoption of firm policies that favor the employee, and diversity.

Although the social-capital measure based on the worldwide survey evidence is widely applied in prior studies, it is measured with errors and may pick up the effects of other salient country attributes or characteristics; as such, our results may be driven by confounding country factors as opposed to social capital embedded in nations. To alleviate this concern, we control for average economic development and legal origins (among the offshore countries). Our results remain similar, suggesting that the effect of customer social capital on CSR is independent of that of these two important country attributes.

An important concern is that the relationship between customer social capital and CSR may be endogenous. For instance, if socially responsible firms prefer selling offshore to countries with high social capital, causality would be reversed. Moreover, if firms' decisions to engage in CSR and offshoring activities are codetermined by some omitted or unobserved factors, OLS estimates would be biased. We adopt the instrumental variable approach and find that our results are qualitatively similar. Therefore, our findings are unlikely to be driven purely by endogeneity.

To reinforce our interpretation, we apply an alternative social-capital measure, constructed using Google's search volume index (SVI), that gauges the nation's information demand and attention on CSR issues/topics. The rationale behind this alternative measure is that people concerned with social responsibility commonly use search engines, such as Google to gather relevant information on these topics (Da et al., 2011). As such, the aggregate search activities on Google in a country on topics relating to CSR likely reflect the extent to which local businesses and people pay attention to CSR. Previous studies document a positive link between the aggregate SVI for a particular product and the demand for that product, such as home sales, car sales, and tourism (Ginsberg et al., 2009). Aggregating the SVI on CSR

keywords across offshore countries within each firm's offshore-customer portfolio, we find that firms selling to countries with higher CSR-related search activities have significantly greater CSR performance, lending further credence to the customer-demand story.

To glean more insights into the mechanisms, we examine the heterogeneity in the effect of customer social capital on CSR across customer clienteles and industry groups. First, increased preferences in CSR may stem from downstream business customers with whom firms have strong collaborative trading relationships or from end consumers who have low collective power but high activism. Dividing firms into (1) business-to-consumer (B2C) industries in which firms predominantly sell to end consumers and (2) business-to-business (B2B) industries in which firms mainly sell to businesses, we find that the positive association between customer social capital and CSR is more prevalent among the B2B firms. Seeking legitimacy vis-à-vis business customers appears to be the dominant motive behind.

Second, improved CSR may be due to improved corporate policies favoring certain types of stakeholders, such as those relating to the environment, the community, or the employee. Given our finding of increasingly friendly policies for the employees and diversity, but not to the environment, our prior is that the positive association between customer social capital and CSR is weak among industries where the benefits of environment-friendly policies are more evident, such as those characterized by heavy pollution and thus often targeted by environmental activists. Following Flammer and Kacperczyk (2016) and U.S. Environmental Protection Agency (2017), seven industry sectors that are responsible for 89% of the Toxics Release Inventory (TRI) chemicals are defined as "polluting" industries. Consistent with our expectation, we find that customer social capital does not significantly affect firms operating in the polluting industries, but significantly and positively on the non-polluting firms.

Our paper contributes to the literature in several ways. First, our study extends the literature on what drives firms' socially responsible activities. Liang and Renneboog (2017)



show that legal origin plays a significant role in shaping countries' and firms' CSR performance. Cronqvist and Yu (2017) report that having a daughter induces CEOs to engage more in socially responsible activities. Recent research documents the important role of firms' relationships with other parties in driving CSR policies and outcomes. For instance, Cao et al. (2019) find that firms respond to the adoption of CSR practices by product market peers and invest more in CSR activities. A contemporaneous study by Dai et al. (2021) analyzes international supply chain data and documents that CSR performance of customer firms is positively associated with that of their suppliers. Applying a novel methodology and exploiting cross-country variations in national social capital, our research complements the above studies and documents new empirical evidence that firms adopt more stakeholder-friendly policies to meet the expectations and preferences in CSR of their customers for legitimacy purposes.

Second, our study adds to the growing body of literature examining the implications of social capital and trust for various economic outcomes and policies, including financial development (Guiso et al., 2004), criminal behaviors (Buonanno et al., 2009), corporate debt contracting and the supply of credit (Hasan et al., 2017; Jiang et al., 2018; Levine et al., 2018), stock market participation (Guiso et al., 2008), firm value and individual economic performance (Guiso et al., 2015; Butler et al., 2016; Lins et al., 2017), among others. Our evidence shows that social capital has significant and positive influences over CSR across borders through supply chain relationships.

Finally, our paper also relates to recent work that applies offshore sales data to the examination of the risk and returns of offshore activities (Hoberg and Moon, 2019) and the strategic choices in hedging (Hoberg and Moon, 2017). Our evidence shows that offshore activities play a significant role in shaping the focal firms' engagement in socially responsible activities.

The rest of the paper is structured as follows. Section 2 explains our data sources, variable construction, and empirical methodology; Section 3 presents the results of our baseline tests, robustness checks, endogeneity test, and additional subsample analysis; Section 4 concludes.

## **2. Data, Variables, and Empirical Methodology**

### **2.1. Data and Sample Selection**

Our sample includes all non-financial U.S.-listed firms that sell offshore during the period between 1998 and 2018. Financial and utility firms are excluded due to their heavily regulated nature. After excluding observations with missing values in the main variables, our final sample consists of 20,238 firm-year observations (2,603 unique firms). Our dataset is obtained from six different sources, including MSCI ESG stats database (formerly known as the Kinder, Lydenberg, and Domini, or KLD, database), Hoberg and Moon (2017) offshoring database, the World Value Survey (WVS) database, Compustat Annual database, CRSP and Thomas Reuters 13F.

### **2.2. Measuring Firm CSR Performance**

To measure a firm's CSR performance, we use the scores constructed from the MSCI ESG Stats database. This database has been widely used in the literature (e.g., Deng et al., 2013; Becchetti et al., 2015; Cahan et al., 2015; Dutordoir et al., 2018; Cai et al., 2020). MSCI obtains data from various public information sources, such as filings, questionnaires, financial statements, media reports, academic publications, and government data. An analyst from a sector-specific research team assesses and assigns scores to each firm on “strengths” and “concerns” in six areas: community, diversity, employee relations, environment, human rights,

product safety and quality.<sup>4</sup> The database sets several indicators for each strength and concern activity. Appendix A.2 provides a detailed description of how MSCI ESG defines the strength items in each domain.

The CSR measures “strength” and “concern” respectively indicate “doing good” and “causing/allowing harm”. The presence (absence) of a strength or concern is indicated by one (zero). A raw CSR score is measured by aggregating six major dimensions based on their respective strength and concern indicators. A drawback of this approach is the lack of comparability, since the number of indicators for both the strength and concerns varies significantly every year (Manescu, 2009). To alleviate the concern of a changing number of strength and concern over time and across firms, following Deng et al. (2013) and Bechetti et al. (2015), we compute an adjusted CSR strength (concern) score by dividing the strength (concern) scores for each dimension by the respective number of strength (concern) indicators available for that dimension.

In this paper, we focus on the CSR strength ratings for several reasons. First, in line with the legitimacy theory, firms will cater to customers’ demand by “doing well” and increasing CSR strengths. Second, we do not combine CSR strengths and concerns into a single performance measure because the assumption that strengths and weaknesses are equivalent may be invalid (Mattingly and Berman, 2006). In addition, there are significant discrepancies between empirical findings based on CSR strengths and concerns and combining them prevents attributing the observed results to appropriate sources (Carver, 1989).

Third, while MSCI ESG Stats database provides concern ratings for six exclusionary criteria such as gambling, tobacco, alcohol, firearms, military, and nuclear power. We exclude them from this study as they are not a part of managerial discretionary activities (Kim and Ko,

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<sup>4</sup> KLD also rates firms’ corporate governance, but it is different from CSR, and thus not included in this study. Our main findings remain significant when including corporate governance (results are omitted from the paper for reasons of space but are available upon request).

2012) and constitute CSR concerns (Hegde and Mishra, 2019). Therefore, in line with previous studies (e.g., Deng et al., 2013; Becchetti et al., 2015) we construct the adjusted CSR strength (concern) index by the sum of each of the above strengths (concern) reported by a company in each domain divided by the total number of the above strengths. In untabulated regressions, our main findings remain significant when using unweighted scores.

### **2.3. Measuring Customer Social Capital**

Our main explanatory variable is customer social capital, constructed based on respondent results from the World Value Survey (WVS) that assesses the beliefs, values, and motivations of people around the world. It conducts national representative surveys across 97 different countries that contain over 90% of the entire world's population. This survey is carried out in several waves over our sample period.<sup>5</sup> A significant number of studies in numerous disciplines, such as economics, sociology, political science and psychology, use WVS as a data source because they are well understood and have been found to be a reliable measure of trust (La Porta et al., 1997; Dudley and Zhang, 2016). The responses to the questions can then be aggregated to the country level, allowing researchers to obtain estimates of social capital at the national level (La Porta et al., 1997; Levine et al., 2018).

Following Levine et al. (2018), we measure the national level of social capital using the answers from the survey question: "Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?" Respondents can choose from one of the following three answers: (i) Most people can be trusted; (ii) you can't be too careful in dealing with other people; or (iii) I don't know. The proportion of people (out of the total number of respondents) choosing (i) is our measure of country-level social trust that proxies for social capital. Subsequently, social capital value is constructed based on the mean

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<sup>5</sup> Three waves of surveys were conducted during our sample period: 1999–2004, 2005–2009, and 2010–2014.

value for each firm in each year. Similar to Dudley and Zhang (2016), we linearly interpolate and fill this variable for years the survey has not been conducted, since not all countries have observations in each survey wave.

To create the geographical composition in a firm's customer base, we obtain data from Hoberg and Moon (2017) offshoring database which provides data on the international trading activities of publicly listed U.S. firms that file 10-K reports. Hoberg and Moon (2017) and Hoberg and Moon (2019) create a list of words that represent each country or region and search for these keywords in the 10-K filings. A full panel of offshoring data with the raw counts of how many times a firm mentions its offshoring countries is obtained.

For each firm that has offshore sales in a given year, we construct an overall index of customer social capital by taking the value-weighted average of the country-specific social capital across the offshore countries within its customer base. We use the following equation to do this:

$$CSC_{i,t} = \frac{\sum_z^n (CSC_{i,t,z} \times \# \text{ of Mentions}_{i,t,z})}{\sum_z^n \# \text{ of Mentions}_{i,t,z}} \quad (1)$$

where  $CSC_{i,t}$  is the firm-year mention-weighted customer social capital;  $CSC_{i,t,z}$  is the national social capital value of country  $z$  to which firm  $i$  has sold in year  $t$ ;  $\# \text{ of Mentions}_{i,t,z}$  is the number of times country  $z$  is mentioned by firm  $i$  in year  $t$ ;<sup>6</sup>  $n$  is the number of countries to which firm  $i$  has sold in year  $t$ .

To illustrate, an example showing how CSC is computed for AAR Corporation who made offshore sales to three countries in 2002 is provided in Appendix A.2. The customer social-capital measure for AAR Corporation in 2002 is thus measured as the mention-weighted average of the three countries.

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<sup>6</sup> Due to unavailability of actual sales data, we use the number of mentions of the firm selling goods to the given nation. Therefore, there is some measurement error, however our results from both equally weighted and mentions-weighted customer social capital are consistent.

For robustness, an equal-weighted customer social-capital index for firm  $i$  in year  $t$  is constructed as follows:

$$\text{CSC EW}_{i,t} = \frac{\sum_z^n \text{CSC}_{i,t,z}}{n} \quad (2)$$

Moreover, we construct an alternative measure of customer demand for CSR using Google's Search Volume Index (SVI). SVI is a ratio of Google web search on specific keywords to the total number of Google searches within a region/country over a given period and is normalized and scaled from 0 to 100. Following Gao et al. (2020), the keywords of interest are "CSR" or "Corporate Social Responsibility." The two keywords, which are in English, are translated into each country's corresponding language using Google Translate and then cross-validated by native speakers. We do this for all the top-20 countries to which the firms sell as they make up 75% of all sales. The weekly SVI is downloaded and accumulated to annual SVI terms over the period from January 2004 to December 2018. Each of these annual time series is then standardized.

#### **2.4. Constructing the Control Variables**

In line with prior literature (Levine et al., 2018; Dai et al., 2021), a set of firm control variables including firm size, return on assets, leverage, R&D expenditure, and cash holdings is constructed using Compustat data. Firm size (Size) is measured as the natural logarithm of total assets. Return on assets (ROA) is net income divided by total assets. Leverage (Leverage) is the total debt to total asset ratio. Cash holdings (Cash) is cash divided by net assets. Research and development (R&D) is the R&D expenditure divided by net sales. To measure firm risk (Risk), we follow Cui et al. (2012) and proxy it with the (total) volatility of stock returns using the daily returns data from CRSP. Moreover, we control for institutional ownership (Inst.Own.) to account for shareholder demand as Dyck et al. (2019) find that institutional ownership leads to higher CSR. Institutional ownership data are downloaded from the Thomson Reuters 13-F

filings. All firm-level variables are winsorized at the 1% and 99% levels to reduce the impact of outliers.

## 2.5. Our Empirical Methodology

To test whether customer social capital drives firm CSR, we estimate the following panel regression:

$$CSR_{it} = \alpha_0 + \beta_1 CSC_{i,t-1} + \gamma Controls_{i,t-1} + Industry\ FE + Year\ FE + \varepsilon_{i,t} \quad (3)$$

where  $CSR_{i,t}$  is our measure of the CSR performance of firm  $i$  in year  $t$  constructed using data from the MSCI KLD database as described in section 2.2.  $CSC_{i,t}$  is a proxy for the value-weighted customer demand for social capital for firm  $i$  in year  $t$  as described in section 2.3.  $Controls_{i,t-1}$  is a vector of lagged firm-specific control variables (i.e., Size, ROA, Leverage, Risk, R&D, Cash, and Inst.Own).  $\alpha_0$ ,  $\beta_1$ , and  $\gamma$  are the (vectors of) parameters to be estimated. To control for any unobserved, time- and industry-invariant factors that may influence firm  $i$ 's CSR, we include year and industry fixed effects in the model.<sup>7</sup>  $\varepsilon$  is the error term. Standard errors are clustered at the firm level.

## 3. Empirical Results

### 3.1. Summary and Descriptive Statistics

Table 1 lists the top-20 countries to which our sample of U.S. firms have sold.<sup>8</sup> The top-10 countries make up 53.06% of the sales, whilst the top 20 countries make up for 75.68% of the total sales. The national social-capital score for each listed country is also reported. There is large cross-country variation in the social-capital score. Among the 20 countries, The

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<sup>7</sup> The industry dummies are constructed based on two-digit SIC codes.

<sup>8</sup> In unreported results, as per our sample, U.S. public firms have sold to 183 different countries.

Netherlands scores the highest (0.592) while Brazil scores the lowest (0.057). This pattern is similar to Cuñat and Fons-Rosen (2013).

Insert Table 1 about here

Panel A of Table 2 reports summary statistics for our main sample. CSR ranges from a minimum of 0 to a maximum of 2.150 with a mean of 0.299, consistent with the statistics reported by Becchetti et al (2015). As for customer social capital (i.e., CSC), its mean is 35.1%. Average ROA is 0.024; Risk and Leverage have a mean of 0.028 and 0.213 respectively, similar to the statistics by Jo and Na (2012).

Panel B reports the average CSC and CSR, and CSR concern by year over our sample period. The sample size increases significantly after 2003 due to increased firm coverage of the MSCI ESG Stats database. Overall, average CSC remains largely constant over the years, moving from its lowest of 0.317 in 2000 to its highest of 0.372 in 2018. In 2018, the CSR was at its peak with a value of 0.662. Such a high value may come from the intensive reporting of socially responsible activities in this year. As the sample size increases in 2003, it reaches the lowest value of 0.153, nevertheless, steadily increases over the years. Similarly, the CSR concern also increases from 0.398 in 2004 to a value of 0.917 in 2011. CSR concern, however, significantly plummets in 2012, which could be justified by the ability of firms to recover from the financial crisis and spend more resources in reducing their harmful activities.

Panel C presents sample distribution by Fama-French 12 industries. Manufacturing and Business equipment is the largest in terms of sample coverage. The variation in CSC appears relatively small across the industries with the lowest value of 0.307 in Energy, Oil, Gas and Coal and the highest of 0.366 in Healthcare. CSR varies more across industries. Notably, Consumer non-durables and Healthcare industries not only have high CSR values of 0.398 and 0.357 respectively but are also accompanied by high levels of CSR concern. A plausible explanation is that firms operating in these two industries compensate their higher levels of



CSR concerns by “doing good”, though this does not seem to apply to the energy industry, which has the highest CSR concern but relatively low CSR strength, leading to the lowest net CSR performance among all industries.

Insert Table 2 about here

### **3.2. Customer Social Capital and Firm CSR Performance**

Legitimacy theory assumes that firms can enhance legitimacy and meet customers demand for CSR by increasing CSR strengths, constraining CSR concerns, or by doing both. However firms apt to increase CSR strengths, due to the significant costs linked to decreasing CSR concerns. For example, in the case of a hypothetical firm facing issues with employee health and safety, can increase employee involvement or invest in other aspects that improve employee benefits beyond the firm’s basic economic-legal mandate. On the other hand, the firm has to reduce CSR weaknesses through investments in costly structural aspects, such as changing building designs or technical advancements that can improve the employee’s health and safety. Thus, these significant idiosyncratic costs to reduce negative CSR activities will incentive firms to increase their positive CSR activities, and not make an effort in mitigating their negative CSR activities. Evidence is consistent with this conjecture. For instance, Zyglidopoulos et al. (2012) find that firms, after receiving increased media attention, respond by increasing positive CSR activities, whereas CSR concerns are not sensitive to the level of media attention. Similarly, Hoi, Wu and Zhang (2018) suggest that firms imitate other corporations headquartered in the same community engagement in CSR strengths, however this relation does not hold for engagement in negative CSR activities.

Based on the preceding arguments and legitimacy theory, one would expect that firms selling to countries with high social capital will respond to their customer’s demand for CSR through increasing their CSR strength activities. However, we do not expect a change in the CSR concern.

Table 3 reports the estimation results for our main tests of equation (3). Regressions (1) and (2) show that the coefficients of CSC are significantly positive after controlling for the core and full sets of control variables respectively. These findings indicate that on average, firms that sell offshore to countries with higher levels of social capital have significantly higher CSR performance. This is in line with the legitimacy theory that firms will “do extra well” to meet their customers’ demand for CSR (Brown and Deegan, 1998). In addition, regression (3) and (4) quantifies the effect of social capital on CSR concern. These results show that social capital does not significantly impact CSR concern. Both regression results imply that firms selling to countries with high trust levels are aiming to obtain legitimacy through doing good, and not by reducing their harmful CSR-related activities. Thus, consistent with the legitimacy theory that firms will “do extra well” to distract the focus away from CSR concerns.

Insert Table 3 about here

Table 4 presents the estimates on the association between CSC and the six individual components of CSR: Environment (Regressions (1) and (2)), Community (Regressions (3) and (4)), Human rights (Regressions (5) and (6)), Employee (Regressions (7) and (8)), Diversity (Regressions (9) and (10)), and Product (Regressions (11) and (12)). These analyses shed light on the specific types of stakeholder-friendly policies that are improved, driven by customer social capital.

The coefficients of CSC are positive and highly significant for Employee and Diversity, implying that the increased CSR performance stems from the adoption of firm policies that favors the employee and diversity. Our evidence is consistent with the view that firms increase CSR to meet the expectations of the employee and the diversity stakeholders through diversity in the workplace, recruitment practices, and employee compensation and benefits. This result is in line with the legitimacy theory, which posits that organizations want to obtain legitimacy from their consumers.

The employee relations quality, captured by diversity and employee relations, is perceived as a key signal of a management's commitment to its employees and their claims. In turn, harmful behavior towards employees can cause increased risk of litigation and reputation loss (Bauer et al., 2009). Numerous studies suggest a positive relationship between employee satisfaction and customer satisfaction (Harter et al., 2002; Tornow and Wiley, 1991; Wangenheim et al., 2007)

This observation is consistent with the notion that better company's HR practices, such as treatment of employees and diversity policies improve firm's reputation (Hannon and Milkovich, 1996; Lins et al., 2017). Further empirical evidence shows that HR related announcements by organizations had an immediate positive effect on share price (Hannon and Milkovich, 1996) and investors perceive employee and diversity relations as valuable during the 2008-2009 financial crisis to build trust (Lins et al., 2017). These results are further corroborated by Jiao (2010) suggesting that employee relations are of more importance to shareholders than relationship with other stakeholders. Thus, implying that investors and other stakeholders, such as customers, value good employee and diversity practices. This notion is also popularized by other forms of media, such as the Fortune magazine that publishes a list of best companies to work for. Companies listed in such popular magazines will benefit from greater corporate reputation (Hannon and Milkovich, 1996) and since these magazines are visible to the consumers, firms aim to obtain legitimacy through improved employee and diversity practices. Lastly, many customers are themselves employees, therefore selling firms with a strong reputation in this dimension are likely to be more attractive than those with a poor reputation.

Insert Table 4 about here

### 3.3. Robustness to Alternative Control Variables

In this section, we examine the robustness of our findings to additional or alternative independent variables and report the results in Table 5.

First, Hoberg and Moon (2017) recommend users of the offshore database to include the document length (DocLength), which is the natural logarithm of the number of paragraphs in a given firm's 10-K report, as a control in their estimations.

Second, since the country's social-capital measure may capture other salient country characteristics, we introduce additional country control variables. Similar to Dai et al. (2021), we include both the Consumer Price Index (CPI) and the gross domestic product per capita (GDPperCapita). Regression (1) in Table 5 shows that our results remain similar after controlling for DocLength, CPI, and GDPperCapit in the model.

Third, it is possible that a country's legal origin which a U.S. firm is selling to influences the customer's demand for CSR activities. To account for this, we re-estimate our main regression while accounting for the country's legal origin. Following La Porta et al. (1997), we categorize countries into five origins: (1) English common laws; (2) French commercial laws; (3) German commercial laws; (4) Scandinavian commercial laws; and (5) Socialist/Communist laws. CivilOrigin is a dummy variable that equals one when the country follows French, German, or Scandinavian legal origins, and zero otherwise. Regression (2) reports the estimation results and it shows that CSC is still significant at the 10% level, while legal origin is insignificant.

Fourth, we examine whether our results are sensitive to controlling for alternative measures of firm performance or valuation. In Regression (3), we replace ROA with Tobin's q and return on equity (ROE). Our results remain intact.

Finally, a firm's CSC (Equation 1) is thus far computed as the weighted average of social capital across offshore countries, with weights assigned based on the number of times

the countries are mentioned in the 10-K reports. For robustness, we adopt an alternative equal weighting scheme in aggregating country social capital (CSC EW) and report these results in Regression (4). We find similar results again.

Insert Table 5 about here

### **3.4. Endogeneity Concerns**

While our results thus far have shown that firms selling offshore to countries with high social capital invest more in CSR, they may be driven by endogeneity arising from two sources. First, there might be reverse causality if socially responsible firms prefer selling to customers residing in countries where social capital or trust is high. Second, if a firm's decisions to engage in CSR and offshoring activities are codetermined by some omitted or unobserved factors, OLS estimates would be biased. Three approaches are adopted to mitigate such endogeneity concerns.

We employ a two-stage-least-square (2SLS) regression using two instrumental variables (IVs) for customer social capital. Following Gorodnichenko and Roland (2017), the first IV we use is information on the amount of particular genes in a population. The short allele (S-Allele) variable is defined as a country-level measure of the prevalence of the S-Allele in the in the polymorphism 5-HTTLPR of the serotonin transporter gene SLC6A4 (Nash and Patel, 2019). This gene makes people more susceptible to depression when dealing with stressful situations. The cross-cultural psychology literature finds that this genetic variable directly impacts individuals' characteristics and elucidates the existence of collective or individualistic cultures in some populations. Therefore, countries identified as high collective cultures are more likely to carry the S-Allele gene (Way and Lieberman, 2010). The mechanism connecting genetic characteristics with a collectivist culture is that strongly connected communities can protect individuals from these stressful situations by providing more psychological support. Beilmann and Realo (2012) find that collectivism is positively related

to social capital. Importantly, S-Allele is a good candidate to be an instrumental variable as it meets the exclusion restriction condition, as it is not correlated to CSR other than through collectivism and is one of the cleanest instrumental variables that one can use (Gorodnichenko and Roland, 2017).

The first-stage regression is specified as follows:

$$CSC_{it} = \beta_0 + \beta_1 IV_{i,t-1} + \gamma Controls_{i,t-1} + Industry\ FE + Year\ FE + \varepsilon_{i,t} \quad (6)$$

Where  $IV_{i,t-1}$  denotes the instrumental variable used, S-Allele. The same set of baseline controls and fixed effects are included in the model.

Motivated by Harjoto and Jo (2015) who show that a firm's CSR is closely related to that of its industry peers, our second IV is the peer-average customer social capital (Peer CSC), computed as the average value of CSC within the same 2-digit SIC industry in a given year. Following the rationale by other studies, such as Benlemlih and Bitar (2018) and El Ghouli et al. (2011), the average offshore sales practice and CSC among peers are less likely to be determined by firm-level covariates.

The first-stage regression is written as follows:

$$CSC_{it} = \beta_0 + \beta_1 IV_{i,t-1} + \gamma Controls_{i,t-1} + Industry\ FE + Year\ FE + \varepsilon_{i,t} \quad (7)$$

Where  $IV_{i,t-1}$  denotes the instrumental variable used, either S-Allele or Peer CSC. The same set of baseline controls and fixed effects are included in the model.

In the second-stage regression, firm CSR is regressed on the predicted values of CSC ( $\widehat{CSC}_{it}$ ) from the first-stage regressions along with the same set of firm controls and fixed effects from the first-stage regression. Under the two-stage approach, the predicted values of CSC from the first-stage regression would be uncorrelated with the error terms of the second-stage regression, and, thus, the estimated coefficients are consistent. The second stage regressions are shown below:

$$CSR_{it} = \beta_0 + \beta_1 \widehat{CSC}_{it} + \gamma Controls_{i,t-1} + Industry\ FE + Year\ FE + \varepsilon_{i,t} \quad (8)$$

Table 6 reports the estimation results. Results from the first-stage regressions (see Regressions (1) and (3)) confirm that both IVs are relevant as shown by their positive and significant coefficient estimates. In the second-stage tests, Regressions (2) and (4) show that the predicted CSC values from the first-stage tests are positive and significant at the 1% level. Overall, these results suggest that endogeneity is unlikely to fully drive our findings.

Insert Table 6 about here

### **3.5. An Alternative Measure of Social Capital Based on Google Search**

To alleviate the concern that social capital is measured with errors, we apply an alternative social-capital measure constructed using Google’s search volume index. The rationale for this search-based measure is that people who are concerned with social performance likely use search engines such as Google to gather relevant information on these topics. As such, the aggregate search activities on Google in a country on topics relating to CSR can reflect the extent to which customers pay attention to CSR. We then similarly aggregate the Google-based measure of CSR attention within each firm’s offshore customer portfolio to arrive at an alternative measure of customer social capital (CSVI).

Using a change-on-change regression similar to equation (5), we examine whether one-year lagged changes in CSVI predict future changes in firm CSR. As Table 7 shows, the coefficient for  $\Delta\text{CSVI}$  is positive and statistically significant. The evidence suggests that firms that sell offshore to countries where CSR-related search activities are high have superior CSR performance, thereby confirming our baseline results.

Insert Table 7 about here

### **3.6. Cross-Sectional Heterogeneity**

Our analysis has thus far established a strong, positive link between firm CSR and customer social capital, supporting the notion that firms will “do extra well” to meet the demand of their

customers for social performance. In this section, we further examine the heterogeneity in the effects of CSC on CSR across customer clienteles and industry groups.

Different types of customers may differ in their CSR preference. For instance, prior evidence shows that firms mainly selling to end consumers, i.e., Business-to-Consumers (B2C) firms, engage more in CSR (Dupire and Zali, 2018) because they are more visible to the final consumers, under greater scrutiny from consumers, and thus have to directly deal with customer activism (Schaltegger and Hörisch, 2017; Dupire and Zali, 2018). By contrast, others argue that firms selling to downstream business customers, i.e., Business-to-Business (B2B) firms, engage more in socially responsible activities, compared to B2C firms, because they are under pressure by their supply chain partners who usually have strong bargaining power (Salam, 2009). Other important motives for B2B firms to engage in CSR include the attraction of more skilled and motivated employees, increased cost effectiveness (Carter and Dresner, 2001), and reduced investor activism (Nofsinger et al. 2019), all of which are critical success factors for B2B firms (Andersen and Kumar, 2006). Taken together, whether B2B or B2C firms would cater more to their customers' demand is ultimately an empirical question.

To shed light on this, we divide firms into B2B and B2C industry groups based on their 4-digit SIC codes following Lev et al. (2010, p.188)<sup>9</sup> and estimate the baseline models on the two subsamples. The estimation results are provided in Table 8, where Regressions (1) and (2) report the estimation results for the sub-samples of B2C and B2B firms, respectively. As Regression (1) shows, CSC does not significantly affect firm CSR in B2C firms but positively and significantly affects firm CSR in B2B firms. This subsample result indicates that seeking

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<sup>9</sup> Firms are defined as B2C if their four-digit SIC codes are as follows: 0000-0999, 2000-2399, 2500-2599, 2700-2799, 2830-2869, 3000-3219, 3420-3429, 3523, 3600-3669, 3700-3719, 3751, 3850-3999, 4813, 4830-4899, 5000-5079, 5090-5099, 5130-5159, 5220-5999, 7000-7299, and 7400-9999. Firms in all other SIC-4 industries are classified as B2B firms.



legitimacy vis-à-vis business customers is the dominant motive behind the increased CSR activities.

Insert Table 8 about here

Second, we investigate whether the increased CSR activities depend on the types of activism firms face. For instance, improved CSR may stem from corporate policies favoring certain types of stakeholders, such as those relating to the natural environment, the social community, and company workforce. Given our finding of increasingly friendly policies for the employees and diversity, but not to the environment, the positive link between CSC and firm CSR should be weak among industries where the benefits of environment-friendly policies are more evident, such as those characterized by heavy pollution and thus often targeted by environmental activists.

To test this conjecture, we divide our main sample into sub-samples of polluting and non-polluting industry sectors.<sup>10</sup> According to Flammer and Kacperczyk (2016) and U.S. Environmental Protection Agency (2017), seven industry sectors account for 89% of the Toxic Release Inventory (TRI) chemicals. Accordingly, we classify firms into the polluting subsample if firms operate in one of these seven industry sectors and into the non-polluting subsample otherwise.

Table 9 shows that, in line with our expectation, social capital does not significantly impact CSR performance in polluting firms, but improves CSR performance of non-polluting firms. This evidence corroborates our baseline findings that the improved firm CSR performance likely stems from policies unrelated to the environment.

Insert Table 9 about here

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<sup>10</sup> The seven sectors are metal mining (NAICS 212), electric utilities (2211), chemicals (325), primary metals (331), paper (322), food, beverages, and tobacco (311 and 312), and hazardous waste management (5622 and 5629).

#### **4. Conclusion**

Do customers play a role in influencing the firm's decisions to "doing good"? Consistent with firms seeking legitimacy vis-à-vis their business customers, we argue that firms do engage in more socially responsible activities when their customers have a higher preference for CSR.

To test this question, we devise a new empirical test strategy that exploits variations in the preference for CSR, captured by "social capital" at the country level. We use data of offshore activities by 2,603 U.S. publicly listed companies from 1998 to 2018. We find that firms selling to countries characterized by higher social capital have significantly better CSR performance. The improved social performance stems from the adoption of firm policies that are favorable to the employees and diversity.

Further, to verify that the association between social capital and CSR is independent of other salient country attributes, we control for two offshore country factors, namely the economic development and legal origins. In addition, we re-estimate our main analysis with an alternative measure for social capital, constructed using Google's search volume index. Also, we provide additional controls for the document length of the 10-K reports. Throughout these tests, our results remain robust.

Then, we address endogeneity concerns between customer social capital and firm CSR performance. To this end, we adopt an instrumental variable approach. We confirm that our results are unlikely to be driven purely by endogeneity.

Finally, we perform two subsample tests to examine the heterogeneity in the effect of customer social capital on CSR across customer clienteles and industry groups. These tests show that the positive effect concentrates on industries that sell predominantly to businesses (as opposed to end consumers) and have low environmental activism.

Our results have significant policy implications. That is, any changes in the preference for CSR, captured by "social capital" at the country level, can potentially be transmitted across

borders through supply chain relationships. Therefore, the company's socially responsible practices can change through the social demand of its international customers. This leads to a call for implementing more applicable socially responsible practices at the international level. Further, the findings have implications for the firm's stakeholders, such as managers. The results highlight the role of social capital and trust in the firm's various economic outcomes and policies. Therefore, it is vital for managers to appropriately plan their offshore activities as they have a significant role in shaping the firm's CSR.

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**Table 1. Offshore Countries and National Social Capital**

This table lists the top 20 countries to which our sample firms sell. The number and proportion of firm-years sold to each of the countries are reported. The average country-level social-capital index, computed using data from the World Values Surveys, is reported in the rightmost column in the table. Detailed definitions for the main variables can be found in Appendix A.1.

<b>Country</b>	<b>Firm-years</b>	<b>% of firm-years</b>	<b>Cumulative %</b>	<b>WVS Social-Capital Index</b>
Canada	45,272	11.53	11.53	0.407
United Kingdom	30,042	7.65	19.18	0.322
China	25,190	6.41	25.59	0.555
Japan	24,008	6.11	31.70	0.377
Mexico	19,086	4.86	36.56	0.174
Australia	19,067	4.85	41.42	0.464
Germany	18,740	4.77	46.19	0.368
France	15,847	4.03	50.22	0.225
India	11,952	3.04	53.27	0.229
Brazil	10,358	2.64	55.90	0.057
Italy	10,085	2.57	58.47	0.302
South Korea	9,811	2.5	60.97	0.291
Singapore	9,464	2.41	63.38	0.230
Netherlands	8,719	2.22	65.60	0.592
Spain	8,557	2.18	67.78	0.277
Taiwan	7,885	2.01	69.78	0.313
Switzerland	6,414	1.63	71.42	0.449
Ireland	5,884	1.5	72.92	0.379
Russia	5,757	1.47	74.38	0.258
Belgium	5,090	1.3	75.68	0.319



**Table 2. Summary Statistics and Sample Distribution**

This table reports the descriptive statistics of our main variables (Panel A), and the mean values of CSC, CSR and CSR concern by year over the sample period (Panel B) and by Fama-French 12 industries (Panel C). Our sample consists of all U.S. publicly listed firms that sell offshore between 1998 and 2018.

<b>Panel A. Summary Statistics</b>					
	<b>Mean</b>	<b>S.D.</b>	<b>Min.</b>	<b>Max.</b>	<b>Obs.</b>
CSR <sub>t</sub>	0.299	0.452	0.000	2.150	20,238
CSC <sub>t-1</sub>	0.351	0.082	0.105	0.615	20,238
SIZE <sub>t-1</sub>	7.219	1.659	1.643	11.879	20,238
ROA <sub>t-1</sub>	0.023	0.178	-7.782	0.417	20,238
Leverage <sub>t-1</sub>	0.213	0.217	0.000	3.769	20,238
Risk <sub>t-1</sub>	0.028	0.014	0.006	0.118	20,238
R&D <sub>t-1</sub>	0.225	1.296	0.000	14.966	20,238
Cash <sub>t-1</sub>	-2.372	1.419	-8.000	2.540	20,238
Inst.Own <sub>t-1</sub>	0.737	0.226	0.001	1.109	20,238
<b>Panel B. By Year</b>					
<b>Year</b>	<b>CSC</b>	<b>CSR</b>	<b>CSR concern</b>	<b>No. of Obs.</b>	
1998	0.361	0.405	0.432	201	
1999	0.358	0.430	0.434	218	
2000	0.317	0.423	0.447	224	
2001	0.321	0.291	0.359	393	
2002	0.326	0.316	0.426	408	
2003	0.330	0.153	0.294	1,018	
2004	0.333	0.171	0.398	1,079	
2005	0.339	0.192	0.351	1,089	
2006	0.343	0.198	0.399	1,133	
2007	0.346	0.222	0.428	1,145	
2008	0.345	0.220	0.448	1,268	
2009	0.344	0.212	0.436	1,352	
2010	0.343	0.290	0.646	1,360	
2011	0.367	0.313	0.917	1,301	
2012	0.366	0.258	0.153	1,281	
2013	0.359	0.310	0.101	1,112	
2014	0.362	0.208	0.111	1,156	
2015	0.362	0.431	0.104	1,189	
2016	0.360	0.492	0.050	1,164	
2017	0.361	0.401	0.069	1,069	
2018	0.372	0.662	0.082	1,078	
<b>Total</b>				<b>20,238</b>	

**Table 2. Summary Statistics and Sample Distribution (con't)**

<b>Panel C. By Industry</b>				
<b>Fama-French 12 industries</b>	<b>CSC</b>	<b>CSR</b>	<b>CSR concern</b>	<b>No. of Obs.</b>
Consumer Non Durables	0.346	0.398	0.362	1,424
Consumer Durables	0.352	0.279	0.312	788
Manufacturing	0.355	0.257	0.340	3,223
Energy, Oil, Gas, and Coal	0.307	0.364	0.591	786
Chemicals and Allied products	0.345	0.352	0.435	967
Business Equipment	0.354	0.285	0.263	5,176
Telephone and Television	0.327	0.282	0.385	523
Wholesale, Retail and services	0.352	0.266	0.324	2,273
Healthcare and Medical	0.366	0.357	0.278	2,563
Other	0.328	0.265	0.367	2,515
Total				20,238

**Table 3. Customer Social Capital and CSR Performance**

This table reports the estimates for CSC with core (Regression 1 and 3) and full set of control variables (Regression 2 and 4), namely Size, ROA, Leverage, Risk, R&D, Cash, and Inst.Own. The dependent variable is CSR in regression (1) and 2. The dependent variable is CSR concern in Regressions (3) and (4). Variable definitions are given in Table A.1, Appendix. The sample contains U.S. public listed firms that sell offshore. The time span for this study is between 1998 and 2018. There are 20,238 observations across 2,603 firms in this study. Explanatory variable and controls are lagged by one year. Year and industry fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	CSR <sub>t</sub>		CSR Concern <sub>t</sub>	
	(1)	(2)	(3)	(4)
CSC <sub>t-1</sub>	0.122** (0.060)	0.106* (0.058)	0.010 (0.051)	0.005 (0.051)
Size <sub>t-1</sub>	0.144*** (0.006)	0.161*** (0.007)	0.085*** (0.006)	0.099*** (0.006)
ROA <sub>t-1</sub>		-0.060*** (0.020)		-0.075*** (0.016)
Leverage <sub>t-1</sub>		-0.138*** (0.032)		-0.088*** (0.022)
Risk <sub>t-1</sub>		-0.862** (0.384)		0.708** (0.327)
R&D <sub>t-1</sub>		0.011*** (0.003)		-0.005** (0.002)
Cash <sub>t-1</sub>		0.030*** (0.004)		0.009*** (0.003)
Inst.Own. <sub>t-1</sub>		-0.213*** (0.028)		-0.190*** (0.025)
Intercept	-0.783*** (0.048)	-0.621*** (0.047)	-0.370*** (0.042)	-0.308*** (0.042)
Industry FE	Yes	Yes	YES	Yes
Year FE	Yes	Yes	Yes	Yes
No. of observations	20,238	20,238	20,238	20,238
Adjusted R-squared	0.345	0.369	0.371	0.388

**Table 4. Customer Social Capital and CSR Components**

This table reports the estimates for CSC with core and full set of control variables, namely Size, ROA, Leverage, Risk, R&D, Cash, and Inst.Own. For each pair of Regressions, the dependent variable captures an individual aspect of the firm's CSR. In Regressions (1) and (2), the dependent variable captures the Environment aspect of the firm's CSR. In Regressions (3) and (4), the dependent variable captures the Community aspect of the firm's CSR. In Regressions (5) and (6), the dependent variable captures the Human Rights aspect of the firm's CSR. In Regressions (7) and (8), the dependent variable captures the Employee aspect of the firm's CSR. In Regressions (9) and (10), the dependent variable captures the Diversity aspect of the firm's CSR. In Regressions (11) and (12), the dependent variable captures the Product aspect of the firm's CSR. Variable definitions are given in Table A.1, Appendix. The sample contains U.S. public listed firms that sell offshore. The time span for this study is between 1998 and 2018. There are 20,238 observations across 2,603 firms in this study. Explanatory variable and controls are lagged by one year. Year and industry fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	Environment t		Community t		Human Rights t	
	(1)	(2)	(3)	(4)	(5)	(6)
CSC <sub>t-1</sub>	0.003 (0.017)	0.002 (0.017)	0.004 (0.009)	0.003 (0.009)	-0.005 (0.010)	-0.006 (0.010)
Size <sub>t-1</sub>	0.038*** (0.002)	0.040*** (0.002)	0.015*** (0.001)	0.015*** (0.001)	0.006*** (0.001)	0.007*** (0.001)
ROA <sub>t-1</sub>		-0.005 (0.005)		-0.003 (0.003)		-0.013*** (0.004)
Leverage <sub>t-1</sub>		-0.015** (0.007)		-0.012*** (0.005)		-0.007** (0.004)
Risk <sub>t-1</sub>		-0.438*** (0.110)		-0.330*** (0.063)		0.175*** (0.059)
R&D <sub>t-1</sub>		-0.001 (0.001)		0.001** (0.000)		-0.000 (0.000)
Cash <sub>t-1</sub>		0.005*** (0.001)		0.002*** (0.001)		0.001 (0.001)
Inst.Own. <sub>t-1</sub>		-0.069*** (0.007)		-0.018*** (0.004)		-0.012*** (0.004)
Intercept	-0.217*** (0.013)	-0.155*** (0.013)	-0.089*** (0.007)	-0.063*** (0.007)	-0.028*** (0.007)	-0.032*** (0.008)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
No. of observations	20,238	20,238	20,238	20,238	20,238	20,238
Adjusted R-squared	0.297	0.313	0.209	0.297	0.157	0.161

**Table 4. Customer Social Capital and CSR Components (con't)**

	Employee <sub>t</sub>		Diversity <sub>t</sub>		Product <sub>t</sub>	
	(7)	(8)	(9)	(10)	(11)	(12)
CSC <sub>t-1</sub>	0.049*** (0.018)	0.045** (0.018)	0.092** (0.042)	0.083** (0.041)	-0.003 (0.014)	-0.005 (0.014)
Size <sub>t-1</sub>	0.032*** (0.002)	0.035*** (0.002)	0.045*** (0.003)	0.054*** (0.004)	0.013*** (0.001)	0.014*** (0.001)
ROA <sub>t-1</sub>		0.007 (0.007)		-0.046*** (0.015)		-0.005 (0.007)
Leverage <sub>t-1</sub>		-0.036*** (0.009)		-0.049*** (0.019)		-0.019*** (0.006)
Risk <sub>t-1</sub>		0.040 (0.124)		-0.060 (0.239)		-0.148 (0.111)
R&D <sub>t-1</sub>		0.002*** (0.001)		0.010*** (0.003)		0.002 (0.001)
Cash <sub>t-1</sub>		0.005*** (0.001)		0.017*** (0.002)		0.002** (0.001)
Inst.Own. <sub>t-1</sub>		-0.049*** (0.008)		-0.065*** (0.017)		-0.010 (0.006)
Intercept	-0.181*** (0.013)	-0.154*** (0.015)	-0.204*** (0.027)	-0.168*** (0.028)	-0.059*** (0.010)	-0.045*** (0.012)
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
No. of observations	20,238	20,238	19,082	19,082	20,238	20,238
Adjusted R-squared	0.210	0.224	0.316	0.326	0.088	0.090

**Table 5. Robustness Tests**

This table presents tests examining the robustness of our results to additional controls. DocLength is measured using the natural logarithm of the number of paragraphs in a given firm's 10-K report as identified by the meta-heuristic system; CPI is the consumer price index; GDPperCapita is the country's gross domestic product per capita; CivilOrigin is a dummy variable that equals one for countries following the French, German, or Scandinavian laws, and zero for countries following the British law; ROE is the firm's return on equity; Tobin's q captures firm value, computed as total assets minus the book equity plus the market value of equity, all divided by total assets; MB is the market-to-book value ratio; CSC EW is the equal-weighted average of social capital across offshore countries. All other lagged control variables are identical to those of the baseline tests. Year and industry fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	CSR t			
	(1)	(2)	(3)	(4)
CSC <sub>t-1</sub>	0.136** (0.061)	0.104*	0.099* (0.055)	
CSC EW <sub>t-1</sub>				0.114* (0.061)
Size <sub>t-1</sub>	0.163*** (0.007)	(0.061) 0.161***	0.074*** (0.007)	0.161*** (0.007)
ROA <sub>t-1</sub>	-0.057*** (0.020)	(0.007) -0.050**		-0.060*** (0.020)
Leverage <sub>t-1</sub>	-0.139*** (0.030)	(0.020) -0.144***		-0.138*** (0.032)
Risk <sub>t-1</sub>	-0.702* (0.385)	(0.030) -0.966**		-0.859** (0.384)
R&D <sub>t-1</sub>	0.011*** (0.003)	(0.385) 0.011***		0.011*** (0.003)
Cash <sub>t-1</sub>	0.029*** (0.004)	(0.003) 0.028***		0.030*** (0.004)
Inst.Own. <sub>t-1</sub>	-0.208*** (0.028)	(0.004) -0.209***		-0.212*** (0.028)
GDPperCapita <sub>t-1</sub>	-0.008 (0.008)			
CPI <sub>t-1</sub>	-0.012** (0.006)		-0.013** (0.005)	
DocLength <sub>t-1</sub>	-0.023 (0.018)		0.001 (0.017)	
CivilOrigin <sub>t-1</sub>		0.010 (0.017)		
ROE <sub>t-1</sub>			-0.025*** (0.010)	
Tobin's q <sub>t-1</sub>			0.008*** (0.003)	
MB <sub>t-1</sub>			0.000*** (0.000)	
Intercept	-0.435*** (0.143)	-0.647*** (0.049)	-0.394*** (0.110)	-0.624*** (0.049)
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
No. of observations	19,104	18,779	19,099	20,238
Adjusted R-Squared	0.356	0.356	0.408	0.369

**Table 6. The Instrumental Variable Approach**

This table reports results for the instrumental variable estimation. Two instrumental variables are used. The first is the country-level measure of genetic diversity, capturing the prevalence of the S-Allele in the serotonin transporter gene SLC6A4 (S-Allele). Higher values suggest greater sensitivity to depression-inducing effects of social stress. The second is a firms' CSC among its industry peers, computed as the mean of CSC among all other firms in the same 2-digit SIC industry (Peer CSC). The baseline controls and fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	1 <sup>st</sup> stage	2 <sup>nd</sup> stage	1 <sup>st</sup> stage	2 <sup>nd</sup> stage
	S-Allele	CSR	Peer CSC	CSR
	(1)	(2)	(3)	(4)
S-Allele	0.001*** (0.000)			
CSC (fitted)		1.805*** (0.252)		1.366*** (0.192)
Peer CSC			0.828*** (0.032)	
Size <sub>t-1</sub>	-0.001*** (0.000)	0.176*** (0.003)	-0.001*** (0.000)	0.167*** (0.002)
ROA <sub>t-1</sub>	0.007 (0.005)	-0.059** (0.025)	0.007* (0.005)	-0.073*** (0.024)
Leverage <sub>t-1</sub>	-0.008** (0.003)	-0.120*** (0.017)	-0.008** (0.003)	-0.133*** (0.015)
Risk <sub>t-1</sub>	-0.014 (0.072)	-1.394*** (0.374)	0.062 (0.069)	-2.080*** (0.342)
R&D <sub>t-1</sub>	0.001 (0.001)	0.014*** (0.003)	0.001** (0.001)	0.024*** (0.003)
Cash <sub>t-1</sub>	0.000 (0.001)	0.032*** (0.003)	0.001 (0.000)	0.037*** (0.002)
Inst.Own. <sub>t-1</sub>	0.004 (0.003)	-0.231*** (0.017)	0.002 (0.003)	-0.232*** (0.015)
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	No	No
Observations	15,589	15,589	16,875	16,875
Adjusted R-squared	0.117	0.323	0.078	0.304

**Table 7. An Alternative Social-Capital Measure Using Google Search Data**

This table reports regressions using an alternative measure of social capital based on Google search data. The dependent variable is the annual change in firm CSR ( $\Delta\text{CSR}$ ). The main variable of interest is the average annual average weekly changes in Google's search volume index (SVI) for two search terms, "CSR" and "Corporate Social Responsibility," within a firm's offshore customer portfolio. Annual changes in the lagged baseline controls are included in the model. Industry and year fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

	$\Delta\text{CSR}_t$
	(1)
$\Delta\text{CSVI}_{t-1}$	0.018*** (0.007)
$\Delta\text{Size}_{t-1}$	0.048*** (0.011)
$\Delta\text{ROA}_{t-1}$	-0.022 (0.019)
$\Delta\text{Leverage}_{t-1}$	-0.008 (0.026)
$\Delta\text{Risk}_{t-1}$	-0.898*** (0.246)
$\Delta\text{R\&D}_{t-1}$	-0.002 (0.004)
$\Delta\text{Cash}_{t-1}$	0.001 (0.003)
$\Delta\text{Inst.Own.}_{t-1}$	0.007 (0.022)
Intercept	0.027*** (0.002)
Industry FE	Yes
Year FE	Yes
No. of observations	13,393
Adjusted R-squared	0.102



**Table 8. Subsample Analysis by Customers' Clientele**

This table reports regression results for two types of customers clienteles. Firms are classified as having a Business-to-Business (B2B) clientele if they sell to other businesses, or as a Business-to-consumer (B2C) clientele if to end consumers. The baseline controls are included. Variable definitions are given in Table A.1, Appendix. The sample contains U.S. public listed firms that sell offshore. The time span for this study is between 1998 and 2018. There are 20,238 observations across 2,603 firms in this study. Explanatory variable and controls are lagged by one year. Year and industry fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Subsample:	CSR <sub>t</sub>	
	B2C (1)	B2B (2)
CSC <sub>t-1</sub>	-0.035 (0.088)	0.210*** (0.075)
Size <sub>t-1</sub>	0.157*** (0.010)	0.167*** (0.009)
ROA <sub>t-1</sub>	-0.037 (0.030)	-0.068** (0.027)
Leverage <sub>t-1</sub>	-0.113*** (0.042)	-0.184*** (0.041)
Risk <sub>t-1</sub>	-1.414** (0.576)	-0.574 (0.504)
R&D <sub>t-1</sub>	0.005* (0.003)	0.025** (0.011)
Cash <sub>t-1</sub>	0.032*** (0.006)	0.022*** (0.005)
Inst.Own. <sub>t-1</sub>	-0.161*** (0.039)	-0.249*** (0.039)
Intercept	-0.538*** (0.072)	-0.710*** (0.062)
Industry FE	Yes	Yes
Year FE	Yes	Yes
No. of observations	8,656	11,582
Adjusted R-squared	0.367	0.367

**Table 9. Subsample Analysis by the Degree of Environmental Activism**

This table reports regression results based on subsamples divided by whether a firm operates in industries with high or low environmental activism. Industries are defined as having high environmental activism if they are one of the seven polluting industry sectors as identified by U.S. Environmental Protection Agency (2017), and otherwise as having low environmental activism. The baseline controls are included. Variable definitions are given in Table A.1, Appendix. The sample contains U.S. public listed firms that sell offshore. The time span for this study is between 1998 and 2018. There are 20,238 observations across 2,603 firms in this study. Explanatory variable and controls are lagged by one year. Year and industry fixed effects are included. Industry effects are constructed based on the 2-digit SIC industry classification. Standard errors are clustered by firms and reported in parentheses. \*\*\*, \*\*, and \* indicate statistical significance at the 1%, 5%, and 10% level, respectively.

Subsample	CSR t	
	Environmental activism/Polluting	
	High (1)	Low (2)
CSC <sub>t-1</sub>	-0.107 (0.160)	0.146** (0.061)
Size <sub>t-1</sub>	0.171*** (0.017)	0.161*** (0.007)
ROA <sub>t-1</sub>	-0.090** (0.036)	-0.038 (0.026)
Leverage <sub>t-1</sub>	-0.153*** (0.042)	-0.129*** (0.039)
Risk <sub>t-1</sub>	-1.829** (0.867)	-1.031** (0.417)
R&D <sub>t-1</sub>	0.002 (0.003)	0.032** (0.014)
Cash <sub>t-1</sub>	0.030*** (0.010)	0.025*** (0.004)
Inst.Own. <sub>t-1</sub>	-0.220*** (0.065)	-0.227*** (0.030)
Intercept	-0.448*** (0.123)	-0.652*** (0.051)
Industry FE	Yes	Yes
Year FE	Yes	Yes
No. of observations	2,870	17,368
Adjusted R-squared	0.443	0.363

## Appendix A.1. Variable Definition and Data Sources

This table provides the detailed definitions and data sources of the variables used in our study.

Variable	Definition	Source
Adjusted CSR	<p>The sum of yearly adjusted score of CSR strengths across six different CSR dimensions: Product, Employee, Community, Human Rights, Diversity and Environment.</p> <p>Adjusted CSR is estimated by scaling the raw strength scores of each category by the number of items of the strength of that category in the year.</p>	MSCI ESG Stats database
Adjusted CSR concern	<p>The sum of yearly adjusted score of CSR concerns across six different CSR dimensions: Product, Employee, Community, Human Rights, Diversity and Environment.</p> <p>Adjusted CSR concern is estimated by scaling the raw concern scores of each category by the number of items of the concerns of that category in the year.</p>	
CSC	<p>The weighted average level of social capital across the countries to which a firm sells in a given year. Social capital of a country is measured by the degree of social trust of its residential, based on evidence from the World Value Survey. In particular, social trust is measured using respondent answers to the question: “Generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with people?”</p> <p>With: “Most people can be trusted”.</p>	World Values Survey
Size	Natural log of total assets in million dollars.	Compustat
ROA	Firm profitability, measured as net income divided by total assets.	Compustat
Leverage	The proportion of total debt to total assets; total debt is the sum of short-term liabilities and long-term debt.	Compustat
Risk	Standard deviation of daily stock returns in the current year.	CRSP
R&D	R&D intensity, computed as research and development expenses divided by total sales.	Compustat
Cash	The ratio of cash to net assets. Net assets is total assets minus cash.	Compustat
Inst.Own.	The percentage of shares owned by institutional investors.	Thompson 13F
GDPperCapita	The average natural logarithm of gross domestic product (GDP) per capita across the countries to which a firm sells in a given year.	World Bank
CivilOrigin	The legal origin of the Company Law or Commercial Code of each country.	Reynolds and Flores (1989)

		and La Porta et al. (1996).
CPI	Rate of change in the national consumer price index.	World Bank
DocLength	The natural logarithm of the number of paragraphs in a given firm's 10-K report as identified by the meta-heuristic system.	Hoberg and Moon (2017)
ROE	Return on the book value of equity, measured as net income divided by equity	Compustat
Tobin's q	Tobin's q, computed as market value of equity (the product of fiscal year-end closing stock price and number of shares outstanding) plus total assets minus the book value of equity, all divided by total assets.	Compustat
MB	Market-to-book equity ratio, computed as market value of equity divided by the book value of equity.	Compustat
S-Allele	Country-level measure of genetic variation in the serotonin transporter gene (SLC6A4). The statistic is a measure of the prevalence of the S-Allele in the polymorphism 5-HTTLPR of the serotonin transporter gene SLC6A4. Higher values suggest greater sensitivity to depression-inducing effects of social stress.	Chiao and Blizinsky (2010)
Peer CSC	The average value of customer social capital within a 2-digit SIC industry classification.	WVS
Google's search volume index ( $\Delta$ CSVI)	The annual standardized average weekly changes in SVI ( $\Delta$ SVI) for the two search terms, "CSR" and "Corporate Social Responsibility." SVI is the aggregate search frequency from Google Trends for the two search terms "CSR" and "Corporate Social Responsibility."	Google

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## A.2. A List of Strength Items in the MSCI KLD Database

Category	Strength items	Description
Community (COM)	Charitable Giving	The company has consistently given over 1.5% of trailing three-year net earnings before taxes (NEBT) to charity, or has otherwise been notably generous in its giving. In 2002, KLD renamed the Generous Giving Strength as Charitable Giving.
	Innovative Giving	The company has a notably innovative giving program that supports nonprofit organizations, particularly those promoting self-sufficiency among the economically disadvantaged. Companies that permit nontraditional federated charitable giving drives in the workplace are often noted in this section as well.
	Support for Housing	The company is a prominent participant in public/private partnerships that support housing initiatives for the economically disadvantaged, e.g., the National Equity Fund or the Enterprise Foundation.
	Support for Education	The company has either been notably innovative in its support for primary or secondary school education, particularly for those programs that benefit the economically disadvantaged, or the company has prominently supported job-training programs for youth. In 1994, KLD added the Support for Education Strength.
	Indigenous People Relations	The company has established relations with indigenous peoples in the areas of its proposed or current operations that respect the sovereignty, land, culture, human rights, and intellectual property of the indigenous peoples. KLD began assigning this strength in 2000. In 2002 KLD moved this strength rating into the Human Rights area.
	Non-U.S. Charitable Giving	The company has made a substantial effort to make charitable contributions abroad, as well as in the U.S. To qualify, a company must make at least 20% of its giving, or have taken notably innovative initiatives in its giving program, outside the U.S.
	Volunteer Programs	The company has an exceptionally strong volunteer program. In 2005, KLD added the Volunteer Programs Strength.
	Other Strength	The company has either an exceptionally strong in-kind giving program or engages in other notably positive community activities.
Product quality and safety (PRO)	Quality	The company has a long-term, well-developed, company-wide quality program, or it has a quality program recognized as exceptional in U.S. industry.
	R&D/ Innovation	The company is a leader in its industry for research and development (R&D), particularly by bringing notably innovative products to market.
	Benefits to Economically Disadvantaged	The company has as part of its basic mission the provision of products or services for the economically disadvantaged.
	Other Strength	The company's products have notable social benefits that are highly unusual or unique for its industry.

Environment (ENV)	Beneficial Products and Services	The company derives substantial revenues from innovative remediation products, environmental services, or products that promote the efficient use of energy, or it has developed innovative products with environmental benefits. (The term “environmental service” does not include services with questionable environmental effects, such as landfills, incinerators, waste-to-energy plants, and deep injection wells.)
	Pollution Prevention	The company has notably strong pollution prevention programs including both emissions reductions and toxic-use reduction programs.
	Recycling	The company either is a substantial user of recycled materials as raw materials in its manufacturing processes, or a major factor in the recycling industry.
	Clean Energy	The company has taken significant measures to reduce its impact on climate change and air pollution through use of renewable energy and clean fuels or through energy efficiency. The company has demonstrated a commitment to promoting climate-friendly policies and practices outside its own operations. KLD renamed the Alternative Fuels strength as Clean Energy Strength.
	Communications	The company is a signatory to the CERES Principles, publishes a notably substantive environmental report, or has notably effective internal communications systems in place for environmental best practices. KLD began assigning strengths for this issue in 1996, and then incorporated the issue with the Corporate Governance: Transparency rating (CGOV-str-D), which was added in 2005. In files prior to 2005, this column does not appear. In all spreadsheets it is incorporated into the Transparency rating
	Property, Plant, and Equipment	The company maintains its property, plant, and equipment with above-average environmental performance for its industry. KLD has not assigned strengths for this issue since 1995.
	Management Systems	The company has demonstrated a superior commitment to management systems through ISO 14001 certification and other voluntary programs. This strength was first awarded in 2006.
	Other Strength	The company has demonstrated a superior commitment to management systems, voluntary programs, or other environmentally proactive activities.
Diversity (DIV)	CEO	The company’s chief executive officer is a woman or a member of a minority group
	Promotion	The company has made notable progress in the promotion of women and minorities, particularly to line positions with profit-and-loss responsibilities in the corporation.
	Board of Directors	Women, minorities, and/or the disabled hold four seats or more (with no double counting) on the board of directors, or one-third or more of the board seats if the board numbers less than 12.
	Work/Life Benefits	The company has outstanding employee benefits or other programs addressing work/life concerns, e.g., childcare, elder care, or flextime. In 2005, KLD renamed this strength from Family Benefits Strength.
	Women & Minority Contracting	The company does at least 5% of its subcontracting, or otherwise has a demonstrably strong record on purchasing or contracting, with women- and/or minority-owned businesses.

Employee Relations (EMP)	Employment of the Disabled	The company has implemented innovative hiring programs; other innovative human resource programs for the disabled, or otherwise has a superior reputation as an employer of the disabled.
	Gay and Lesbian Policies	The company has implemented notably progressive policies toward its gay and lesbian employees. In particular, it provides benefits to the domestic partners of its employees. In 1995, KLD added the Gay & Lesbian Policies Strength, which was originally titled the Progressive Gay/Lesbian Policies strength.
	Other Strength	The company has made a notable commitment to diversity that is not covered by other KLD ratings.
	Union Relations	The company has taken exceptional steps to treat its unionized workforce fairly. KLD renamed this strength from Strong Union Relations.
	No-Layoff Policy	The company has maintained a consistent no-layoff policy. KLD has not assigned strengths for this issue since 1994.
	Cash Profit Sharing	The company has a cash profit-sharing program through which it has recently made distributions to a majority of its workforce.
	Employee Involvement	The company strongly encourages worker involvement and/or ownership through stock options available to a majority of its employees; gain sharing, stock ownership, sharing of financial information, or participation in management decision-making.
	Retirement Benefits	The company has a notably strong retirement benefits program. KLD renamed this strength from Strong Retirement Benefits.
Human Rights (HUM)	Health and Safety	The company has strong health and safety programs.
	Other Strength	The company has strong employee relations initiatives not covered by other KLD ratings.
	Positive Record in South Africa	The company's social record in South Africa is noteworthy. KLD assigned strengths in this category in 1994 and 1995.
	Indigenous Peoples Relations	The company has established relations with indigenous peoples near its proposed or current operations (either in or outside the U.S.) that respect the sovereignty, land, culture, human rights, and intellectual property of indigenous peoples. In 2000, KLD added the Indigenous Peoples Relations Strength. In 2004, KLD moved the Indigenous Peoples Relations Strength from Community to Human Rights.
	Labor Rights	The company has outstanding transparency on overseas sourcing disclosure and monitoring, or has particularly good union relations outside the U.S., or has undertaken labor rights-related initiatives that KLD considers outstanding or innovative. In 2002, the Labor Rights Strength was added.
Other Strength	The company has undertaken exceptional human rights initiatives, including outstanding transparency or disclosure on human rights issues, or has otherwise shown industry leadership on human rights issues not covered by other KLD human rights ratings.	

### Appendix A.3. An Example Showing How Customer Social Capital Is Computed

This table provides a simple example to illustrate how our customer social capital (CSC) measure is constructed.

Name	Year	Offshore country	Mentions <sub>itz</sub>	CSC <sub>itz</sub>	CSC <sub>it</sub>
AAR Corp.	2002	Netherlands	1	0.422	
AAR Corp.	2002	Canada	2	0.366	
AAR Corp.	2002	Mexico	2	0.213	
AAR Corp.	2002				$\frac{(1 \times 0.422) + (2 \times 0.366) + (2 \times 0.213)}{1+2+2} = 0.316$

### Appendix A.4. Correlation Matrix

This table reports the pairwise correlations between the main variables used in our study. The variable definitions are given in Table A.1, Appendix. \* indicates statistical significance at the 1% level.

		V1	V2	V3	V4	V5	V6	V7	V8	V9	V10
Risk	V1	1.000									
CSR	V2	-0.220*	1.000								
CSR concern	V3	-0.036*	0.156*	1.000							
CSC	V4	0.020	-0.037*	-0.028*	1.000						
Firm size	V5	-0.438*	0.445*	0.333*	-0.101*	1.000					
ROA	V6	-0.354*	0.136*	0.028*	0.000	0.147*	1.000				
Leverage	V7	-0.127*	0.072*	0.118*	-0.064*	0.426*	-0.166*	1.000			
R&D	V8	0.179*	0.007	-0.084*	0.057*	-0.260*	-0.168*	-0.297*	1.000		
Cash/TA	V9	0.214*	-0.063*	-0.090*	0.066*	-0.335*	0.023*	-0.442*	0.422*	1.000	
Inst. Own.	V10	-0.099*	-0.001	0.020	-0.023*	0.181*	0.065*	0.074*	-0.007	0.002	1.000