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RESEARCH ARTICLE

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A multi-level model integrating corporate social responsibility and political activity in the European Union: What are the institutional implications for foreign companies?

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Abstract

Many multinational corporations develop business operations in Europe. The current research attempts to fill the gap on how corporations can increase their political influence in this geography by exploring the joint effect of corporate political activity (CPA) and social responsibility (CSR) on political embeddedness and financial performance. Based on institutional theory and on a sample of autochthonous (European Union [EU]) and allochthonous (non-EU) firms with declared EU lobbying (from 2008 to 2019) we conducted two studies. Based on a multi-level model, Study 1 finds strong and robust evidence that boardroom gender diversity and EU lobbyists interactively increase EU political embeddedness. Complementarily, Study 2, which relies on general linear Modeling, suggests that allochthonous corporations are more profitable when they display high-level political embeddedness and lobbying expenditures, combined with adoption of United Nations (UN) guidelines. Overall, findings show that lobbying in Europe pays off, especially when corporations strive to be aligned with EU ethical values and aspirations. Hiring lobbyists to be based in Brussels and promoting gender equality help establish EU political connections. Subsequently, findings highlight the role that EU political embeddedness, lobbying expenditures, and UN guidelines play in leveraging financial performance, especially across non-EU corporations. Regarding EU corporations, results show that a firm-level investment on CPA-CSR is particularly important. Overall, findings from this research support corporations that are growing businesses in Europe.

KEYWORDS
corporate political activity, corporate social responsibility, lobbying, return on assets (ROA), United Nations (UN)

1 | INTRODUCTION

Corporations are paying ever greater attention to the social and political contexts in which they operate (Shirodkar et al., 2020). These contexts, often called non-market environments, have been linked to business success (Barber IV & Diestre, 2019; Kamasak et al., 2019) and a good organizational performance (Bach & Allen, 2010; Boddewyn, 2003; Doh et al., 2012; Shirodkar et al., 2020). Thus, corporations use non-market strategies to structure interactions with stakeholders (Lux et al., 2011). In this regard, corporate political activity (CPA) and corporate social responsibility (CSR) are two of the most popular strategies, representing political and social domains (Du et al., 2019).

Within the political sphere, business-government relations are often built through CPA (Lawton et al., 2013). CPA refers to processes of influence, such as lobbying and financial benefits to political decision-makers, aiming at the development of beneficial public policies and regulations to corporations (Hillman et al., 2004; Hillman & Hitt, 1999). Although advantageous, especially in terms of financial performance (Hadani & Schuler, 2013), the self-serving nature linked with political strategies have been generating controversy among various stakeholders; this is mostly due to corruption cases (Rajwani & Liedong, 2015) and ethical breaches that have been increasingly disclosed to the wider public (Gao et al., 2017; Kamasak et al., 2019).

Unlike CPA, CSR is a non-market strategy that is intrinsically rooted in ethical prospects. Expressions of CSR can range from within-firm (e.g., development of internal policies promoting employee and gender diversity on the board; Economist Intelligence Unit, 2014), outside-firm (e.g., environment, community, and social interventions), to the institutional level (e.g., independent accreditation of CSR, with special emphasis on United Nations (UN) criteria; Mun & Jung, 2018). Given the benevolent nature of CSR, recent scholarship suggests that it should be combined with CPA (Du et al., 2019) as it facilitates the establishment of political connections (Zhao, 2011), helps to create a favorable corporate image, and enhances political access (Liedong et al., 2015), thereby bypassing the shortcomings of CPA. In addition, CSR protects corporations from political hazards (Godfrey, 2005), thereby generating more financial gains (Du et al., 2019).

Despite the promising proposition that CPA and CSR interact to leverage firms' performance, literature linking CPA and CSR research streams is scant, and both lines of research evolve with limited empirical data (Du et al., 2019; Frynas & Stephens, 2015; Mellahi et al., 2016). Calls to bridge these lines of research have long been repeated by scholars (e.g., Anastasiadis et al., 2018; den Hond et al., 2014; Rodriguez et al., 2006), yet the joint approach of CPA coupled with CSR remains largely overlooked in various political environments. From an institutional view, we submit that testing an joint CPA-CSR approach in the European context would be of special interest—first, because Europe has a heterogeneous market environment that aggregates corporations coming from both European and non-European countries (Argandoña & von Weltzien Hoivik, 2009); and second, because of the attention that European Union (EU) institutions give to businesses' contributions to social and environmental issues, sustainability, and citizenship initiatives (Suder, 2011).

Drawing on the Institutional Theory, the current research aims to understand how the joint effect of CPA and CSR operates under the European context. To the best of our knowledge there is no study addressing this relation in the EU. Specifically, we aim to contribute with insight on how within-firm and institutional CPA and CSR indicators interactively affect corporations' political embeddedness and financial performance in the EU. Herein CPA is addressed via lobbying as it represents a central activity and recurrent practice in the EU business environment (Shirodkar et al., 2020). Our evidence was retrieved from a panel dataset of publicly listed corporations with EU lobbying investments from 2008 to 2019. We deployed a multi-level model to test our hypotheses.

In addition, given the prevailing business heterogeneity, we advocate that the EU context is suitable to test the moderator role of corporations' country headquarters. Therefore, the current research addresses country-of-origin effects when examining the CPA-CSR dynamics. Differences across European and non-European corporations is, to the best of our knowledge, empirically unexplored within CPA scholarship, although these differences are, in our view, important because international companies own institutional frameworks that may differently overlap with the institutional requirements set in the EU.

To fully address the objectives set for the current research we conducted two studies. Study 1 examines within-firm indicators, that is, the interaction effect of individual-level lobbying and board diversity on corporate political embeddedness, which entails the involvement of corporations in EU political bodies (e.g., through European Commission (EC) meetings and European Parliament (EP) passes). We submit that there is an interaction between the number of lobbyists and the boards' gender diversity and that this interaction leverages corporate political embeddedness. Because of the multi-level nature of variables, we conducted a hierarchical linear model (HLM) analysis considering the moderator role of corporation country-of-origin. Study 2 complements the first by examining the role of corporate political embeddedness, and the moderator effects of lobbying and CSR at institutional level on financial performance. For this endeavor we relied on multiple ethical compliance standards (i.e., UN guidelines; ISO26000; and assurance standards) and lobbying expenditures. Consistent with Study 1, we also investigate the possible moderation effects of country-of-origin. We submit that, both EU and non-EU corporations leverage their financial performance if they meet the following conditions: high political embeddedness; high investment in lobbying expenditures; and adoption of CSR-related guidelines.

We make several important contributions to research. First, we account for theoretically grounded explanatory mechanisms to the non-market strategy literature. Second, we examine multiple CPA and CSR indicators that have not yet been addressed, with the goal of providing a more comprehensive view of the phenomenon. Third, setting the focus on business representatives in Study 1 provides a novel perspective to non-market literature that, to date, has empirically looked at the joint effect of CPA and CSR only at a macro-level. Fourth, a multi-level view of the link between CPA and CSR provides a process view to the phenomenon which, to the best of our knowledge, does not yet exist. Fifth, the examination of such dynamics within the EU context is of special interest given the relatively scarcer knowledge on these topics in Europe as compared with the US context. Lastly, we submit that the current study provides a comprehensive non-market approach to business practitioners. By examining multiple levels of business and differences across EU and non-EU corporations, we expect that the current research contributes to better non-market management within the EU environment.

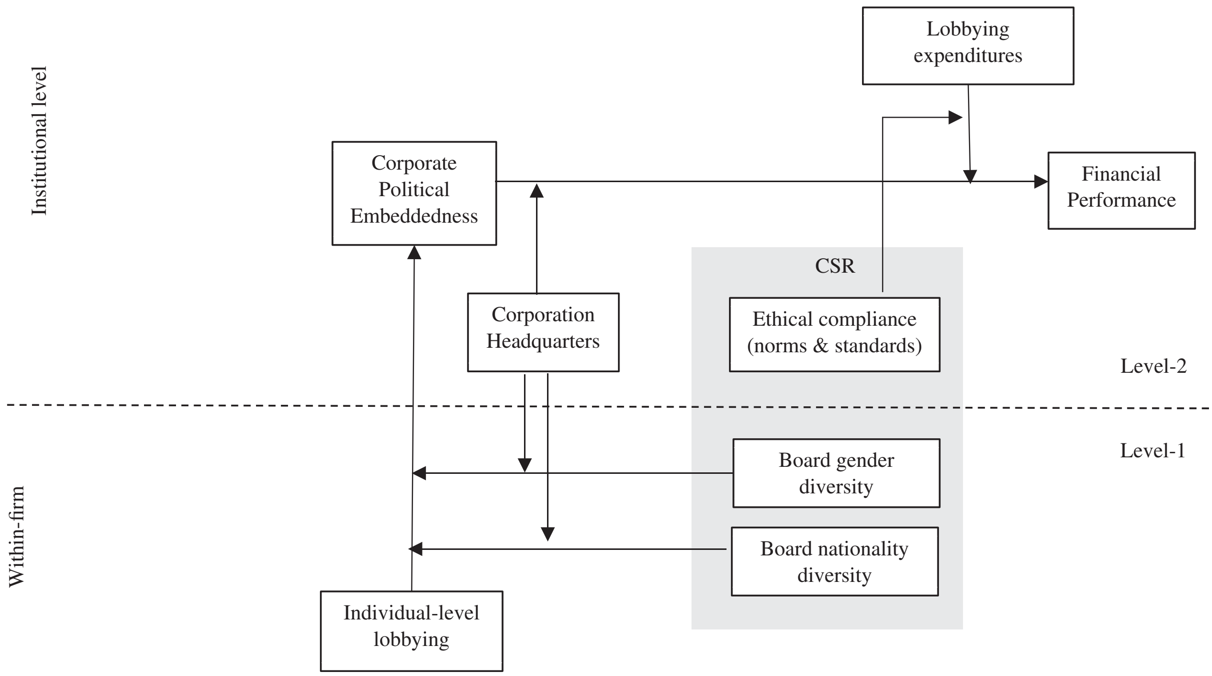

FIGURE 1 Research model. CSR, corporate social responsibility.

The article is organized as follows. We begin by providing the rationale underlying our research model (Figure 1) focused on CSR and CPA non-market activities in the European environment. In the methodology section, we explain our analytic strategy and research variables relying on secondary data. After showing results from preliminary analyses, we outline the results of Studies 1 and 2. We end by highlighting the main contributions and implications of our findings for both academia and business practitioners, as well as limitations, directions for future research, and main conclusions.

2 | THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

2.1 | Lobbying in the EU

Corporations have long exerted sociopolitical pressures toward governments. Whether through lobbying, financial contributions to policymakers, or by hiring managers from political institutions to later work for the company, corporations struggle to influence political decisions in ways that are beneficial to them (Lawton et al., 2013). This is true in the European environment (as it is elsewhere) as lobbying has gradually become a focus (Coen, 2007; McGuire & Lindeque, 2010; Shirodkar et al., 2020). But what is lobbying? Hillman and Hitt (1999) define it as "provision of information to policy makers by individuals representing the firms interest" (p. 834). Lobbying, according to Bauer (2014), is considered an integral part of a company's broader political approach. These activities go beyond financial contributions, such as building support among various groups, are also crucial (Hillman & Hitt, 1999). Moreover, lobbying is not just about conveying information; it is a dynamic process involving communication, interaction, and reciprocal exchanges of ideas (Jaatinen, 1997). With its main function being to influence a given public administration and make one's voice heard, lobbying currently plays a central role within the EU (Suder, 2011). A clear example of EU lobbying is that in 2019, before the COVID-19 pandemic reached Europe, approximately 500 million Euros were spent by corporations in lobbying the EU institutions. A large part of this investment came from powerful multinationals (Chalmers & Macedo, 2020), including Google, Facebook, and Microsoft. Following this, a key question arises: what is making EU institutions so attractive to corporations, especially to non-European ones? The short answer is that the more business opportunities there are in a certain business environment, the more corporations make use of their resources to influence their political decision-makers.

At the EU level there is indeed an assumed recognition that establishing political networks is important (Suder, 2011), especially since the beginning of this century (Richardson, 2001). Before that time, Europeans were skeptical about CPA, in contrast to the Anglo-Saxon world. However, globalization and each wave of European integration gradually turned CPA, especially lobbying, into a recurrent practice within the European context (Euroactiv, 2005). To some extent, lobbying acceptance departed from the regulation of lobbying activities situation in the EU (Sqapi, 2015). The EP was the first EU institution to formalize this, through the "Rules of Procedure" approved in 1997. Since then, lobbyists adhere to a code of conduct that ensures their privacy through an accreditation system that does not give any information on the interests for which the lobbyists act; it only provides the names of the pass-holders and/or of the corporations they represent (Mihut, 2011). Likewise, the EC set rules and standards for lobbyists by relying heavily on a self-regulation approach (Sqapi, 2015). A popular initiative of EC pertains to the "European Transparency Initiative", approved on 23 June 2008. Following reputational issues associated with CPA, the main objective of the initiative is to increase transparency in the relationship between lobbyists and political actors across EU institutions by publicly declaring EU lobbying activities (European Commission, 2008). Although the registration to the system is voluntary, the undertaking is welcomed by the EU (Holman, 2009).

Although lobbying regulations are an attempt to legitimize lobbying, they are seemingly not enough. Often isolated from any consideration for society (Rasche, 2015), the self-serving approach of CPA ultimately damages corporate reputations (Kamasak et al., 2019; Rajwani & Liedong, 2015). For example, in Europe numerous lobbying cases have ended up harming firms' reputations–notably the case of the food manufacturers, which illustrates how EU lobbying contributes to a negative image once disclosed. Worried about business competition, certain food manufacturing firms lobbied to influence labeling regulations designed to prevent consumers from buying unhealthy food products (Rasmussen, 2015). As the negative side of lobbying impacts not only the reputation of firms but also of EU institutions, will CPA be politically advantageous per se in Europe in the future?

2.2 | The role of business ethics

A traditional approach to CPA contends that the adoption of political strategies such as lobbying or making campaign donations are important in improving relationships with political stakeholders; and for this, corporations do not necessarily have to be focused on enhancing social welfare (Barnett, 2007). This view over CPA can pose a challenge to corporations nowadays, at least within the European context. As Barber IV and Diestre (2019) state, "nonmarket strategies are determined by their market environment" (p. 1194), and the EU committedly stands for a sustainable future (Suder, 2011; Tanneberger et al., 2021). Therefore, it is reasonable to posit that the more corporations include sustainable activities within their business activities, the more they are appreciated by EU institutions.

In Brussels, often referred to as the European capital of lobbying (Laurens, 2017), EU regulators are in fact pressuring corporations to "do well by doing good." In particular, they pay due attention to US corporations' responsible contributions to sustainability, citizenship, and environmental protection. Those displaying greater care about social issues stand out from others (Suder, 2011).

Given this scenario, CSR-related practices are unsurprisingly gaining ground in political undertakings. As corporate intentions of goodwill become more appreciated by governments (Wang & Qian, 2011), CSR is thus acknowledged as critical to businesses seeking to establish connections with key political decision-makers (Zhao, 2011), especially within the EU. Moreover, CSR shields corporations from political upheavals that might arise from business-government interactions (Liedong et al., 2015).

Because of the benevolent nature of CSR, previous studies have recently suggested that CSR non-market strategy should be aligned with CPA (e.g., Du et al., 2019; Mellahi et al., 2016). Answering calls in previous research, the current study explores the joint effect of CSR and CPA, ranging from within-firm to institutional levels within the EU. In our view, the European context is of special interest, not only because of its business heterogeneity but especially because of the pivotal role that sustainability and ethical values play among EU institutions.

2.3 | Politicized CSR: what does it take?

Overall, CSR encompasses a set of policies and practices that aim to contribute to social good (Blowfield & Frynas, 2005; Turker, 2009). Beyond its altruistic side, CSR is widely acknowledged to be a source of competitive advantage (Yamak et al., 2019). So far, greater research has been directed to the impact of CSR on financial performance (Vishwanathan et al., 2020). However, a promising outcome resides in the ability of CSR to increase political influence (Du et al., 2019; Liedong et al., 2015).

As business leaders play a crucial role in strategically managing CSR (e.g., Borghesi et al., 2014; Chin et al., 2013) and CPA activities (Hillman, 2005; Sun et al., 2012; Sun et al., 2016), we submit that the development of a politicized CSR strategy should start within-firm. At the EU level, business leaders should, in our view, pay particular attention to the EU ethical values and aspirations when designing a joint CPA-CSR approach, with the aim of presenting a more desirable internal image.

An important EU principle, which in our reasoning should be accounted for by business leaders, concerns the equality between women and men. The EU considers this as going beyond a fundamental right, intrinsically assuming gender equality as a European common principle (European Commission, 2009). In line with this, special emphasis has been given to an initiative set by the EC toward corporations, intending to promote gender diversity in the boardroom. In this initiative, the EC announced the intention to introduce a 40% quota for women, currently the under-represented gender, among non-executive directors of European firms listed on stock exchanges (European Commission, 2012).

Overall, board diversity is an EU standard, but also an ethical feature closely linked to CSR (Harjoto et al., 2018). Alongside board gender diversity, the proportion of foreign board directors is an indicator of diversity that responds to the business needs of globalization (Oxelheim & Randoy, 2003). Not only does the presence of foreign directors foster a climate that leads boards to implement socially responsible activities (Lau et al., 2014), it also provides new skills and resources, increases access to important networks, and enhances the number of political connections (Beji et al., 2020). From a political standpoint lobbyists similarly play a crucial role in bridging businesses and governments. Despite their importance in upholding corporate interests in political decisions, the impact of lobbyists in the EU political system remains weak (Chalmers & Macedo, 2020; Laurens, 2017).

Drawing on the premises that (i) board diversity is a key CSR-related asset, and (ii) lobbyists are pivotal in CPA, Study 1 proposes a within-firm CPA-CSR approach. To the best of our knowledge, a within-firm focus remains overlooked within non-market research. Specifically, Study 1 examines the interactive effect of board gender diversity, board nationality diversity, and corporate lobbyists (treated as individual-level lobbying) on political embeddedness. Political embeddedness is a variable created in the study, which considers the involvement of corporations in EU political bodies. To measure it, we considered variables such as corporate meetings with EC officials and EP passes gathered by corporations. We postulate that the wider the access to political institutions and policymakers, the greater is the possibility to exert political influence regarding laws and public regulations. We thus hypothesize that (Study 1):

> **H1.** There is an interaction effect between board diversity and individual-level lobbying such that the association between individual-level lobbying and corporate political embeddedness is stronger at higher levels of board diversity and weaker at lower levels of board diversity.

> **H1a.** There is an interaction effect between board gender diversity and number of lobbyists such that the association between individual-level lobbying and corporate political embeddedness is stronger at higher levels of board gender diversity and weaker at lower levels of board gender diversity.

> **H1b.** There is an interaction effect between board nationality diversity and number of lobbyists such that the association between individual-level lobbying and corporate political embeddedness is stronger at higher levels of board nationality diversity and weaker at lower levels of board nationality diversity.

Although business-government relations developed within the EU have been a subject of interest in the literature, there is much to investigate regarding the business heterogeneity existing in the European environment (McGuire et al., 2012). Therefore, the current non-market research explores additional corollaries of the Institutional Theory that have not yet been considered by analyzing institutional differences across EU and non-EU corporations. We propose the allochthon concept to frame the institutional effects of non-EU corporations, as allochthon refers to the nature of what has originated in a place other than where it is found. Conversely, to determine CPA-CSR practices conducted by domestic (EU) entities, we use the term "autochthonous."

Building upon these concepts, Study 1 thus examines within-firm CPA-CSR differences across allochthonous and autochthonous corporations in terms of EU political embeddedness. We hypothesize that (Study 1):

> **H2.** There is a three-way interaction effect between board diversity, individual-level lobbying, and allochthonous lobbying, such that the positive interaction between number of lobbyists and board diversity in fostering corporate political embeddedness is stronger when corporations are allochthonous and weaker when they are autochthonous.

> **H2a.** There is a three-way interaction effect between board gender diversity, individual-level lobbying and allochthonous lobbying, such that the positive interaction between number of lobbyists and board gender diversity in fostering corporate political embeddedness is stronger when lobbying corporations are allochthonous and weaker when they are autochthonous.

> **H2b.** There is a three-way interaction effect between board nationality diversity, individual-level lobbying and allochthonous lobbying, such that the positive interaction between number of lobbyists and board nationality diversity in fostering corporate political embeddedness is stronger when lobbying corporations are allochthonous and weaker when they are autochthonous.

2.4 | Institutional and performance implications

While corporations exert sociopolitical pressures to influence political decisions (Lawton et al., 2013), corporations also feel pressured to condition their activities to intergovernmental organizations' socially responsible criteria (Vogel, 2005). The UN, for instance, is a dominant institution pushing corporations to implement sustainable principles (e.g., 2030 agenda for sustainable development), to solve global problems, and to promote peace. Seemingly, such intergovernmental influence is effective as UN criteria have been increasingly adopted by corporations (Mun & Jung, 2018).

Beyond institutional pressures, corporations also act sustainably due to the reputational effects that sustainability generates (De Roeck & Delobbe, 2012; Fatma et al., 2019; Porter & Kramer, 2002a, 2002b). For corporate image purposes, firms often trumpet their compliance with sustainable and ethically related principles on diverse public channels; corporate sustainability reports being one of them (Sethi et al., 2017).

From a political perspective, complying with socially responsible criteria is also advantageous, especially because CSR fosters political legitimacy (Du et al., 2019; Godfrey, 2005). Overall, legitimacy is obtained through actions that are perceived as desirable and proper within the systems of beliefs, norms, and values (Suchman, 1995). We submit that legitimacy attained through CSR is especially beneficial among EU institutions, notably when corporations integrate it with an established EU political strategic approach. This view over CSR but also over CPA throughout this research is totally aligned with the Institutional Theory, which "is often used to explain the adoption and spread of formal organizational structures, including written policies, standard practices, and new forms of organization" (p. 1) to enhance legitimacy to operate under a certain environment (David et al., 2019).

In the Chinese context, for example, a study which is also based on Institutional Theory, shows that financial performance improves when CPA and CSR operate as complementary non-market strategies (Du et al., 2019). Conversely, and despite being a promising approach to the EU environment, research examining the joint effect of CPA and CSR on profitability is absent in the EU setting. In light of this research gap, Study 2 examines the interactive effect of CPA-CSR institutional indicators on financial performance in the EU. Specifically, we analyze the interaction of lobbying expenditures with multiple ethical compliance standards, and its impact on return on assets (ROA). In contrast with previous literature, which examines CSR as a single measure, Study 2 differentiates between UN guidelines, ISO26000, and assurance standards. We thus hypothesize that:

> **H3.** There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and ethical compliance such that it increases firms' financial performance at higher levels of political embeddedness.

> **H3a.** There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and UN guidelines such that firms' financial performance improves at higher levels of political embeddedness.

> **H3b.** There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and ISO26000 such that firms' financial performance improves at higher levels of political embeddedness.

> **H3c.** There is a positive three-way interaction effect between corporate political embeddedness, lobbying expenditures, and assurance standards such that firms' financial performance improves at higher levels of political embeddedness.

Lastly, the current research aims to shed light on CPA-CSR institutional differences across EU and non-EU corporations. In line with the concepts proposed in Hypothesis 2, we hypothesize that:

> **H4.** The interaction effect between corporate political embeddedness, lobbying expenditures, and ethical compliance on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

> **H4a.** The interaction effect between corporate political embeddedness, lobbying expenditures, and UN guidelines on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

> **H4b.** The interaction effect between corporate political embeddedness, lobbying expenditures, and ISO26000 on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

> **H4c.** The interaction effect between corporate political embeddedness, lobbying expenditures, and assurance standards on financial performance is stronger when corporations are allochthonous and weaker when they are autochthonous.

Overall, this research contends that to achieve financial prosperity in the EU, corporations should develop a pathway strategy starting within-firm (Study 1), prior to developing an institutional approach (Study 2). We expect our findings to be of special interest to business practitioners.

In our view, EU political embeddedness is crucial to influence public regulations, thus gaining a central role in the proposed conceptual model, linking within-firm and institutional strategies. Figure 1 depicts the association hypothesized that guides this research.

3 | OVERVIEW OF METHODS

To test our hypotheses, we conducted two studies. Study 1 offers empirical evidence about individual-level lobbying interacting with boards' diversity and its impact on corporate political embeddedness (i.e., H1 and H2). Study 2 complements the first study by examining the influence of corporate political embeddedness, and the interaction effect of various CPA and CSR institutional-level indicators on the firm's financial performance (i.e., H3 and H4). Both studies analyzed the corporations' headquarters as a moderating variable to account for institutional-based differences.

3.1 | Sample and procedures

This research relies on secondary data, retrieved from four data sources. We began by accessing LobbyFacts.eu, a widely used EU platform compiling essential data on European lobby activities as disclosed in the official EU Transparency Register.[1] From these data, we extracted 589 corporations listed that until 2019 had meetings with the EC and/or EP passes, plus EU lobbying accumulated expenses equal to or exceeding EUR100,000. Then, we obtained evidence from Global Reporting Initiative (GRI) to measure CSR engagement. In the corporate business world, there has been strong adherence of corporations to GRI. The institutional approach of this organization has played an important role in promoting the development of sustainability reports with quality and consistency (Sethi et al., 2017). We

[1]See http://ec.europa.eu/transparencyregister/public/homePage.do and https://lobbyfacts.eu.

extracted the latest corporations' sustainability reports from GRI, and performed a content analysis to identify information regarding the adoption of specific CSR and sustainability standards/guidelines. Data for boards of directors were collected from BoardEx. Lastly, market and financial data were retrieved from Thomson Reuters Datastream. The study ends with a sample of European and non-European corporations with explicit EU-lobbying activity, coming from 21 countries. Among these, 68.6% are non-European. Overall, the sample comprises a group of heterogeneous firms politically active among EU institutions, and frames a fairly recent period, preceding the turbulent socio-economic upheaval brought on by the COVID-19 pandemic (Ma et al., 2021; Nicola et al., 2020).

3.2 | Variables and measurements

The variables used for Studies 1 and 2 are measured as follows:

3.2.1 | Within-firm variables

Individual-level lobbying is measured by the number of lobbyists based in Brussels representing each corporation in the EC. This information is publicly declared in the LobbyFacts.eu platform. Brussels has over 30,000 lobbyists in the city (Laurens, 2017). Lobbyists represent an important feature of lobbying that has been vastly acknowledged in the literature (e.g., Hertel-Fernandez, 2018; Payson, 2020; Ritchie & You, 2018). Special importance is given in the EU to the meetings that lobbyists have with top EC officials (Chalmers & Macedo, 2020). Through their lobbying activity, these agents negotiate key public policies directly with government officials (Schuler et al., 2017).

Board Diversity is measured with two indicators pertaining to the board of directors that are closely linked to CSR (Harjoto et al., 2018): (i) the gender breakdown of board directors and (ii) the proportion of foreign board directors. The first indicator allows us to quantify the presence of women on the boards and is a commonly used measure in literature (e.g., Adams & Ferreira, 2009; Campbell & Mınguez-Vera, 2008; Guldiken et al., 2019; Hafsi & Turgut, 2013). Together with this, the second measure is an indicator of diversity that responds to the business needs of globalization (Oxelheim & Randoy, 2003). Boards' characteristics have recently come to be included in CSR research (Fu et al., 2020).

3.2.2 | Institutional variables

Political embeddedness is measured with two indicators: (i) the total number of meetings that corporations had with the EC, and (ii) the total amount of EP passes gathered by corporations. This evidence was retrieved from EP records on the number of accredited passholders. Both were extracted from the LobbyFacts.eu dataset.

Lobbying expenditures: Drawing on the LobbyFacts.eu database, we addressed corporations' lobbying expenses over the period 2008–2019. As most available data outlined an interval of financial investment rather than a fixed value of Euros invested, we opted to code lobbying expenses as follows: 1 = up to 1 million Euros in lobbying investment; 2 = from 1 to 2 million Euros in lobbying investment; 3 = from 2 to 3 million Euros in lobbying investment; and 4 = from 3 to 4 million Euros in lobbying investment.

Ethical and social compliance: Macro-level CSR variables were measured by defining corporations' adherence or non-adherence to CSR/sustainable standards. All were coded as dummy variables (0 = the corporation did not adhere to the specific CSR norm; 1 = the corporation adhered to the specific CSR norm). These standards include: (i) ISO26000; (ii) UN guidelines: that is, OECD guidelines for Multinational Enterprises, 2030 Sustainable Development Goals (SDGs), and UN Global Compact principles (UNGC); and (iii) assurance standards, namely AA1000AS, IFC, and ISAE3000.

Corporations' country headquarters refers to whether each listed company has its headquarters in an EU country or elsewhere. We dummy coded this variable as 1 (European headquarters) and 2 (non-European headquarters).

Financial performance is measured with ROA, defined as the ratio of net income to total assets. ROA is a commonly used measure to examine corporate profitability in both CPA and CSR research (e.g., Chalmers & Macedo, 2020; Du et al., 2019; Orij et al., 2021).

3.2.3 | Control variables

Firm sector

In line with previous CSR studies (e.g., Gil et al., 2009; Griffin & Mahon, 1997), we examined the impact of firms' industry, grouped as follows: energy; materials; industrials; consumer discretionary; consumer staples; health care; financials; information technology; communication services; utilities; and real estate.

Firm size

This variable is measured by the natural log of the total number of employees. Previous literature indicates that larger firms gain more visibility, thereby attracting more attention to their social and political activities (Barnett & Salomon, 2006).

Intangible assets

Measured as the total amount of intangible assets of a firm, we used this indicator for strategic assets and as a source of competitive advantage, often viewed as principal cause of additional corporate profit (Shakina & Molodchik, 2014).

Long-term debt

Calculated as the total long-term debt divided by total assets, to control for the influence of corporations' capital structure. Long-term debt has been used in prior CPA-CSR studies (e.g., Du et al., 2019), and is of special importance as the financial constraints may influence corporate decisions to engage in social and political activities (Sun et al., 2016).

EU lobbying tenure

This variable was measured by the number of years that a corporation has incurred lobbying expenses with the EU, according to what is listed in the EU Transparency Register.

We begin by analyzing descriptive statistics and correlations between all variables prior to testing our hypotheses. We next introduce Study 1. Given the nature of the study, we tested our multilevel models using HLM 8 (Raudenbush et al., 2019). In study 2, we use general linear modeling (GLM) to test hypotheses H3 and H4.

4 | STUDY 1

In Study 1, we examine allochthonous versus autochthonous firms' interaction between board diversity and number of lobbyists on corporate political embeddedness. The variables that entered the model are political embeddedness, number of lobbyists, boards' gender diversity, boards' nationality diversity, political embeddedness, and corporations' country of headquarters. To secure robustness of the within-firm and individual-level effects, we controlled for institutional-level CPA (i.e., lobbying expenditures) and CSR (i.e., ethical standards and guidelines). Additionally, we controlled for firm sector, firm size, and EU lobbying tenure (to see how variables were assessed, see Section "3.2. Variables and measurements").

4.1 | Results

Prior to test our hypotheses, we confirm data were normally distributed and there was homogeneity of variance. Multicollinearity was absent. Hypothesis 1 proposed that the joint effect of lobbyists (*N*) and boards' diversity would increase corporate political embeddedness. As shown in model 3, lobbyists increase, per se, corporate political embeddedness (EU corporations: $\beta = 5.59$, $p = 0.012$; non-EU corporations: $\beta = 8.05$, $p = 0.001$). In contrast, the main effects of board gender and nationality diversity are not significant (*p* values superior to 0.194). In line with expectations, results from both models 4 of Table 1 show significant and stronger effects on corporate political embeddedness when number of lobbyists interacts with board gender diversity, in both EU ($\beta = 10.19$; $p = 0.001$) and non-EU corporations ($\beta = 10.88$; $p = 0.001$). Hypothesis 1a was thus supported. Conversely, Hypothesis 2a was rejected as the positive interaction between number of lobbyists and board gender diversity fosters corporate political embeddedness in both allochthonous and autochthonous corporations.

Hypothesis 1b proposed that lobbyists (*N*) and boards' nationality diversity interactively affect corporate political embeddedness. Against expectations, results were not significant in neither EU corporations ($\beta = -5.33$; $p = 0.06$) nor non-EU corporations ($\beta = -3.64$; $p = 0.31$). Therefore, Hypotheses 1b and 2b were rejected, as the interaction between boards' nationality diversity and lobbyists (*N*) on corporations' political embeddedness is not significantly positive or stronger among allochthonous corporations.

Although unpredicted, results show that lobbying expenditures have a positive effect on corporate political embeddedness among non-EU corporations (model 3: $\beta = 15.51$; $p = 0.001$).

4.2 | Discussion of Study 1

Study 1 provided evidence of the hypothesized relationships between CPA-CSR within-firm variables and EU political embeddedness. Overall, Study 1 lends support to the idea that corporate political embeddedness relies mostly on business representatives' characteristics. Specifically, results suggest that the interaction between the number of lobbyists and boards' gender diversity helps both allochthonous and autochthonous corporations to embed themselves in the EU political sphere. Regarding non-European corporations, Study 1 obtains the additional finding that lobbying expenditures are positively linked with corporate political embeddedness. The fact that boards' nationality diversity does not interact with number of lobbyists to increase corporate political embeddedness may be rooted in the fact that such is not a CSR-related indicator but instead an indicator that is present in multinational companies—in other words, boards' nationality diversity is part of the nature of the corporation and not a CSR component.

5 | STUDY 2

In Study 2 we analyze the three-way interaction effect between corporate political embeddedness, lobbying expenditures, and CSR/ethical standards on financial performance. As did Study 1, this study examines differences between EU and non-EU corporations. The variables used to test the model are described in "Section 3.2. Measures section", and are EU lobbying expenditures; ethical and social compliance, namely: ISO26000, UN guidelines, and assurance standards; corporate political embeddedness; and ROA. To secure reliability of the macro-level effects we controlled for within-firm variables, that is, (i) number of lobbyists, (ii) boards' gender diversity, and (iii) boards' nationality mix. Given the nature of the current study, we also controlled for firm sector, firm size, EU lobbying tenure, firms' intangible assets, and long-term debt.

5.1 | Results

Before testing hypotheses 3 and 4 we tested the main effect of corporate political embeddedness on ROA using GLM. Results from the sample comprising European corporations showed that the impact of corporate political embeddedness on ROA is not significant: $F_{PoliticalEmbeddedness}(1, 36) = 2.53$, $p = 0.50$; CI95 [−29.82; 34.89]). Likewise, the main effect of corporate political embeddedness on ROA across non-European corporations is also not significant: $F_{PoliticalEmbeddedness}(1, 92) = 2.22$, $p = 0.40$; CI95 [−3.40; 7.85]). Thus, results show that corporate political embeddedness is not per se enough to increase financial performance.

TABLE 1 Results of hierarchical modeling in Study 1.

	EU corporations political embeddedness				Non-EU corporations political embeddedness			
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
Level 1 (model variables)								
Lobbyists (*N*)		5.59*** (1.71)	5.28** (2.01)			8.05*** (1.17)	4.15*** (1.48)	
Boards' gender diversity		−15.54 (11.89)	37.84 (32.65)			−24.90 (18.39)	−20.16 (17.30)	
Boards' nationality diversity		40.17 (30.79)	−16.51 (12.49)			−2.13 (7.40)	−4.83 (6.81)	
Level 2 (control variables)								
Lobbying expenses (€)			2.61 (5.60)				15.51*** (3.90)	
ISO26000			−10.95 (9.85)				−2.86 (14.87)	
UN guidelines			1.15 (10.68)				−15.98* (7.29)	
Assurance standards			11.03 (21.39)				16.41 (17.04)	
Level 1 interactions (model variables)								
Lobbyists (*N*) × boards' gender diversity				10.19*** (2.47)				10.88*** (1.68)
Lobbyists (*N*) × boards' nationality diversity				−5.33 (2.78)				−3.64 (3.53)
Level 2 interactions (control variables)								
Lobbying (€) × ISO26000				−7.93 (7.03)				−5.18 (16.44)
Lobbying (€) × UN guidelines				−3.18 (4.81)				−10.31 (5.89)
Lobbying (€) × assurance standards				14.89 (10.67)				23.28 (13.66)
Additional control variables								
Firm sector	0.42 (0.28)	0.24 (0.25)	0.17 (0.26)	0.08 (0.25)	0.34* (0.17)	0.28* (0.14)	0.26* (0.13)	0.27 (0.14)
Firm size	0.08 (0.07)	0.09 (0.06)	0.09 (0.05)	0.08 (0.05)	0.06*** (0.02)	0.03 (0.01)	0.03* (0.01)	0.04* (0.02)
EU lobbying tenure	2.55 * (1.44)	1.35 (1.32)	1.07 (1.35)	1.25 (1.21)	1.11 (0.70)	−0.50 (0.62)	0.19 (0.58)	−0.46 (0.65)

Note: Robust standard errors in parentheses.
*$p = 0.05$.
**$p = 0.01$.
***$p = 0.001$ (two-tailed tests).

In the next step, we tested a series of three-way interaction models examining crossed effects between corporate political embeddedness, lobbying expenditures, and each of the following CSR standards: (i) UN guidelines; (ii) assurance standards; and (iii) ISO26000, on ROA and across European and non-European corporations. GLM models for European corporations showed that the three-way interaction effects between variables were not significant when corporations are engaged with UN guidelines ($F(1.36) = 34.19$, $p = 0.17$, CI95 [−36.26; 104.65]), with assurance standards ($F(1, 36) = 22.44$, $p = 0.20$, CI95 [−28.88; 73.77]), or with ISO 26000 ($F(1, 36) = 4.81$, $p = 0.33$, CI95 [−10.93; 20.55]).

In contrast, across non-European corporations results indicated one significant interaction effect between lobbying—UN guidelines and corporate political embeddedness ($F(1, 92) = 10.10$, $p = 0.02$, CI95 [1.67; 18.53]) on ROA. Therefore, Hypothesis 4a was supported.

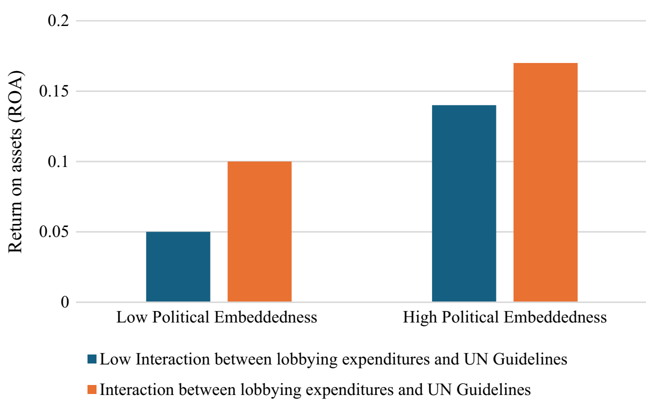

FIGURE 2 Interaction plot between UN guidelines, lobbying expenditures, and corporate political embeddedness on return on assets (ROA) (across non-EU corporations).

As Figure 2 depicts, results suggest that non-European corporations increase their financial performance in the EU when they meet the following conditions: high EU political embeddedness, investments in lobbying expenditures (desirably equal to or greater than EUR100,000), and engagement with UN-related guidelines.

5.2 | Discussion of Study 2

Findings from Study 2 point to conclusions regarding the impact of institutional-CPA-CSR variables, and corporate political embeddedness on financial performance. Across non-EU corporations, the joint effect of political embeddedness, lobbying expenditures, and adoption of UN guidelines has a significant impact on ROA. This single yet crucial result emphasizes the importance, especially to foreign corporations, of adopting a joint CPA-CSR approach in order to be more profitable within the EU. The surprising result, which shows that the joint effect of political embeddedness, lobbying expenditures, and adoption of CSR-related guidelines does not have any significant impact on ROA among EU corporations may be rooted in the fact that these companies are expected to comply with EU values and aspirations, therefore CSR-related behaviors are not valued but instead they are assumed. However, it is important to explore in future studies the reasons that underlie this result.

6 | GENERAL DISCUSSION

Following previous research calling for a non-market integra tive approach of CPA and CSR (e.g., Anastasiadis et al., 2018; den Hond et al., 2014; Du et al., 2019; Rodriguez et al., 2006), the current study accepted the challenge to examine how CSR and CPA interactively affect corporations' political embeddedness and financial performance within the EU environment. In doing so, we explored differences across EU and non-EU corporations, respectively, defined as autochthonous and allochthonous firms. The study also set out to offer a whole picture of the non-market phenomenon by drawing on a multilevel approach, that is, we empirically examined the impact of within-firm (level 1) and institutional (level 2) CSR-related and CPA indicators.

Overall, Study 1 suggests that business representatives' characteristics are crucial for embedding corporations with EU political institutions. Indeed, corporate political embeddedness is important, as a close connection with governments translates into a stronger influence on the development of public laws and regulatory conditions (Zhao, 2011). First, findings from Study 1 emphasize the importance of lobbyists in the EU. These representatives are viewed as pivotal in any political sphere, but especially within the EU. Through lobbyists, corporations can more easily uphold their interests in EU political decisions (Laurens, 2017). In addition to hiring lobbyists, results suggest that EU political embeddedness is greater when firms display responsible leadership choices, in this case, via the integration of women in the commission of boards. The link between boards' gender diversity and EU political embeddedness may be rooted in the fact that equality between men and women is a fundamental right and a European common principle (European Commission, 2009). Ultimately, the combination between lobbyists and boards' gender diversity represents a significant within-firm CPA-CSR strategy that leverages EU political embeddedness of both autochthonous (EU) and allochthonous (non-EU) corporations.

Study 2 complements the first by providing an institutional CPA-CSR approach. Through the analysis of lobbying expenditures and multiple ethical compliance standards, findings from this study add to previous research suggesting significant CPA-CSR effects on financial performance (Hadani & Schuler, 2013). We submit that examining this approach within the EU environment is of particular interest as CSR and sustainability values are highly appreciated by the EU (Suder, 2011). By relying on multiple CSR standards, findings extend previous research by revealing the standout of UN guidelines over other standards, and its impact on financial performance.

Results from Study 2 show that allochthonous (i.e., foreign) corporations increase their financial profitability within the EU political sphere when they meet the following conditions: high political embeddedness (achieved through the image displayed by business representatives); high lobbying expenditures; and adoption of UN guidelines, namely OECD guidelines for Multinational Enterprises, 2030 SDGs, and UNGC.

6.1 | Theoretical and practical implications

The current research has numerous important implications. From an academic standpoint, we empirically provide an EU non-market approach integrating social and political strategies, which was previously acknowledged as a crucial knowledge gap (Anastasiadis et al., 2018; Mellahi et al., 2016). Moreover, although previous studies have already analyzed the interactive effect of CPA and CSR on financial performance (e.g., Du et al., 2019) no study has, to the best of our knowledge, drawn on a thorough and multilevel approach to delineate a CPA-CSR pathway strategy. In addition, the current study highlights the crucial role that corporate political embeddedness plays within the EU institutional context, an aspect that has been equally overlooked (Chalmers & Macedo, 2020). Specifically, findings from Study 1 show how important business representatives' characteristics are in defining a solid CPA-CSR business strategy. Although pivotal to becoming embedded in the EU political environment, these characteristics have been unexplored. We also submit that the exploratory nature of this research, considering differences across EU and non-EU firms, might translate into a valuable empirical contribution to corporate strategy and non-market research.

From a practical view, the development of two complementary studies has its advantages. First, it enabled us to provide a comprehensive, non-market, strategic approach that can be deployed in the corporate business world. In our view, the proposed model is insightful because of the objective evidence it provides, from within-firm to institutional. Second, findings clearly suggest that corporate efforts to lobby and behave ethically pay off, as the more that corporations lobby ethically; the more they can get into the EU political sphere. Specifically, the current research shows how and which corporate strategies help establishing stronger connections with key political decision-makers, and ultimately how corporations can leverage their financial and political success by relying on a non-market, joint CPA-CSR approach. We believe that this evidence is crucial to business practitioners, and to a wide variety of firms, whether national or multinational, autochthonous or allochthonous. In fact, findings can be of extreme importance to non-EU corporations aiming to extend their reach within a business environment as powerful as the EU.

6.2 | Limitations and directions for future research

The current study is not without limitations. First, although our empirical analyses contribute to a better understanding of the non-market environment within the EU context, the study is very specific, as it does not explore how CPA and CSR interactively affect political embeddedness and financial performance in other institutional contexts (Du et al., 2019). Future research might explore the joint effect of these non-market strategies in other business environments. Another limitation concerns the lack of consensus that board diversity is a CSR indicator; whereas previous research considers board diversity as an ethical aspect closely linked to CSR (Harjoto et al., 2018), a more institutional approach to CSR assumes board diversity to be an expression of CSR per se (Economist Intelligence Unit, 2014). Given that equal opportunity is an EU cornerstone, especially with regard to gender (European Commission, 2009), we approached board nationality and gender diversity as a within-firm indicator of CSR. Following this concern, future non-market studies could address more objective within-firm indicators. In fact, future studies could contribute to the within-firm CPA-CSR approach as it seems to be important; not only because of the topic's scarcity in the published literature but also because of the impact that such indicators have on business, political, and financial outcomes. Desirably, further macro social and political aspects of business should be explored, as well as specific political strategies other than lobbying, and dimensions of CSR that go beyond ethical compliance standards.

We also acknowledge as a limitation the inability to provide a longitudinal perspective to the phenomenon. This is mostly the result of restricted access to data, especially within Lobbyfacts.eu dataset. To overcome this constraint, we proxied control time effects with a variable we had available, that is, EU lobbying tenure, which was entered in the model.

Given the exploratory side that underlies the current research, we believe that the hypotheses tested open new avenues to non-market and strategic research. In this regard, there is one important finding in particular that can be further explored, that is, the positive effect of lobbying expenditures on EU political embeddedness across non-EU corporations. Future research could explore this condition, which holds for only non-EU corporations. Lastly, this study examined CPA-CSR indicators referring to a time frame prior to the COVID-19 outbreak. Future studies could replicate the current study in a post COVID-19 period.

7 | CONCLUSIONS

Governments define the rules of the game in most business environments (Du et al., 2019) and the political scenario in Europe is no exception. Various corporations with EU business operations lobby to reach political actors and influence regulatory decisions. Sizable EU lobbying expenditures, involving millions of Euros every year, stresses the prominence of the EU political setting to many business firms. Based on this phenomenon, the current research set out to offer an integrative non-market strategic model considering social and political aspects of business that take place within-firm and in the EU institutional setting. The main finding of this research shows that the integration of specific lobbying and CSR strategies ultimately helps establish a close connection with EU political regulators, thereby leveraging financial performance. Considering that: (i) governments play a crucial role on business success, as they can either benefit or disfavor corporations in terms of public policies and regulations (Lawton et al., 2013); and (ii) the importance that EU institutions give to sustainability, social, and environmental contributions of business (Suder, 2011), the joint CPA-CSR approach proposed in the current study has, in our view, the potential to bring success to those firms that implement it. Specifically, non-EU corporations that embed the EU political sphere, adopt UN guidelines and have lobbying expenditures may well be successful on their financial performance. In addition, we submit that the multi-level nature of this study opens ways to future studies within the non-market literature, which has so far disregarded the role of business representatives and their characteristics.

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APPENDIX A: PRELIMINARY ANALYSES

Table A1 shows means, standard deviations, and correlations of all variables. Results reveal similarities but also some important differences between variables across EU and non-EU corporations. In common, political embeddedness is significantly related to the number of lobbyists (EU: $r = 0.692$; $p = 0.001$; non-EU: $r = 0.672$, $p = 0.001$). In addition, political embeddedness is positively related to lobbying expenditures in both EU ($r = 0.430$, $p = 0.001$) and non-EU corporations ($r_{\text{non-EU}} = 0.632$, $p = 0.001$). In addition, the number of lobbyists and the lobbying expenditures are associated in both samples ($r_{\text{EU}} = 0.663$, $p = 0.01$; $r_{\text{non-EU}} = 0.818$, $p = 0.001$). From the correlational analyses, we presume that CPA and CSR/diversity variables are not per se significant in improving financial performance in either EU or non-EU corporations.

Conversely, results indicate differences across EU and non-EU corporations, especially with regard to CSR standards. Specifically, UN guidelines are positively associated only with number of lobbyists and boards' nationality diversity in the EU corporations' sample ($r_{\text{lobbyists}\,(N)} = 0.703$, $p = 0.01$; $r_{\text{boardsnationalitydiversity}} = 0.393$, $p = 0.01$). Still, across non-EU corporations, UN guidelines are significantly related to lobbying expenditures ($r = 0.247$, $p = 0.03$), thus denoting a higher impact of UN standards when compared with the other CSR norms under analysis. Although lobbying expenditures are positively associated with assurance standards, this is significant only across EU corporations ($r = 0.\ 340$, $p = 0.03$). Lastly, interesting findings from this analysis show that political embeddedness is positively related to long-term debt ($r = 0.240$, $p = 0.02$) and intangible assets ($r = 0.208$, $p = 0.05$) across non-EU corporations.

To provide a more granular analysis comparing EU-based and non-EU-based corporations we conducted a series of univariate Analysis of Variances (ANOVAs). Overall, results show significant differences in the adoption of CSR standards, namely UN guidelines ($F(119) = 4.974$, $p = 0.03$), assurance standards ($F(119) = 14.976$, $p = 0.001$), and ISO26000 ($F(119) = 8.886$, $p = 0.001$), with more EU corporations reporting adoption of these standards (respectively, $M_{\text{UNguidelines}} = 0.36$, $SD_{\text{UNguidelines}} = 0.39$; $M_{\text{AssuranceStandards}} = 0.16$, $SD_{\text{AssuranceStandards}} = 0.16$; $M_{\text{ISO26000}} = 0.14$; $SD_{\text{ISO26000}} = 0.35$). EU corporations also have more lobbying expenses, number of lobbyists, and greater political embeddedness; differences are also statistically different when compared with non-EU corporations (lobbying expenditures: $F(139) = 13.640$, $p = 0.001$; $M = 1.59$, $SD = 0.75$; number of lobbyists: $F(139) = 4.173$, $p = 0.05$; political embeddedness: $F(139) = 6.931$, $p = 0.01$). Significant differences across groups are not found regarding financial performance (ROA: $F(136) = 1.318$, $p = 0.25$).

TABLE A1 Correlations and descriptive statistics of variables.

	EU mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Non-EU Mean	SD
1. Lobbyists (*N*)	3.53	1.30	1	0.064	−0.262	0.672	0.818	0.275	0.184	0.032	0.305	0.155	0.350	0.313	−0.010	−0.131	2.33	2.07
2. Boards' gender diversity	0.68	0.10	−0.045	1	0.012	−0.123	−0.116	−0.081	−0.159	−0.060	−0.028	−0.099	0.056	0.076	−0.051	0.083	0.72	0.08
3. Boards' nationality diversity	0.51	0.26	−0.351	−0.262	1	−0.153	−0.103	−0.028	−0.075	0.042	0.040	−0.073	−0.046	−0.052	−0.003	0.132	0.26	0.22
4. Political embeddedness	13.77	12.79	0.692	0.155	−0.258	1	0.632	−0.030	0.005	0.110	0.142	0.339	0.229	0.208	0.240	−0.053	8.30	11.22
5. Lobbying expenditures (€)	1.59	0.75	0.663	0.051	−0.069	0.430	1	−0.039	0.247	0.140	−0.044	0.131	0.245	0.066	0.061	−0.047	1.19	0.54
6. ISO26000	0.14	0.35	−0.402	−0.036	0.047	−0.206	−0.235	1	0.172	0.172	0.028	−0.001	0.117	0.036	−0.018	−0.015	0.01	0.11
7. UN guidelines	0.36	0.39	−0.703	−0.289	0.393	−0.154	0.203	0.200	1	0.612	−0.222	0.104	0.297	0.065	−0.003	0.184	0.22	0.29
8. Assurance standards	0.16	0.16	−0.372	0.081	0.079	0.090	0.340	0.114	0.450	1	−0.102	0.151	0.301	0.238	0.061	0.050	0.06	0.12
9. Firm sector	33.69	13.20	−0.012	0.292	−0.285	0.166	−0.102	−0.292	−0.109	−0.026	1	−0.106	−0.082	0.224	0.139	0.073	33.16	11.80
10. Firm size	83.07	59.33	0.089	−0.193	0.111	0.336	0.072	−0.026	−0.001	0.059	0.053	1	0.188	0.293	0.411	−0.004	68.76	116.13
11. Tenure in EC	7.40	2.64	0.388	−0.205	0.072	0.318	0.364	0.054	0.140	0.074	−0.124	0.307	1	0.173	0.175	−0.127	6.68	2.86
12. Intangible assets	26557.36	36318.69	0.311	−0.016	0.126	0.015	0.201	−0.116	0.099	0.034	−0.002	0.348	0.243	1	0.448	−0.063	18071.84	37761.53
13. Long-term debt	47480.98	60667.84	0.164	0.091	−0.123	0.237	0.216	−0.076	−0.040	0.282	0.120	0.457	−0.134	0.121	1	0.036	27143.97	48818.14
14. Return on assets	0.026	0.586	0.117	−0.116	0.094	0.139	−0.149	−0.024	0.091	0.075	0.122	0.018	0.032	−0.124	−0.064	1	0.046	0.091

Note: Correlations for EU companies shown below diagonal; non-EU companies above diagonal. $N = 140$; $p = 0.05$ and $p = 0.01$ (two-tailed tests).