

**WHEN GOOD BECOMES EVIL: THE INFLUENCE OF STAKEHOLDER
DEPENDENCE ON ORGANIZATIONAL DEVIANCE - DECOUPLING
STAKEHOLDER CENTRICITY FROM CORPORATE SOCIAL RESPONSIBILITY**

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ABSTRACT

This study examines the prevailing assumption in stakeholder and corporate social responsibility (CSR) literature that stakeholder integration inherently motivates organizations toward more socially responsible behavior. Contrary to such beliefs, this research investigates the conditions under which stakeholder-centric organizations instead engage in deviant behavior that may not reflect genuine social responsibility. Using resource dependence theory, we suggest that asymmetric dependence coupled with heterogeneous stakeholder interests can emphasize deviant behavior in stakeholder-centric firms. To test this hypothesis, we applied a multilevel model to a subset of 10,919 observations across 1,371 firms from 2003 to 2021, allowing for a nuanced examination of the influence of resource dependence on deviant behavior while controlling for variation across countries, industries, firms, and years. The results support our hypotheses and capture the complexity of the nexus between stakeholder theory and CSR while highlighting that socially responsible behavior can only be equated with stakeholder centrality under certain conditions.

Keywords: Stakeholder Management Capabilities, Stakeholder Centricity, Corporate Social Responsibility, Deviant Behavior, Resource Dependence Theory

Word count: 5,699 words, excluding tables and references

1. INTRODUCTION

In the stakeholder theory and corporate social responsibility (CSR) literature, there often appears to be an implicit assumption that ethical behavior and stakeholder centricity are synonymous. This perspective emerges from various scholarly interpretations as some researchers assume that one theoretical framework is a subset of the other; others refer to only one framework in competition for preeminence, while other researchers treat CSR and stakeholder theory almost synonymously (Barnett, 2007; Brown and Forster, 2013; Dmytriiev *et al.*, 2021; Freeman and Velamuri, 2008a; Miloud, 2015). Such associations have contributed to the narrative that integrating stakeholder interests enhances corporate social responsibility and vice versa (Kujala *et al.*, 2022). However, this optimistic alignment between stakeholder theory values and socially responsible behavior is characterized by incorporating stakeholder interests into decision-making processes (Donaldson, 2012; Freeman, 1984; Friedman and Miles, 2006; Kujala *et al.*, 2022; Laplume *et al.*, 2008; Parmar *et al.*, 2010a; Phillips, 2003), yet overlooks the potential for socially irresponsible behavior of stakeholder-centric companies.

Anecdotal evidence shows that even companies that are typically associated with a stakeholder-centered image are criticized for behavior that deviates from socially responsible norms. The image of “B Corp” certified Patagonia, for example, was severely tarnished in 2023 with an investigation by the Follow the Money Collective, an association of independent Dutch journalists, which stated: “Clothing brand Patagonia seems to be doing everything right: for its employees, for the people who make the clothes and for the environment. The company’s image – they say they’re in business to save our home planet – is very different from fast-fashion brands like Asos, Primark, and Nike. But Patagonia’s clothes are manufactured in exactly the same factories and under the same deplorable conditions” (Van Heugten, 2023). This suggests a dissonance between the theoretical alignment of stakeholder centricity and CSR and the practical realities of organizational deviance, resulting in symbolic CSR. Our study, therefore, aims to analyze conditions that might lead stakeholder-centric organizations to engage in such deviant behavior despite their alleged ethical orientation.

Drawing upon resource dependence theory, which emphasizes the power dynamics, interdependencies, and control among various parties (Pfeffer and Salancik, 1978), our analysis explores how these factors influence organizational behavior within the context of stakeholder and CSR theories. Thus, the complexity of balancing the need to continuously maintain heterogeneous stakeholder relationships (Freeman, 1984) with the dependence on and level of control over critical resources (Pfeffer and Salancik, 1978) can inadvertently pave the way for moral compromises where ethical standards become casualties in the pursuit of stakeholder satisfaction. Derived from this, we hypothesize that companies engage in symbolic CSR when faced with conflicting stakeholder interests and increased dependence. They will do so to maintain resource-critical relationships. Therefore, to understand the discrepancy between stakeholder centricity and CSR, we utilize resource dependence theory to expand the stakeholder theory and the CSR literature streams in addressing our research question: Under what conditions do stakeholder-centric organizations engage in symbolic CSR?

With this study, we want to emphasize a critical reassessment of the optimism often associated with stakeholder centricity and its implications on CSR and vice versa (Kujala *et al.*, 2022). Theoretically, we want to contribute to stakeholder theory and CSR literature by establishing boundary conditions under which the two concepts cannot be equated. For managers, this paper highlights under which market conditions their stakeholder management and CSR strategies may be negatively impacting one another, which allows them to take measures toward high degrees of integrity and responsibility. For policymakers, such conditions may show where to

apply advanced regulatory protection to mitigate the forces that push organizations toward symbolic CSR exploiting stakeholders.

In the following sections, we will articulate our theoretical framework, describe our methodology, present our empirical findings, and discuss the implications of our research. We will comprehensively analyze the intersection between stakeholder-centricity and CSR by applying resource dependence theory.

2. THEORETICAL BACKGROUND

2.1 Corporate social responsibility: Symbolic vs. substantive

Since the 1950s, multiple terms for sustainability have been developed, ranging from broad ideas such as corporate citizenship and sustainability to more business-oriented terms such as corporate (social) responsibility and ESG. Different definitions were created along with concepts such as the triple bottom line (Alhaddi, 2015; Hussain *et al.*, 2018) or the idea of corporations “doing the right thing”, reducing negative externalities while positively affecting e.g., nature, society, or stakeholders (Baden and Harwood, 2013; Sarkar and Searcy, 2016; Sheehy, 2015). Specifically, the term corporate social responsibility (CSR), based on the idea that organizations voluntarily address sustainability along environmental, social, and economic motives, has gained prominence in business ethics literature (Aguilera *et al.*, 2007; Matten and Moon, 2008). Depending on the motivation toward CSR and a firm’s business model, it can take various forms. Activities can range from formulating and integrating a code of conduct to setting strategic environmental and social goals, CSR reporting, implementing stakeholder dialogues, or supply chain adaptation (Jastram and Klingenberg, 2018a; Jastram *et al.*, 2023a).

A significant differentiation in CSR is drawn between companies' CSR aims and their actual implementation. Symbolic CSR, also named policy-practice decoupling, greenwashing (Bromley and Powell, 2012; Wijen, 2014), CSR decoupling (Bothello *et al.*, 2023), or CSR-washing (Martin *et al.*, 2024), refers to organizations that communicate specific actions without executing them. Such communication can include certifications, policies, or reports that signal corporate social responsibility to the external organizational environment. Conversely, substantive CSR implies that there is no discrepancy between a firm’s signals and its actual CSR performance (Bothello *et al.*, 2023; Christmann and Taylor, 2006; Haack *et al.*, 2021; Hawn and Ioannou, 2016a; Matten and Moon, 2008; Nardi, 2022). In most cases, substantive CSR is also referred to simply as CSR.

2.2 Stakeholder management capabilities: A stakeholder-centric view

Stakeholder theory posits that effective stakeholder engagement requires recognizing and incorporating stakeholders’ interests into decision-making processes, fostering long-lasting relationships. This integration, however, is complex due to stakeholders’ diverse and sometimes conflicting interests (Bridoux and Stoelhorst, 2014; Freeman, 1984; Freeman *et al.*, 2020; Jones *et al.*, 2018). To effectively engage varying stakeholder perspectives, a firm must incorporate so-called stakeholder management capabilities (SMC) (Freeman, 1984). SMC involve managerial processes, such as 1) mapping stakeholders and identifying their perceived interests, 2) structuring organizational processes to reflect and align firm-stakeholder goals and expectations, and 3) negotiating transactions or “bargains” with stakeholders sufficient to balance competing interests (Freeman, 1984; Zakhem, 2008). In this sense, the term “capabilities” may be misleading because the fact that a firm possesses the capability is insufficient in this definition. Instead, the proactive incorporation of SMC into business practices is necessary for a firm to be recognized as an organization with high stakeholder management capability (Freeman, 1984), also known as a stakeholder-centric firms.

2.3 The stakeholder theory - corporate social responsibility nexus

The interplay between stakeholder theory and corporate social responsibility (CSR) traces back to their shared foundational roots in moral theories such as utilitarianism, a form of consequentialism focused on decision-making that will produce the greatest good for the greatest number of individuals (Jones and Felps, 2013; Renouard, 2011; Rigoberto Parada Daza, 2009). Based on this, CSR activities are seen as a form of "giving back to the wider society," where the interests of various stakeholder groups are prioritized (Dmytriiev *et al.*, 2021). Similarly, the principles of stakeholder theory emphasize the importance of integrating various stakeholder interests into the decision-making process (Dmytriiev *et al.*, 2021; Freeman, 1984; Lopatta *et al.*, 2017). In addition, both CSR and stakeholder theory advocate for ethical and sustainable corporate behavior, considering the firm's impact on society and the environment. Here, CSR emphasizes the need for social and environmental action, while stakeholder theory proposes sustainable corporate success by considering stakeholder interests (Clarkson, 1995; Dmytriiev *et al.*, 2021; Freeman, 1984; Lane and Devin, 2018a).

Overall, the objectives appear to be very similar, which lead to a distinction of three perspectives (subset view, competing view, and same view) on how these two frameworks interrelate (Dmytriiev *et al.*, 2021).

Adopting the *subset view*, stakeholder theory is seen as a provider of a theoretical foundation or explanatory model for CSR. According to the literature review by Fatima and Elbanna (2023), stakeholder theory is the most commonly used theoretical framework in CSR research. In practice, one of the primary explanatory factors for CSR motivation is stakeholder interests or pressures, referring to relational motives (Aguilera *et al.*, 2007). Therefore, CSR is seen as a subset of stakeholder theory as initiatives often commence to address stakeholders' interests, e.g., multi-stakeholder initiatives in CSR (Jastram and Klingenberg, 2018; Lane and Devin, 2018). In contrast, stakeholder theory can also be seen as a subset of CSR, where stakeholder integration instrumentalizes the CSR concept, e.g., by implementing stakeholder dialogues (Scherer and Palazzo, 2011). While stakeholder theory provides a focused lens on stakeholder relationships, its scope is encapsulated within the broader scope of CSR: "giving back to the wider society" (Garriga and Melé, 2004). In the subset debate, the question is not whether there is a connection between the two but rather which construct forms the basis for the other (Barnett, 2007; Dmytriiev *et al.*, 2021; Miloud, 2015).

From the *competing view*, the competition between the two concepts is emphasized by authors like Parmar *et al.* (2010), who provocatively challenge the necessity of CSR if managers follow the principles of stakeholder theory anyway. Brown and Forster (2013) interpret CSR and stakeholder theory as competing doctrines in managerial decision-making, acknowledging that theoretical debates about CSR often pit stakeholder theorists against CSR researchers (Brown and Forster, 2013). The ongoing struggle for theoretical and practical supremacy is also highlighted by Schwartz and Carroll (2008), who recognize that CSR and stakeholder management 'appear to be in competition for preeminence' (p. 148) in business and society.

Adopting the *same view* underscores that the essence of CSR is fundamentally entwined with stakeholder relationships. Garcia-Castro and Francoeur (2016) articulate this viewpoint by defining 'the social performance of firms [as] the quality of the relationships between a firm and its stakeholders' (p. 107). Similarly, Crane and Glozer (2016) included stakeholder management as a synonym for CSR in their review of the CSR communication literature, while Bird *et al.* (2007) treated stakeholder theory and CSR as parallel concepts when examining their impact on firm performance. These interpretations and operationalizations suggest that the concepts are intertwined in such a way that one merges into the other, with Freeman and

Velamuri (2008) even suggesting that the term "corporate social responsibility" should be replaced with "corporate stakeholder responsibility."

Regardless of the perspective, it is clear that the success of CSR activities is linked to a focus on stakeholders. The overlapping boundaries, which are often difficult to define, make the relationship between stakeholder centricity and CSR complex. In the following, this study uses resource dependence theory to distinguish between these two concepts despite their significant overlap and shared ethical basis. Understanding the subtle differences and the conditions that define their boundaries, especially whether stakeholder centricity leads to substantive CSR, is crucial. This clarity enhances how stakeholder theory can shape CSR strategies, or vice versa, effectively aligning the two approaches.

2.4 The interplay of resource dependence and stakeholder centricity

The success of an organization depends on the effectiveness of managing stakeholder demands (Freeman, 1984; Harrison *et al.*, 2010; Jones *et al.*, 2018), particularly those upon which the organization depends on resources and support. From a resource dependence theory perspective, an organization is essentially viewed as a coalition of resources with the main objective of survival in a competitive environment, where specific stakeholders hold the power to control these resources (Pfeffer and Salancik, 1978). As resource dependence theory and stakeholder theory are closely related (Freeman, 1984; Freeman *et al.*, 2021; Pfeffer and Salancik, 1978), it is important to consider the increased interdependencies when analyzing the influence of stakeholder centricity on CSR.

"Interdependence exists whenever one actor does not entirely control all of the conditions necessary for the achievement of an action" (Pfeffer and Salancik, 1978, p. 40). Hence, interdependence is determined by resource importance, discretion over resource allocation and use, scarcity of resources, and concentration of resource control. For example, in the case of suppliers, if organization X sells to organization Y and is dependent on Y to absorb its output, it is simultaneously true that Y buys from X and is therefore reliant on X to provide some needed input (Emerson, 1962; Pfeffer and Salancik, 1978). In other words, the firm-stakeholder relationship is inherently reciprocal, where the firm relies on its stakeholders, and the stakeholders depend on the firm (Bitektine, 2011; Emerson, 1962; Jonsson *et al.*, 2009; Pfeffer and Salancik, 1978).

Such relationships are usually characterized by an asymmetrical dependence, where one party is more reliant on the other since the exchange is not equally important to both parties. This means when the net exchange between two entities is asymmetrical, some net power accrues to the less dependent entity (Emerson, 1962; Pfeffer and Salancik, 1978; Tannenbaum, 1962). The interdependence shifts when firms adopt a stakeholder-centric approach, increasing stakeholder power and, consequently, putting pressure on the firm. For example, engaging closely with stakeholders may elevate their expectations for influence and outcomes, thereby increasing the pressure on the firm to meet these demands to maintain access to essential resources. Stakeholders may demand more transparency, better performance, or adherence to social and ethical standards, which can complicate operational decisions and strategies.

Conversely, firms that are not stakeholder-centric may employ buffering strategies to insulate themselves from external pressures. These strategies can include diversifying resource acquisition, increasing stockpiles, or investing in alternative technologies. By distancing themselves from stakeholder demands, these organizations can maintain greater autonomy and control over their operations, thus reducing their perceived dependency. In summary, organizations that limit their engagement with stakeholders might experience less direct pressure and retain greater decision-making flexibility. This autonomy can reduce direct

dependencies, as the company is less constrained by the interests or resources of a particular group.

2.5 Implications of stakeholder centrality on CSR

The increased pressure and dependency can lead to uncertainty or unpredictability for stakeholder-centric firms, particularly when heterogeneous stakeholders have diverse or even conflicting demands (Bridoux and Stoelhorst, 2014; Bundy *et al.*, 2018). In a situation of conflicting demands, compliance with one set of demands can severely limit its ability to adapt to others (Bridoux and Stoelhorst, 2014; Kujala *et al.*, 2022). As a result, these companies encounter a dilemma: satisfying one group of stakeholders may inadvertently alienate another, increasing the risk of losing access to critical resources and threatening their operational viability. By implication, the organization must either choose which of the various competing demands to attend to or somehow avoid the conflict or demands (Bitektine, 2011; Jonsson *et al.*, 2009).

This tension between the need to prioritize stakeholder demands and the inherent limitations imposed by increased power imbalances for stakeholder-centric firms sets the stage for a shift toward exploring unconventional strategies when conventional paths to goal achievement become limited (Agnew *et al.*, 2009; Clinard and Yeager, 1982; Jonsson *et al.*, 2009). In the case of CSR, such deviant behavior is called symbolic CSR. Signaling theory posits that organizations exploit asymmetric information to mask discrepancies between their public declarations and actual practices (Martin *et al.*, 2024). In summary, the firm uses signals to conceal its true CSR behavior (Bothello *et al.*, 2023) to circumvent the dilemma of meeting multiple demands of stakeholders without losing crucial resources or relationships. It allows the firm to seemingly meet stakeholder expectations without fully committing to substantive changes that may not be feasible or may conflict with other interests. Thus, driven by the fear of not achieving their goals through legitimate practices and the pressure to preserve stakeholder relationships, firms are compelled to adopt symbolic CSR to navigate the complexity of stakeholder demands and dependencies.

By applying resource dependence theory, we examine the interplay of stakeholder theory and CSR, which leads to the following hypothesis:

Hypothesis 1: Higher stakeholder centrality leads to higher symbolic CSR.

3. METHOD

3.1 Data and sample

The dataset utilized for this research is sourced from the Thomson Reuters Eikon database, a comprehensive repository of financial indicators and environmental, social, and governance (ESG) metrics (Thomson Reuters, 2017). The database meticulously tracks over 400 ESG metrics, comprehensively assessing and reporting a company's ESG commitment. These metrics are aggregated from diverse sources such as company reports, stock exchange filings, surveys, nongovernmental organization websites, and news reports (López-Manuel *et al.*, 2023). Additionally, the database includes data on stakeholder integration (e.g., minority shareholders' voting rights) and financial indicators (e.g., financial performance and indebtedness).

Integrating longitudinal data on financial indicators, ESG metrics, and stakeholder capabilities provides a robust framework for testing hypotheses at the intersection of stakeholder centricity, resource dependence, and symbolic CSR. Country-level data from the World Bank Database was incorporated to account for institutional-level factors.

After meticulously addressing issues of missing data and duplicated observations and successfully merging firm-level and country-level data, the final sample comprised 1,371 firms, totaling 10,919 firm-year observations spanning from 2003 to 2021. The sample includes firms from 52 countries.

3.2 Variables

3.2.1 Dependent variable

Our dependent variable is symbolic corporate social responsibility (symbolic CSR). Proxying symbolic CSR can be challenging. However, our dataset provides a unique opportunity to distinguish between firms' signaling actions (CSR policies and strategies) and their actual actions (CSR performance), allowing us to empirically explore the interplay between stakeholder centricity and symbolic CSR.

Symbolic CSR is measured through an index that assesses how well firms perform in social and environmental areas, considering both their policies and targets. This index ranges from 0 to 1 and captures the difference between the scores firms achieve for their social and environmental targets, policies, and strategies and scores for their actual social and environmental performance (e.g., waste and CO₂ emissions) and the inverted scores for controversies. In formal terms, symbolic CSR is calculated as:

$$\text{CSR}_{\text{symbolic}} = (\text{CSR}_{\text{signaling}} = \text{CSR}_{\text{targets}} + \text{CSR}_{\text{policies}} + \text{CSR}_{\text{strategies}}) - (\text{CSR}_{\text{substantive}} = \text{CSR}_{\text{performance}} + \text{CSR}_{\text{controversiesinverted}})$$

The rationale behind this measure is that firms establishing more and better social and environmental strategies and targets are generally expected to perform better. However, this is not always the case. Firms may use these strategies and targets to signal to stakeholders that they are addressing these concerns, while in reality, they may not be taking the necessary steps to improve their actual performance, thus engaging in symbolic CSR (Bothello *et al.*, 2023; Kaul and Luo, 2018; Martin *et al.*, 2024). A complete list and description of the variables composing the index can be found in Annex A.

3.2.2 Independent variable

Our independent variable is stakeholder centricity, which measures a firm's commitment to addressing the interests and well-being of various stakeholder groups. This variable is constructed using a comprehensive set of policies and practices that reflect the firm's

orientation towards customers, minority shareholders, employees, suppliers, and the community.

The independent variable, stakeholder centricity, measures a firm's commitment to addressing the interests and well-being of various stakeholder groups. It is constructed using a set of policies and practices related to customers, minority shareholders, employees, suppliers, and the community. Each stakeholder group's orientation index is calculated by averaging scores of relevant variables, such as policies on fair competition, customer health and safety, shareholder rights, employee health and safety, and community involvement. The overall stakeholder centricity index is the average of these group-specific indices, providing a composite measure that reflects the firm's comprehensive engagement with all stakeholders.

$$\text{STKcentricity} = (\text{STKminorityshareholders} + \text{STKcustomers} + \text{STKsuppliers} + \text{STKcommunities} + \text{STKemployees}) / 5$$

This method allows us to empirically analyze how firms' commitments to different stakeholders influence their corporate social responsibility practices. Annex A provides a full list and description of the variables composing the index.

The empirical approach of measuring stakeholder centricity through a comprehensive set of policies and practices is widely applied in the literature (Bettinazzi and Feldman, 2021; Bettinazzi and Zollo, 2017, 2022). This method thoroughly assesses a firm's orientation towards various stakeholder groups, including customers, minority shareholders, employees, suppliers, and the community. By averaging scores of relevant variables for each group, the overall stakeholder centricity index provides a nuanced measure of stakeholder engagement.

3.2.3 Control variables

In our study, we include several control variables to account for factors that may influence the relationship between stakeholder centricity and symbolic CSR.

At the organizational level, we controlled for the firm's size, as larger firms may have more resources to invest in CSR activities and face more public scrutiny (Cordeiro and Tewari, 2015). Secondly, we controlled for the firm's indebtedness. This variable captures the firm's financial leverage. Higher debt levels might constrain a firm's ability to invest in CSR activities. Thirdly, we assessed the level of financial slack a firm has. This variable measures the firm's liquidity, which can influence its capacity to fund CSR initiatives (Julian and Ofori-dankwa, 2013). Fourthly, we observed a firm's temporal orientation, specifically its long- and short-term orientation. These variables reflect the firm's long-term and short-term financial commitments and potential for sustained CSR investment. Fifthly, we controlled for R&D investment. This binary variable indicates whether a firm invests in R&D. Firms with R&D investments may be more innovative and forward-thinking, potentially affecting their CSR strategies (Hawn and Ioannou, 2016). Sixthly, we assessed the firm's Operating Expense Ratio (OER). OER is a financial metric used to evaluate a business's operational efficiency. It measures the proportion of operating expenses incurred by a company in relation to its revenue. Seventhly, we controlled for the firm's financial performance through return on assets (ROA). This profitability metric indicates how efficiently a firm uses its assets to generate earnings, which may correlate with its ability to support CSR initiatives (Elsayed and Paton, 2009).

At the country level, we controlled for the country's CO₂ emissions and GDP per capita. On the one hand, this variable accounts for the country's overall CO₂ emissions, reflecting the environmental context in which the firm operates. On the other hand, this macroeconomic variable controls the economic environment, particularly the development of the country in which the firm operates, which can influence corporate behavior and CSR practices.

3.3 Estimation method

To estimate the impact of stakeholder centricity on symbolic CSR, we performed an ordinary least squares (OLS) regression with fixed effects and robust standard errors. This method is suitable for controlling unobserved heterogeneity among subjects, potential heteroskedasticity concerns, and the clustered nature of the data. To assess the curvilinearity of the relationship, we incorporated a quadratic version of the independent variable into the estimation, allowing us to capture any non-linear effects. Additionally, we repeated the analysis using a lagged version of the dependent variable to control for potential reverse causality, ensuring our results are robust to time-dependent biases. Beyond this primary estimation, we conducted a battery of robustness tests with alternative estimations, details of which can be found in Annex C. These additional tests further validate the robustness and reliability of our findings.

4 RESULTS

This section presents descriptive statistics for the key variables used in the study, providing an overview of the data characteristics and distributions. Table 1 displays our descriptive statistics. The statistics reveal interesting insights about the central tendencies and variability within the dataset. Symbolic CSR Social and Symbolic CSR Environmental have means of 0.569 and 0.493, respectively, indicating that, on average, companies in the sample are somewhat engaged in these CSR activities. However, there is significant variability, as shown by standard deviations of 0.2 and 0.134. The aggregate measure of Symbolic CSR has a mean of 0.52 and a standard deviation of 0.167, suggesting moderate overall CSR engagement. Alternative measures for symbolic CSR show less variability, with means close to 0.5 and very low standard deviations, indicating a more consistent engagement level across companies. Regarding stakeholder orientation, Employee Orientation has the highest mean (0.478) among the stakeholder categories, suggesting that firms tend to prioritize employees more than other stakeholders. In contrast, Supplier Orientation has the lowest mean (0.177), indicating less focus on suppliers.

— Insert Table 1 about here —

Table 2 displays our estimations of the effect of stakeholder centricity on the adoption of symbolic CSR, presenting its disaggregated effects on social and environmental symbolic CSR.

— Insert Table 2 about here —

Our estimations suggest that treating stakeholder integration and corporate social responsibility (CSR) as equivalent may not be accurate and may, therefore, need to be revised. The impact of stakeholder centricity on CSR is complex, as greater stakeholder integration can lead to symbolic CSR due to dependence dynamics.

Hypothesis 1 posited that higher stakeholder integration would result in increased symbolic CSR. The rationale is that integrating stakeholders creates channels through which these groups can pressure the firm to undertake actions that promote their interests. Firms must consider stakeholders' interests, as they depend on them for essential resources. Consequently, internalizing stakeholder pressures while being dependent on their resources may lead organizations to engage in symbolic CSR to maintain relationships when they cannot fully meet stakeholders' needs.

Our estimations partially support this hypothesis. As firms integrate stakeholders, symbolic CSR increases. However, when stakeholders are fully integrated, symbolic CSR decreases. We attribute this to the control mechanisms that fully integrated stakeholders may possess.

Our results are robust across different CSR dimensions, showing consistency for both social and environmental symbolic CSR. Annex B provides further details on the differences between the shape and intensity of the relationships between stakeholder centricity and symbolic CSR.

We controlled multicollinearity by calculating all variables' Variance Inflation Factors (VIF). All VIF values were below 3, indicating no significant multicollinearity issues. We performed a battery of robustness checks that may be consulted in Annex C. After performing the checks, all results remained qualitatively the same. Such estimations include a reassessment of the model with lagged variables, sector exclusions to avoid overrepresentation, exclusion of problematic years, multilevel specifications controlling for the nested nature of the data, and a standardized version of the model to avoid biases due to differences in the original scales of the variables.

5 DISCUSSION

This paper investigates the assumption that a firm's focus on stakeholder interests leads directly to substantive socially responsible behavior. Drawing on resource dependence theory, we explore whether the combination of stakeholder heterogeneity and asymmetrical dependence bends this assumption. We propose that stakeholder-centric firms may resort to symbolic CSR to sustain sovereign, conflict-free organizational activities. Our findings reveal a U-shaped relationship, which only partially supports our hypothesis. Specifically, as firms increasingly engage with stakeholders, symbolic CSR initially rises. However, once stakeholders are fully integrated, the use of symbolic CSR declines. These results suggest that equating stakeholder centricity with substantive CSR is misleading. Indeed, under certain conditions, stakeholder centricity does not necessarily lead to genuine CSR practices.

5.1 Theoretical Implications

Our results contribute to the academic discourse concerning the stakeholder theory - CSR nexus's three prevalent perspectives (same view, competing view, and subset view). A clear delineation between two distinct yet interrelated concepts, shaped by firm-stakeholder interdependences, emerges from our analysis. Therefore, our findings contest the notion of a complete overlap between stakeholder theory and CSR, as proposed under the same view by, for example, Freeman and Velamuri (2008) with the term "corporate stakeholder responsibility." Furthermore, the competing view, which suggests the redundancy of one approach in the presence of the other, as Parmar et al. (2010) question the necessity of CSR when stakeholder theory principles are observed, is also challenged. Considering our results demonstrating that integrating stakeholder interests does not inherently guarantee socially responsible behavior, the competing view must also be ruled out. Consequently, based on our analysis, the subset view appears to be the most accurate, proposing stakeholder centricity as a motivator for increased CSR activities. However, this perspective does not universally apply. While CSR initiatives often aim to address stakeholders' interests, e.g., through multi-stakeholder initiatives (Jastram and Klingenberg, 2018; Jastram et al., 2023; Lane and Devin, 2018), the diversity of these interests, coupled with resource dependence, may actually hinder substantive CSR efforts.

5.2 Practical Implications

The findings reinforce the notion that stakeholder theory's emphasis on integrating stakeholder interests and CSR considerations into decision-making is not only a moral or ethical consideration but also a strategic one.

Managers in firms with high stakeholder centricity should develop strategies for stakeholder engagement that anticipate and mitigate the risks of dependence, thereby aligning CSR initiatives more closely with substantive CSR ambitions. Therefore, managers who create an awareness of their resource dependence and related issues can reduce those dependencies, thereby motivating the enforcement of the intended behavior.

Similarly, policymakers should consider frameworks and regulations that encourage substantive CSR practices by reducing the incentives for symbolic CSR, possibly through transparency requirements, stakeholder engagement standards, or rewards for demonstrably effective CSR initiatives. The findings highlight the validity of introducing policy interventions that address the power imbalances between firms and stakeholders, ensuring that stakeholder pressures lead to positive CSR outcomes rather than encouraging superficial compliance.

In the following, we will discuss some examples of specific stakeholder groups and how a firm perceives their actions and circumstances as a threat due to their resource dependence on the stakeholder. These practical ideas on real-world circumstances could trigger the move “from good to evil.”

Economic factors as an immediate threat to the organization come to mind quickly: Threats on the financial stability and performance of a firm, such as lower margins, decreasing demand, disruption of supply chains, lowered firm evaluation, and higher production costs, to name a few microeconomic factors. Additionally, competition can severely impact the long-term survival of an organization.

Threats to a firm’s brand can also stem from the media and social media. This is not limited to threats to a firm’s legitimacy but can also have a financial impact or influence on the workforce. Similarly, any activism against the firm as a whole or the firm’s actions can have negative implications for the firm. Actions from (social) media, whistleblowers, or activists don’t necessarily need to have been enforced against the firm to be perceived as a threat. Similar concerns could arise from legal disputes.

Catastrophic events, including pandemics, wars, and natural disasters, expose firms to immediate threats and can require drastic responses. The exhaustion and, therefore, shortage or lack of resources pose another danger to firms whose business model depends on those scarce resources. Along with increased climate-change-related (catastrophic) events, disadvantageous regulatory change is/will be introduced, which poses a threat to organizations.

Internal stakeholders influence the organization’s perception while they are part of the organization themselves, which describes an isomorphic situation. The lack of skilled labor, strikes, an unpleasant/toxic work culture, managers’ non-stakeholder-centric mindsets, and an overemphasis on KPIs can expose managers and employees to pressure, compromising their willingness to act in line with their stakeholder-centric approach.

Another factor is the threat of too many varying stakeholder interests and expectations that can’t be met. The inherent complexity of balancing diverse stakeholder interests can unintentionally lead to moral compromises, where ethical standards become casualties in the pursuit of stakeholder satisfaction.

6 CONCLUSION

Our research was motivated by a perceived contradiction between firms celebrated for their commitment to “doing the right thing” and their deviant behavior uncovered by the media. We wanted to understand the conditions under which conditions companies that are seen as pioneers in engaging stakeholders and promoting sustainability would deviate from their

principles of corporate social responsibility. Using resource dependence theory, we explored the implications of the stakeholder theory and CSR literature and outlined their interrelationships. Furthermore, we offer practitioners insights into strategies to prevent deviant practices and consistently align corporate behavior with ethical and responsible business conduct, even in complex situations with high resource dependency.

6.1 Limitations

We acknowledge that our work has limitations: We only analyze resource dependence from a market-level viewpoint, while industry- or firm-level influences could be analyzed to identify more boundary conditions. Additionally, although we recognize and discuss the stakeholder theory - CSR nexus and support the subset view without suggesting the dominance of one over the other, our study is one-directional in creating a research design that moves from stakeholder theory towards CSR.

Within our quantitative approach, the following limitations arise: Although we have a robust proxy for irresponsible behavior, we cannot measure symbolic CSR directly. Furthermore, we use self-reported data for certain items, partially compromising the reliability of our results. Moreover, applying a random effects estimation while accounting for the nested structure of the data prevents us from controlling for fixed effects. Additionally, there may be some reverse causality concerns regarding CSR and stakeholder centricity due to their overlapping nature.

6.2 Implications for Future Research

Our work can inspire future research utilizing our methodological approach to expand on the implications of stakeholder-centric firms. For instance, the implications of a specific stakeholder group may impact a firm's CSR ambitions, which is a differentiation future research could address in an aspiration to analyze the impact of stakeholder heterogeneity.

We provided insights on the stakeholder theory - CSR nexus and the discussion on their distinction. While we support the subset view, we also give room for an alternative view that understands that while there is a clear distinction between the two approaches, they both have their right to exist and can still benefit from one another without defining the dominance of one over the other. Providing clarity on the nexus would generate a clarified picture and allow CSR scholars to apply stakeholder theory learnings and vice versa.

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TABLES

Table 1 Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Symbolic CSR Social	10,919	.569	.2	0	1
Symbolic CSR Environmental	10,919	.493	.134	0	1
Symbolic CSR	10,919	.52	.167	0	1
Alternative Symbolic CSR	10,919	.505	.013	.45	.563
Alternative Symbolic CSR Social	10,919	.5	.001	.495	.504
Alternative Symbolic CSR Environmental	10,919	.5	.001	.497	.504
Stakeholder Centricity	10,919	.337	.151	.013	.791
Customer Orientation	10,919	.252	.186	0	.857
Minority Shareholder Orientation	10,919	.406	.146	0	.733
Employee Orientation	10,919	.478	.246	0	1
Supplier Orientation	10,919	.177	.271	0	1
Community Orientation	10,919	.373	.197	0	1
Total Long-Term Debt	10,919	1.782e+11	1.590e+12	0	4.675e+13
Cash and Short-Term Investments	10,919	1.221e+11	1.158e+12	0	4.071e+13
Long-Term Investments	10,919	6.462e+10	5.364e+8	0	1.822e+13
Dummy RD	10,919	.505	.5	0	1
Differentiation Intensity	10,919	.007	.026	0	.416
OER	10,919	.861	.145	.008	7.142
ROA	10,919	16.984	217.575	.658	17,186.473
Firm Size	10,919	9.799e+11	8.029e+12	29304000	2.772e+14
Firm Size Alternative	10,919	27,475.255	55,895.881	252	601546
Financial Slack	10,876	1.897	1.451	.033	28.168
CO2 country	10,919	2.779e+09	3.425e+09	366,400	1.134e+10
GDP per capita	10,919	41,837.187	19,231.353	1,307.808	120,647.82

Table 2 Main estimations

VARIABLES	Fixed Effects	Fixed Effects-Social	Fixed Effects-Env.
Stakeholder Centricity	1.05397847*** (0.047)	1.47900218*** (0.061)	0.37954043*** (0.046)
Squared Stakeholder Centricity	-0.56982566*** (0.071)	-0.94756345*** (0.088)	-0.09675429 (0.071)
Total Long-Term Debt	0.00000000** (0.000)	0.00000000 (0.000)	0.00000000 (0.000)
Cash and Short-Term Investments	0.00000000 (0.000)	-0.00000000 (0.000)	0.00000000 (0.000)
Long Term Investments	-0.00000000 (0.000)	-0.00000000** (0.000)	-0.00000000 (0.000)
Dummy RD	0.00144390 (0.008)	-0.00271260 (0.009)	0.00399323 (0.008)
Differentiation Intensity	0.00838936 (0.087)	0.01053361 (0.104)	0.00392902 (0.082)
OER	-0.00569979 (0.009)	-0.01666710 (0.012)	0.00430132 (0.009)
ROA	0.00000294*** (0.000)	0.00000390*** (0.000)	0.00000123 (0.000)
Financial Slack	-0.00198266 (0.002)	-0.00056027 (0.002)	-0.00234252 (0.002)
Firm Size	-7.07462e+02* (403.121)	14.26277927 (534.409)	-9.92851e+02*** (275.228)
CO2 Country Emissions	-0.00000000*** (0.000)	-0.00000000 (0.000)	-0.00000000*** (0.000)
GDP per capita	0.00000638*** (0.000)	0.00000845*** (0.000)	0.00000267*** (0.000)
Constant	0.01821901 (0.033)	-0.13234089*** (0.047)	0.31118053*** (0.031)
Observations	10,875	10,875	10,875
R-squared	0.506	0.512	0.189
Number of RIC	1,365	1,365	1,365

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

ANNEX A

Table A.1 Creation of indexes for symbolic CSR and stakeholder centricity

	Operationalizing Symbolic CSR and Stakeholder Centricity		
List of all variables used for indices	Step 1	Step 2	Step 3
Social Initiatives (normalized 0-1): Policy Diversity and Opportunity, Targets Diversity and Opportunity, Human Rights Policy, Policy Child Labor, Policy Bribery and Corruption, Policy Business Ethics, OECD Guidelines for Multinational Enterprises	Social Initiatives Index = aggregated social initiatives / 7	Symbolic Social CSR Index A function is used to calculate the symbolic social responsibility index by subtracting the sum of performance scores from the sum of initiative scores for each firm and year. This calculation helps to highlight the gap between the company's strategic commitments (initiatives) and actual outcomes (performance).	Symbolic CSR The symbolic CSR indices for both social and environmental aspects are calculated and then combined into a single index. The normalized indices provide a standardized measure of the firm's symbolic CSR activities in both social and environmental domains.
Social Performance (normalized 0-1 / inverted controversies): Employee Satisfaction, Salary Gap, Management Departures, Strikes, Women Managers, Employees With Disabilities, Injuries To Million Hours, Total Injury Rate Total, Accidents Total, Occupational Diseases, Employee Fatalities, Wages Working Condition Controversies, Diversity and Opportunity Controversies, Employees Health and Safety Controversies, Ethnic Minorities Employees Percentage, Child Labor Controversies, Recent Human Rights Controversies, Lobbying Controversies, Donations Total, Total Donations To Revenues in Million, Bribery Corruption and Fraud Controversies, Business Ethics Controversies, Tax Fraud Controversies	Social Performance Index = aggregated performance scores / 23		
Env. Initiatives (normalized 0-1): Targets Emissions Score, Policy Emissions Score, Resource Reduction Targets Score, Resource Reduction Policy Score, Targets Water Efficiency Score,	Environmental Initiatives Index = aggregated environmental initiatives / 9	Symbolic Environmental CSR Index A function is used to calculate the symbolic	

Targets Energy Efficiency Score, Policy Sustainable Packaging Score, Policy Environmental Supply Chain Score, Policy Water Efficiency Score		environmental responsibility index by subtracting the sum of performance scores from the sum of initiative scores for each firm and year. This calculation helps to highlight the gap between the company's strategic commitments (initiatives) and actual outcomes (performance).	
Env. performance (normalized 0-1 / inverted controversies): Environmental Products Score, Water Pollutant Emissions To Revenues USD Score, Total Hazardous Waste To Revenues USD Score, Waste Recycled To Total Waste Score, Total Waste To Revenues USD Score, Total CO2 Equivalent Emissions To Revenues USD Score, Estimated CO2 Equivalents Emission Total Score, Environmental Controversies Score, Water Recycled Score	Environmental Performance Index = aggregated performance scores / 9		
Customer Orientation (normalized 0-1): Policy Fair Competition, Policy Customer Health and Safety, Policy Data Privacy, Policy Responsible Marketing, Policy Fair Trade, Product Responsibility Monitoring, Anti Competition Controversies	Customer Index = aggregated score / 7	Stakeholder Centricity Represents the overall measure of the company's engagement with and commitment to its various stakeholders, combining the indices for customers, minority shareholders, employees, suppliers, and the community. Stakeholders centricity = aggregated scores / 5	
Minority Shareholders Orientation (normalized 0-1): Shareholder Rights Policy, Policy Equal Voting Right, Policy Shareholder Engagement, Different Voting Right Share, Equal Shareholder Rights, Voting Cap, Minimum Number of Shares to Vote, Director Election Majority Requirement, Shareholders Vote on Executive Pay, Public Availability Corporate Statutes, Veto Power or Golden Share, Accounting Controversies, Shareholder Approval Significant Transactions, Confidential Voting Policy, Golden Parachute	Minority Shareholders Index = aggregated score / 15		
Employee Orientation (normalized 0-1):	Employee Index = aggregated score		

Policy Employee Health and Safety, Training and Development Policy, Policy Skills Training, Policy Career Development, Trade Union Representation, Flexible Working Hours, Day Care Services, Internal Promotion, Employee Resource Groups	/ 8		
Supplier Orientation (normalized 0-1): Policy Supply Chain Health and Safety, Supply Chain Health and Safety Training, Supply Chain Health and Safety Improvements, Supplier ESG Training	Supplier Index = aggregated score / 4		
Community Orientation (normalized 0-1): Policy Community Involvement, Whistleblower Protection, Community Lending and Investments, Political Contributions	Community Index = aggregated score / 4		

ANNEX B

Figure B.1 Squared stakeholder centrality x symbolic CSR

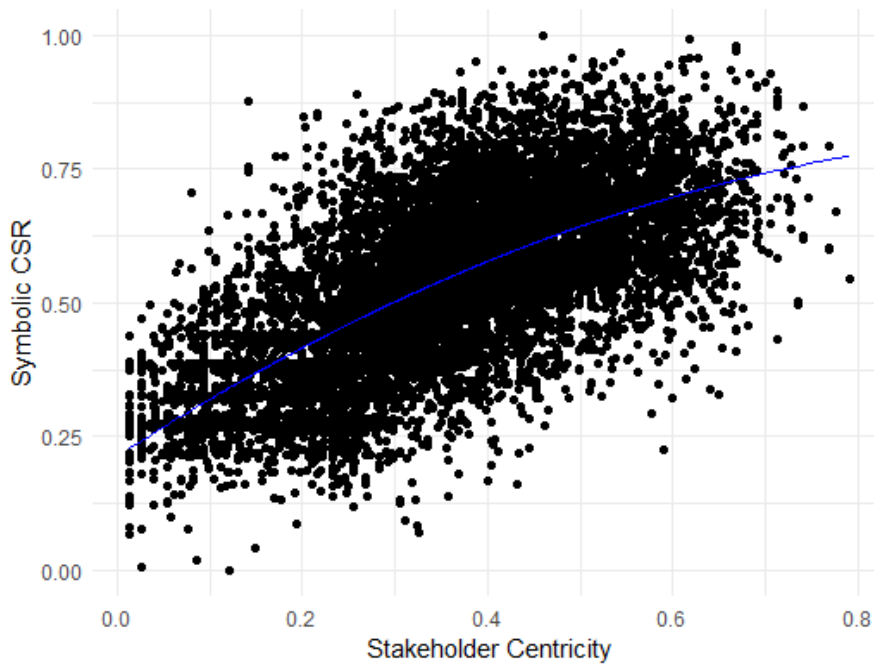


Figure B.2 Squared stakeholder centrality x symbolic CSR -social-

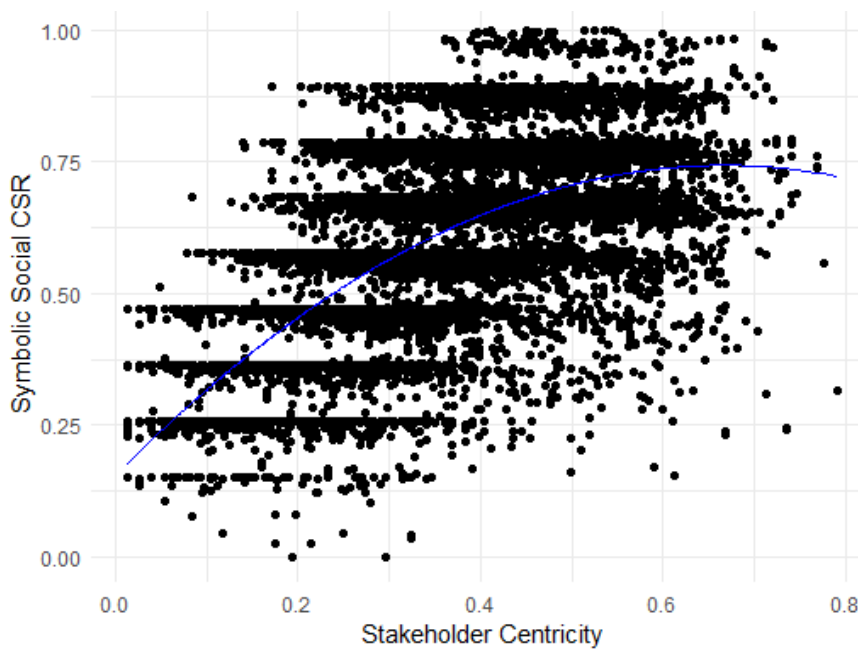


Figure B.3 Squared stakeholder centrality x symbolic CSR -environmental-

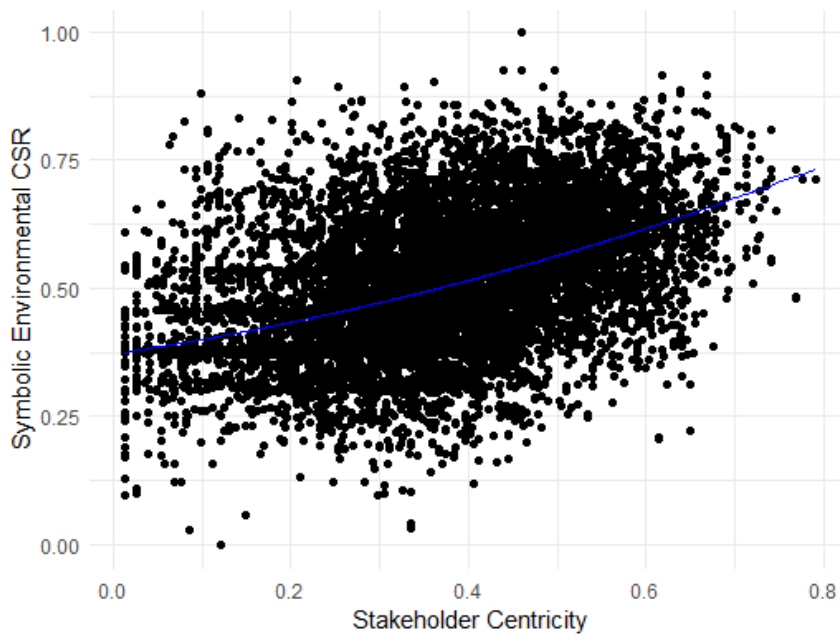


Figure B.4 Squared stakeholder centrality x symbolic CSR -alternative measurement-

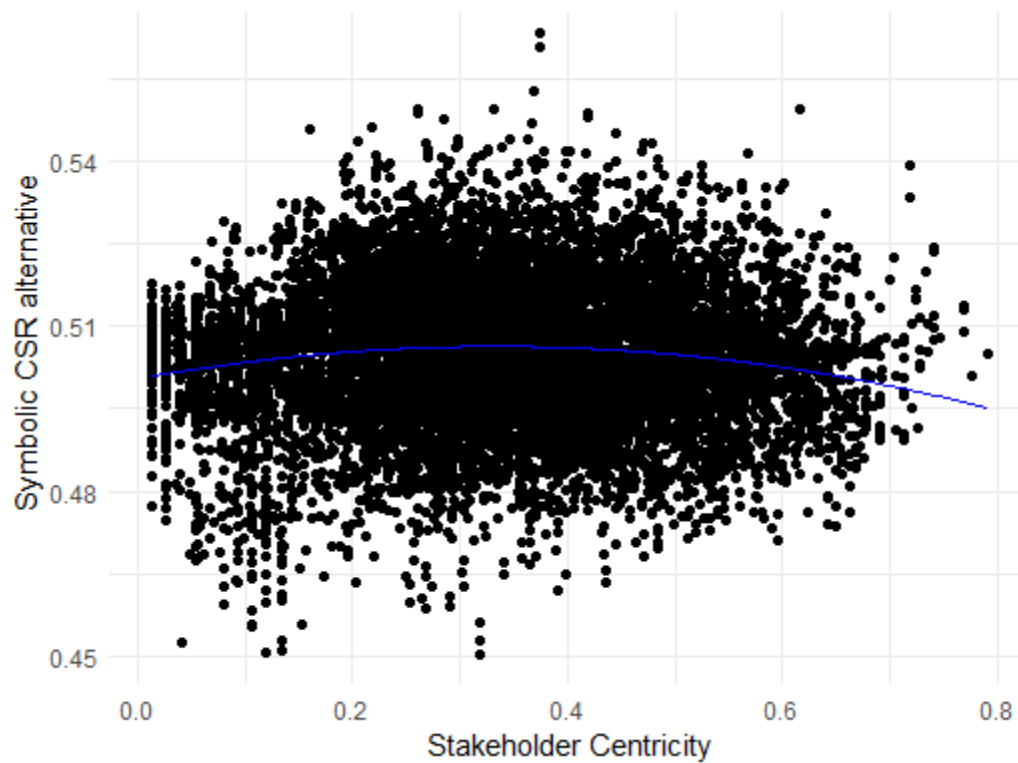


Figure B.5 Squared stakeholder centrality x symbolic CSR -social alternative measurement-

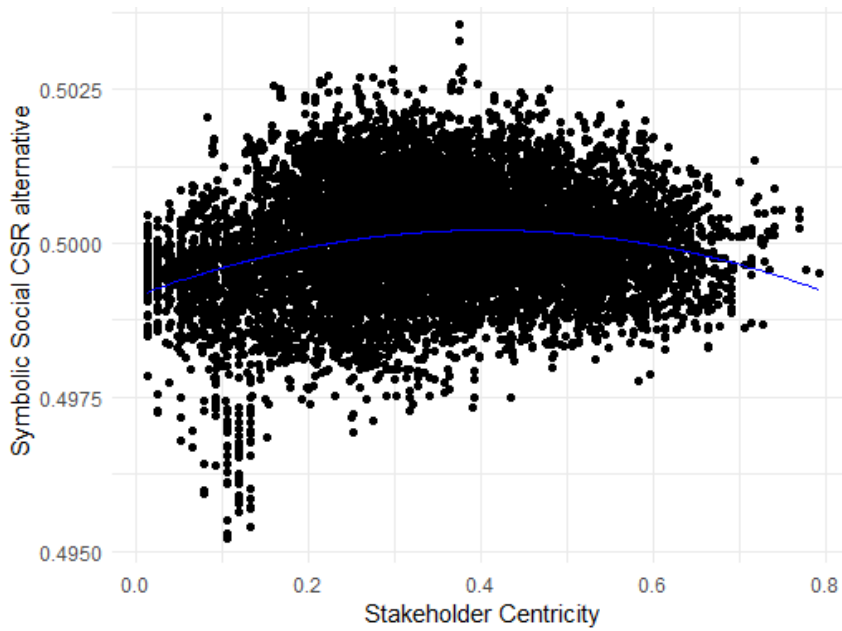
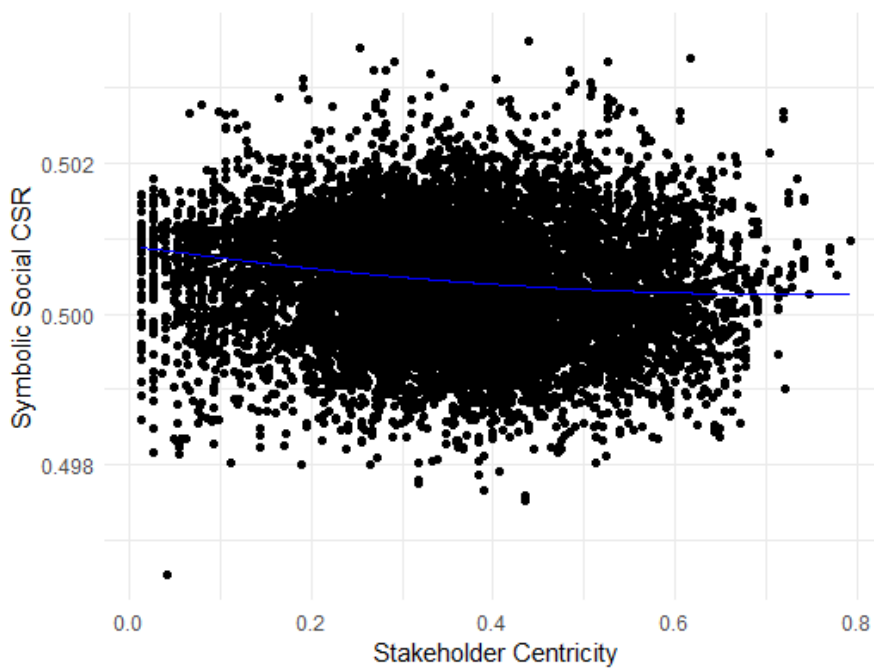


Figure B.6 Squared stakeholder centrality x symbolic CSR -environmental alternative measurement-



ANNEX C

Robustness checks

We performed several alternative estimations to validate the robustness of our results. Firstly, we used a lagged version of independent variables to help infer the causal relationship. If symbolic CSR today influences stakeholder integration tomorrow, using a lagged version ensures that we are measuring the impact of past CSR activities on current stakeholder integration, thereby reducing the risk of reverse causation affecting your results.

Secondly, to avoid over-representation effects, which is a common concern in cross-national/industry studies, we re-estimated our results, excluding countries that accounted for more than 10 percent of our sample observations (Kashefi-Pour *et al.*, 2020). The results remained robust across these exclusions, indicating that our findings are not driven by any specific country dynamic.

Thirdly, we standardized all variables to avoid biases due to the measurement of original variables on different scales. The results using standardized variables were consistent with our main findings, indicating that the different scales of measurement do not influence our results.

Finally, we performed the analysis with a multilevel specification to control for the nested nature of the data (Country, Industry, Firm, and Year). This approach accounts for potential clustering effects and ensures that our results are not biased by the hierarchical structure of the data. In all specifications, our results remained qualitatively the same.

It is worth noting that our results remain qualitatively the same when using alternative operationalizations for our dependent variable.

In conclusion, the robustness checks confirm the reliability and generalizability of our main findings. The relationship between stakeholder engagement and symbolic CSR exhibits different patterns for social and environmental factors. Specifically, the curvilinear, inverted U-shaped relationship for overall symbolic CSR and social CSR and the U-shaped relationship for symbolic environmental CSR highlight the nuanced ways firms strategically respond to stakeholder pressures in different CSR domains. Table C.1 displays all estimations included in our robustness checks.

Table C.1 Robustness checks estimations

VARIABLES	Lagged Model	Excluding China	Excluding Japan	Excluding USA	Standardized	Random Multilevel
Stakeholder Centricity	0.78770750*** (0.057)	1.07903818*** (0.048)	1.04764121*** (0.055)	1.05522586*** (0.055)	0.60384014*** (0.015)	0.56526967*** (0.010)
Squared Stakeholder Centricity	-0.27373387*** (0.082)	-0.60961407*** (0.073)	-0.56372576*** (0.080)	-0.53400124*** (0.085)	-0.07595807*** (0.010)	-0.09069439*** (0.005)
Total Long-Term Debt	0.00000000 (0.000)	0.00000000*** (0.000)	0.00000000** (0.000)	0.00000000** (0.000)	0.03358204*** (0.013)	0.00911604 (0.011)
Cash and Short-Term Investments	-0.00000000 (0.000)	0.00000000 (0.000)	-0.00000000 (0.000)	0.00000000 (0.000)	-0.00077231 (0.014)	-0.00584669 (0.010)
Long Term Investments	-0.00000000 (0.000)	-0.00000000 (0.000)	-0.00000000 (0.000)	-0.00000000 (0.000)	-0.01677160 (0.010)	-0.01657484** (0.008)
Dummy RD	0.00482615 (0.009)	0.00261637 (0.009)	0.00344342 (0.010)	0.00372696 (0.008)	0.00514712 (0.023)	0.01402415 (0.011)
Differentiation Intensity	0.14720640 (0.104)	0.00697295 (0.093)	0.00852510 (0.100)	-0.03515758 (0.111)	0.00287471 (0.013)	0.00196671 (0.008)
OER	0.01852487 (0.018)	-0.00652347 (0.009)	-0.00157477 (0.009)	-0.00166984 (0.010)	-0.00496036 (0.008)	-0.00120842 (0.007)
ROA	0.00000518*** (0.000)	0.00000301*** (0.000)	0.00000290*** (0.000)	0.00002126 (0.000)	0.00397258*** (0.001)	0.00347052 (0.005)
Financial Slack	-2.02892e+03** (893.230)	-7.63559e+02* (425.043)	-7.23001e+02* (405.191)	-1.35362e+03* (776.342)		
Firm Size	0.00016031 (0.002)	-0.00204522 (0.002)	-0.00188126 (0.002)	-0.00244028 (0.002)	-0.02322136* (0.013)	
CO2 Country Emissions	-0.00000000*** (0.000)	-0.00000000 (0.000)	-0.00000000** (0.000)	-0.00000000*** (0.000)	-0.24396898*** (0.093)	-0.17480059*** (0.039)
GDP per capita	0.00000731*** (0.000)	0.00000626*** (0.000)	0.00000643*** (0.000)	0.00000666*** (0.000)	0.73620360*** (0.096)	0.04899977* (0.026)
Constant	0.01578623 (0.040)	0.00555368 (0.045)	0.00293414 (0.034)	0.03663902 (0.035)	0.07580864*** (0.010)	-0.03569146 (0.058)
Observations	9,214	9,669	9,187	8,727	10,918	10,918
R-squared	0.387	0.510	0.491	0.505	0.506	
Number of RIC	1,329	1,075	1,240	1,087	1,370	

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

Note: USA stands for United States of America.