The relationship between firm's internationalization and CSR Disclosure in the Russian context

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ABSTRACT

The paper aims to explore the relationships between internationalization and CSR disclosure in Russian firms. The base-line argument of the paper is on the premise that internationalization positively affects CSR reporting as such practices are expected to improve the legitimacy of emerging market firms abroad. The paper focuses on the role of state ownership as a boundary condition to the relationship between internationalization and CSR disclosure. The paper examines also the moderating effect of CIS/rest of the world international focus. We test our hypotheses on panel data on 223 large Russian firms for the period 2012-2017, collected from non-financial stand-alone company reports and supplemented by financial and organization data.

INTRODUCTION

Corporate social responsibility (CSR) initiatives, or “practices and outcomes of business’ relationships with people, organizations, institutions, communities, societies, and the earth, in terms of deliberate actions of businesses toward these stakeholders” (Wood, 2016: 1), have become a mainstream in business practice. Specifically, KPMG (2013) finds that 51 % of reporting companies worldwide include information on corporate responsibility and sustainability in their annual financial reports (compared to 20 % in 2011 and 9 % in 2008). Firms from emerging markets (EM) have also implemented CSR practices. For example, CSR reports in China increased from 35 in 2006 to 582 in 2009 while CSR reporting in Russia increased from 50 in 2006 to 193 in 2009 (Zhao, 2012). Although extensive research has already been conducted on CSR of multinational enterprises (MNEs) (Miska, Witt & Stahl, 2016), less is known about CSR of emerging market MNEs (EMNEs) likely due to the difficulty of establishing what factors influence firms in emerging economies to behave in socially responsible manner (Li et al., 2010).

Previous research on CSR in emerging markets is predominantly focused on Chinese firms (e.g. Miska et al., 2016; Ma et al., 2016; Marquis & Qian, 2014; Latteman et al., 2009) while research on Russian firms is largely insufficient (Kuznetsov et al., 2009; Preuss, Barkemeyer, 2011). However, a focus on Russian CSR reporting practices is likely to provide new insights due to the specificity of Russian firms’ internationalization and institutional context. Thus, Russian companies started to internationalize relatively late, some of them still experience a lack of advanced managerial practices, suffer from liabilities of foreignness and a liability of origin effects. To counter a rather negative international image, Russian MNEs may invest in CSR for strategic reasons such as signaling overall quality, trust, reliability, improving the company's image or creating an "insurance policy" for protection against potential threats from foreign government or other stakeholders (Doh et al., 2015). However, recently the Russian government has attempted to incorporate CSR into a public—private partnership legislation, which covers wide social areas such as health, education, housing and culture . Thus, Russian firms may also use CSR reporting as a way to manage the state relationship by building a political capital at home (Zhao, 2012).

We draw on institutional theory and legitimacy considerations (DiMaggio & Powell, 1983; Kostova & Zaheer, 1999) to identify factors that we expect affect the CSR reporting by Russian MNEs. First, we develop our base-line argument on the premise that internationalization positively affects CSR reporting as such practices are expected to improve the legitimacy of Russian firms abroad. Second, we focus on the role of state ownership as the first boundary condition to the relationship between internationalization and CSR disclosure. The focus on state ownership is in line with previous research (Dikova et al., 2019) demonstrating that this is the type of superior (monopolistic) advantage available to Russian internationalizing firms which enjoy preferential political access. Moreover, considering the relatively young internationalization age of Russian firms, and the importance of their home market, we stipulate that engaging in CSR-political legitimacy strategy could allow them to mobilize state resources

(Zhao, 2012), which is likely to positively affect the relationship between internationalization and CSR disclosure. However, the internationalization focus of Russian firms, i.e. the CIS region vs Western economies, would likely create different external legitimacy pressures. Therefore, we examine the second moderating effect of CIS/rest of the world international focus. We test our hypotheses on panel data on 223 large Russian firms for the period 2012-2017, collected from non-financial stand-alone company reports and supplemented by financial and organization data.

THEORY AND HYPOTHESES DEVELOPMENT

Corporate social responsibility (CSR) can be defined as the responsibility of the companies towards social well-being, which is obtained through introduction of the initiatives with a scope that lies beyond economic strategy of these firms (Greening & Turban, 2000; Turker, 2009). It is estimated that CSR practices positively affect organizational commitment of employees within the company as well as help to attract high-qualified personnel. According to Santhosh and Baral (2015), CSR practices undertaken by a company can bring benefits not only to employees, but also to its customers and shareholders. Furthermore, introduction of proper CSR communication leads to maximized returns for businesses (Du et al., 2010). Russian corporations that implement and communicate CSR practices tend to have more positive image as opposed to other companies that do not initiate CSR development as business partners and customers trust companies involved in CSR more. Nonetheless, the degree of CSR implementation in Russia among both public and private companies remains rather low due to historical and economic factors.

Even though CSR has become a mainstream behavior and a part of strategic orientation of companies in many countries, for Russian companies it is still underdeveloped (Fifka, Pobizhan, 2014; Li et al., 2010). Status quo of CSR in Russia is much determined by its historical path (Bashtovaya, 2014; Filippov, 2012; Polishchuk, 2009; Kuznetsov et al., 2009; Soboleva, 2006). In Soviet time the social sphere in the country was totally controlled by the State. State-owned enterprises created and sustained some facilities for their workers, such as medical centers, recreation centers, schools, etc. “This ‘social obligation’ was an intrinsic feature of the Soviet command economy and one with which Soviet managers (administrators) had to comply” (Filippov, 2012, p. 335).

In transition period to market economy Russian business started to be much obliged by the government to take responsibility for social and ecological risks in the regions of their operations. Such “license for operations” allowed companies to get protection in terms of property rights and to get legitimacy in society during sometimes vulnerable privatization process (Filippov, 2012; Polischuk, 2009; Kuznetsov et al., 2009; Soboleva, 2006). Till now the state is the main driver for CSR development in Russia (Polishchuk, 2009; Zhao, 2012), it is not only the main stakeholder for the companies in CSR policy, but very often takes a role of the main decision maker and customer. More than 60% of the companies consider their investments as partial substitution of government’s obligations in social sphere and place expenses for CSR as enforced (Blagov, 2014).

Over the last decades Russian companies have much developed their CSR practices being guided by the best international practices and standards. Many large Russian companies today demonstrate very advanced approaches to CSR, incorporating their CSR practices and programs into corporate strategies with the long-term perspective approach – 85,7 % of companies build up their CSR programs in accordance with corporate strategy (Blagov, 2014), but the overall number of the companies which disclose nonfinancial information is still rather low. Mainly

Russian companies which started to be involved in international operations became to spend resources for CSR initiatives, as CSR is accepted in many countries especially developed as form of legitimization, way of building strong reputation and regaining trust (Tashman et al., 2018; Pant and Ramachandran, 2017; Marano et al., 2017; Fifka, Pobizhan, 2014; Filippov, 2012). Moreover, credit rating agencies consider CSR performance as an important criterion for company's evaluation (Cheng et al., 2014; Attig et al., 2013). As in Russia there are no legal requirements and obligations for the companies to disclose CSR information (only in July 2019 the bill prepared by the Ministry of Economic Development on non-financial reporting started to be debated by the government), the main motivation for the companies is getting the "license for operations" within the country (it is relevant especially for companies that are large local employers/tax-payers in the cities) or in global arena where host countries' requirements and expectations force companies to adopt high standards of doing business.

Russian companies are not restricted in terms of CSR disclosure, so they can use any standards and formats, and such information is usually voluntary published by the company in annual reports or non-financial reports. The categories that Russian companies disclose in their annual or non-financial reports are rather similar to those that are used in world practice.

Internationalization of EM companies and CSR

The research strongly supports the idea that internationalization tends to influence CSR practices of companies, yet there are dissimilarities between companies from developed and emerging economies. According to Symeou et al. (2018), internationalization positively affects corporate social performance (CSP) of extractive industry companies from both developed and developing countries. Moreover, while it impacts both social and environmental aspects of CSP, the effect of international expansion on social performance is more pronounced. However, in developed countries internationalization tends to impact environmental performance of companies more than it does in developing countries. Attig et al. (2016) examined the impact of internationalization on corporate social responsibility and found that CSR is significantly positively affected by internationalization: CSR dimensions that are discretionary in nature (are not set by any governmental authority) are affected the most. Also, these findings are generally valid for large companies that possess a lot of resources.

In different developing countries the effect of internalization on CSR is likely to be heterogeneous due to various economic, social and cultural factors. Ma et al. (2016) examined the impact of international diversification on corporate social responsibility in emerging economies based on a sample of Chinese companies. The analysis showed that while internationalization is positively related to CSR score of Chinese companies, geographic diversification makes this relationship weaker, while project diversification has a positive direct impact on CSR. Previously, Ioannou and Serafeim (2012) concluded that political systems, labor environment, cultural and education systems are the most important areas of work for government institutions that impact CSP. Surprisingly, financial environment within country did not have a significant influence. Therefore, this research supports the idea that the relationship between CSR and internationalization is context-specific. While China and Russia are both considered to be emerging economies, they are not similar in terms of their culture, policies, labor and education systems. Thus, relations between internationalization and CSR in Russia may dramatically differ from the ones that persist in Chinese market.

As companies from developing countries start to operate abroad, they may find it difficult to design CSR strategies and to follow local standards, thus, they enhance their CSR reporting. According to Marano and Kostova (2016), it can be challenging for multinationals from emerging markets to follow home-country regulations as well as to adapt to the pressure from foreign markets. Particularly, it is hard for these companies to develop CSR practices if they are mostly dependent economically on a certain country; and it is more common to enhance CSR practices if companies operate in countries where majority of competitors and partners follow high social well-being standards. Moreover, the study of Marano et al. (2017) examines the relations between institutional voids and implementation of CSR activities for MNEs that come from developing countries. Due to strict regulations of authorities and inability to develop within a home-market, companies internationalize and align their CSR strategy to blend into new developed markets. Also, companies start to report CSR in order to overcome negative perceptions about validity of their actions. Businesses from developed countries tend to question legitimacy of their partners from emerging markets. All in all, EM MNEs are likely to enhance their CSR reporting standards to be perceived trustworthy and legitimate by actors of foreign markets.

The scope of literature on CSR-related practices in Russian MNEs is limited. The study of Shevchenko (2014) suggests that CSR level remains low both for listed Russian companies and for state-owned enterprises. The author claims that this factor is an obstacle that constrains companies and does not allow them to build solid relations with consumers, media, environmental activists and local and international business partners. Nonetheless, the recent survey of KPMG (2017) suggests that reporting rate of CSR in Russia improved from 66% in 2015 to 73% in 2017 which is a bit higher than the global average of 72%. Many large Russian companies internationalize to develop new markets, get access to resources, exploit economies of scale and acquire new technologies (Dura, Driga, 2013). As newcomers in international markets, Russian companies tend to have access to technologies developed in markets through their international partners, by learning from them and leveraging resources and skills. According to Li et al. (2010), in emerging markets, like Brazil, Russia, India and China, CSR is disclosed and communicated more by large enterprises in manufacturing sectors of economies. Also, these companies are likely to have a high proportion of outside board directors. Thus, country-specific factors are the most important drivers of CSR communication in emerging markets, while industry-specific and firm-specific factors have a less significant effect on CSR. Therefore, it is reasonable to suggest that when businesses from developing countries internationalize, their CSR activities are positively impacted by internationalization.

Internationalization and CSR disclosure in Russian companies

EMNES face challenges in their internationalization due to their home-country image. For instance, Dikova et al. (2019) suggest that M&A deals initiated by Russian firms in host countries displaying politically hostile attitude towards Russia, may be viewed as a threat because of perceived likely intervention by the Russian State. Thus, foreign stakeholders may engage in “adverse institutional attribution” (Ramachandran, Pant, 2010: 247) when assessing the legitimacy of Russian firms either because of perceived corruption and lack of transparency affecting the CSR reporting in Russia. In turn, the perception of the products and services of Russian firms may be of lower than the actual quality. The negative perception of global stakeholders creates challenges for Russian internationalized firms in establishing and maintaining legitimacy in foreign markets. For EMNEs in general, legitimacy represents their ability to meet social expectations of shareholders, customers, governments and public interest groups across different geographic locations (Kostova & Zaheer, 1999). According to Marano et al. (2017) meeting those expectations creates reputational capital which is essential for breaking down country stereotypes and prejudices.

CSR disclosure can be considered as a mechanism that helps companies to become legitimate in host markets as they internationalize (Marano et al., 2017). MNEs tend to take into account expectations of foreign communities, customers, legislative institutions and adjust their actions accordingly (Detomasi, 2007). As companies tend to align their actions with regard to expectations of foreign investors and business partners, they strategically invest into CSR-related activities (Kacperczyk, 2009). MNEs disclose more information about CSR activities and invest heavily in them in order to avoid further communication problems with foreign stakeholders (Zahra et al., 2000). In this sense, corporate governance structure, composition, ownership are highly important for understanding companies' behavior seeking for legitimacy through CSR disclosure. In order to get legitimacy and build up trust and reputation at the global arena companies from emerging countries also actively use disclosure of information about CSR

(Ioannou and Serafeim, 2012; Doh et al., 2016; Marano et al., 2017). Based on this discussion, we propose our first hypothesis:

H1: Internationalization of Russian companies is positively related to their CSR disclosure.

Research on EMNEs has highlighted the key role of home-country governments in directing and supporting the activities of firms (Buckley et al.,2007; Yamakawa et al., 2008). For example, government support can compensate for the lack of firm-specific advantages (Cui, Jiang, 2012: 267). Russian state-owned firms enjoy superior and monopolistic advantages, in addition to preferential political access (Lundan, 2010). When making strategic decisions, managers of state-owned firms may consider the possibility that further support, either formal or informal, will be available in the future (Dikova et al., 2019). Firms with higher level of state ownership have access to government funding and can often borrow money on better terms in the open markets (Garcia-Canal, Guillen,2008). However, all these benefits come at the price of supporting the political agenda of the state.

Russian firms operate in a political context where “the state has extensive interference in the economic life and the level of uncertainty in the implementation and the enforcement of laws is comparatively high” (Zhao, 2012: XX). Russian firms often have to secure their economic survival by accessing state resources. Thus, investing in political legitimacy at home can be seen as a way of reducing uncertainty and increasing chances of survival. CSR-based political legitimacy strategy is the “strategic action that a company takes to build, maintain or enhance the appropriateness and desirability perceived by the state through social-environmental activities based on which the company expects to access various forms of state resources" (Zhao, 2012: XX).

H2: State-ownership positively moderates the relationship between internationalization of Russian companies and their CSR disclosure.

The specificity of Russian institutional context has determined a particular geographical focus of internationalization of many Russian companies, in particular, their preference for internationalization to the neighboring markets of the CIS (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan), and Eastern European countries. To some extent such a focus might be explained by the still existing reliable partnerships with local companies initiated much earlier in the Soviet period. Moreover, the markets are less attractive for western investors in comparison with other European markets and, thus, the level of competition is relatively low (Filippov, 2010). Moreover, these countries are characterized not only by geographic proximity, but also common history, culture and language, the factors that make host institutional environment quite familiar for Russian companies. Thus, we propose that:

H3: State-ownership positively moderates the relationship between internationalization of Russian companies and their CSR disclosure in non-CIS locations.

DATA, MEASURES, AND METHOD

Sample and data

Our sample consists of 223 public companies listed on Moscow Stock Exchange for the period 2012-2017 indicated as "active" according to Datastream database.

We collect our data from several main data sources. All financial data was obtained from Datastream. We supplement this data by hand-collected information on the share of foreign sales in total sales and state ownership of Russian companies from two leading Russian informational resources - SKRIN and SPARK databases, as well as companies' official websites when information was missing from those databases. Information was extracted from quarterly reports to the regulator.

The sample covers a variety of sectors based on the Russian classification of economic activity codes – OKVED. The sample companies belong to the following industries: agriculture (5), business services (15), electric utilities (56), manufacturing industries (69), mining and oil industries (17), real estate (6), retail (17), telecommunications (14), transportation (13), and other (11). The sample does not include financial institutions and insurance companies. The final data set comprises a total of 1332 firm-year observations.

We test our models for the whole sample of 223 companies as well as for two subsamples that are created based on the information regarding existence of foreign sales to the countries belonging to the Commonwealth of Independent States (CIS) formed following the dissolution of the Soviet Union. The CIS subsample includes the Russian companies exporting to Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Armenia, Moldova, Tajikistan, Uzbekistan, Turkmenistan, Ukraine and the non-CIS subsample includes Russian companies that export to non-CIS countries.

Variables and Measures

Dependent variable

There are different approaches to measuring CSR disclosure. Some authors use content analysis and calculate an index of CSR Disclosure (e.g. Wiseman, 1982; Anas et al., 2015; Haniffa and Cooke, 2005) while some others use open CSR ratings (Lau et al., 2016; McGuinness et al., 2017).

As no ratings exist for Russian companies, we have adopted an approach to CSR index construction introduced in Wiseman (1982) and later on applied, for example, in Al-Tuwaijri et al. (2004), Anas et al. (2015) and Haniffa and Cooke (2005). As a start point we decided to follow the approach to CSR index calculation introduced by Anas et al. (2015).

In order to capture some features that would better reflect a unique Russian setting, we made some changes to the index and increased the amount of CSR items from 17 to 22. The changes made to CSR index applied by Anas et al. (2015) can be explained by the following reasons. Since a breakup of the former Soviet Union, some steps were made in Russia to introduce elements of a market economy. At the same time due to a deep dependency of the economy on natural resources, hyperinflation, an increase in poverty and unemployment, many citizens started to face insecurity and uncertainty in their daily life (Abbot, Sapsford, 2006). Unfortunately, Russian economy is characterized by a lack of support of retired people and disabled children (Dowling, 2005) as well as insufficient financing for building kindergartens and schools (Bray, Borevskaya, 2001). At the same time the lack of infrastructure investment over the last 10 to 20 years has dropped Russia to 93rd globally in quality of overall infrastructure in The Global Competitiveness Report 2013–2014 prepared by the World Economic Forum.

All in all, a stream of academic literature provides a wide support that on emerging markets big companies can bride institutional weaknesses and voids by providing infrastructure, education or healthcare services and/or better environmental and labour practices. This helps companies to be more ethical directly and indirectly providing wider benefits to others in the host regions (see review by Kolk, 2016) that is later on disclosed in annual reports.

These specifics of the Russian market led to the following changes in the CSR index.

In the part “Community” the element “Supporting children” was divided into “Supporting children from communities”, “Supporting employees’ children”, and “Supporting of disabled children”. Due to high involvement of Russian companies in infrastructural projects described above, we also added an item “Contribution to infrastructure”.

The element “Supporting of retired workers” was also added to the CSR index (within “Workplace”) because Russian companies frequently reflect how they support their retired employees due to low retirement benefits elderly people receive from the government.

The last change we did to CSR index in comparison to (Anas et al., 2015) is related to “Corporate Governance” item that we split into two separate sections – compulsory and voluntary part.

According to chapter 70 of Regulations on Information Disclosure for Issuers of Securities “Corporate governance” Russian public companies need to disclose information about the following items that we categorize as compulsory part:

- Board directors, short information about their bibliography, proportion of ownership in a company;
- Executive directors¸ short information about their bibliography, proportion of ownership in a company;
- Compensation of board member.

Voluntarily Russian publicly listed companies provide information about board meetings and board members who participated there, which decisions were taken and also information regarding different CG Committees and decisions made.

Finally, we measure CSR disclosure index from “0” to “3”, based on how deeply different aspects of CSR are disclosed in an annual report. We argue that including a quality measure “might reveal new insights that may otherwise have gone unnoticed” (Dumay, Cai, 2015, p. 139). In line with Wiseman (1982), a score of “1” was given if some inconcrete information on CSR was disclosed by the company; “2” for more qualitative information but without supporting financial figures; “3” for maximum disclosure supported by financial data; and, “0” for no information on CSR items.

Overall, we have 5 items in CSR disclosure index: disclosure regarding environment consisting of 4 items (variable environment), disclosure regarding community consisting of 8 items (variable community), disclosure regarding workplace consisting of 5 items (variable workplace) and disclosure regarding marketplace consisting of 5 items (variable marketplace). The full CSR disclosure index includes 22 items.

We have decided to collect information on CSR disclosure from annual reports due to the following reasons. Unerman (2000) points out, “a limit must be set to the range of documents included in any research study… [due to the risk of] a researcher being overwhelmed by the number of documents… [and of not being] possible to ensure completeness of data” (p. 671). Further, it is almost impossible to identify all corporate communications that could possibly contain CSR information (Guthrie et al., 2008) and it thus seems similarly impossible to identify all the CSR activities of the examined organizations. It, therefore, seems justifiable for studies to employ annual reports as the sampling unit as it should contain the bulk of the disclosed CSR information and it “can be accepted as an appropriate source of a company’s attitudes towards social reporting” (Campbell, 2000, pp. 84–85). It was also argued that annual reports are the single most important source of information on corporate activities (Adams et al., 1998). Further, from an accounting perspective, explanations are most frequently being sought for voluntary CSR disclosure in the annual reports (Savage et al., 2000).

The CSR data collection was an iterative process run by the authors of this paper. First, a pilot test was conducted on ten randomly selected companies, using the original CSR index approach provided by Anas et al. (2015). Individually, two of the authors carefully read the annual reports, calculating the CSR index. They then analyzed and compared the results, and made adjustments to the CSR disclosure index calculation approach.

Independent variables

Following Tashman et al. (2018) we measure internationalization with the help of foreign sales to total sales ratio (variable intern) obtained from the last quarter companies' reports to the regulator in each of the observation years. The data is extracted from part 7.5. of the report "Information regarding the total sum of export and the share of export in sales".

The share of state ownership (variable stateown) that is used for testing our moderating effect is taken from the last quarter report of the sample companies presented to the regulator in each of the observation years, part 6.3. "Information on state ownership". It is possible that state-owned enterprises may not be as accountable to stakeholders as private firms and may therefore invest less in CSR-related activities (Chapple and Moon, 2005). On the other hand, state-owned MNEs may invest more into CSR activities to mitigate potential hostility from host country governments (Cuervo-Cazurra et al., 2014).

Controls

A number of controls are used in the empirical analysis in line with previous research. We control for profitability as it is found that it may positively influence CSR disclosure levels as companies with better efficiency have more resources for investing in CSR (McWilliams, Siegel, 2000). At the same time recent research on developing countries suggests that the relationship between financial performance and CSR initiatives can be negative (Julian, Ofori-dankwa, 2013). Following previous studies we use ROA to control for profitability calculated as the ratio of net income to total assets (variable roa). We also control for leverage calculated as debt to assets (variable da), since more levered firms have more resources for CSR practices (Anas et a., 2015) and because creditors are likely to be interested in the CSR activities of the companies to whom they provide credit. We take into consideration research and development intensity (variable rd) as more innovative companies are more likely to initiate, adopt and develop CSR-related practices (Marano et al., 2018; McWilliams, Siegel, 2000). We measure

R&D intensity by a dummy variable according to the Russian classification of economic activity codes - OKVED. An industry is classified as R&D intensive based on the methodology introduces by Rosstat on 28.02.2013 №81. We also control for firm size measured by the logarithm of total assets (variable size), as according to Khan et al. (2013) large and visible firms tend to report high-quality CSR disclosures in order to avoid attention and negative publicity. We also control for firm age (variable firmage) as older companies may hold stronger CSR values (Waldman et al. 2006), are more prepared to develop CSR programs that fit with local social–environmental conditions and may be more experienced and hence have more intensive engagement in doing CSR. A control for the industry type is also added a control as there is a recognition that the stakeholder’s influence on companies varies by industries (Miska et al., 2016). Gardberg and Fombrun (2006) argue that extractive and manufacturing industries are more likely to induce heightened expectations from local governments to take on CSR. The unethical behavior in these industries leads a much higher probability to high-profile lawsuits.

RESULTS

Table 1 represents the descriptive statistics for Full sample, CIS sample and non-CIS sample separately and the overall correlation matrix for the whole sample. We tested for multicollinearity among the variables by calculating variance inflation factors, which were well below the rule-of-thumb threshold value of 10 for all variables (mean VIF was below 3 for all the models) indicating that multicollinearity does not affect our results. The Breusch-Pagan test indicated that OLS is not appropriate for testing our data. Then, we used Hausman test to select between a fixed-effects and a random-effects model. The test rejected the null hypothesis, indicating that the fixed effects estimator was consistent. So, we base all our analyses on firm fixed effect models.

The correlation matrix (Table 2) indicates that CSR full disclosure index has correlations of 0.25 with internationalization of Russian companies and 0.22 with state ownership. The CSR disclosure is dependent on the size of the company indicating that larger companies in Russian tend to disclose more information on CSR. All other correlations are not high.

Table 3 represents the main results of the empirical analysis for the whole sample. Columns (1), (4), (7), (10) and (13) predict that internationalization measured with the help of the share of foreign sales is positively related to CSR disclosure. We find a positive and significant effect for the whole CSR disclosure index ($b = 13.86$, $p < 0.01$) as well as for all its key parts – environment ($b = 2.061$, $p < 0.01$), community ($b = 6.860$, $p < 0.01$), workplace ($b = 3.226$, $p < 0.01$) and marketplace ($b = 1.709$, $p < 0.01$). That leads us to conclude that Hypothesis 1 is supported.

Columns (3), (6), (9), (12) and (15) of Table 3 provide the main results for Hypothesis 2 which reflects that state ownership positively moderated the relationship between internationalization and CSR disclosure. The effect is significant and positive for the whole CSR disclosure index ($b = 17.94$, $p < 0.01$), environment disclosure ($b = 3.013$, $p < 0.05$), community disclosure ($b = 6.957$, $p < 0.05$) and marketplace disclosure ($b = 6.490$, $p < 0.01$). So, we can support our Hypothesis 2 for all CSR disclosure attributes, except for workplace where the variable is insignificant.

The results for the subsample of CIS vs Non-CIS exporting companies differ and are provided in Table 4 and Table 5 respectively.

The results presented in Table 4 for the CIS-subsample also confirm our Hypothesis 1 and reflect that internationalization is positively related to CSR disclosure. The variable “intern” is significant and positive for all dependent variables reflecting CSR disclosure. At the same time the moderating effect of state ownership is significant for all the models, except for the one with the dependent variable “environment” disclosure, but has a negative sign (Table 4, columns (3), (6), (9), (12) and (15)). The effect of the interaction term is significant and negative for the relationship with the full CSR disclosure index ($b = -95.47$, $p < 0.05$), community disclosure (b =

-39.05, $p < 0.05$), workplace disclosure ($b = -25.46$, $p < 0.05$) and marketplace disclosure ($b = -23.37$, $p < 0.05$).

Table 5 contains the results for the non-CIS sample. Our first hypothesis is confirmed for all the models and reflects that internationalization positively moderates CSR disclosure and its components (Table 5 columns (1), (4), (7), (10) and (13)). The interaction effect for state ownership is positive and significant for the whole CSR sample ($b = 20.61$, $p < 0.01$), environment disclosure ($b = 3.12$, $p < 0.05$), community disclosure ($b = 8.245$, $p < 0.01$) and market place ($b = 7.195$, $p < 0.01$).

DISCUSSION

The study explores the relationships between internationalization of the largest Russian MNEs and the level of their CSR disclosure. It also investigates how state ownership in the company and institutional difference between the home and host markets moderate these relationships. To test the hypothesized relationships, we use a panel data of 222 large Russian companies for the period 2012-2017. Our first argument is that (a) the expansion of Russian companies to the foreign markets stimulates them to be more transparent and report their CSR activities in a more explicit and detailed way. Furthermore, considering the fact that the state, in general, performs an important role in the activities of large Russian companies on the home market and, also, state ownership is often perceived cautiously by the host market institutions, especially in the developed markets, we suggest that (b) state-owned companies will experience even stronger effect of internationalization on the CSR disclosure as it could contribute to gaining legitimacy on the host market. Finally, we state that (c) the effect of internationalization on CSR disclosure and the moderating role of the state-ownership are contextually conditional and they are very different for the companies that predominantly operate in the CIS markets in contrast to the non-CIS markets, which might be explained by lower institutional pressure, familiarity with the host market business environment, and the very specific (positive) perception of the Russian state and Russian business representatives in the CIS markets.

Our results reveal several interesting observations that go in line with the argument related to the context specificity of CSR approaches and motivations (Jamali, Mirshak, 2007). This study confirms the finding of the prior research related to the positive effect of internationalization on CSR disclosure (reference). Thus, Russian companies that are more internationalized are more inclined to be involved in larger scale of CSR disclosure. We extend the prior findings by differentiating between the institutionally similar and different regions of operations. Though the positive effect of internationalization is confirmed both for developed and emerging host markets (non-CIS vs. CIS countries), the strength of the effect is a bit stronger for non-CIS markets. CIS markets share common cultural, legal and historical links with Russia that serve not only as a typical pull-factor for Russian internationalizing companies that are looking for ‘easy’ investment locations (Dikova et al., 2016), but also provide Russian companies with a useful testing ground for new innovative products or services before they are offered on a wider-scale (Filippov, 2010). Moreover, exporting Russian companies can do this without significant changes in the types of activities they perform and the ways of how these activities implemented. Apart from the low diversity of the CIS markets, and, consequently, more homogeneous expectations of stakeholders on these host markets, and considering the fact that Russia is the strongest economy among the CIS states, Russian companies have much higher negotiation position in comparison to their negotiation power on more developed markets which allows them to be a bit less cautious about CSR activities, in general, and their disclosure, in particular, when CIS is their predominant region of operations.

Furthermore, our study goes beyond the traditionally approach to CSR disclosure when CSR disclosure is considered as unidimensional construct (e.g. Marano et al, 2017). We argue that internationalization affects different types of CSR activities in different ways. Thus, e.g. due to the difference in the strictness and diversity of environmental legislation in different countries, the effect of internationalization on environmental dimension of CSR disclosure may be much stronger than the effect of internationalization on community or workplace CSR disclosure. Our results reveal that, although internationalization has a large impact on all the dimensions of CSR disclosure, the strongest effect is made on the community related practices that goes in line with the basic argument of gaining legitimacy in the host market society and among wider range of host market stakeholders.

Some interesting findings were also obtained when analyzing the effect of internationalization on the dimensions of CSR disclosure while differentiating between companies operating in CIS vs. non-CIS countries. Our results show no effect of internationalization on environmental CSR disclosure in the context of CIS markets while indicating strong effect of internationalization on environmental CSR disclosure in the context of non-CIS markets. The environmental legislation of the CIS countries has its roots in the common Soviet past. Even though a lot of efforts were spent on the development of higher environmental standards and introduction of environmental initiatives, in most CIS countries it remains rather weak and fragmented, so regulatory pressure for Russian companies that internationalize to the CIS market doesn’t differ much from what they experience on the home market. Moreover, the cognitive pressure for environmental CSR activities is also quite moderate by now. Though there are some calls for more environmentally responsible business activities, the economic benefits from Russian companies’ operations on CIS markets often outweigh environmental inefficiencies caused by these operations.

The other extension of the existing research on CSR disclosure that was done by this study deals with the role of the state in CSR disclosure. In prior research, state ownership has often been used as a control variable (e.g. Marano et al., 2017) despite the fact that the findings on the effect of state-ownership on companies' CSR activities are quite controversial. Some scholars state that the effect is negative due to the lower accountability of state-owned companies to stakeholders and, consequently, weaker motivation to invest in CSR (e.g. Chapple, Moon, 2005). While others state that state-owned companies are more motivated to invest in CSR activities to mitigate potential hostility from host country institutions (Cuervo-Cazurra et al., 2014). However, considering the fact that emerging markets, in particular, China and Russia, are often blamed to be highly state-controlled, this factor cannot be neglected. The activities of the majority of large Russian companies (state-owned, state affiliated, and even private) are at varying degrees affected by the state which sometimes limits their initiatives while in other times supports them. To fill this gap, in our study we specifically look at the effect of state-ownership on CSR disclosure for the companies that internationalize to foreign markets. Russian state-owned companies when internationalizing put a lot of efforts on proper communication of their CSR policy. Those companies that tend to have a large scale of international operations report their CSR initiatives in a more detailed and precise way. It goes in line with the argument that, in comparison with private companies, state-owned companies are in disadvantageous condition due to a biased attitude to the motives of their expansion, and they try to mitigate these biases through proper reporting of their CSR initiatives. Russian state-owned companies operating on the markets outside the CIS region tend to communicate more regarding their community and marketplace CSR initiatives, rather than environmental issues. Environmental initiatives that are voluntary rather than obligatory, and in this sense beyond the regulation, are very complicated and costly. They have a positive effect on a company's image among a narrow group of experts. In contrast, community and marketplace CSR initiatives are more visible and understandable for a more diverse group of stakeholders which helps to gain higher image benefits for lower costs.

However, the links are very different if we consider the regions of operations of state-owned companies. Russian state-owned companies that operate on the CIS markets are much less motivated to report their CSR practices than Russian private companies operating in the same region. Russian state-owned firms operating in the CIS region are not motivated to disclose their CSR activities as they can gain legitimacy through other mechanisms, such as significant support from the home government that has a high negotiation power on the CIS markets.

CONCLUSIONS

The paper explores the relationship between internationalization of Russian companies and the disclosure of the information about their CSR initiatives. The existing research argues that there is a positive relationship between internationalization and CSR disclosure, but these relationships are context-specific. The present paper hypothesized the positive relationships between the constructs; moreover, considering the specificity of internationalization paths of Russian companies, the paper hypothesized the difference in the strength of the relationships depending on the direction of the internationalization.

The results of empirical analysis didn't confirm positive relationships between internationalization and CSR as the relationships were found insignificant; however, when differentiating between the Russian firms that prefer CIS markets and non-CIS markets, positive and significant relationships between internationalization and CSR disclosure were confirmed. This funding can be explained by the fact that CIS markets are very similar to the Russian one where business partners and regulators, as well as other institutional agents, are very undemanding for the CSR activities. On the other hand, for those companies that are operating on non-CIS markets the pressure from institutional agents on host markets is more tangible. The more dependent they are in terms of the revenues gained on these markets, the more stimulated to implement CSR initiatives they are.

Our study has a number of limitations. First, the measure of CSR disclosure is quite subjective. The study would benefit if additional measures of more objective nature are applied to test the relationships. Second, similar criticism might be applied to the measure of internationalization. The share of foreign revenue to total revenue captures only the scale of internationalization, in other words, the dependence of the company on its foreign activities. On the other hand, internationalization scope that might be captured, for example, by the number of foreign markets, could also shed more light on the relationships between internationalization and CSR disclosure. Finally, though we state that our results are reliable and robust, a larger sample and time span could provide more insights on the relationships between internationalization and CSR disclosure in the Russian context.

We also see the potential for further research on the relationships between internationalization and CSR disclosure. Our research opens the discussion for not only country-of-origin effect on the relationships between internationalization and CSR disclosure, but the context effect of destination locations also. More detailed view and thorough investigation of the host market characteristics could bring better understanding of the effects of particular host country features on CSR disclosure. Moreover, stronger focus on organizational factors, such as ownership or strategy type, could also reveal interesting insights and contribute to theoretical advancement.

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TABLE 1
Descriptive Statistics for Continuous Variables

Variable	Mean	Std. Dev.	Min	Max
fullcsr	17.45	14.28	0	62
environment	2.64	3.02	0	12
community	5.53	6.15	0	24
workplace	4.33	3.63	0	15
marketplace	4.95	3.20	0	15
stateown	0.03	0.13	0	0.92
intern	0.12	0.23	0	0.94
firmage	15.03	6.69	0	27
size	23.60	2.21	14.52	30.29
roa	0.06	0.12	-0.89	0.83
da	0.23	0.21	0	0.90

TABLE 2
Correlation matrix

	fullcsr	intern	stateown	firmage	size	roa	da	rd
fullcsr	1.00							
intern	0.25	1.00						
stateown	0.22	0.12	1.00					
firmage	0.09	0.25	0.09	1.00				
size	0.59	0.36	0.32	0.24	1.00			
roa	0.01	0.01	-0.04	-0.01	0.01	1.00		
da	-0.07	0.18	0.02	-0.05	0.07	-0.08	1.00	
rd	-0.08	0.07	0.02	0.03	-0.07	-0.07	0.17	1.00

TABLE 5
Regression results on CSR disclosure

Results for the whole sample:

Dependent variable	fullcsr	fullcsr	fullcsr	environment	environment	environment	community	community	community	workplace	workplace	workplace	marketplace	marketplace	marketplace
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
intern	13.86***		12.91***	2.061***		1.902***	6.860***		6.493***	3.226***		3.149***	1.709***		1.367***
	(1.631)		(1.658)	(0.362)		(0.368)	(0.761)		(0.774)	(0.454)		(0.463)	(0.384)		(0.388)
stateown		4.192*			0.908*			1.144			-0.303			2.444***	
		(2.469)			(0.540)			(1.156)			(0.683)			(0.566)	
internstateown			17.94***			3.013**			6.957**			1.481			6.490***
			(6.139)			(1.363)			(2.867)			(1.715)			(1.438)
size	3.201***	3.610***	3.174***	0.693***	0.749***	0.689***	1.232***	1.451***	1.222***	0.646***	0.764***	0.644***	0.630***	0.646***	0.620***
	(0.159)	(0.158)	(0.159)	(0.0352)	(0.0346)	(0.0352)	(0.0741)	(0.0741)	(0.0741)	(0.0442)	(0.0438)	(0.0443)	(0.0374)	(0.0363)	(0.0372)
da	-2.766*	-2.082	-2.831*	0.0767	0.180	0.0658	-1.014	-0.680	-1.039	-1.039**	-0.886**	-1.044**	-0.790**	-0.696**	-0.813**
	(1.480)	(1.517)	(1.476)	(0.328)	(0.332)	(0.328)	(0.691)	(0.711)	(0.689)	(0.412)	(0.420)	(0.412)	(0.348)	(0.348)	(0.346)
firmage	0.00248	-0.0197	-0.0110	0.00984	0.00614	0.00757	0.0155	0.00586	0.0103	0.0144	0.0110	0.0132	-0.0373***	-0.0427***	-0.0421***
	(0.0545)	(0.0559)	(0.0545)	(0.0121)	(0.0122)	(0.0121)	(0.0254)	(0.0262)	(0.0254)	(0.0152)	(0.0155)	(0.0152)	(0.0128)	(0.0128)	(0.0128)
roa	2.743	2.276	2.737	0.605	0.545	0.604	1.242	0.981	1.240	0.657	0.508	0.657	0.238	0.242	0.236
	(2.522)	(2.588)	(2.515)	(0.559)	(0.566)	(0.559)	(1.177)	(1.212)	(1.175)	(0.703)	(0.716)	(0.703)	(0.594)	(0.594)	(0.589)
rd	1.141	2.989***	1.273	-0.185	0.0921	-0.163	0.573	1.482***	0.624	0.231	0.653**	0.242	0.522**	0.763***	0.570**
	(0.999)	(1.001)	(0.997)	(0.222)	(0.219)	(0.221)	(0.466)	(0.469)	(0.466)	(0.278)	(0.277)	(0.279)	(0.235)	(0.230)	(0.234)
cis	3.412***	2.281***	3.388***	0.799***	0.632***	0.795***	1.473***	0.908**	1.463***	0.683***	0.413*	0.681***	0.457**	0.328	0.448**
	(0.865)	(0.876)	(0.862)	(0.192)	(0.192)	(0.191)	(0.403)	(0.410)	(0.403)	(0.241)	(0.242)	(0.241)	(0.203)	(0.201)	(0.202)
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-57.61***	-65.59***	-56.82***	-13.70***	-14.78***	-13.57***	-22.81***	-27.11***	-22.50***	-11.29***	-13.64***	-11.23***	-9.804***	-10.06***	-9.518***
	(3.630)	(3.662)	(3.629)	(0.805)	(0.800)	(0.806)	(1.693)	(1.715)	(1.695)	(1.011)	(1.013)	(1.014)	(0.854)	(0.840)	(0.850)
Observations	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332	1,332
R-squared	0.471	0.443	0.474	0.419	0.406	0.421	0.381	0.343	0.383	0.347	0.343	0.351	0.409	0.408	0.418

Notes: t-statistics are in parentheses. *** ,**, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

TABLE 6
Regression results on CSR disclosure

Results for the CIS sample:

Dependent variable	fullcsr	fullcsr	fullcsr	environment	environment	community	environment	community	community	workplace	workplace	workplace	marketplace	marketplace	marketplace
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
intern	15.56***		17.13***	2.671**		7.594***	2.795**		8.238***	2.678**		3.098**	2.613**		2.998***
	(4.390)		(4.379)	(1.090)		(2.186)	(1.102)		(2.191)	(1.263)		(1.262)	(1.094)		(1.092)
stateown		-			-3.117*			-8.654***			-3.204*			-7.295***	
		22.27***													
		(6.395)			(1.594)			(3.216)			(1.844)			(1.533)	
internstateown			-95.47**				-7.587		-39.05**			-25.46**			-23.37**
			(37.94)				(9.549)		(18.98)			(10.94)			(9.464)
size	4.324***	4.600***	4.260***	0.789***	0.835***	1.724***	0.784***	1.853***	1.698***	1.094***	1.140***	1.077***	0.717***	0.772***	0.701***
	(0.421)	(0.417)	(0.417)	(0.105)	(0.104)	(0.210)	(0.105)	(0.210)	(0.208)	(0.121)	(0.120)	(0.120)	(0.105)	(0.100)	(0.104)
da	-2.479	-3.739	-1.829	0.695	0.485	-2.169	0.746	-2.763	-1.903	-1.289	-1.500	-1.116	0.284	0.0394	0.444
	(3.531)	(3.522)	(3.496)	(0.877)	(0.878)	(1.758)	(0.880)	(1.772)	(1.749)	(1.016)	(1.016)	(1.008)	(0.880)	(0.844)	(0.872)
firmage	-0.319*	-0.304*	-0.265	-0.0835**	-0.0809**	-0.0954	-0.0791*	-0.0882	-0.0732	-0.116**	-0.113**	-0.101**	-0.0240	-0.0215	-0.0107
	(0.162)	(0.162)	(0.162)	(0.0403)	(0.0405)	(0.0808)	(0.0407)	(0.0816)	(0.0809)	(0.0467)	(0.0468)	(0.0466)	(0.0404)	(0.0389)	(0.0403)
roa	-3.399	-6.047	-5.019	0.267	-0.130	-2.087	0.139	-3.199	-2.749	-1.433	-1.838	-1.866	-0.147	-0.880	-0.543
	(5.017)	(5.043)	(4.995)	(1.246)	(1.257)	(2.498)	(1.257)	(2.537)	(2.499)	(1.443)	(1.454)	(1.440)	(1.251)	(1.209)	(1.246)
rd	2.319	1.112	2.266	0.369	0.162	0.623	0.365	0.0347	0.601	0.523	0.315	0.509	0.804**	0.600*	0.791**
	(1.546)	(1.510)	(1.526)	(0.384)	(0.376)	(0.770)	(0.384)	(0.759)	(0.764)	(0.445)	(0.435)	(0.440)	(0.385)	(0.362)	(0.381)
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-	-	-	-13.39***	-13.68***	-32.25***	-13.25***	-33.07***	-31.51***	-20.37***	-20.66***	-19.89***	-13.66***	-13.66***	-13.22***
	79.68***	81.07***	77.86***												
	(10.95)	(10.94)	(10.84)	(2.719)	(2.728)	(5.453)	(2.728)	(5.503)	(5.423)	(3.150)	(3.155)	(3.124)	(2.730)	(2.623)	(2.703)
Observations	226	226	226	226	226	226	226	226	226	226	226	226	226	226	226
R-squared	0.667	0.666	0.677	0.541	0.536	0.593	0.543	0.583	0.601	0.508	0.505	0.521	0.584	0.615	0.596

Notes: t-statistics are in parentheses. *** ,**, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

TABLE 7
Regression results on CSR disclosure

Results for non-CIS sample:

Dependent variable	fullcsr	fullcsr	fullcsr	environment	environment	environment	community	community	community	workplace	workplace	workplace	marketplace	marketplace	marketplace
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
intern	14.80***		13.53***	2.118***		1.926***	7.165***		6.657***	3.576***		3.449***	1.939***		1.496***
	(1.833)		(1.865)	(0.400)		(0.408)	(0.842)		(0.858)	(0.512)		(0.524)	(0.430)		(0.435)
stateown		8.095***			1.351**			2.697**			0.333			3.714***	
		(2.663)			(0.573)			(1.229)			(0.742)			(0.605)	
internstateown			20.61***			3.120**			8.245***			2.055			7.195***
			(6.278)			(1.374)			(2.887)			(1.763)			(1.465)
size	2.912***	3.256***	2.874***	0.664***	0.710***	0.658***	1.091***	1.281***	1.075***	0.580***	0.695***	0.576***	0.577***	0.571***	0.564***
	(0.176)	(0.177)	(0.176)	(0.0384)	(0.0380)	(0.0384)	(0.0808)	(0.0815)	(0.0807)	(0.0492)	(0.0492)	(0.0493)	(0.0413)	(0.0401)	(0.0410)
da	-3.269**	-2.072	-3.335**	0.0563	0.228	0.0464	-1.111	-0.535	-1.137	-0.928**	-0.644	-0.935**	-1.287***	-1.121***	-1.309***
	(1.657)	(1.692)	(1.650)	(0.362)	(0.364)	(0.361)	(0.761)	(0.781)	(0.759)	(0.463)	(0.472)	(0.463)	(0.389)	(0.385)	(0.385)
firmage	-0.0106	-0.0367	-0.0266	0.00915	0.00510	0.00674	0.00517	-0.00544	-0.00121	0.0196	0.0160	0.0180	-0.0445***	-0.0523***	-0.0501***
	(0.0592)	(0.0608)	(0.0591)	(0.0129)	(0.0131)	(0.0129)	(0.0272)	(0.0281)	(0.0272)	(0.0165)	(0.0170)	(0.0166)	(0.0139)	(0.0138)	(0.0138)
roa	4.047	3.891	3.967	0.667	0.650	0.655	2.068	1.961	2.036	1.099	1.020	1.091	0.213	0.260	0.185
	(2.846)	(2.918)	(2.833)	(0.621)	(0.628)	(0.620)	(1.307)	(1.347)	(1.303)	(0.796)	(0.813)	(0.796)	(0.668)	(0.663)	(0.661)
rd	0.387	4.021***	0.720	-0.451	0.0715	-0.401	0.471	2.213***	0.604	0.00174	0.857**	0.0349	0.366	0.880***	0.482
	(1.299)	(1.256)	(1.298)	(0.284)	(0.270)	(0.284)	(0.597)	(0.580)	(0.597)	(0.363)	(0.350)	(0.364)	(0.305)	(0.285)	(0.303)
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-51.59***	-58.31***	-50.52***	-13.10***	-13.98***	-12.94***	-19.84***	-23.61***	-19.42***	-10.11***	-12.42***	-10.01***	-8.531***	-8.295***	-8.159***
	(3.962)	(4.013)	(3.958)	(0.865)	(0.863)	(0.866)	(1.820)	(1.853)	(1.820)	(1.108)	(1.119)	(1.111)	(0.930)	(0.912)	(0.923)
Observations	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106	1,106
R-squared	0.451	0.423	0.456	0.415	0.403	0.417	0.363	0.323	0.367	0.359	0.330	0.360	0.391	0.401	0.404

Notes: t-statistics are in parentheses. *** ,**, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.