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RESEARCH NOTE:

ARE FIRMS WITH FOREIGN CEOS BETTER CITIZENS? A STUDY OF THE IMPACT OF CEO FOREIGNNESS ON CORPORATE SOCIAL PERFORMANCE

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Running Head: CEO foreignness and CSP

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Key words: Liability of Foreignness, Corporate Social Responsibility, Foreign CEO, Globalization, Econometrics, Social Identity Perspective.

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RESEARCH NOTE:

ARE FIRMS WITH FOREIGN CEOS BETTER CITIZENS? A STUDY OF THE IMPACT OF CEO FOREIGNNESS ON CORPORATE SOCIAL PERFORMANCE

This study examines whether firms' corporate social performance (CSP) varies when local firms have foreign CEOs. Building on the social identity perspective, we argue that because foreign CEOs are perceived as outgroup (or nonprototypical) leaders by the local firms' stakeholders, local firms with foreign CEOs need to achieve a higher level of CSP than do local firms with local CEOs to enhance their legitimacy and trustworthiness. Furthermore, we propose that the predicted difference in CSP between foreign and local CEO-led firms will be larger (a) for more authentic and thus trust-enhancing CSR activities and (b) in those socio-economic environments where the salience of CEO foreignness and thus the need to build trustworthiness with locals is more pronounced. In a sample of 1,001 local firms across 18 developed countries during the period between 2003 and 2015, our empirical results support most of our predictions.

INTRODUCTION

In 2018, when Canadian Benjamin Smith took over the group formed by Air France and Dutch KLM, the French trade unions opposed him, declaring that it was "inconceivable" that the French flag carrier be led by "a foreign leader" (Keohane, 2018). In 2013, William McDermott, the American chief executive officer (CEO) of the German software corporation SAP, noted that, although he had an American birth certificate, "[t]here [was] no reason to believe [he] could become disloyal towards Germany or SAP" (Kroker, 2013). This anecdotal evidence suggests that foreign CEOs – i.e., those CEOs born outside the country of the firms they lead – may face a collective reservation or negative bias due to their foreign origin. In the International Business (IB) literature, this disadvantage or liability of foreignness (LOF) that CEOs are confronted with has been proposed and primarily studied at the organizational level (Hymer, 1960; Zaheer, 1995), broadly referring to all the costs incurred by foreign firms *above those incurred by local firms*. However, it can also affect individuals, particularly CEOs, working abroad (Fang, Samnani, Novicevic, & Bing, 2013; Mata & Alves, 2018). Few studies have examined the effects of CEO foreignness and specifically how local firms led by foreign CEOs can *seek* to overcome LOF. We propose that local firms with foreign CEOs can improve their corporate social performance (CSP) to counter the bias faced by foreign CEOs.

Building on the social identity perspective on the upper-echelons (Hambrick & Mason, 1984; Hogg, 2001), we posit that foreign CEOs are perceived as outgroup (or nonprototypical) leaders by the local firms' stakeholders and are thus subject to LOF or, more generally, to intergroup bias: a tendency to favor members of one's ingroup over outgroup members (Hewstone, Rubin, & Willis, 2002). Compared to local CEOs, foreign CEOs lack legitimacy, reputation, and trustworthiness (Legrand, Ariss, & Bozionelos, 2019; Shields & Harvey, 2010), thereby impacting the firms they lead (Mata & Alves, 2018).[i] Outgroup (or nonprototypical) leaders can, however, enhance their trustworthiness by demonstrating their benevolence and integrity (Mayer, Davis, & Schoorman, 1995; van Knippenberg, 2011).[ii] To overcome the foreign CEOs' LOF, we first propose that local firms with foreign CEOs engage in more corporate social responsibility (CSR) initiatives than do local firms with local CEOs – resulting in a higher level of CSP – so as to benefit from the benevolent halo of CSR. Since CSR activities generate greater trustworthiness when stakeholders perceive them as altruistic, authentic, or sincere (Cuypers, Koh, & Wang, 2016; Barnett, 2019), we also propose that,

compared to firms with local CEOs, firms with foreign CEOs engage in more CSR actions targeting society at large and in organizational contexts where the "sacrifice" of carrying out CSR activities is perceived to be greater. Furthermore, we note that the salience of CEO foreignness depends on the socio-economic environment in the firm's home country (Redding, 2005). We argue that firms with foreign CEOs have a relatively higher level of CSP in those countries where firms and stakeholders must collaborate more actively, and so the interdependence in business relationships is higher, and where cross-border socio-economic contacts are less frequent, and so the acceptance of foreigners is lower. Using a sample of 1,001 local firms and their CEOs across 18 developed countries during the period between 2003 and 2015, we test the relationship between CEO foreignness and the local firms' CSP, which we operationalize with the Thomson Reuters (Asset4) ESG *Social Pillar Score*, capturing "a company's capacity to generate trust and loyalty with its workforce, customers and society" (Maniora, 2017: 766). We find support for most of our predictions.

We make three main contributions to the IB literature. First, basing our study on the premise that, as outgroup (or nonprototypical) leaders, foreign CEOs suffer from LOF, we extend extant knowledge of the implications of CEO foreignness. Prior IB research has shown that foreign firms face disadvantages relative to local players that affect firm operations abroad (Zaheer, 1995). Although the social science literature has largely documented the existence of such a liability at the individual level, there is a dearth of studies on the impact of the foreignness of individuals, particularly of CEOs, on the local firms where they work (Mata & Alves, 2018). To fill this gap, we integrate research in IB with the upper-echelons literature demonstrating that CEOs are important for firm outcomes (Quigley & Hambrick, 2015).

Second, we specifically examine the implications of CEO foreignness for a firm's CSP. We answer the call for more studies on the antecedents of CSR in IB research (Kolk, 2016; Young & Makhija, 2014) and add to the nascent actor-centered research on CSR (Pisani et al., 2017). Advancing the CSR literature that considers board diversity and managerial foreign experience to be an asset for firms and a determinant of CSR awareness (e.g., Harjoto et al., 2015), we note that firms with foreign CEOs may have a higher level of CSP than firms with local CEOs as a response to a liability, thereby linking the IB and CSR literatures at the C-suite level. By proposing that local firms with foreign CEOs engage in more authentic CSR activities to counter intergroup bias, we also

contribute to the literature on the strategic benefits of more altruistic CSR in general and CSR initiatives targeting society as a whole or institutional CSP in particular (Barnett, 2019; Godfrey, Merill, & Hansen, 2009; Wang, Gibson, & Zander, 2020).

Finally, we add to the emergent research stream in the upper-echelons literature exploring CEO effects as a function of country-level characteristics (Crossland & Hambrick, 2007; Yamak, Nielsen, & Escribá-Esteve, 2013). We show that the socio-economic environment is an important contingency factor of the CEO effect on CSP as it influences the interplay between CEOs and their firms' stakeholders. More specifically, we note that a local firm's CSR response to CEO foreignness varies according to the local business system and its embeddedness in global socio-economic interactions.

THEORETICAL BACKGROUND

CEO Foreignness

The origin of LOF at the individual level conceptually relates to social identity and self-categorization theory (Tajfel & Turner, 1986), also referred to as the social identity approach (Abrams & Hogg, 1990). Individuals tend to categorize themselves and others into groups and to define themselves in terms of a social identity (Ashforth & Mael, 1989). This social categorization leads to intergroup bias, which "refers generally to the systematic tendency to evaluate one's own membership group (the ingroup) or its members more favorably than a nonmembership group (the outgroup) or its members. Bias can encompass behavior (discrimination), attitude (prejudice), and cognition (stereotyping)" (Hewstone, Rubin & Willis, 2002: 576). Members of the same social group adhere, for instance, to similar norms and values and thus trust each other more easily (Brewer, 1999; Chen, Crossland, & Huang, 2016). In fact, "ingroups can be defined as bounded communities of mutual trust" (Brewer, 1999: 433). Outgroup members, in contrast, are perceived as less trustworthy, cooperative, or valuable (McAllister, 1995). As a result, ingroup members are less willing to allocate resources to outgroup members (Chen et al., 2016). They also tend to oppose decisions from outgroup members (Kane, Argote, & Levine, 2005) or to be more apt to blame them for actions perceived as negative or undesirable (Park & Westphal, 2013). More generally, interactions and collaborative relationships across group boundaries are more difficult to establish (Kane et al., 2005; Muethel & Bond, 2013). Such intergroup bias becomes more salient in collaborations where there is mutual outcome

interdependence: ingroup members will cooperate more fully with those they trust when they depend more heavily on the cooperation of others (Balliet, Wu, & De Dreu, 2014).

The categorization into groups builds on important social categories or readily observable characteristics, including foreignness (i.e., the fact that an individual was born abroad), which are mentally represented as prototypes and increase the perception of ingroup similarities (Hogg & Terry, 2000).[iii] Intergroup bias (or discrimination) is then based on the "level of self-categorization that specifies which individuals are seen as similar to the self ("us") and which are excluded as being others ("them")"(Kessler & Mummendey, 2001: 1090). In our context, because of their foreignness, foreign individuals are categorized (or perceived) by locals as outgroup members (Mäkelä, Andersson, & Seppälä, 2012; Nielsen & Nielsen, 2013; Stoddard & Leibbrandt, 2014). The intergroup bias experienced by foreign individuals as outgroup members can then be referred to as their individual liability or LOF.

The social identity approach has been supported by a substantial quantity of empirical evidence (e.g., Brewer, 2010; Hogg, 2016). With regard to foreignness as a social category or characteristic, the literature in social sciences has largely documented the existence of intergroup bias or LOF at the individual level. Discrimination, prejudices, and stereotyping can in fact be observed in many markets, including the product market (e.g., Nardinelli & Simon, 1990), the rental market (e.g., Bosch et al., 2010), and the labor market (e.g., Fang et al., 2013). In the labor market, there is ample evidence that both skilled and unskilled foreigners can experience disadvantages and be subject to bias (or discrimination) because of their foreignness (e.g., Dietz et al., 2015; Hainmueller & Hopkins, 2014).

Compared to middle or other senior managers, CEOs play a unique leadership role (Lange et al., 2015), representing their firms before local stakeholders, who carefully monitor their behavior (Staw & Epstein, 2000). According to the social identity theory of leadership, leaders are judged primarily not on their personal characteristics, but based on their social group membership (Hogg, Van Knippenberg, & Rast, 2012). "[Prototypical] ingroup leaders are perceived as being more similar to "us," and are more trusted, liked, and supported. Conversely, [nonprototypical] outgroup leaders are perceived as dissimilar to "us" and therefore are distrusted, disliked, and not supported" (Alabastro et al., 2013: 59). In other words, prototypical and nonprototypical (or ingroup and outgroup) leaders are

differently trusted, with leader group prototypicality being positively related to leader trust. This key premise "that group prototypical leaders are more favorably evaluated than less prototypical leaders" (Barreto and Hogg, 2017: 41) has received strong empirical validation from both field and laboratory experiments (Barreto & Hogg, 2017).

In our context, we argue that, due to their foreignness, local stakeholders categorize foreign CEOs as nonprototypical (or outgroup) leaders in the country where their local firm is based. Foreign CEOs are therefore at a disadvantage compared to local CEOs, who are viewed by local stakeholders as prototypical (or ingroup) leaders and thus as more trustworthy. For instance, being born outside the firms' home country, foreign CEOs could appear to stakeholders to be footloose, lacking a long-term engagement towards the local population (Legrand et al., 2019). They may be viewed as more likely than local CEOs to downsize or offshore, if that delivers more value to shareholders (Bapuji, Husted, Lu, & Mir, 2018; Lazonick & O'Sullivan, 2000).[iv]

Empirical evidence supports that foreign CEOs suffer from their outgroup identity. In addition to media anecdotes,[v] some academic studies have documented the existence of bias (or discrimination) against foreign CEOs. Shields and Harvey (2010) note that the US-American Solomon Trujillo, CEO of Telstra, Australia's largest telecommunications firm between 2005 and 2009, was attacked by the Australian media for being a foreigner. "Trujillo ultimately came to act out the stereotypical "foreignness" scripted for him by a hostile Australian media" (Shields & Harvey, 2010: 8). Additionally, Legrand et al. (2019: 604) reported that "[a]ccording to migrant CEOs, there is negative stereotyping, mistrust and prejudice against migrants that often translates into negative discrimination". Moreover, studies have confirmed the existence of LOF for foreign entrepreneurs (e.g., Jiang et al., 2016; Mata & Alves, 2018).

In short, we explain that foreign CEOs face intergroup bias as nonprototypical (or outgroup) leaders in the country where the local firms are based. They seem less trustworthy than local CEOs, so local stakeholders are more likely to scrutinize and question their actions and be less inclined to collaborate with them. Since CEOs are accountable for the firms' actions, i.e., internal and external affairs and long-term strategic issues, the liability faced by foreign CEOs (that is, the liability of CEO foreignness) extends to the firms they lead (Mata & Alves, 2018).

CEO Foreignness and CSP

To collaborate successfully with stakeholders, local firms led by foreign CEOs, that is, outgroup or nonprototypical leaders, must overcome the intergroup bias and perceived lack of trustworthiness of their CEOs (Brewer, 1999; Hogg et al., 2012). Nonprototypical leaders can mitigate their outgroup character and increase their trustworthiness by showing their benevolence: "[T]o be effective nonprototypical leaders have to build follower trust in their group-oriented motives (cf. benevolence; Mayer et al., 1995) through their actions (i.e., engage in group-oriented behavior), whereas group prototypical leaders are effective whether they engage in group-oriented behavior or not" (van Knippenberg, 2011: 1081). Indeed, there is evidence in the social identity literature that individuals tend to seek information about morality when assessing the trustworthiness of outgroup members (Brambilla, Rusconi, Sacchi, & Cherubini, 2011. See also Wojciszke, Bazinska, & Jaworski (1998) and Goodwin, Piazza, & Rozin (2014) on the importance of moral character in personal perception and evaluation).

In our context, we propose that local firms with foreign CEOs can use the benevolent halo of CSR engagement to overcome their CEOs' intergroup bias (Chernev & Blair, 2015). CSR can positively influence or override stakeholder judgments in non-CSR-related domains. This includes those of a manager's personal traits (Chernev & Blair, 2015), especially those of a CEO, since CEOs are generally actively engaged in their firms' CSR activities (Waldman, Siegel, & Javidan, 2006). By having a higher CSR involvement, which is reflected in a higher level of CSP (Van Beurden and Goessling, 2008), firms can distribute value to society (Bapuji et al., 2018), demonstrating their foreign CEOs' integrity and "other regarding" (Godfrey et al., 2009) or community orientation (Bhattacharya, Korschun, & Sen 2009). Prior literature has extensively discussed the positive impact of CSR engagement on a firm's legitimacy and trustworthiness (Fombrun, 1996; Godfrey, 2005). For foreign firms, CSR activities have been found to contribute to creating a positive image (Campbell, Eden, & Miller, 2012) and a good reputation with local stakeholders (Fombrun, 1996; Gardberg & Fombrun, 2006).

In contrast, we argue that, *ceteris paribus*, local firms with local CEOs, i.e., prototypical (or ingroup) leaders, have little or no need to have a higher level of CSP, since local CEOs suffer less (or not at all) from this perceived lack of trustworthiness by local stakeholders. Since CSR engagement

has an opportunity cost, we expect that, *ceteris paribus*, local firms led by local CEOs allocate fewer resources to CSR activities than do firms led by foreign CEOs. This opportunity cost consists in "the activities the company was unable to undertake due to engaging in CSR activities" (Springkle & Maines, 2010: 448; Haffar & Searcy, 2017). We therefore predict:

Hypothesis 1: Local firms with foreign CEOs have a higher level of CSP than do local firms with local CEOs.

The Role of CSR Authenticity

We have previously assumed that, to some extent, all CSR activities demonstrate the benevolence and integrity of foreign CEOs, increasing their trustworthiness in the eyes of stakeholders. However, the effectiveness of CSP in helping a firm "build rapport with stakeholders, and elicit positive responses and support from the firm's stakeholders" (Cuypers et al., 2016: 176) may be greater when CSR initiatives are perceived to be less driven by self-interest and thus more authentic or sincere (Barnett, 2019; Cuypers et al., 2016; Godfrey, 2005; Wang et al., 2020).[vi] In other words, the benevolent halo effect of CSP may be larger when CSR initiatives are seen as being motivated by genuine or altruistic considerations (Chernev & Blair, 2015). We, thus, propose that the more authentic the CSR actions, the more the firm's CSP attenuates the foreign CEO's outgroup identity.

Stakeholders base their evaluation of the degree of altruism underlying a firm's CSR actions, and thus its CSP, on observable indicators or cues (Goffman, 1997; Godfrey, 2005). As Hannah, Sayari, Harris, and Cain (2020: 7) conclude, "signals [or cues] are important because stakeholders have little other ways to estimate the level of altruistic motives." We argue that stakeholders may evaluate CSR initiatives based on the type of CSR activities or the context in which the firm conducts CSR activities (Goffman, 1997; Godfrey, 2005).

First, according to Godfrey et al. (2009) and Barnett (2019), the identity of the recipients of CSR actions can be an important cue for determining the degree of CSR authenticity. CSR initiatives can target either primary or secondary stakeholders. Primary stakeholders are those with an immediate economic exchange with a firm, such as its employees or customers, while secondary stakeholders, such as society at large, have little or no economic exchange with the firm.

CSR actions targeting secondary stakeholders, or institutional CSR activities, are "viewed as voluntary acts of social beneficence […] and thus provide evidence of an 'other-regarding' orientation by the firm's managers when compared to CSR activities targeting primary stakeholders" (Godfrey et al., 2009: 429). Institutional CSR activities are thus generally considered to be more altruistically motivated and authentic (Barnett, 2019; Godfrey et al., 2009; Hannah et al., 2020). In contrast, technical CSR activities address primary stakeholders and usually involve an element of reciprocity. As a result, they are seen to be more self-serving.[vii] In addition, due to the voluntary nature of institutional CSR, the benevolent halo effect of institutional CSR on CEOs is considered larger than that of technical CSR: Du, Swaen, Lindgreen, and Sen (2013: 157) explain that "institutional CSR activities are more likely to result from discretionary decision making by organizational leaders" and are thus more strongly linked to the CEO.

We thus argue that institutional CSR actions, as reflected in institutional CSP, better demonstrate the benevolence and integrity of a CEO than do technical CSR actions and thus technical CSP. It is therefore in the interest of local firms to address CEO foreignness through institutional rather than technical CSP since it more effectively counters foreign CEOs' lack of trustworthiness due to their nonprototypicality (or outgroup identity). In contrast, local firms led by local CEOs deal with little or no such lack of trustworthiness since, as prototypical (or ingroup) leaders, local CEOs do not incur LOF. *Ceteris paribus*, these local firms have less need than those with foreign CEOs to engage in more authentic institutional CSR initiatives and so to increase institutional CSP. All else being equal, since CSR has an opportunity cost and institutional CSP is less rewarding for them, local firms with local CEOs allocate relatively fewer resources than local firms with foreign CEOs to activities increasing their institutional CSP. We therefore predict:

Hypothesis 2a: The difference in CSP between foreign and local CEO-led firms is larger for institutional than for technical CSP.

Second, the stakeholders' appraisal of the authenticity of CSR activities may also depend on the organizational context within which CSR activities are carried out (Goffman, 1997). Because actions are more likely to be attributed to actors if they involve sacrifices or costs (Kelley, 1973), we argue that CSR initiatives are more strongly associated with the benevolence and integrity of foreign CEOs

when they entail higher sacrifices for their firms. As Barnett (2019: 178) explains in a conceptual article, "there must be sacrifice involved in an action for it to convey altruism and so earn trust. […] The more difficult and costly is the firm's effort to support the social cause, the more altruistic the firm is likely to be perceived to be, and so the more stakeholder trust it may generate."

In our study, we posit that stakeholders may use firm profitability as a cue to differentiate low- from high-sacrifice contexts. Lower profitability leads to less financial and organizational slack (Sharfman, Wolf, Chase, & Tansik, 1988). If a firm's resources are scarcer, the decision to have a higher CSP entails a greater sacrifice (or a relatively larger opportunity cost). *Ceteris paribus,* stakeholders may perceive a higher CSP to be more authentic at lower levels of firm profitability. In contrast, when profitability is higher, financial resources are more abundant and fewer trade-offs are needed. As a result, stakeholders may view CSR initiatives to be less costly and thus less authentic, resulting in fewer trustworthiness benefits.[viii]

Along the lines of Hypothesis 2a, we hence argue that CSP more effectively demonstrates the benevolence and integrity (and thus trustworthiness) of a CEO when it is more authentic, i.e., at lower rather than higher levels of firm profitability. Due to their foreign CEOs' nonprototypicality (or outgroup identity), local firms with foreign CEOs have a greater need to demonstrate their CEOs' benevolence and integrity than do local firms with local CEOs. They therefore have a relatively higher CSP when firm profitability is lower. In contrast, as ingroup or prototypical leaders, *ceteris paribus,* local CEOs suffer less (or not at all) from a lack of trustworthiness. All else being equal, since local firms with local CEOs have less need to engage in CSR initiatives, they allocate relatively fewer resources to CSR activities, especially at lower levels of profitability, when resources are scarcer. We therefore predict:

Hypothesis 2b: The difference in CSP between foreign and local CEO-led firms is larger at a lower level of firm profitability than at a higher level of firm profitability.

The Role of the Socio-economic Environment

We now argue that the extent of intergroup bias faced by foreign CEOs, and thus the need for local firms with foreign CEOs to have a higher level of CSP than those with local CEOs, depends on the socio-economic context of the firms' home country. More specifically, the institutional configuration

of the local business system and its embeddedness in global socio-economic interactions may moderate the impact of CEO foreignness on CSP (Redding, 2005; Scherer & Palazzo, 2011). We expect that, compared to firms with local CEOs, firms with foreign CEOs have a relatively higher CSP in those countries where the salience of CEO foreignness is higher, i.e., where firms and stakeholders must collaborate more actively, so the interdependence in business relationships is greater, and where cross-border socio-economic contacts are less frequent, so the acceptance of foreigners is lower.[ix]

First, according to the social identity perspective, ingroup members cooperate more fully with those they trust, when they depend more heavily on the cooperation of others (see Balliet, Wu, & De Dreu, 2014, for a meta-analysis of intergroup bias in collaboration). We therefore argue that stronger mutual dependence between members increases the need for outgroup members (i.e., foreign CEOs) to demonstrate their trustworthiness so as to be able to collaborate successfully with ingroup members (i.e., local stakeholders).

Countries are characterized by different business systems or varieties of capitalism (Hall & Soskice, 2001; Hall & Gingerich, 2004; Witt & Lewin, 2007). They represent different socio-economic or institutional configurations (Chen & Bouvain, 2009; Rathert, 2016) that lead to "societally distinct modes of coordinating economic action" (Redding, 2005: 132). Along a continuum, business systems range from liberal market economies (e.g., UK and the US) to coordinated market economies (e.g., Austria and Germany). Liberal market economies rely more heavily on the price-based mechanism of competitive markets to coordinate economic actions. In coordinated market economies, the organization of economic actions is based more on collaborative (or nonmarket) relationships, or societal coordination.

Building on these arguments, we propose that CEO foreignness is more salient in countries with higher levels of societal coordination. In liberal market economies, where societal coordination is weaker, business interactions are primarily at arm's length. Collaborative processes based on trust and characterized by mutual dependencies are less prevalent. In countries with higher levels of societal coordination, firms and stakeholders must collaborate more actively to achieve their goals. *Ceteris paribus*, as business outcomes are more dependent on the actions of others, local stakeholders collaborate more intensely with local firms led by prototypical local CEOs than with local firms led

by nonprototypical foreign CEOs. Due the outgroup identity of their CEO, local firms led by foreign CEOs struggle to become integrated in business exchanges. To demonstrate the trustworthiness of their foreign CEOs and increase their ability to cooperate with local stakeholders, local firms with foreign CEOs must have a higher CSP than do local firms with local CEOs. Indeed, in countries with higher levels of societal coordination, local firms with local CEOs benefit from the prototypicality of their leaders. As ingroup members, local CEOs are seen to be more trustworthy, facilitating the integration of their firms in interorganizational collaborations. Compared to local firms with foreign CEOs, local firms with local CEOs have less need to increase their CSP.

We therefore argue that, due to higher mutual dependence and the greater need to coordinate with stakeholders, CEO foreignness is more salient in countries ranking higher on the societal coordination continuum. *Ceteris paribus*, we predict that the difference in CSP between local firms headed by foreign and local CEOs is greater when the societal coordination level of the firms' home country is higher:

Hypothesis 3a: The higher the societal coordination level of the firms' home country, the greater the positive effect of CEO foreignness on the local firms' CSP.

Second, within the social identity perspective the intergroup contact theory states that intergroup contact, i.e., contact between ingroup and outgroup members, tends to reduce intergroup bias (Dovidio, Gaertner, & Kawakami, 2003; Pettigrew & Tropp, 2006). "Research has shown that intergroup contact is one of the most powerful approaches for improving outgroup attitudes" (Brambilla, Hewstone, & Colucci, 2013: 648). Increased contact between groups makes individuals deemphasize group boundaries (i.e., decategorize), reducing the salience of the outgroup identity. It can also induce individuals to change the way they categorize others (i.e., recategorize), uniting the outgroup and ingroup members in one common (or shared) identity (Hewstone et al., 2002). This new identity can either fully replace the former group categorization or form a new second identity (Eller & Abrams, 2004; Gaertner & Dovidio, 2000). Like decategorization, recategorization leads to more positive outgroup attitudes. Accordingly, we argue that more contact between ingroup and outgroup members will mitigate intergroup bias, and thus the need for outgroup members to take steps to enhance their trustworthiness.

Specifically, we propose that the relationship between local stakeholders (i.e., ingroup members) and foreign CEOs (i.e., outgroup members) and, hence, the salience of CEO foreignness is influenced by the extent of globalization, or the "process of intensification of cross-border social interactions" (Scherer & Palazzo, 2011: 901) in the firm's home country. Globalization promotes contact between foreigners and locals since individuals from different countries meet and exchange ideas and information, firms deal with business partners in other countries, and governments collaborate with each other (Dreher, 2006; Gygli, Haelg, Potrafke, & Sturm, 2019). By promoting contacts between locals and foreigners, globalization can increase the acceptance of foreigners (Mau, Mewes, & Zimmermann, 2008; Grimalda, Buchan, & Brewer, 2018). Globalization can lead to decategorization where foreignness as a social category is assigned lower importance in social relationships (Saito, 2011). It can also help build a global identity, i.e., making individuals define themselves as global citizens (Arnett, 2002).

We therefore argue that if the home country of a local firm is more globalized, local stakeholders see foreign CEOs more like local CEOs or prototypical (or ingroup) leaders, and foreign CEOs are more socially accepted. Local firms led by foreign (i.e., nonprototypical or outgroup) CEOs thus have less need to display a higher level of CSP demonstrating their CEOs' benevolence and integrity (van Knippenberg, 2011). On the other hand, when the home country of local firms is less globalized, local firms with foreign CEOs suffer a higher intergroup bias. *Ceteris paribus*, local stakeholders trust foreign CEOs less than local CEOs, pushing the local firms with foreign CEOs to have a higher level of CSP. Local firms with local CEOs, in contrast, benefit from the prototypicality (or ingroup membership) of their CEOs in less globalized countries and, accordingly, have little or no need to increase their CSP.

We therefore propose that the level of globalization of a local firm's home country moderates negatively the effect of CEO foreignness on CSP. We predict that, *ceteris paribus*, the difference in CSP between local firms headed by foreign and local CEOs is greater when the globalization level of the firms' home country is lower:

Hypothesis 3b: The lower the globalization level of the firms' home country, the greater the positive effect of CEO foreignness on the local firms' CSP.

EMPIRICAL SET-UP

Dependent Variables

To test our hypotheses, we use CSP information from the Thomson Reuters ESG Scores (also named Asset4 data).[x] We focus on the *Social Pillar Score* (Maniora, 2017; Shaukat, Qiu, & Trojanowski, 2016), which measures "a company's capacity to generate trust and loyalty with its workforce, customers and society, through its use of best management practices. It is a reflection of the company's reputation and the health of its license to operate" (Maniora, 2017: 766). Each firm's score is relative to all firms in the same industry. We transformed the original score, scaled from 0 to 100 (i.e., a low to a high CSP score) into a variable scaled from 0 to 1. In our sample, the *Social Pillar Score* has a mean value of 0.59 and a standard deviation (SD) of 0.2.

To test Hypothesis 2a, we separate the *Social Pillar Score* into *Institutional* and *Technical CSP Scores*. The *Institutional CSP Score* is the average of two components of the *Social Pillar Score*, i.e., the *Community Score* and *Human Rights Score*. "The Community Score measures the company's commitment towards being a good citizen, protecting public health and respecting business ethics, […and] the Human Rights score measures a company's effectiveness towards respecting the fundamental human rights conventions" (Eikon, 2018: 15-16). The *Technical CSP Score* is the average of the two remaining components of the *Social Pillar Score*, i.e., the *Product Responsibility Score* and *Workforce Score*. "The Product Responsibility Score reflects a company's capacity to produce quality goods and services integrating the customer's health and safety, integrity and data privacy; the Workforce Score measures a company's effectiveness towards job satisfaction, a healthy and safe workplace, maintaining diversity and equal opportunities, and development opportunities for its workforce" (Eikon, 2018: 16).

Explanatory Variables

Our main independent variable is *Foreign CEO*, which takes the value 1 if the CEO was born in a country different from the home country of the focal firm, and 0 otherwise (source: BoardEx). To test Hypothesis 2b, we interact *Foreign CEO* with *Firm Return on Assets* (earnings before interest and taxes normalized by total assets; source: Thomson Reuters Worldscope). To test Hypotheses 3a and 3b, we interact *Foreign CEO* with *Country Societal Coordination* (source: Hall & Gingerich, 2004;

Witt & Lewin, 2007) and *Country Globalization* (source: Gygli et al., 2019), respectively. *Country Societal Coordination* accounts for the degree of societal coordination in a country. A higher value identifies a country that relies more on societal (or collaborative) than market coordination mechanisms.[xi] *Country Globalization* is the widely used KOF globalization index that measures a country's degree of economic, social, and political integration with other countries. A higher value indicates a higher country globalization level.

In our model, we include several control variables that could explain a firm's CSP. We extract firm and industry level data from Thomson Reuters Worldscope; we obtain CEO and board level data from BoardEx. At the firm level (Baldini, Dal Maso, Liberatore, Mazzi, & Terzani, 2018), we control for *Firm Size* (natural log. of total assets), *Firm Age* (natural log. of the number of years a firm has been in business), *Firm Liquidity* (ratio of the difference between current assets and inventories to current liabilities), *Firm Leverage* (ratio of short and long term debt to total assets), *Firm R&D Intensity* (R&D expenses divided by total sales), *Firm Industry Diversification* (Herfindahl-Hirschman index of sales across a firm's business segments), and *Firm International Sales* (natural log. of the ratio of international sales to total sales). At the CEO level (Manner, 2010; Slater & Dixon-Fowler, 2009), we control for *CEO Age*, *Female CEO* (1 if the CEO is a woman, 0 otherwise), *CEO Tenure* (natural log. of number of years the CEO has worked for the firm), *CEO Academic Background* (1 if the CEO has a PhD or MBA degree, 0 otherwise), and *CEO International Assignment Experience* (1 if the CEO has at least one prior working experience outside of the CEO's and focal firm's home country, 0 otherwise). At the board level (Harjoto et al., 2015), we account for *Board Share of Women* (proportion of female directors on the board, excluding the CEO), *CEO-Chairman Separation* (1 if the chairman of the board and the CEO are different, 0 otherwise), *Board Independence* (proportion of independent directors on the board), and *Board Share of Foreigners* (proportion of foreign directors on the board, excluding the CEO). At the industry level (Ioannou & Serafeim, 2012), we include *Industry Concentration* (Herfindahl-Hirschman concentration index). At the country level (Baldini et al., 2018), we control for *Country Economic Freedom* (source: Fraser Institute) and the natural log. of *Country GDP p.c.* (per capita) (source: World Bank). We also include (*n*-1) region indicators (Eastern Asia and Australia, Northern America, Northern Europe, Southern

Europe, and Western Europe) to control for more general time invariant differences that are not related to the business system but prevail at the regional level. Finally, we add (*n*-1) year (respectively industry) indicators to capture time (respectively industry) specific effects. We lag all time-varying explanatory variables by one year to alleviate reverse causality concerns.

We study a final sample of 1,001 locally owned firms[xii] and their CEOs in 18 developed countries over the period between 2003 and 2015.[xiii] Table 1 presents the descriptive statistics and correlations.

INSERT TABLE 1

RESULTS

We use a random effects panel least squares model as our baseline estimation setup (Table 2). Random effects help control for unobservable firm heterogeneity and allow the inclusion of time-invariant explanatory variables, such as *Country Societal Coordination* (e.g., Hoetker & Agarwal, 2007).[xiv] In Model 1, we report the outcome of the regression on the *Social Pillar Score* comprising control variables only.[xv] In Model 2, we add the independent variable *Foreign CEO.* As predicted in Hypothesis 1, *Foreign CEO* is positive and significant (p=0.003). This result indicates that, *ceteris paribus*, firms with a foreign CEO have a higher CSP than firms with a local CEO.

In Models 3 and 4, we find that *Foreign CEO* increases both institutional and technical CSP, the effect being larger for institutional than for technical CSP. To confirm that the effect of *Foreign CEO* is significantly larger for institutional CSP than technical CSP, we implement a random effects panel estimation in a seemingly unrelated regressions framework and carry out a Wald test. The Chi-squared statistic of 21.23 (p=0.000) supports our finding and thus Hypothesis 2a. Models 5 to 7 include the three interaction terms of *Foreign CEO* with *Firm Return on Assets*, *Country Societal Coordination*, and *Country Globalization*. We obtain empirical support for all our moderating hypotheses.

INSERT TABLE 2

Most of our results are robust to a series of sensitivity tests. For instance, we employ a fractional response model (Papke & Wooldridge, 2008) and a panel-data Tobit model with random effects to

consider the possible nonlinearity of our dependent variables. Additionally, we run a panel least squares regression with firm fixed effects and omit time invariant variables. By accounting for unobserved firm-level heterogeneity, the model helps control for the correlation between explanatory variables and omitted variables in the error term.[xvi] Results are not affected by these robustness checks. Lastly, due to data availability, some countries are over-represented in our sample. 51% of the firms in our developed country sample are from the US and 17% from the UK. To understand if this sample design affects our results we include country weights in our regressions.[xvii] All our findings hold when accounting for country weights, with the exception of the interaction term between *Foreign CEO* and *Firm Return on Assets* that becomes insignificant. As the weights reduce the importance of the US and UK in our sample, a firm's profitability seems less likely to be used as a cue by stakeholders in non-Anglo-Saxon countries for evaluating the authenticity of CSR initiatives.

We also find that CEO foreignness matters in terms of economic significance. In our baseline estimation, having a foreign CEO as opposed to a local one increases the firm's *Social Pillar Score* by 2.1 points on average. When standardizing the effect of this dichotomous variable, to make it comparable across studies, we see that the impact is not trivial in the IB context; it amounts to 10.3% of a one SD change in the *Social Pillar Score*, similar to the average economic size effect identified in the IB field (Ellis, 2010), and to even 16.5% of a one SD change in the *Institutional CSP Score*. Our effect sizes are comparable to those found (or implied) in prior research (Slater & Dixon-Fowler, 2009; Ferrell, Liang, & Rennebog, 2016). In our study, *Foreign CEO* constitutes the most important CEO-level determinant of CSP; the effect of *CEO International Assignment Experience* amounts to just 4.9% of a one SD change in the *Social Pillar Score*. The effect is also large compared to other explanatory variables; the economic effect of CEO foreignness is similar to a one SD change in *Firm Age* (or *Firm International Sales*), which leads to a 9.0% (or 6.1%) of a one SD change in the dependent variable.

DISCUSSION AND CONCLUSION

This study examines the relation between CEO foreignness and local firms' CSP. Prior literature has highlighted the legitimacy challenges faced by firms in their operations abroad (Zaheer, 1995) and

stressed that firms tend to increase the CSR activities of their foreign subsidiaries to enhance their legitimacy (e.g., Campbell et al., 2012). By focusing on foreign CEOs as nonprototypical (or outgroup) leaders of local firms, we address an aspect of internationalization that has been scantly examined, adding both to the IB and upper-echelons literature in strategy (Hambrick & Mason, 1984). We theoretically ground the CEO's LOF in the social identity perspective in general (Abrams & Hogg, 1990; Tajfel & Turner, 1986) and the social identity theory of leadership in particular (Hogg, van Knippenberg, & Rast, 2012; van Knippenberg, 2011). Since the CEO is generally seen as the firm's main representative, her individual foreignness extends to the firm she leads (Mata & Alves, 2018). Specifically, we propose that local firms may *seek* to overcome their foreign CEOs' outgroup character by having a higher CSP.

Our study also answers the call for more IB research on CSR (Kolk, 2016; Pisani et al., 2017). We link CSR research to the discussion in IB on the degree to which foreignness can be an advantage or disadvantage for a firm (Nachum, 2010; Stahl, Tung, Kostova, & Zellmer-Bruhn, 2016). By considering CEO foreignness as a liability, we provide a new conceptual understanding to nascent CSR literature that has examined board diversity and CEO international assignment experience as an asset for firms (Slater & Dixon-Fowler, 2009). Moreover, Wang et al. (2020: 4) have recently observed that "because CSR is becoming a more institutionalized corporate practice, focus has been mainly placed on the social actions themselves, while the authenticity or sincerity behind the social acts is often overlooked". In this study we discuss the extent of altruism, sincerity, or authenticity underlying a firm's CSP, noting that local firms with foreign CEOs engage to a larger degree in CSR initiatives perceived to be more authentic by local stakeholders than do local firms with local CEOs.

Finally, the research stream studying the role of the country environment in explaining CEO or upper-echelon effects is still underdeveloped (Yamak, Nielsen, & Escribá-Esteve, 2013). In this regard, we propose that the institutional configuration of the local business system and its embeddedness in global socio-economic interactions may influence the salience of the CEO's outgroup identity and thereby the relevance of CEO foreignness to a local firm's CSP. We thus contribute to a more fine-grained understanding of how the socio-economic context in which the local firm and its CEO are embedded affect CSP. This is timely and relevant especially within the ongoing public and academic debate on de-globalization (Rodrik, 2018). Our findings suggest that, like foreign

firms, local firms with foreign CEOs may have to adapt to a context of de-globalization. Following Ahlstrom et al. (2020), who observe that CSR activities may be a non-market strategy for foreign firms needing to counter firm-level LOF when exposed to de-globalization, we advance that local firms with foreign CEOs need to have a higher level of CSP when operating in a relatively less globalized context.

Our research note has limitations that provide avenues for future research. First, while we distinguished institutional and technical CSP in our analysis (Godfrey et al., 2009), it would be interesting to better understand the extent to which firms with foreign CEOs prioritize one type of stakeholder over another and, in particular, use CSR activities to distribute value between shareholders and other stakeholders (Bapuji et al., 2018). Shareholders are important to foreign CEOs since they determine the CEOs' future with their companies. If a foreign CEO served only the interests of shareholders, for example, the firm would improve CSP to the point that it facilitated the firm's business transactions and helped boost its financial returns, that is, as long as the CSR benefits outweighed its costs (Waldman et al., 2006). Substantial research has shown that CSR initiatives can lead to financial benefits (Aguinis & Glavas, 2012). A path for future research could therefore be to acquire greater insight into the relationship between foreign CEOs and their boards in CSR decision-making.

Second, we studied CEO foreignness as an antecedent of CSP. Like Husted, Montiel, & Christmann (2016) and Lamin & Livanis (2013), for example, we took LOF as a premise, grounding CEO foreignness theoretically in the social identity perspective and empirically in a rich and well-documented literature attesting the existence of intergroup bias (e.g., Hogg, 2016; Barreto & Hogg, 2017) and individual LOF (e.g., Fang, Samnani, Novicevic, & Bing, 2013; Mata & Alves, 2018). Future research could analyze the effectiveness of CSP in reducing CEO foreignness. For instance, it could examine the nuances of the liabilities of foreign CEOs prior to and following CSR engagement using a more exploratory and qualitative approach (e.g., Legrand et al., 2019) or experimental methods (e.g., Johnson, Stevenson, & Letwin, 2018). More specifically, it could be rewarding to better understand which CSR actions taken by local firms with foreign CEOs are perceived by stakeholders as altruistically motivated (or authentic) and to what degree they increase the trustworthiness of foreign CEOs. Another fruitful research avenue could be the social impact of CSR

initiatives of firms with highly visible foreign CEOs beyond the firm (Barnett, 2019; Wang et al., 2020), such as their implications for the general acceptance of foreigners by a society.

Third, we limited our study to local firms headed by foreign and local CEOs in developed countries. We disregarded foreign subsidiaries, leaving room for more research, such as comparing foreignness across various dimensions, e.g., at the company, board, and CEO level, or investigating the interplay with other CEO characteristics. By restricting our research to developed countries, we increased the internal validity of our study (Aguilera & Grøgaard, 2019), but also created an important boundary condition to our research. The business environments in emerging economies could be radically different (Arp, Hutchings, & Smith, 2013; Peng et al., 2008), with CSP playing a different role for foreign CEOs. We therefore call for future studies to examine the generalizability of our mechanisms in an emerging country context. Finally, due to data availability, the US and UK are over-represented in our sample. We accounted for this sample bias at the country level in our robustness checks. Although this limitation is unfortunately common to many studies, future research would benefit from international samples that are more balanced and less shaped by US and UK firms.

Our findings have managerial and policy implications. With the current wave of de-globalization, national borders have begun to gain in importance, affecting the level of bias (or discrimination) faced by foreign CEOs. The growing mobility of high-skilled labor and the aging of the labor force nevertheless make tapping into the global CEO pool increasingly essential to firms. In this study, we point to one mechanism through which local firms with foreign CEOs can *seek* to overcome their outgroup identity.

Table 1: Descriptive Statistics and Correlations

		Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
(1)	Social Pillar Score	0.593	0.199	1																									
(2)	Institutional CSP Score	0.604	0.206	0.763	1																								
(3)	Technical CSP Score	0.577	0.225	0.909	0.546	1																							
(4)	Foreign CEO	0.117	0.322	0.119	0.104	0.112	1																						
(5)	Firm Size	22.796	1.336	0.465	0.461	0.384	0.040	1																					
(6)	Firm Age	3.758	0.896	0.130	0.106	0.110	0.022	0.075	1																				
(7)	Firm Liquidity	1.176	0.706	-0.102	-0.055	-0.113	-0.001	-0.196	-0.111	1																			
(8)	Firm Leverage	0.262	0.147	-0.054	-0.023	-0.046	-0.067	0.141	-0.068	-0.202	1																		
(9)	Firm Return on Assets	0.056	0.062	0.091	0.053	0.079	0.038	-0.098	0.007	0.164	-0.288	1																	
(10)	Firm R&D Intensity	0.024	0.049	0.075	0.076	0.036	0.092	0.011	-0.079	0.393	-0.186	0.101	1																
(11)	Firm Industry Diversification	0.290	0.261	0.108	0.100	0.100	0.047	0.192	0.121	-0.083	-0.012	-0.052	-0.073	1															
(12)	Firm International Sales	-1.478	1.521	0.195	0.167	0.191	0.203	0.029	0.092	0.155	-0.180	0.083	0.277	0.205	1														
(13)	Industry Concentration	-3.749	0.788	0.073	0.036	0.038	0.014	0.136	0.003	0.036	-0.001	0.024	0.136	0.011	-0.040	1													
(14)	Country Economic Freedom	7.894	0.321	-0.185	-0.158	-0.192	0.084	-0.190	-0.063	0.044	-0.074	0.109	0.020	-0.045	-0.141	0.022	1												
(15)	Country GDP p.c.	10.750	0.170	-0.091	0.008	-0.127	0.103	-0.076	-0.052	0.150	-0.100	0.126	0.083	-0.045	-0.018	0.059	0.289	1											
(16)	Country Societal Coordination	0.228	0.324	0.203	0.091	0.240	0.083	0.143	0.094	-0.124	-0.029	-0.076	0.006	0.168	0.333	-0.033	-0.585	-0.172	1										
(17)	Country Globalization	82.882	3.815	0.131	-0.032	0.186	0.233	-0.170	0.117	-0.158	-0.088	0.012	-0.028	0.100	0.289	-0.079	-0.106	-0.079	0.537	1									
(18)	CEO Age	55.961	6.659	-0.017	0.031	-0.028	-0.088	0.198	-0.004	-0.009	0.023	-0.019	-0.045	0.042	-0.058	0.073	-0.099	-0.019	-0.089	-0.297	1								
(19)	Female CEO	0.024	0.154	0.027	0.023	0.027	0.045	-0.007	0.010	0.045	0.010	0.011	-0.009	0.024	-0.002	0.063	-0.007	0.016	-0.023	-0.002	-0.064	1							
(20)	CEO Tenure	1.802	0.748	-0.092	-0.060	-0.076	-0.132	-0.050	0.005	0.056	-0.021	0.049	-0.012	-0.040	-0.075	-0.032	-0.042	0.013	-0.096	-0.124	0.378	-0.038	1						
(21)	CEO Academic Background	0.278	0.448	0.078	0.066	0.050	0.029	0.095	0.029	0.040	0.006	0.068	0.102	0.036	0.040	0.060	0.101	0.053	-0.091	-0.130	0.041	0.003	0.003	1					
(22)	CEO International Assignment Experience	0.196	0.397	0.130	0.060	0.142	0.019	0.117	0.015	-0.092	0.024	-0.051	-0.031	0.064	0.150	0.032	-0.147	-0.109	0.268	0.229	-0.044	-0.002	-0.072	-0.002	1				
(23)	CEO-Chairman Separation	0.498	0.500	0.041	0.081	0.026	-0.107	0.206	-0.014	-0.015	0.006	-0.010	-0.001	0.018	-0.003	0.003	-0.090	0.138	0.077	-0.235	0.176	-0.086	0.165	0.057	-0.027	1			
(24)	Board Independence	0.816	0.131	0.090	0.195	0.038	-0.022	0.246	-0.052	0.061	0.056	-0.024	0.074	0.022	0.026	0.059	-0.158	0.310	-0.002	-0.347	0.108	-0.028	-0.062	0.075	0.025	0.323	1		
(25)	Board Share of Women	0.137	0.101	0.208	0.216	0.164	-0.061	0.157	0.035	-0.061	0.011	0.019	-0.008	-0.012	-0.046	0.054	-0.113	0.168	-0.029	-0.077	0.063	0.020	0.037	0.055	0.028	0.129	0.285	1	
(26)	Board Share of Foreigners	0.141	0.183	0.216	0.177	0.216	0.377	0.113	0.027	-0.029	-0.078	0.045	0.093	0.130	0.367	-0.024	-0.010	0.115	0.293	0.435	-0.090	0.066	-0.068	-0.003	0.218	-0.061	0.013	0.011	1

Table 2: Empirical Results

VARIABLES	Model 1 (Social Pillar Score)	Model 2 (Social Pillar Score)	Model 3 (Institutional CSP Score)	Model 4 (Technical CSP Score)	Model 5 (Social Pillar Score)	Model 6 (Social Pillar Score)	Model 7 (Social Pillar Score)
Foreign CEO		0.021	0.034	0.018	0.031	0.523	0.518
		(0.003)	(0.000)	(0.026)	(0.000)	(0.001)	(0.001)
Foreign CEO * Firm Return on Assets					-0.167		-0.144
					(0.018)		(0.043)
Foreign CEO * Country Societal Coordination						0.066	0.061
						(0.003)	(0.007)
Foreign CEO * Country Globalization						-0.006	-0.006
						(0.001)	(0.001)
Firm Size	0.053	0.052	0.055	0.051	0.052	0.052	0.053
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Firm Age	0.019	0.020	0.017	0.018	0.019	0.019	0.019
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Firm Liquidity	0.001	0.001	-0.003	0.000	0.001	0.001	0.001
	(0.785)	(0.754)	(0.409)	(0.967)	(0.784)	(0.673)	(0.705)
Firm Leverage	-0.068	-0.069	-0.048	-0.060	-0.070	-0.070	-0.071
	(0.000)	(0.000)	(0.010)	(0.004)	(0.000)	(0.000)	(0.000)
Firm Return on Assets	0.151	0.151	0.072	0.161	0.175	0.152	0.173
	(0.000)	(0.000)	(0.017)	(0.000)	(0.000)	(0.000)	(0.000)
Firm R&D Intensity	0.071	0.068	0.077	-0.058	0.066	0.068	0.067
	(0.380)	(0.405)	(0.378)	(0.546)	(0.420)	(0.402)	(0.412)
Firm Industry Diversification	-0.006	-0.006	0.001	-0.005	-0.006	-0.006	-0.006
	(0.541)	(0.522)	(0.926)	(0.624)	(0.513)	(0.518)	(0.510)
Firm International Sales	0.008	0.008	0.011	0.008	0.008	0.008	0.008
	(0.001)	(0.001)	(0.000)	(0.008)	(0.001)	(0.001)	(0.001)
Industry Concentration	0.021	0.022	0.016	0.011	0.022	0.022	0.022
	(0.000)	(0.000)	(0.001)	(0.041)	(0.000)	(0.000)	(0.000)
Country Economic Freedom	-0.047	-0.049	-0.012	-0.049	-0.050	-0.052	-0.053
	(0.001)	(0.001)	(0.412)	(0.004)	(0.000)	(0.000)	(0.000)
Country GDP p.c.	-0.020	-0.023	0.019	-0.035	-0.022	-0.021	-0.021
	(0.321)	(0.257)	(0.381)	(0.141)	(0.274)	(0.284)	(0.303)
Country Societal Coordination	-0.051	-0.048	0.038	-0.092	-0.050	-0.063	-0.064
	(0.093)	(0.121)	(0.244)	(0.011)	(0.105)	(0.042)	(0.039)
Country Globalization	0.011	0.011	0.011	0.007	0.011	0.013	0.013
	(0.000)	(0.000)	(0.000)	(0.040)	(0.000)	(0.000)	(0.000)
CEO Age	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001	-0.001
	(0.014)	(0.013)	(0.007)	(0.230)	(0.012)	(0.015)	(0.013)
Female CEO	0.004	0.003	-0.009	-0.008	0.002	0.004	0.003
	(0.765)	(0.811)	(0.576)	(0.645)	(0.864)	(0.786)	(0.832)
CEO Tenure	-0.001	-0.000	0.001	0.002	-0.000	-0.000	-0.000
	(0.697)	(0.923)	(0.650)	(0.634)	(0.937)	(0.897)	(0.913)
CEO Academic Background	0.006	0.006	-0.012	0.008	0.007	0.008	0.009
	(0.237)	(0.251)	(0.028)	(0.203)	(0.206)	(0.114)	(0.099)
CEO International Assignment Experience	0.008	0.010	0.002	0.011	0.010	0.010	0.010
	(0.124)	(0.076)	(0.726)	(0.094)	(0.070)	(0.060)	(0.058)
CEO-Chairman Separation	0.004	0.005	0.008	0.004	0.005	0.006	0.005

	(0.350)	(0.306)	(0.123)	(0.509)	(0.309)	(0.234)	(0.239)
Board Independence	0.052	0.049	0.011	0.084	0.050	0.051	0.052
	(0.025)	(0.034)	(0.645)	(0.002)	(0.032)	(0.027)	(0.026)
Board Share of Women	0.076	0.077	0.098	0.050	0.078	0.076	0.078
	(0.001)	(0.001)	(0.000)	(0.062)	(0.000)	(0.001)	(0.000)
Board Share of Foreigners	0.056	0.053	0.087	0.036	0.053	0.054	0.054
	(0.000)	(0.001)	(0.000)	(0.051)	(0.001)	(0.001)	(0.001)
Constant	-0.961	-0.915	-1.792	-0.422	-0.926	-1.013	-1.023
	(0.007)	(0.010)	(0.000)	(0.320)	(0.009)	(0.005)	(0.004)
Observations	7,262	7,262	7,262	7,262	7,262	7,262	7,262
Number of firms	1,001	1,001	1,001	1,001	1,001	1,001	1,001
R-squared	0.339	0.338	0.300	0.280	0.338	0.340	0.339

P-values in parentheses. All models include 12 year, 4 region, and 7 industry indicator variables.

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[i] Evaluators judge the legitimacy and reputation of a firm based on similar criteria, but whereas legitimacy captures the judgement concerning the social acceptance of a firm, reputation allows for comparisons among firms (Bitektine, 2011). Legitimacy and reputation increase the trust of stakeholders (Bitektine, 2011): "Audiences perceive the legitimate organization not only as more worthy, but also as more meaningful, more predictable, and more *trust*worthy" (Suchman, 1995: 575).

Mayer et al. (1995: 712) define trust as the "willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party".

[ii] Benevolence relates to the "extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive"; integrity refers to the "trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable" (Mayer et al., 1995: 718-719).

[iii] Van Knippenberg (2011: 1079) explains that "the social identity approach outlines how social groups are mentally represented as group prototypes, fuzzy sets of characteristics that capture the characteristics that define the group […]. Group prototypes capture what is group-defining and in that sense represent the ideal-type of the group more than the group average".

[iv] Both local and foreign CEOs must align their actions with shareholders' interests because shareholders determine their future in the company. But foreign CEOs could be perceived as more likely than local CEOs to take decisions that could increase shareholders' wealth to the detriment of (other) local stakeholders. Being born outside the firm's home country, foreign CEOs may be seen as being less loyal and less attached to the local community. We thank an anonymous reviewer for bringing this to our attention.

[v] For instance, in a press article Thérin (2011: 38) describes the experiences of Alain Caparos, then French CEO of Rewe, one of the largest German hypermarket chains, as "[a]n arrival not always very well accepted by the employees". He quotes Alain Caparos: "The media looked for old nasty stories about me and old photos. We were forced to strengthen the security in our headquarters, install equipment to prevent eavesdropping".

[vi] As with many emerging research streams, research on "authentic" CSR is still fragmented and lacks clear terminology. Following this literature, we will indiscriminately use the terms "authentic", "sincere", "genuine", or, "altruistic".

[vii] The distinction between institutional and technical CSR has already been empirically validated in various contexts. Institutional CSR has been found, for example, to be more likely than technical CSR to lead to the awarding of government contracts (Flammer, 2018) and to protect shareholder value in the case of a negative event (Godfrey et al., 2009). See also e.g., Chang, Kim, and Li (2014), Du et al. (2013), Francis, Harper, and Kumar (2016), and Hannah et al. (2020).

[viii] In an experimental setting, Tarabashkina, Quester, and Tarabashkina (2020) find support for a link between the percentage of annual profit allocated to CSR expenditures and CSR authenticity.

[ix] We do not consider the level of societal coordination or globalization of the firm's home country as a direct measure of intergroup bias. We merely assert that the socio-economic environment as characterized by the level of societal coordination or globalization may exacerbate or alleviate the salience of CEO foreignness. We thank an anonymous reviewer for bringing up this point.

[x] The database is based on objective information. It provides separate measures of the environmental, governance, and social pillars of a firm's ESG engagement. Each pillar has several components. Note that Thomson Reuters Corp's Financial and Risk unit was recently renamed Refinitiv.

[xi] Hall and Gingerich (2004) extract the societal coordination score from a factor analysis of six indicators. These indicators account for the corporate governance and labor relations regime in a country, namely shareholder power, the dispersion of firm control, the size of the stock market, labour turnover, the level of wage coordination, and the degree of wage coordination. See Hall and Gingerich (2004) for further details and data sources. The factor analysis provides a single factor, which is highly correlated with each of these six indicators (eigenvalue of 3.12). This single factor is then standardized, to vary between 0 and 1. This indicator has very often been used to distinguish business systems or varieties of capitalism, capturing the different forms of coordination (or of collaboration with stakeholders) in developed countries. Our findings hold when using alternative data for the variable *Country Societal Coordination* (Witt & Jackson, 2016) or when replacing the factor with a dummy variable for coordinated market economies with different cut-off points (mean, median, or 0.5).

[xii] We use ORBIS from Bureau Van Dijk to identify local firms and exclude foreign-owned companies from our sample.

[xiii] The sample distribution of firms across countries is the following (the first number in the parenthesis indicates the number of firms; the second number refers to the share in percentage): Australia (15; 1.50%); Austria (3; 0.30%); Belgium (9; 0.90%); Canada (49; 4.90%); Denmark (12;

1.20%); Finland (15; 1.50%); France (55; 5.49%); Germany (39; 3.90%); Italy (15; 1.50%); Japan (20; 2.00%); Netherlands (17; 1.70%); Norway (10; 1.00%); Portugal (3; 0.30%); Spain (15; 1.50%); Sweden (18; 1.80%); Switzerland (29; 2.90%); UK (166; 16.58%); US (511; 51.05%). We did not include other developed countries (as classified by the FTSE or MSCI in 2003) in our sample because of missing data. Besides, our industry distribution is as follows (the first number in the parenthesis indicates the number of firms; the second number refers to the share in percentage): Energy (79; 7.89%); Basic Materials (117; 11.69%); Industrials (224; 22.38%); Cyclical Consumer Goods & Services (216; 21.58%); Non-Cyclical Consumer Goods & Services (86; 8.59%); Healthcare (80; 7.99%); Technology (102; 10.19%); Telecommunications Services & Utilities (97; 9.69%). We exclude the financial industry from our sample due to different operational and financial fundamentals.

[xiv] In our study, the Hausman test shows that it is very likely that the errors are correlated with the regressors and, therefore, suggests the adoption of a panel model with fixed effects. Nevertheless, the Hausman test is neither necessary nor sufficient to choose between the random vs. fixed effect panel models (Clark & Linzer, 2015: 5): "[A] biased (random-effects) estimator can be preferable to an unbiased (fixed-effects) estimator if the former provides sufficient variance reduction over the latter". For cases like ours, Clark and Linzer (2015) suggest a random effects model. We carry out a fixed effects panel model as a robustness check.

[xv] Conceptually, the direct relation between the level of societal coordination or economic freedom in a country and a firm's CSP is ambiguous: Firms may engage in CSR to substitute for missing institutionalized forms of coordination or to mirror the existing set of institutions. Similarly, economic freedom could encourage firms to have a higher level of CSP to differentiate themselves on the market, but could also dissuade them from engaging in CSR activities to keep costs low. Our negative and often statistically significant effect of *Country Societal Coordination* and *Country Economic Freedom* on the *Social Pillar Score* is aligned with the findings of Jackson and Apostolakou (2010) and Ioannou and Serafeim (2012), for example.

[xvi] Additionally, we address potential endogeneity concerns in different ways. To alleviate potential omitted variable bias related to other time varying corporate governance features not controlled for in the base model, we replace all our board level variables with a more general *Corporate Governance Score* (source: Thomson Reuters ESG data). We also replace region dummies with country dummies. Finally, we implement a treatment effect model, where the first stage of the model explicitly accounts for the selection of the foreign CEO.

[xvii] To obtain country weights, we compute the share of observations of a country *i* in our estimation sample, divide it by the share of country *i*'s GDP in worldwide GDP (source: World Bank), and then invert this ratio. The findings are consistent when we use market capitalization (source: World Bank) instead of GDP as the reference category. We are grateful to an anonymous reviewer for bringing this sampling concern to our attention.