



Stakeholder pressure, democracy levels, and multinational enterprise corporate social responsibility: Stakeholder and institutional theories[☆]

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ABSTRACT

This study analyzes how multinational enterprises (MNEs) respond to stakeholder pressure and institutional environments when engaging in Corporate Social Responsibility (CSR) in foreign markets. By integrating stakeholder and institutional theory, we examine the influence of primary and secondary stakeholder pressure on socially responsible practices and investigate whether political rights, civil liberties, and institutional voids moderate these relationships. Using survey data from 216 foreign subsidiaries operating in South Korea, our findings show that primary and secondary stakeholder pressure positively impact MNEs' CSR engagement; however, these relationships are contingent on the host country's institutional context (i.e., democratic distance and voids). Specifically, political and institutional voids intensify the positive effects of primary and secondary stakeholder pressure on responsible conduct, whereas the democratic distance between home and host countries weakens these effects. These findings provide invaluable insights for MNE subsidiary managers on appropriately balancing stakeholder pressure and overcoming institutional challenges to improve CSR activities in host markets.

1. Introduction

Empirical studies exploring the relationship between stakeholder pressure and multinational enterprises' (MNEs) Corporate Social Responsibility (CSR) have received significant attention. CSR refers to a company's commitment to considering its operations' social and environmental impacts and using its resources to positively contribute to society (Albuquerque, Koskinen, & Zhang, 2019). To identify key factors affecting MNE CSR, Xiao, Roh, Ghauri, Cho, and Park (2024) employ a stakeholder perspective as an overarching theoretical lens, demonstrating that business collaborators are not catalysts in promoting CSR-driven market adaptation, though primary and secondary stakeholders have a strong influence. Relatedly, Choi, Roh, and Lee (2024) note that stakeholder influence on enterprises is also known as stakeholder pressure. Aguinis and Glavas (2019) extend the empirical trajectory to performance, uncovering that employees are agentic actors actively interpreting and shaping the world around their firms to positively affect

organizational performance. Park and Ghauri (2015) particularly focus on small and medium-sized MNE subsidiaries, documenting that consumers, internal managers, employees, competitors, and non-governmental organizations (NGOs) considerably influence corporate citizenship behavior. Flammer and Kacperczyk (2019) synthesize these discoveries, arguing that firms respond to knowledge leakage threats in alien environments by strategically increasing CSR engagement. Thus, the relationship becomes a dyadic partnership as firms follow issue- or purpose-based CSR programs, yielding values that trickle down to interdependent stakeholders.

A possible reason for the prevalence of these studies is that governments and stakeholders can be skeptical of MNEs' foreign direct investment (FDI), as they perceive that MNEs may hinder economic growth in host countries, highlighting the negative aspects of MNE operations in local markets (Xiao et al., 2024). Many scholars (Bouchoucha & Bakari, 2019; Ziegler, 2005) have also suggested that foreign firm activities are too vitalized and immoderate, which can undermine local

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competition, distort markets, and challenge the host country's policy autonomy. MNEs often dominate the market, presenting a challenge to national sovereignty, as the severe competition caused by these enterprises entering markets inevitably culls locally grown corporations, potentially increasing unemployment.

Moreover, MNEs reinvest only a fraction of their profits in local host countries, taking most of their revenue through remittances, which gives rise to capital evaporation. These adverse effects lead to a serious decrease in foreign exchange reserves and may cause local governments to incur more foreign debt, plunging their economies into a vicious cycle. Thus, local stakeholders should monitor MNEs' unethical practices, and from the MNEs' point of view, an ideal way to address skepticism is to engage in CSR in local markets.

Similar to stakeholder theory, institutional theory is also frequently employed in empirical studies examining CSR. Risi, Vigneau, Bohn, and Wickert (2023) highlight that institutional theory-based CSR research illustrates the role of institutions in guiding agentic CSR choices and influencing CSR. Furthermore, Khan, Lew, and Park (2015) reveal that MNEs commit to CSR programs despite the weak development of formal institutions in local economies and concentrate on charitable and philanthropic works when host countries experience institutional voids. Shirodkar, Liedong, Rajwani, and Lawton (2024) suggest that the close relationship between CSR and internationalization increases when emerging market MNEs target developed markets or institutionally developed countries.

In contrast, Rathert (2016) notes that MNEs recognize different institutional contexts and strategically choose between standards-based CSR (setting minimum standards for the local country) and rights-based CSR (granting rights). Park, Hong, and Xiao (2021) present a novel perspective on MNE CSR by emphasizing the institutional drivers of anti-corruption engagement rather than just traditional CSR initiatives, arguing that foreign subsidiaries face strong institutional pressures to gain legitimacy and enhance competitive positioning in host countries. In this context, legitimacy refers to the perception that an organization's actions align with the established social norms, values, beliefs, and expectations of its environment (Park & Ghauri, 2015; Rathert, 2016). By reframing CSR as a response to institutional pressure rather than a firm-driven initiative, they focus on emerging market complexities and MNEs' non-market strategies (Shirodkar et al., 2024), providing fresh insights beyond traditional CSR literature. These studies clearly show the importance of CSR in the field of international business (IB).

Meanwhile, researchers have recently attempted to synthesize stakeholder and institutional theories to overcome the limitations of using a single theory and closely investigate MNE CSR in the IB domain. In this line of research, Hah and Freeman (2014) offer a conceptual model as the point of departure. Following this, relevant works have been ongoing. For instance, Figueira, Gauthier, and de Oliveira (2023) examine CSR and stakeholder salience in MNE subsidiaries within emerging markets experiencing institutional voids. They demonstrate that stakeholders with power enact regulatory rules and guidelines and are perceived as applying enough pressure to engage MNE subsidiaries in CSR. Kim, Kim, Marshall, and Afzali (2018) show that primary stakeholders expedite foreign subsidiaries' symbolic CSR, whereas secondary stakeholders accelerate their practical CSR. However, stakeholder impact weakens when a host country faces institutional voids. Ferri, Pedrini, and Minciullo (2022) propose that under institutional voids, corporate motives for socially responsible conduct influence firm commitment to stakeholder dialogue, specifically regarding profitability, whereas firms driven by legitimacy are less involved in such activities.

Through the lens of institutional theory, existing CSR research can be categorized into: (1) determinants of CSR, (2) institutional influences on CSR, and (3) CSR outcomes. First, prior studies have suggested that MNEs engage in CSR initiatives in response to stakeholder pressure (Kim et al., 2018) and legitimacy-seeking behavior in foreign markets (Rathert, 2016), aligning with institutional isomorphism mechanisms

(DiMaggio & Powell, 1983). Second, the institutional environment significantly shapes CSR strategies, particularly in emerging markets where institutional voids influence firm behavior (Brenes, Ciravegna, & Pichardo, 2019; Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017). In these contexts, MNE subsidiaries often adopt CSR practices to mitigate liabilities of foreignness and gain legitimacy through institutional adaptation (Scott, 2001). Third, CSR engagement can enhance corporate legitimacy, stakeholder trust, and long-term financial performance (Wang & Li, 2019; Wang, Cui, Vu, & Feng, 2020), further reinforcing the role of institutional legitimacy as a strategic driver.

While there is a growing focus on the influence of stakeholders and institutions in local markets on MNE CSR, there remains a lack of scholarly attention connecting this agenda to democracy. Specifically, institutional contexts, such as civil rights, liberties, and voids, have not been adequately explored. Democracy refers to a system in which people collectively decide by whom and, to some extent, how they will be governed (Przeworski, 2024), whereas political institutions are the structures and organizations holding political power within a society (Baland, Moene, & Robinson, 2010). Thus, in this study, the political level measures the extent to which democracy is observed in society.

Examining the intersection of political institutions and stakeholders in the IB field is important, in that for MNEs, the democracy level is vital in determining non-market strategies (e.g., CSR) for their operations abroad (As-Saber, Dowling, & Liesch, 2001). In addition, it can affect MNEs' commercial activities, which rely on institutional environments and stakeholder interplay (Henisz & Mansfield, 2006). In this vein, this study aims to address the current research gap by identifying the moderating role of political institutions in the relationship between primary and secondary stakeholders and MNE CSR. That is, although previous studies have extensively addressed the vital role of stakeholders in shaping CSR strategies (e.g., Ferri et al., 2022; Figueira et al., 2023; Kim et al., 2018), how institutional contexts such as political rights, civil liberties, and institutional voids moderate the relationship between stakeholder pressure and CSR activities has yet to be fully explored. Thus, this study aims to comprehensively explain the dynamic interactions between MNE subsidiaries and their local environments by integrating stakeholder and institutional theories.

By exploring this uncharted research area, this study's contributions are multifaceted. First, by empirically demonstrating the differential impact of primary and secondary stakeholder pressure on MNE subsidiaries' CSR, this study provides a deeper understanding of stakeholder influence in the IB context and advances stakeholder theory. Second, it contributes to institutional theory by highlighting how changes in political and institutional conditions can enhance or mitigate the effects of stakeholder pressure on CSR practices. Taken together, this study extends the understanding of the complex interactions between stakeholder pressure, institutional (particularly political) dynamics, and MNE behavior in foreign markets. By integrating stakeholder and institutional theories, this approach clarifies the requirements and elements that drive CSR and foster responsible citizenship in foreign economies.

Third, this study contributes theoretically to the development of more consolidated CSR theories that explain the importance of political institutions. Incorporating political and institutional elements, such as political rights, civil liberties, and political and institutional voids, allows us to better understand how different political and institutional contexts link to stakeholder expectations and corporate behavior. In particular, democracy is primarily related to formal institutional factors and distance, including structural elements such as rights, liberties, and voids. This study centers on these formal institutional aspects to analyze MNEs' CSR activities. That is, by addressing the theoretical dimensions, this study contributes to the ongoing debate on MNE CSR strategies in overseas markets and offers new insights into how foreign subsidiaries can balance stakeholder demands and situational challenges.

2. Theoretical background and hypothesis development

2.1. Stakeholder pressure and MNE subsidiaries' CSR

Engaging with stakeholders is crucial for business success and legitimacy due to its considerable influence on outcomes in host markets where MNEs operate (Freeman, 2010; Hillman & Wan, 2005; Kostova, 1999). Addressing stakeholder concerns can foster trust and credibility, ensuring MNE alignment with local expectations and institutional norms. Host-market stakeholders wield significant influence over subsidiary strategies and operations due to MNEs' reliance on external stakeholders for legitimacy, market access, and regulatory support (Choi et al., 2024; Kassinis & Vafeas, 2006; Xiao et al., 2024). MNEs are broadly influenced by two stakeholder types: primary (e.g., consumers, employees, and suppliers) and secondary (media, government, and NGOs) (Clarkson, 1995; Maon, Lindgreen, & Swaen, 2009). By integrating CSR into business strategy, MNEs can create value for shareholders and stakeholders, including employees, customers, and the wider community, contributing to the common good (Bondy, Moon, & Matten, 2012; Marano, Tashman, & Kostova, 2017). Furthermore, MNEs enhance their legitimacy when community stakeholders embrace their CSR activities. These CSR activities can resonate with stakeholders' social and environmental priorities, allowing an MNE to strengthen its credibility, build trust, and secure its position within the community (Rhee, Park, & Petersen, 2018). Thus, legitimacy improves an MNE's reputation and contributes to long-term stability and operational success in host markets (Suchman, 1995).

The necessity for legitimacy is heightened when MNEs operate in foreign markets, as stakeholders closely scrutinize their actions. Local stakeholders often impose stricter legitimacy requirements on foreign firms to ensure commitment to local norms (Gifford, Kestler, & Anand, 2010). To counter this liability of foreignness, MNEs can engage in CSR beyond local expectations to enhance their corporate image and legitimacy. By exceeding the minimum requirements, MNE subsidiaries can strengthen stakeholder relationships, mitigate pressure, and solidify their legitimacy in the host environment.

Primary stakeholder pressure often compels MNE subsidiaries to conform to local expectations, ensuring legitimacy and mitigating reputational risks (Kim et al., 2018; Park & Ghauri, 2015). It drives subsidiaries to adopt CSR practices, such as ensuring environmental sustainability and fair labor standards, fostering stronger ties with key stakeholders, including customers, employees, and suppliers (Hah & Freeman, 2014; Lee, Choi, Xiao, Lew, & Park, 2024a).

This pressure influences CSR adoption through two mechanisms. First, as a legitimacy mechanism, it pushes subsidiaries to align with host-country social and environmental expectations, reducing liabilities of foreignness and reinforcing stakeholder trust (Jiang, Holburn, & Beamish, 2016; Rathert, 2016). Particularly, strong supplier relationships can further enhance market integration. Second, primary stakeholders may demand that MNEs employ CSR to mitigate risks related to environmental and social concerns, such as pollution or labor rights violations. Failure to address these risks can trigger backlash, regulatory penalties, or boycotts (Ali & Frynas, 2018; Roh & Yu, 2024). To safeguard market access and operational continuity, subsidiaries can adopt CSR strategies that preempt regulatory scrutiny and strengthen stakeholder support (Pérez & Rodríguez del Bosque, 2013; Rhee et al., 2018). Based on this rationale, we propose the following hypothesis.

H1: Primary stakeholder pressure positively affects an MNE subsidiary's CSR.

Secondary stakeholders can indirectly impact MNE subsidiary operations by influencing organizational strategy (Awa, Etim, & Ogbonda, 2024; Park & Ghauri, 2015; Thijssens, Bollen, & Hassink, 2015). Although organizations can use CSR to self-regulate, governments can influence responsible activities by implementing strict social guidelines, laws, and norms (Choi et al., 2024; Vogel, 2009). Furthermore, governments may encourage businesses to participate in CSR by mandating

certain practices (Lee et al., 2024a). These powerful legal systems and stakeholders set the general course for CSR, creating a foundation for responsible business activities by foreign subsidiaries (Figueira et al., 2023; Reimann, Ehrgott, Kaufmann, & Carter, 2012). NGOs, governments, and the media are also key in motivating companies to adopt socially responsible strategies. NGOs increase social pressure by monitoring unethical practices such as weak labor rights, dishonest operations, and environmental issues (Guay, Doh, & Sinclair, 2004; Xiao et al., 2024). They may also initiate campaigns to raise awareness of the harmful activities of irresponsible businesses. Therefore, MNE subsidiaries may turn to CSR because they are unwilling to risk their reputation by ignoring NGO pressure. Furthermore, the media have traditionally acted as a watchdog by transparently revealing corporate behavior to the public (Campbell, 2007; Emma & Jennifer, 2021). Thus, subsidiaries may attempt to behave in a socially responsible manner, as they are aware their actions can be publicized (Lee, Pak, & Roh, 2024b; Vogler & Eisenegger, 2020). These secondary stakeholders can pressure MNE subsidiaries to implement CSR strategies in local markets. Accordingly, we propose the following hypothesis.

H2: Secondary stakeholder pressure positively affects an MNE subsidiary's CSR.

2.2. Institutional contexts: Voids, democracy, and political institutions

MNEs operate in institutional environments shaped by political institutions, influencing stakeholder engagement and CSR practices (Peng, Wang, & Jiang, 2008). Institutional theory explains how firms adapt to host-country conditions by aligning with local norms to gain legitimacy, mitigate risks, and secure resources (DiMaggio & Powell, 1983; Kostova & Roth, 2002; Kostova & Zaheer, 1999; Peng et al., 2008). While prior research has broadly examined institutional pressure, it has largely overlooked the roles of democracy and political institutions in shaping MNEs' CSR strategies (BenYishay & Betancourt, 2010, 2014). As political institutions critically influence corporate behavior, further research is needed to examine how they mitigate the stakeholder-CSR relationship (As-Saber et al., 2001; Henisz & Mansfield, 2006).

From a stakeholder theory perspective, MNEs engage in CSR to gain legitimacy by addressing the expectations of governments, society, and local communities (Baik & Park, 2019). However, how political institutions influence this process remains underexplored. Democratic distance—the differences in the political rights and civil liberties of home and host countries—causes institutional misalignment, affecting MNEs' ability to transfer and adapt CSR practices. There is a lower risk of illegitimacy when home and host countries share similar political institutions, allowing CSR strategies to be replicated abroad (Berry, Guillén, & Zhou, 2010; Filippaios, Annan-Diab, Hermidas, & Theodoraki, 2019). Conversely, greater democratic distance increases institutional uncertainty, requiring firms to align with local governance expectations and stakeholder demands, particularly in CSR, where governance, human rights, and ethical standards may vary significantly (Kostova & Zaheer, 1999; Suchman, 1995; Wu, Zhou, Park, Khan, & Meyer, 2022).

However, institutional and political voids present challenges beyond democratic distance (Brenes et al., 2019; Doh et al., 2017). Institutional voids, defined by weak regulatory frameworks, inefficient markets, and governance deficiencies, force MNEs to develop alternative mechanisms to ensure compliance and enhance stakeholder engagement. Political voids, which are gaps in democratic governance, enforcement, and political accountability, have been overlooked in institutional theory (Carney, El Ghoul, Guedhami, Lu, & Wang, 2022). MNEs must navigate greater uncertainty, inconsistent regulations, and governance failures when operating in politically unstable environments, shaping CSR adaptation (Li, Li, & Luo, 2024). While institutional voids have been extensively studied in economic terms, the role of political voids in CSR engagement remains underexplored. As MNEs often use CSR to offset weak political institutions, understanding how political voids shape

stakeholder-driven CSR strategies is essential.

This study expands institutional theory by examining both institutional voids and political institutions through the lens of home-host country distance. By integrating stakeholder and institutional theory, we address the overlooked roles of democratic distance, institutional voids, and political voids, which are considered divergent institutional pressures that shape MNE CSR. Rather than treating political rights and civil liberties as static host-country characteristics (BenYishay & Betancourt, 2010, 2014), we conceptualize them as dimensions of democratic distance to emphasize how variations between home and host countries influence MNEs' CSR adaptation. This approach advances a more comprehensive framework, highlighting democratic distance and political voids as critical yet underexamined factors in determining stakeholder pressure and corporate responsiveness in foreign markets.

2.3. The moderating role of democratic distance: Political rights

MNE subsidiaries entering foreign markets often face institutional unfamiliarity, exacerbated by home-host country distance (Zaheer & Mosakowski, 1997). Greater institutional distance forces MNEs to balance external legitimacy with internal consistency, which increases their adaptation challenges. While prior research has examined institutional distance from different perspectives (Campbell, 2007; Rathert, 2016; Reimann, Rauer, & Kaufmann, 2015), variations in democratic distance, such as gaps in political rights, can provide deeper nuances from an IB perspective on democratic distance (Filippaios et al., 2019).

Political institutions can shape national business systems, influencing how countries regulate foreign investment (Eichengreen & Leblang, 2008; Whitley, 1992). MNEs must seek legitimacy in host countries by aligning with local norms and contributing to societal well-being through CSR (Whelan, 2012). In environments where political rights are strongly valued, stakeholders will closely scrutinize how foreign firms uphold these rights. The greater the gap between the political rights in home and host countries, the more MNE subsidiaries risk being perceived as misaligned with local values (Halinen & Törnroos, 1998; Sahasranamam, Arya, & Mukundhan, 2022).

This misalignment heightens stakeholder skepticism and scrutiny, making CSR engagement more challenging (Filippaios et al., 2019; Hillman & Wan, 2005). For instance, primary and secondary stakeholders may question the subsidiary's commitment to CSR, suspecting insincerity or incompatibility with local expectations (Detomasi, 2008). This increased pressure may discourage subsidiaries from actively engaging in CSR initiatives rather than acting as an incentive, as they may fear that perceived political misalignment will provoke further criticism or fail to earn legitimacy (Scherer & Palazzo, 2011). Consequently, MNEs may reduce CSR efforts when political rights gaps create legitimacy barriers, as aligning with stakeholder expectations is more complex (He & Lyles, 2008).

Thus, wider home-host gaps in political rights may weaken MNE subsidiaries' CSR engagement by complicating stakeholder alignment and legitimacy-building efforts. Based on this reasoning, we propose the following hypotheses.

H3a: The distance between home and host countries' political rights negatively moderates the relationship between primary stakeholder pressure and an MNE subsidiary's CSR.

H3b: The distance between home and host countries' political rights negatively moderates the relationship between secondary stakeholder pressure and an MNE subsidiary's CSR.

2.4. The moderating role of democratic distance: Civil liberties

When MNEs enter host countries with vastly different civil liberties, they must navigate the democratic context, as government engagement is crucial for operations (Lee et al., 2024a). Civil liberties (i.e., personal autonomy, individual rights, and freedom of expression) are among the most important democratic elements as they are closely linked to the

power of the host government (Benyishay & Betancourt, 2010). However, as MNE subsidiaries tailor CSR to local social and public needs, disparities in civil liberties can pose significant challenges. For example, these differences may lead primary stakeholders to perceive CSR efforts as misaligned, insincere, or ineffective, discouraging investments in socially responsible actions.

Secondary stakeholders often push MNE subsidiaries to uphold high standards in human rights and ethical labor practices (Benyishay & Betancourt, 2010; Filippaios et al., 2019). However, when the distance between home and host countries' civil liberties is substantial, MNE subsidiaries may struggle to interpret or respond effectively to stakeholder expectations, reducing their motivation to integrate CSR as a legitimacy-seeking mechanism. In restrictive environments, they may also lack the institutional support needed to implement socially responsible initiatives that resonate with local stakeholders (Whelan, Moon, & Orlitzky, 2009; Whelan, 2012). The absence of fundamental rights, such as freedom of expression, can further erode transparency and trust between MNEs and local communities, limiting the effectiveness of these initiatives (Filippaios et al., 2019; Hillman & Wan, 2005).

MNEs may attempt to align with universal civil liberty norms to gain legitimacy in host markets (Kim et al., 2018). However, state-imposed restrictions can limit their ability to engage in responsible activities, especially when governments actively suppress corporate involvement in civil liberty issues. Google's entry into China illustrates this challenge. Despite launching Google.cn in 2006, the company faced strict government control over freedom of speech and internet access, obstructing its ability to uphold CSR commitments. Unable to meet its home-country standards, Google withdrew from China, failing to establish legitimacy (Tan & Tan, 2012). This case highlights how civil liberty differences create barriers to responsible business strategies, ultimately hindering MNE subsidiaries' CSR engagement. According to this line of reasoning, we propose the following hypotheses.

H4a: The distance between home and host countries' civil liberties negatively moderates the relationship between primary stakeholder pressure and an MNE subsidiary's CSR.

H4b: The distance between home and host countries' civil liberties negatively moderates the relationship between secondary stakeholder pressure and an MNE subsidiary's CSR.

2.5. The moderating role of a host country's institutional voids

MNE subsidiaries operating in institutional voids—i.e., the absence of reliable regulatory, legal, or market-supporting institutions—face heightened uncertainty, increased transaction costs, and greater risks than those in stable environments (Puffer, McCarthy, & Boisot, 2010). These voids hinder market efficiency, contract enforcement, and business operations (Doh et al., 2017; Wang et al., 2020). Given the lack of institutional capacity, local stakeholders often struggle to address these challenges independently (Carney, Dieleman, & Taussig, 2016). In response, foreign subsidiaries engage in CSR initiatives to mitigate stakeholder pressure, contribute to institutional development, and thereby gain legitimacy (Amaeshi, Adegbite, & Rajwani, 2016; Park & Ghauri, 2015). Addressing institutional voids can signal a commitment to long-term societal impact, fostering trust and legitimacy in host markets (Zhao, Tan, & Park, 2014).

Stakeholder pressure drives MNE subsidiaries to implement CSR, though their approach can vary depending on stakeholder type (Hah & Freeman, 2014). First, primary stakeholders, directly tied to firm operations, likely prioritize corporate reputation and ethical branding over altruistic community efforts (Kim et al., 2018). For example, in markets lacking mandatory sustainability reporting, subsidiaries can address this institutional void by applying their internal expertise in data collection and disclosure. These efforts not only promote transparency but also enhance corporate reputation and ethical branding, which are often prioritized by primary stakeholders such as customers, employees, and key business partners (Emma & Jennifer, 2021; Wang et al., 2020). In

contrast, secondary stakeholders are less directly involved in business operations and are thus more likely to emphasize practical societal contributions over profitability (Kim et al., 2018; Xiao et al., 2024). For instance, governments may pressure firms to adopt ethical practices and support local development initiatives (Park & Ghauri, 2015). When institutional voids weaken public infrastructure and regulatory frameworks, subsidiaries often step in to fill governance gaps, applying their experience to facilitate urban development and institutional reform (Carney et al., 2016; Tracey & Phillips, 2011). According to this line of reasoning, we propose the following hypotheses.

H5a: A host country's institutional void positively moderates the relationship between primary stakeholder pressure and an MNE subsidiary's CSR.

H5b: A host country's institutional void positively moderates the relationship between secondary stakeholder pressure and an MNE subsidiary's CSR.

2.6. The moderating role of a host country's political voids

A political void refers to weaknesses in a country's political system, including corruption, lack of property rights, and political instability, which can create challenges for MNEs, local stakeholders, and governments (Khanna & Palepu, 1997; McCarthy & Puffer, 2016). Political voids introduce unpredictable risks that may hinder CSR's anticipated outcomes. Politically unstable environments significantly affect subsidiary operations, strategic priorities, and stakeholder relationships (Cheng, Wang, Keung, & Bai, 2017; Nekmat, Gower, Gonzenbach, & Flanagan, 2015). MNEs often respond to this by addressing political voids, which draw stakeholder attention and influence legitimacy perceptions (Shirodkar & Mohr, 2015; Turker & Altuntas Vural, 2017).

Primary stakeholders, including employees and customers, are directly engaged with MNE subsidiaries and thus have vested interests in political stability. Given their ties to the local political system, they are particularly attuned to institutional gaps (Mbalyohere & Lawton, 2018). Aligning with stakeholder expectations, MNEs can enhance legitimacy by addressing political voids and employing individuals with government, political education, or lobbying experience to strengthen local engagement (Hillman & Wan, 2005; Maon et al., 2009). Secondary stakeholders, such as the media, NGOs, and governments, may monitor MNEs' actions, shaping their credibility and societal acceptance (Fassin, 2012; Jamali, 2008). They can also act as gatekeepers, preventing MNEs

from exploiting institutional weaknesses (Thijssens et al., 2015). Consequently, MNEs' efforts to mitigate political voids can strengthen secondary stakeholder legitimacy, further reinforcing CSR commitments. According to this line of reasoning, we propose the following hypotheses.

H6a: A host country's political void positively moderates the relationship between primary stakeholder pressure and an MNE subsidiary's CSR.

H6b: A host country's political void positively moderates the relationship between secondary stakeholder pressure and an MNE subsidiary's CSR.

Fig. 1 provides a visual representation of the hypotheses discussed above.

3. Methodology

3.1. Research setting

To test our hypotheses, we surveyed MNE subsidiaries operating in Korea's manufacturing sector. We selected Korea as the research setting for several compelling reasons. First, it is one of the world's leading economies with a significant presence of MNE foreign subsidiaries—over 15,000 foreign-invested firms currently operate in the country, ranking Korea 14th on AT Kearney's 2025 Foreign Direct Investment Confidence Index. This dynamic and competitive business landscape allows MNE subsidiaries to leverage CSR initiatives as a competitive differentiator, providing valuable insights into how firms adapt and implement these initiatives in such a market. Moreover, Korea's unique culture, which emphasizes social harmony and Confucian values, encourages firms to prioritize CSR efforts. Complementing this cultural framework, the Korean government has established comprehensive institutional policies to promote CSR and sustainable business practices. Korean civil society also contributes to Korea being an ideal research setting because of its high expectations for corporate responsibility, which exert significant pressure on MNE subsidiaries to engage actively in CSR to gain legitimacy.

Korea's rapid economic development into a more economically and institutionally advanced economy has further amplified the influence of stakeholders such as local communities and the government in shaping MNE CSR behaviors. This institutional evolution makes Korea an ideal setting for empirically examining how stakeholder pressure influences

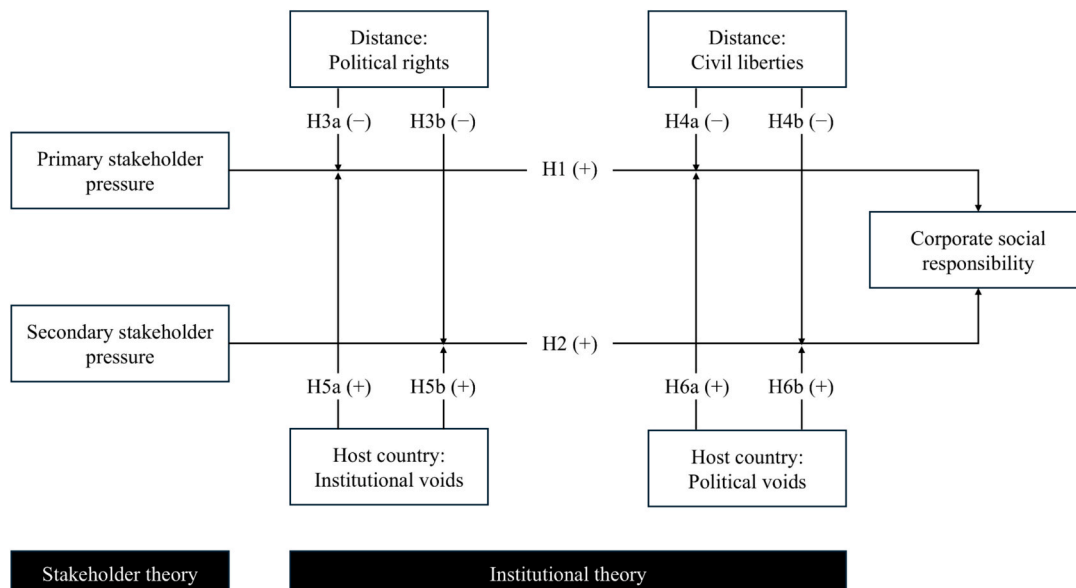


Fig. 1. Research model.

MNE CSR activities within a rapidly maturing corporate culture.

Additionally, Korea offers a unique institutional context characterized by the coexistence of traditional societal structures and modern democratic governance. This interplay provides a rich framework for investigating how institutional environments, including political rights and civil liberties, shape stakeholder influence on MNE CSR practices. Overall, Korea's unique features, characterized by economic dynamism, cultural expectations, and institutional support, create a valuable context for understanding the motivations behind MNE subsidiaries' engagement in CSR initiatives. These factors make Korea an optimal research setting for exploring how MNEs' foreign subsidiaries align their CSR practices with stakeholders' diverse expectations.

3.2. Sampling and data collection

We initially developed our survey instrument in English and then translated it into Korean with the assistance of two professional bilingual translators. To ensure conceptual equivalence, we then had the Korean version back-translated into English by two independent bilingual translators (Hoskisson, Eden, Lau, & Wright, 2000; Xiao, Lew, & Park, 2020). We also conducted three comprehensive field interviews with senior managers prior to implementing the formal survey process to gain a deeper understanding of the focal phenomenon and enhance the content and face validity of our measures (Xiao, Lew, & Park, 2021). We collected data through two waves of questionnaire surveys with a six-month time interval. For both rounds, the respondents were senior managers, including chief executives, presidents, vice presidents, and senior directors. In the first wave, conducted from September through the end of 2023, respondents were asked to provide insights into their perceptions of stakeholder pressure, the institutional and political voids they had encountered, and key characteristics specific to their firm and industry. In the second wave, conducted from June to August 2024, respondents evaluated their firm's commitment to executing CSR initiatives in host markets.

We randomly selected 500 foreign subsidiaries from a list provided by a leading Korean research firm with extensive expertise in primary data collection within Korea to facilitate the survey process, which helped improve response rates and ensured the collection of high-quality, reliable data. After carefully designing the questionnaires and data collection procedures, we included 216 usable questionnaires in our final analysis, excluding nine due to significant missing data on key variables. Of the 216 surveyed foreign subsidiaries, 56.9 % had fewer than 300 employees, 20.0 % had between 300 and 500, and 23.1 % had over 500. Regarding operational duration in Korea, 56.0 % of the firms have been operating for fewer than 15 years, 21.8 % for between 15 and 20 years, and 22.2 % have been operating for over 20 years. Concerning entry mode, 42.6 % of the firms were established as wholly owned subsidiaries (WOSs), 34.7 % through international joint ventures (IJVs), and 22.7 % through mergers and acquisitions (M&As). Detailed sample characteristics are available upon request. The 216 foreign subsidiaries represent 28 home markets, as detailed in Table 1.

3.3. Variables and measurement

Unless otherwise noted, all multiple-item dependent, independent, and moderating variables were measured using seven-point Likert scales (1 = "strongly disagree," 7 = "strongly agree").

3.3.1. Dependent variables

We used a four-item scale from existing literature to measure MNE subsidiary CSR (the dependent variable) (Adomako, Abdelgawad, Ahsan, Amankwah-Amoah, & Liedong, 2023; Lee et al., 2024a). This scale was modified for this study by asking respondents to assess the degree to which their company implements CSR initiatives using the following four items: "Our company always recognizes its social responsibility and participates in initiatives such as building schools,

Table 1

List of home markets represented in the study.

Country/Region name	Percentage of subsidiaries
United States	21.3
Mainland China	15.7
Japan	10.2
Singapore	9.3
Hong Kong, SAR	6.5
Germany	4.6
United Kingdom	4.2
Thailand	2.8
France	2.3
Malaysia	2.3
India	1.9
Netherlands	1.9
Pakistan	1.9
Russia	1.9
Uzbekistan	1.9
Vietnam	1.9
Canada	1.4
Switzerland	1.4
Australia	0.9
Bangladesh	0.9
Denmark	0.9
Italy	0.9
Spain	0.9
Egypt	0.5
Indonesia	0.5
Malta	0.5
Philippines	0.5
Sweden	0.5
Total	100.0

aiding poor regions, improving local sanitation, and other local needs," "Top management strongly encourages employees to actively participate in CSR initiatives," "Top management reports in accordance with international reporting standards (e.g., the Global Reporting Initiative [GRI]),", and "Management fosters stakeholder dialogue on CSR."

3.3.2. Independent variables

Following extant literature (Bridoux & Stoelhorst, 2014; Park & Ghauri, 2015), we categorized five stakeholder types (i.e., governments, shareholders/investors, employees, competitors, and customers/suppliers) into the primary stakeholder group. Primary stakeholders are those who are directly and actively involved in a firm's operations and maintain immediate economic transactions with the firm. Their continued engagement is essential for firm survival (Garcia-Castro & Francoeur, 2016).

Next, we designated three stakeholder types (i.e., media, local communities, and NGOs) as the secondary stakeholder group. These stakeholders do not maintain formal contractual relationships with firms and do not have direct interactions with them. Thus, their influence tends to be indirect (Bertrand, Betschinger, & Moschieri, 2021). In line with previous research (Rhee et al., 2018; Shubham & Murty, 2018), we utilized a five-item scale to assess primary stakeholder pressure and a three-item scale to evaluate secondary stakeholder pressure.

Furthermore, we used existing studies (e.g., Anwar & Cooray, 2012; BenYishay & Betancourt, 2014; Filippaios et al., 2019) to assess the distance between home and host countries' political rights and civil liberties, based on indices published in the annual Freedom in the World report by Freedom House. These indices rate countries from 1 to 7, with 1 indicating the highest level of freedom and 7 indicating the lowest. The political rights index measures political freedoms such as voting and government participation, while the civil liberties index assesses individual rights like freedom of expression, religion, and assembly.

In addition, we measured institutional and political voids based on subsidiaries' perceptions of the institutional and political challenges they experienced while operating in the host market (Korea). Specifically, we employed a four-item scale developed by Giachetti (2016) to assess the extent of institutional voids that foreign subsidiaries perceived

in a host market. To measure political voids, we based items on a systematic review of the relevant literature (Demirbag, Glaister, & Tatoglu, 2007; Doh et al., 2017; Henisz & Mansfield, 2006) and in-depth interviews with market experts consulted during the development and pilot testing of the questionnaire.

3.3.3. Control variables

We incorporated a set of control variables into the analysis to eliminate potential confounding effects. Specifically, we controlled for firm size (Wang & Li, 2019), firm age (Zhou & Wang, 2020), industry-specific characteristics (Zhou & Wang, 2020), entry mode (Park & Cave, 2018), and competitive intensity levels (Ding, Levine, Lin, & Xie, 2022; Lee, Cho, Arthurs, & Lee, 2020), all of which may influence the firm's CSR practices. In line with prior research (Park & Xiao, 2021; Sofka, Grimpe, & Kaiser, 2021), we measured firm size as the natural logarithm of total employees and firm age as the total number of years since the foreign subsidiary's initial establishment in the host market, South Korea. To account for industry-specific effects, we included an industry dummy variable, coded as 1 if the foreign subsidiary primarily operates in industrial markets and 0 otherwise (Roh, Xiao, & Park, 2024; Takata, 2016). We also controlled for different entry modes by creating dummies for WOSs and IJVs, with M&As as the baseline (Chen, 2008; Dikova & Van Witteloostuijn, 2007). Finally, we included a measure of competitive intensity in our analysis to control for the effect of market competition, assessed on a seven-point Likert scale (1 = "not competitive" to 7 = "extremely competitive") (Ding et al., 2022; Park & Xiao, 2021).

3.4. Bias testing

To address potential nonresponse bias in our survey data, we compared key firm characteristics—specifically, the number of employees and firm age—between early and late respondents using independent sample t-tests. The results revealed no significant differences in the number of employees ($t = 0.41, p > 0.68$) and firm age ($t = 1.01, p > 0.31$) between early- and late-responding firms. Thus, nonresponse bias in our data appears unlikely.

We also assessed the possibility of common method variance (CMV) by performing several procedures. However, as they were conducted during the development and design of our survey instruments and data collection process to mitigate the presence of CMV, we do not believe CMV is not a major concern in our data.

First, we thoughtfully developed and organized the questionnaire, ensuring that the survey questions on key variables were segmented into distinct subsections with a customized response format to minimize the possibility of 'straight-line' responses (Chang, Van Witteloostuijn, & Eden, 2010). Second, we utilized a unique survey software to randomize the order of key questions and implemented reverse scaling for certain independent variable items. Furthermore, respondents were assured via cover letter that their anonymity and confidentiality would be fully protected. They were also informed that there were no right or wrong answers and that their responses would be used exclusively for academic research. In addition, as noted, we addressed potential CMV concerns and mitigated the reliance on a single respondent by administering the questionnaires in two survey waves, completed by different informants with a six-month interval.

Finally, we conducted statistical tests to assess CMV potential, as recommended by Podsakoff, MacKenzie, Lee, and Podsakoff (2003). First, we performed Harman's one-factor analysis by conducting a principal-components factor analysis, using the criterion of eigenvalue-greater-than-one on all items in our model. The results showed that no single factor dominated the factor structure or accounted for the majority of the variance, with the first factor explaining only 33.54 % of the total variance, suggesting CMV was unlikely to be a significant concern in our study.

Second, following Podsakoff et al. (2003) guidelines, we employed a single-factor procedure to further detect potential CMV. We ran a

confirmatory factor analysis (CFA) estimating a single-factor model, which demonstrated poor model fit ($\chi^2(230) = 2,388.230, p < 0.001$, comparative fit index [CFI] = 0.388, non-normed fit index [NNFI] = 0.326, incremental fit index [IFI] = 0.392, and the root mean square error of approximation [RMSEA] = 0.209), providing further evidence against the existence of substantial CMV.

Additionally, in line with Lindell and Whitney (2001) recommendations, we performed a marker variable test using respondents' attitudes toward the color blue (ATCB) as the marker variable. The results ($-0.064 < b_{ATCB} < 0.110$) indicated no significant evidence of serious CMV in our data (Xiao et al., 2020). While these statistical tests do not entirely eliminate the possibility of CMV, they suggest that our results are less likely to be substantially driven by it.

4. Analyses and results

4.1. Construct reliability and validity

Before testing the hypotheses, we ran a CFA to examine the

Table 2
Results of construct reliability validity assessments.

Construct and indicators	SFL	t-value	R ² -value	Alpha	CR	AVE
Primary stakeholders (Primary_STA)				0.918	0.918	0.693
Primary_STA1	0.888***	16.763	0.788			
Primary_STA2	0.846***	15.502	0.716			
Primary_STA3	0.766***	13.264	0.587			
Primary_STA4	0.811***	14.473	0.658			
Primary_STA5	0.846***	Fixed	0.716			
Secondary stakeholders (Second_STA)				0.905	0.908	0.768
Second_STA1	0.935***	18.205	0.874			
Second_STA2	0.828***	15.398	0.686			
Second_STA3	0.862***	Fixed	0.743			
Institutional voids (Ins_Void)				0.899	0.901	0.645
Ins_Void1	0.848***	14.608	0.720			
Ins_Void2	0.693***	11.085	0.481			
Ins_Void3	0.818***	13.878	0.669			
Ins_Void4	0.819***	13.907	0.671			
Ins_Void5	0.829***	Fixed	0.687			
Political voids (Pol_Void)				0.932	0.933	0.698
Pol_Void1	0.800***	14.326	0.639			
Pol_Void2	0.833***	15.315	0.694			
Pol_Void3	0.832***	15.267	0.692			
Pol_Void4	0.844***	15.652	0.713			
Pol_Void5	0.854***	15.955	0.729			
Pol_Void6	0.849***	Fixed	0.720			
Corporate Social Responsibility (CSR)				0.893	0.895	0.680
CSR1	0.827***	15.202	0.684			
CSR2	0.820***	14.995	0.672			
CSR3	0.766***	13.478	0.587			
CSR4	0.882***	Fixed	0.778			

Note: Note: Model Summary: $\chi^2(220) = 281.219, p < 0.01$, CFI = 0.983, NNFI = 0.980, IFI = 0.983, RMSEA = 0.036. AVE = average variance extracted, CR = composite reliability, SFL = standardized factor loading. Due to space constraints, we did not report detailed information about the measurement items which are available upon request. *** $p < 0.001$.

reliability and validity of the study's constructs. The results are presented in Table 2. The CFA measurement model's indices demonstrate that the overall model yielded a higher fit index and thus fits our data adequately ($\chi^2(220) = 281.219$, $p < 0.01$, CFI = 0.983, NNFI = 0.980, IFI = 0.983, RMSEA = 0.036). As shown in Table 2, all Cronbach's alpha (ranging from 0.893 to 0.932) and composite reliability (CR) values (ranging from 0.895 to 0.933) are higher than the commonly accepted threshold of 0.70, providing strong evidence of our key construct measures' adequate reliability (Anderson & Gerbing, 1988; Fornell & Larcker, 1981).

To assess the constructs' convergent validity, we examined each indicator's factor loading and t -values. We also implemented a significance test to assess the relationships between indicators and the respective constructs in the CFA model. Furthermore, we determined the R^2 values to capture the strength of the linear relationships. As reported in Table 2, the standardized coefficient loadings for all construct indicators are higher than 0.50 and highly significant at $p < 0.001$, indicating good convergent validity of our construct measures (Bagozzi & Yi, 1988). The results in Table 2 also indicate that the R^2 values for all indicators are above 0.48, clearly exceeding the commonly recommended threshold of 0.20 (Hair, Black, Babin, & Anderson, 1995). This presents further evidence of the good convergent validity of our construct measures. We further evaluated the convergent validity of the constructs by calculating the average variance extracted (AVE). As seen in Table 2, the AVE values for all key constructs range from 0.645 to 0.768, exceeding the commonly recommended threshold of 0.50, providing additional evidence of adequate convergent validity (Anderson & Gerbing, 1988; Fornell & Larcker, 1981).

We also assessed the discriminant validity of the construct measures by comparing the AVE of the constructs explained by the indicators and the variance shared between the constructs (Fornell & Larcker, 1981). To ensure adequate discriminant validity, the AVE of each construct should exceed its shared variance with other constructs. We present the results of the construct correlations and the discriminant validity assessment in Table 3. As this table shows, the square root of the AVE for each construct (the diagonal elements) is much higher than the correlation coefficients between the construct and the other constructs in the model. These results strongly support that the constructs in this study have adequate discriminant validity (Fornell & Larcker, 1981; Hair, Black, Babin, & Anderson, 2009).

4.2. Hypothesis testing

We empirically examined the proposed hypotheses by performing a hierarchical regression analysis. Before analysis, we assessed possible multicollinearity issues in our data by checking the correlation coefficients among the independent variables and conducting variance inflation factor (VIF) tests. As shown in Table 3, the inter-factor correlation coefficients are below the commonly recommended cutoff of 0.70 in all but one case: the correlation coefficient between political rights distance and civil liberties distance is 0.951, providing evidence of a possible multicollinearity concern in our data (Anderson, Sweeney, Williams, Camm, & Cochran, 2016).

Meanwhile, the VIF test results demonstrate that the computed maximum VIFs across our models are all lower than 2.22 but range from 11.26 to 12.42 when political rights and civil liberties distance are included in the regression models. Our systematic review suggests there is no consensus on what is considered too much collinearity in terms of VIFs, varying from a low of five to a high of 20. More importantly, it is unreasonable to simply exclude variables that highly correlate with others from a regression, as such an attempt may "simultaneously increase the risk of omitted variable bias" (Lindner, Puck, & Verbeke, 2020, p. 284). Following the recommendation of Lindner et al. (2020), we ran the regression analyses to keep all variables irrespective of their high correlations or VIFs.

As a robustness check, we re-estimated the regressions with the high-

correlation variables included in separate models. The results are largely consistent with our study's main findings (we further discuss this issue in the robustness check section). In addition, we mean-centered all independent and moderating variables before creating interaction terms, following Aiken and West (1991) guidelines for estimating and interpreting interaction effects in regression analyses. We present the findings of our analyses in Table 4. Model 1 (i.e., the base model) only includes the controls. We then added the set of all independent and moderating variables to the regression models in Model 2 to test their main effects. Next, we tested the interaction effects among the variables to examine the influence of MNE foreign subsidiaries' CSR practices in a host market by individually entering each set of interaction terms into separate models (i.e., Models 3–6) (Burns & Bush, 2000).

Hypotheses 1 and 2 suggest that primary and secondary stakeholder pressure positively affect an MNE subsidiary's decision to engage in CSR practices. The results shown in Model 2 of Table 3 indicate that primary ($\beta = 0.208$, $p < 0.001$) and secondary stakeholder pressure ($\beta = 0.110$, $p < 0.05$) on MNE foreign subsidiaries have a positive and statistically significant effect on these firms' CSR practices, strongly supporting Hypotheses 1 and 2.

Hypotheses 3a and 3b examine the role of the distance between a host and home market's (i.e., Korea's) political rights in negatively shaping the contributions of primary or secondary stakeholder pressure on MNE subsidiaries' CSR practices. Consistent with our expectations, the interaction term coefficient shown in Model 3 of Table 4 between primary ($\beta = -0.106$, $p < 0.05$) and secondary stakeholder pressure ($\beta = -0.110$, $p < 0.01$) and the political rights distance between a home and host country are statistically significant and in a negative direction, supporting Hypotheses 3a and 3b.

Similarly, the coefficient for the interaction between primary ($\beta = -0.123$, $p < 0.01$) and secondary stakeholder pressure ($\beta = -0.122$, $p < 0.01$) and civil liberties distance is negative and statistically significant as expected, strongly supporting Hypotheses 4a and 4b, as shown in Model 4 of Table 4.

These results imply that when the distance between home and foreign markets' political rights or civil liberties is high, primary and secondary stakeholder pressure on an MNE subsidiary negatively influences its CSR practices.

Hypotheses 5a and 5b propose that primary and secondary stakeholder pressure, along with institutional voids, may jointly and interactively explain the variations in CSR practices among MNE subsidiaries in a host market. The results reported in Model 5 of Table 4 demonstrate that the coefficient of the interaction term between primary ($\beta = 0.129$, $p < 0.01$) and secondary stakeholder pressure ($\beta = 0.227$, $p < 0.001$) and institutional voids is positive and statistically significant, strongly supporting Hypotheses 5a and 5b.

Hypotheses 6a and 6b consider the role of political voids in a host market in moderating the respective effect of primary and secondary stakeholder pressure on an MNE subsidiary's CSR. As seen in Model 6 of Table 4, the coefficient of the interaction term between primary ($\beta = 0.147$, $p < 0.01$) and secondary stakeholder pressure ($\beta = 0.120$, $p < 0.05$) and the political voids MNE subsidiaries perceive in a host market is positive and statistically significant, strongly supporting Hypotheses 6a and 6b. The results suggest that primary and secondary stakeholder pressure are more positively associated with MNE subsidiaries' CSR practices when a host market is characterized by substantial political voids.

Table 3

Construct correlations and discriminant validity.

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Firm size	–												
2. Firm age	–0.102	–											
3. Industry type	0.147*	–0.141*	–										
4. WOS (vs. M&A)	–0.063	–0.038	0.007	–									
5. LJV (vs. M&A)	0.024	0.064	–0.104	–0.628**	–								
6. Competitive intensity	–0.018	0.042	0.012	–0.217**	0.153*	–							
7. Primary stakeholders	0.046	–0.062	0.235**	–0.097	–0.068	0.100	0.832						
8. Secondary stakeholders	0.090	–0.079	0.210**	–0.029	–0.140*	0.019	0.566**	0.876					
9. Distance of political rights	0.202**	–0.282**	0.166*	–0.187**	–0.076	0.115	0.300**	0.336**	–				
10. Distance of civil liberties	0.208**	–0.320**	0.200**	–0.147*	–0.099	0.160*	0.306**	0.368**	0.951**	–			
11. Institutional voids	0.045	0.030	–0.044	0.000	0.012	0.103	–0.203**	–0.181**	0.053	0.061	0.803		
12. Political voids	–0.045	0.014	–0.071	0.064	0.042	–0.122	–0.218**	–0.357**	–0.152*	–0.193**	0.329**	0.835	
13. Corporate social responsibility	0.201**	–0.169*	0.253**	–0.248**	–0.062	0.215**	0.492**	0.479**	0.752**	0.791**	0.034	–0.202**	0.825
Mean	5.514	15.722	0.431	0.426	0.347	5.264	4.499	4.170	13.356	15.546	5.359	3.886	4.293
STD	0.618	5.595	0.496	0.496	0.477	1.095	1.387	1.584	12.617	14.738	1.231	1.224	1.483

Note: Values in italicized bold denote the square root of the AVE of each construct. * $p < 0.05$, ** $p < 0.01$.

We performed several robustness checks to assess the validity of our analysis. First, we tested our hypotheses using structural equation modeling (SEM) estimations as an alternative robustness check. The results of these estimations were qualitatively and quantitatively similar to our main findings. Second, we assessed our hypotheses using alternative measures of political rights and civil liberties distances based on Freedom House scores.² These results are robust to the use of these alternative distance measures.

As noted, we also ran regression estimations that included political rights and civil liberties distances in separate models and obtained results quantitatively and qualitatively similar to those in Table 4. As an additional robustness check, we ran the full model with all independent and interaction terms included. We obtained findings that were generally consistent with those of the separate models reported in Table 4, except for the interaction effects, which became insignificant in the full model. These results highlight the critical importance of assessing interaction effects separately in distinct models to ensure a robust and precise analysis. Given the space constraints, we chose not to report the detailed results from the robustness checks, which are available upon request. Collectively, the results of the hierarchical regression analyses strongly support our proposed hypotheses.³ We plotted the results of these interaction effects in Appendix A, Appendix B, Appendix C, and Appendix D.

5. Discussion and conclusions

Previous studies have presented conflicting results on the effect of stakeholder pressure on foreign subsidiaries' CSR engagement. For example, Kim et al. (2018) found that primary stakeholders promote symbolic CSR, while secondary stakeholders engage in more substantive CSR; however, they argue that the existence of institutional voids weakens this influence. Similarly, Ferri et al. (2022) point out that institutional voids are a factor in determining the level of corporate

engagement in stakeholder dialogue, and this tendency is more evident when CSR is motivated by profitability rather than by pursuing legitimacy. These results suggest that stakeholder influence on CSR may vary according to the situational context. Meanwhile, institutional theory researchers (e.g., Rathert, 2016; Khan et al., 2015) have emphasized that the institutional environment is crucial in forming CSR strategies. Based on this discussion, this study empirically analyzed how stakeholder pressure and the institutional environment interact and influence MNE subsidiaries' CSR efforts by integrating stakeholder and institutional theory.

Using survey data from 216 foreign subsidiaries in Korea's manufacturing sector, our study reveals that their CSR practices are shaped by pressure from both primary and secondary stakeholders. The findings also indicate that the impact of stakeholder pressure on CSR practices is further moderated by various institutional and political factors, including institutional and political voids, as well as the distances between home and host markets' political rights and civil liberties. Specifically, the findings suggest that the influence of primary and secondary stakeholder pressure on foreign subsidiaries' CSR practices is stronger for firms operating in host markets with substantial institutional and political voids. In contrast, these relationships are weaker for firms experienced in navigating significant distances in political rights and civil liberties between home and host economies.

5.1. Theoretical implications

Our results offer important theoretical implications for strategic management and IB research. First, our study enhances the understanding of MNE subsidiaries' overseas CSR activities and significantly contributes to the CSR literature by advancing the debate on the important forces driving MNE subsidiaries to engage in CSR practices in host markets. In doing so, we theorize and examine how primary and secondary stakeholder pressure can facilitate or hinder MNE subsidiaries' CSR activities in host markets. Our empirical results offer strong support and extend a widely debated yet underexplored conjecture in the CSR literature that stakeholders are crucial in shaping MNE subsidiaries' CSR activities. Additionally, subsidiaries' CSR practices within host markets are at least partially influenced by the need for legitimacy among stakeholders and the goal of capitalizing on the potential advantages of enhanced legitimacy through CSR efforts in the host market.

Second, this study goes beyond examining the importance of stakeholder pressure in motivating MNEs' foreign subsidiaries to engage in CSR initiatives, emphasizing the value of further research into the institutional environments in which these subsidiaries operate. This study advances stakeholder theory by incorporating the core principles

² The overall political rights score is derived by combining scores from (1) the electoral process, (2) political pluralism and participation, and (3) government functioning, with a maximum of 40 points. The overall civil liberties score is calculated by adding scores from (1) freedom of expression and belief, (2) associational and organizational rights, (3) the rule of law, and (4) personal autonomy and individual rights, with a maximum of 60 points. Political rights and civil liberties scores are combined for a maximum score of 100.

³ We conducted robustness checks by including individual main effects or interaction effects separately in the regression models. All findings were quantitatively and qualitatively consistent with the primary results presented in this study. Detailed results are available from the authors upon request.

Table 4
Results of hierarchical regression analysis.

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm size	0.146* (2.403)	0.037 (0.990)	0.024 (0.667)	0.029 (0.809)	0.030 (0.957)	0.017 (0.489)
Firm age	−0.131* (−2.160)	0.068 [†] (1.746)	0.067 [†] (1.794)	0.073 [†] (1.971)	0.054 [†] (1.663)	0.060 [†] (1.697)
Industry type	0.180** (2.945)	0.049 (1.267)	0.052 (1.417)	0.053 (1.444)	0.041 (1.296)	0.026 (0.742)
WOS (vs. M&A)	−0.409*** (−5.247)	−0.169** (−3.400)	−0.171*** (−3.583)	−0.178*** (−3.756)	−0.114** (−2.695)	−0.145** (−3.198)
LJV (vs. M&A)	−0.323*** (−4.180)	−0.084 [†] (−1.718)	−0.087 [†] (−1.858)	−0.098* (−2.115)	−0.045 (−1.091)	−0.055 (−1.236)
Competitive intensity	0.182** (2.974)	0.057 (1.478)	0.048 (1.292)	0.040 (1.077)	0.043 (1.309)	0.038 (1.080)
Primary stakeholders		0.208*** (4.549)	0.167*** (3.671)	0.164*** (3.671)	0.142*** (3.671)	0.155*** (3.682)
Secondary stakeholders		0.110* (2.312)	0.103* (2.190)	0.103* (2.227)	0.161*** (3.884)	0.117** (2.648)
Distance of political rights		−0.060 (−0.494)	−0.022 (−0.185)	−0.079 (−0.680)	0.041 (0.406)	−0.068 (−0.624)
Distance of civil liberties		0.707*** (5.639)	0.715*** (5.925)	0.774*** (6.460)	0.525*** (4.952)	0.688*** (6.065)
Institutional voids		0.043 (1.082)	0.089* (2.231)	0.106** (2.647)	−0.018 (−0.535)	0.054 (1.498)
Political voids		0.021 (0.506)	0.060 (1.457)	0.067 [†] (1.656)	0.058 [†] (1.656)	0.047 (1.246)
Primary stakeholders × Distance of political rights			−0.106* (−2.601)			
Secondary stakeholders × Distance of political rights			−0.110** (−2.724)			
Primary stakeholders × Distance of civil liberties				−0.123** (−3.023)		
Secondary stakeholders × Distance of civil liberties				−0.122** (−2.980)		
Primary stakeholders × Institutional voids					0.129** (2.979)	
Secondary stakeholders × Institutional voids					0.227*** (5.439)	
Primary stakeholders × Political voids						0.147** (3.025)
Secondary stakeholders × Political voids						0.120* (2.494)
R ²	0.257	0.734	0.757	0.763	0.818	0.785
Δ R ²		0.477***	0.023***	0.029***	0.084***	0.051***
Model F-statistics	12.079***	46.704***	44.714***	46.220***	64.540***	52.385***

Note: N = 216. Standardized coefficients are reported with *t*-values in parentheses. [†]*p* < 0. 10, **p* < 0.05, ***p* < 0.01, ****p* < 0.001.

of the institutional perspective into CSR research, offering deeper insights into why foreign subsidiaries may react differently to the same stakeholder pressure. By integrating institutional logic into a stakeholder-based view of CSR, this study enhances our understanding of MNE subsidiaries' CSR practices, highlighting how institutional environments and stakeholder pressure are key mechanisms for explaining CSR engagement in host markets.

Finally, our findings contribute to an emerging research stream on MNE subsidiaries' CSR activities in newly leapfrogging economies like Korea that have undergone institutional changes. Despite the extensive empirical research on MNE subsidiaries' CSR practices in emerging economies (e.g., Chu, Sewak, & Trivedi, 2024; Lee et al., 2024; Zhou & Wang, 2020), relatively little research has examined the drivers behind these firms' engagement in CSR in more advanced or newly industrialized economies. Thus, our study contributes by enriching the understanding of how various sophisticated regulatory and institutional frameworks designed to support and guide firms' strategic initiatives within local contexts impact firm responses to stakeholder pressure. Specifically, we examine this central issue in Korea, which is transitioning from an emerging economy to a more advanced and developed one, offering insights into the varying degrees of firm responses influenced by these frameworks. Thus, this research broadens the understanding of MNE subsidiaries' CSR practices within more advanced and newly industrialized economies possessing significantly enhanced institutional frameworks.

Unlike prior studies that primarily focus on how different forms of stakeholder pressure influence MNE CSR practices (Park et al., 2014; Park & Ghauri, 2015; Reimann et al., 2015), our study offers a significant contribution by integrating stakeholder and institutional

perspectives. We develop an integrative framework that addresses an underexplored area, providing a more comprehensive explanation of MNEs' CSR practices. We argue that MNE subsidiaries' engagement in CSR is not driven by independent theoretical reasoning but rather by the interplay of stakeholder and institutional reasoning. For instance, institutional contexts shape the responses of MNE subsidiaries to stakeholder pressures and their ability and willingness to respond. This integrated perspective is particularly valuable in the context of a newly industrialized country like Korea, where a hybrid institutional environment influences MNEs' strategic choices. By employing this integrative approach, our study demonstrates how institutional perspectives can enrich traditional stakeholder explanations of MNE CSR practices.

5.2. Practical implications

Our findings provide significant implications for MNE subsidiaries and their strategic managers. Regarding managerial implications, our results suggest that primary and secondary stakeholder pressure strategically shapes MNE subsidiaries' CSR practices. These results imply that these subsidiaries face growing pressure to engage more actively in CSR activities within host markets, reflecting a rising, shared demand from all stakeholders for increased engagement in MNE CSR initiatives. To address these pressures, MNE subsidiary managers should prioritize understanding and responding to stakeholders' diverse needs. Despite the inherent challenges, managers must balance and align their CSR efforts with the expectations of primary and secondary stakeholders in the host market. In doing so, they can foster strong stakeholder relationships and enhance their strategic position in the host community. To reiterate, effectively managing multiple stakeholder interests,

strategically selecting CSR initiatives, and developing and implementing a robust CSR strategy are crucial for successfully meeting diverse stakeholder expectations. Specifically, MNE subsidiary managers must balance the potentially conflicting demands of various stakeholders to achieve effective CSR outcomes. In addition, our study clearly reinforces that MNE subsidiaries' CSR practices are significantly shaped by a combination of stakeholder pressure and the institutional voids encountered by firms or the difference in political governance between host and home markets.

Our study further emphasizes that MNE subsidiary managers must not only meet but also exceed the interests and demands of various stakeholders. Our analysis shows that MNE subsidiaries frequently encounter significant challenges in effectively responding to stakeholder pressure. This difficulty arises mainly from their limited institutional advantages and a lack of understanding regarding the differences in political governance between the host and home markets. These differences are reflected in the gaps in political rights and civil liberties between the two markets. Therefore, our study suggests that strategic managers at MNE subsidiaries should be aware of host markets' institutional contexts and learn how to better incorporate these institutional and political environments into their CSR strategic management.

Moreover, our findings provide important implications for policymakers in host markets, emphasizing the need to cultivate an environment that encourages meaningful and sustainable CSR engagement. Policymakers should foster a more open and transparent institutional framework, enhancing civil liberties and political rights to create an ideal climate for MNEs' CSR initiatives. In addition, they should establish platforms facilitating collaboration between MNEs, local stakeholders, and civil society organizations. Such forums may help align MNE CSR efforts with stakeholder priorities and national sustainable development goals (SDGs).

5.3. Limitations and future research directions

Like all research, our study has several limitations that provide useful avenues for future research. First, our research focuses on MNE subsidiaries within Korea, a single host market that is more advanced and newly industrialized. This context may limit our findings' generalizability to other economies. Due to the scarcity of research in this emerging area, we were unable to identify a comparable study. Thus, future research should aim to replicate and extend our study in different market contexts to assess whether our findings apply to economies that are institutionally distinct from or similar to those of Korea. Comparative studies testing our conceptual framework across settings to explore how host-country characteristics help explain MNE subsidiaries' CSR activities could be particularly valuable. In this sense, future research should build upon our findings by exploring the pressure from more specific stakeholder groups or their responses to other market and institutional influences, potentially in diverse empirical settings.

Second, while we believe the Freedom House Indices of political rights and civil liberties provide a widely recognized and comparable measure to capture institutional environments, such indices may overlook finer-grained institutional nuances, such as informal governance

structures or localized institutional variations in local markets. Thus, it would be advantageous for future research to incorporate complementary measures or qualitative approaches to better capture such institutional complexity.

Furthermore, our study considers institutional and political voids, as well as political governance distance, as potential moderators of MNE subsidiaries' response to stakeholder pressure to engage in CSR activities. However, other market- and non-market-based institutional or political forces may also exist and be influential in shaping MNE subsidiaries' CSR engagement in host markets. Therefore, it would be worthwhile to further identify and analyze these additional contingency factors in future research.

In addition, our subjective measures of several key variables offer valuable insights, as senior managers are uniquely positioned to assess CSR activities and stakeholder pressure due to their dual roles in strategic decision-making and operational implementation. However, we acknowledge the value of incorporating both subjective and objective measures to capture these variables' richer dimensions. Unfortunately, the difficulty of obtaining objective measures in Korea limited our ability to include such data in this study. Therefore, future research should address this limitation by incorporating objective measures of the key variables and employing a triangulation approach to provide a more comprehensive understanding of the findings.

Lastly, reliance on cross-sectional data limits our ability to explore the dynamic interactions between stakeholder pressure and the institutional or political forces influencing CSR practices. Thus, future studies employing a longitudinal research design and utilizing multiple data sources could provide deeper insights into these dynamic processes.

CRedit authorship contribution statement

Taewoo Roh: Writing – review & editing, Writing – original draft, Visualization, Conceptualization. **Shufeng Simon Xiao:** Writing – review & editing, Writing – original draft, Validation, Formal analysis, Data curation, Conceptualization. **Byung Il Park:** Writing – review & editing, Writing – original draft, Conceptualization. **Pervez N. Ghauri:** Writing – review & editing, Writing – original draft, Conceptualization.

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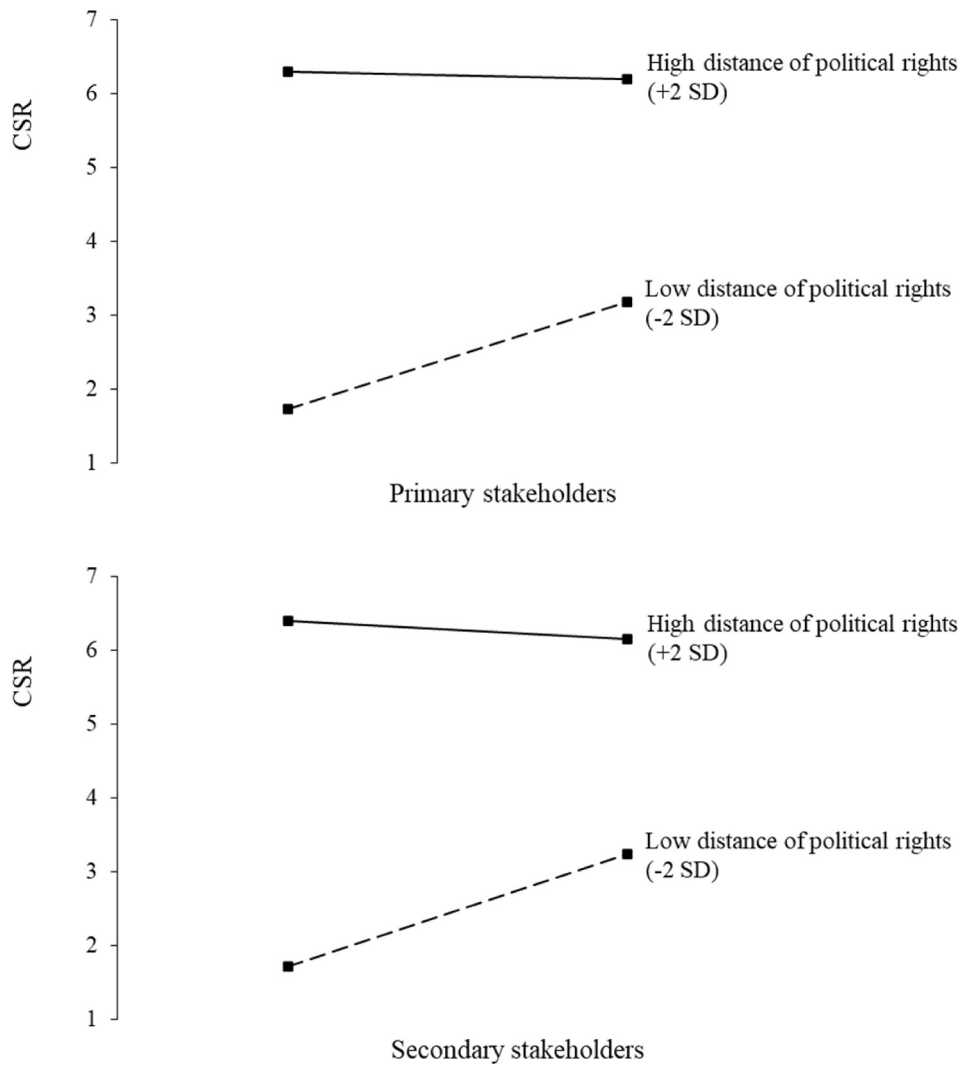
Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

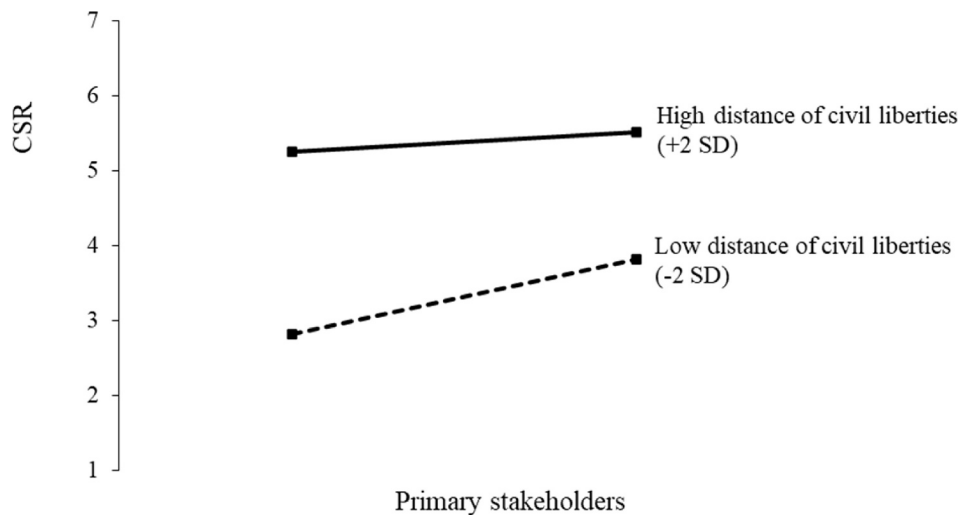
Acknowledgments

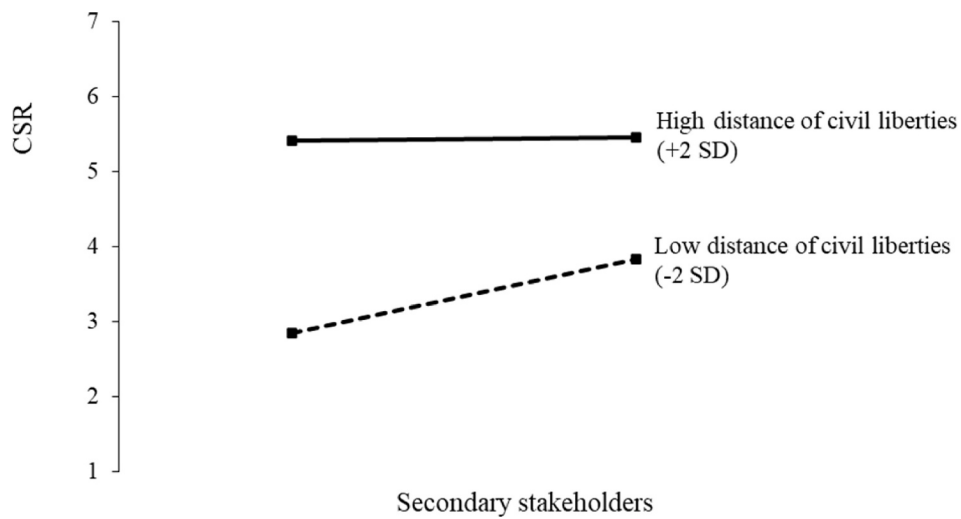
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Appendix A. . Primary stakeholders, secondary stakeholders, and MNE CSR activities: Moderating role of the distance of political rights

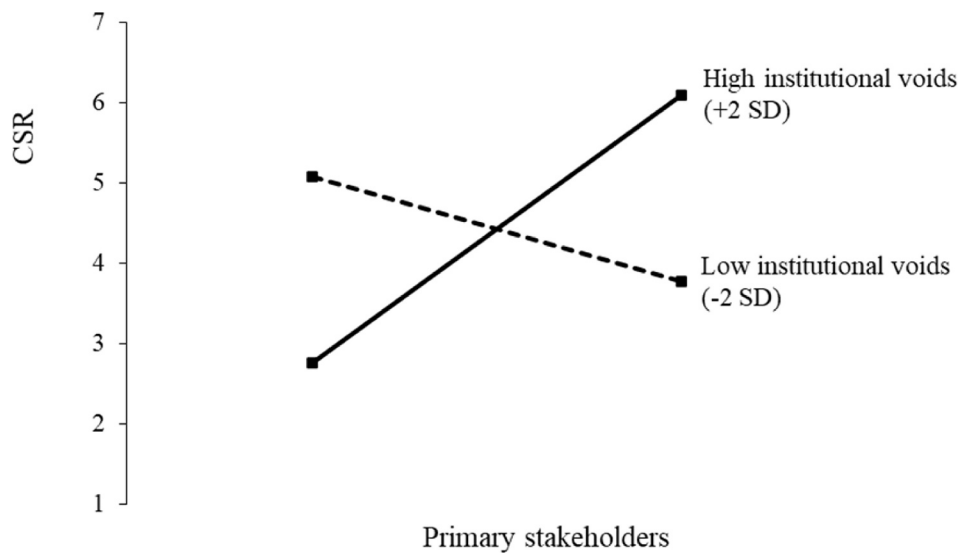


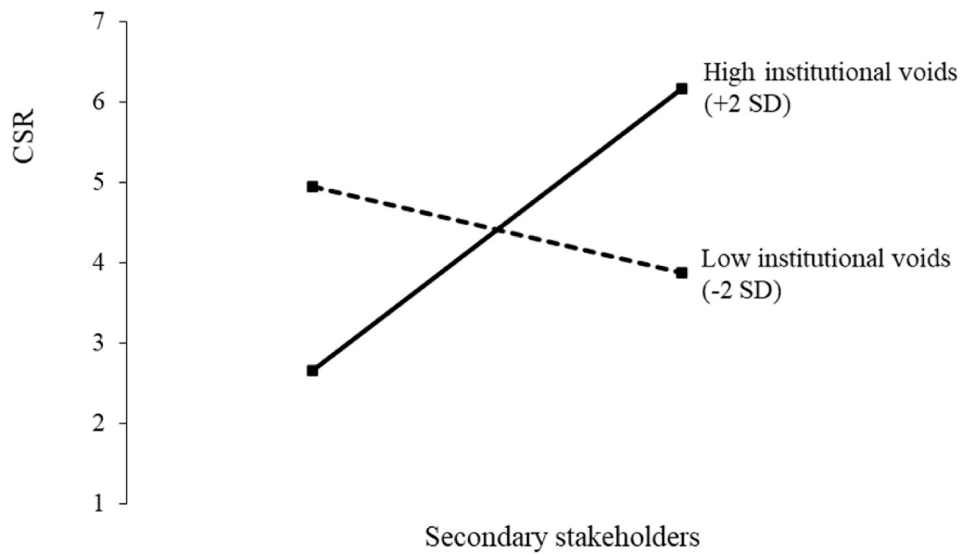
Appendix B. . Primary stakeholders, secondary stakeholders, and MNE CSR activities: Moderating role of the distance of civil liberties



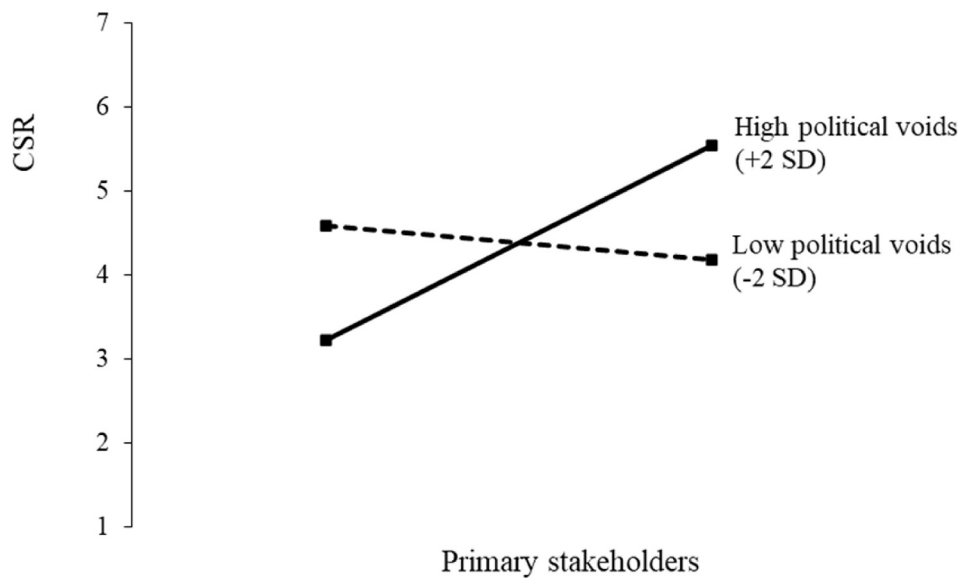


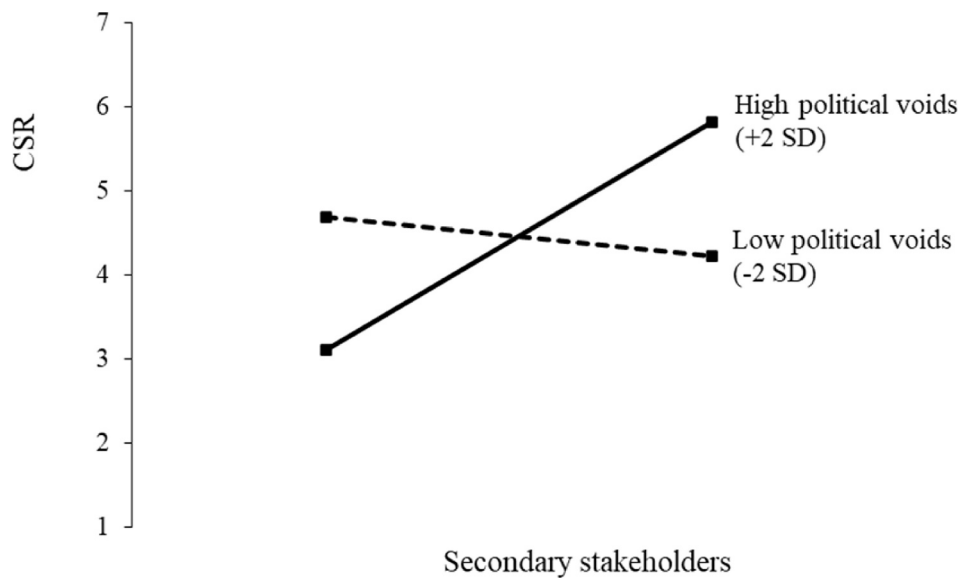
Appendix C. . Primary stakeholders, secondary stakeholders, and MNE CSR activities: Moderating role of institutional voids





Appendix D. . Primary stakeholders, secondary stakeholders, and MNE CSR activities: Moderating role of political voids





Data availability

Data will be made available on request.

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