Politicians on the board – a driving force for Corporate Social Responsibility performance of German DAX 30 firms?

Carlotta Wider Eberspächer

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Professor Omar El Nayal

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Abstract English

This paper aims to explore the following question: Do political directors on supervisory boards affect the corporate social responsibility (CSR) performance of firms? Based on identity theory, this paper predicts that politicians incorporate their political identity and social interests into their role as directors and consequently increase the CSR performance of the firm. Furthermore, this study explores whether gender diversity on the board of directors and the power of CEOs intensify this relationship. The empirical setting includes all 41 firms listed in the German DAX 30 between 2009 und 2020. In order to analyze the panel data set regression analyses are conducted. The results of the study indicate a non-significant result on the influence of political directors on CSR performance in the sample. A potential reason could be the often extremely high number of board members in German DAX 30 firms and the comparatively low influence of each individual or the low regional linkages of firms with politicians of this scale. Furthermore, additional post hoc analyses suggest that there are significant positive correlations between conservative as well as national politicians on CSR performance. This effect weakens under the influence of the moderating factors gender diversity and CEO power. Thus, these results indicate that the differentiation of political orientation, jurisdiction scope and other characteristics can contribute decisively to the understanding of the effect of political directors on CSR performance.

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Author: Carlotta Wider Eberspächer

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Abstract Portuguese

Este documento pretende explorar a seguinte questão: Os directores políticos dos conselhos de supervisão afectam o desempenho das empresas em matéria de responsabilidade social empresarial (RSE)? Baseado na teoria da identidade, este documento prevê que os políticos incorporem a sua identidade política e interesses sociais no seu papel de directores e consequentemente aumentem o desempenho da empresa em termos de RSE. Além disso, este estudo explora se a diversidade de género no conselho de administração e o poder dos CEOs intensificam esta relação. A amostra inclui todas as 41 empresas listadas no DAX 30 alemão entre 2009 e 2020. A fim de analisar o conjunto de dados do painel, são efectuadas análises de regressão. Os resultados do estudo indicam um resultado não significativo sobre a influência dos directores políticos no desempenho da RSE na amostra. Uma razão potencial poderia ser o número frequentemente extremamente elevado de membros do conselho de administração nas empresas do DAX 30 alemão e a influência comparativamente baixa de cada indivíduo ou a baixa ligação regional das empresas com políticos desta escala. Além disso, análises post hoc adicionais sugerem que existem correlações positivas significativas entre políticos conservadores e políticos nacionais sobre o desempenho em termos de RSE. Este efeito enfraquece sob a influência dos factores moderadores diversidade de género e poder de direcção. Estes resultados indicam que a diferenciação da orientação política e do âmbito de jurisdição pode contribuir decisivamente para compreender o efeito dos directores políticos no desempenho da RSE.

Título: Políticos no conselho - uma força motriz para o desempenho da Responsabilidade Social Empresarial das empresas alemãs DAX 30?

Autor: Carlotta Wider Eberspächer

Palavras-chave: Actividade Política Empresarial, Responsabilidade Social Empresarial, Políticos no Conselho, Teoria da Identidade, Economia Alemã

List of Abbreviations:

CPA – Corporate Political Activity

CSR – Corporate Social Responsibility

ESG – Environmental Social Governance

RDT – Resource Dependency Theory

ROE – Return on Equity

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1. Introduction

All over the world firms interact continuously with a wide variety of stakeholders. In their market environments, firms engage with customers and suppliers, make deals and outperform their competition. The focus here is on the classic value chain, to create a competitive advantage, win customers, and make profits (Baron, 1995). Yet, markets do not exist in a vacuum: social, political and cultural spheres surround them. Within this nonmarket environment, the key stakeholders of firms typically include governments and regulators, citizens, NGOs, activists and the media. What happens in the nonmarket environment inevitably and strongly influences market dynamics, and interactions with nonmarket stakeholders have a significant impact on the economic success of firms (Bach & Allen, 2010).

Governments, then, are particularly crucial for the success of firms as they shape an important part of the conditions for business by creating public policies, regulations, and enforcement (Pfeffer, 1972). Like markets, political conditions are also determined by changes and uncertainties. Consequently, firms must anticipate and accept changing conditions. Moreover, they actively reduce uncertainties from their environment by implementing a variety of tactics to protect themselves from undesirable policies and to obtain access to public politics by creating linkages with institutions or political actors (Hillman, 2005; Hillman et al., 1999; Mellahi et al., 2016; Molitor, 1977).

This engagement is an integral part of corporate political activity (CPA), which can be defined as the efforts firms undertake to influence and manage political entities (Hillman et al., 2004; Lux et al., 2011). CPA includes different methods that firms employ to influence new or existing policies which affect their current or future market position and opportunities (Hillman, 2005; Hillman & Hitt, 1999). For example, one tactic to create links between mostly large firms and policymakers is the appointment of politicians to the firms supervisory boards. In doing so, firms can build long-term relationships with political actors and thereby influence public political decisions, affecting the firm's performance (Hillman, 2005).

However, the focus of this thesis will be less on the motivation for appointing politicians to supervisory boards and rather on the effects this tactic might have. More precisely, the focus is on the effect political directors have on another critical, yet understudied, element of nonmarket activities: the corporate social responsibility (CSR) performance of a firm. Specifically, while much has been hypothesized with respect to the effect of politician board appointments on firms' access to and influence over public policy (Hillman, 2005; Hillman et al., 2004; Schuler et al., 2002), prior studies have not adequately explored the potential effect of these politician appointments on firms' social and environmental activities and performance.

This omission is consequential because, like any individual, political directors have multi-layered identities shaped by the roles they occupy and the social groups they belong to. Following this perspective of identity theory and social identity theory, roles and social groups influence how individuals act (Hillman et al., 2008; Hogg et al., 1995). Based on the assumption that individuals who choose to become a politician do so in part to address social and societal issues, it is likely that this motivation also affirms them in their role as supervisory board members (David Bromell, 2010.; de Andres et al., 2022; Vandenabeele et al., 2006).

As a result, it is expected that political directors consider corporate social responsibility (CSR) engagement as particularly relevant and consequently support it out of the roles that they hold. Therefore, this thesis seeks to address how the identity of a political director affects his or her behavior regarding the CSR performance of a firm (Hillman et al., 2007; Stets & Burke, 2000). Further, the paper aims to understand how the expected assertiveness of political directors and their scope of action regarding increasing CSR performance varies under the factors board diversity and CEO power.

In order to test the theoretical assumptions presented, a sample of all firms listed in the German DAX 30 (from September 2021 increased to DAX 40) index between 2009 and 2020 was collected. The DAX 30 was the index at the Frankfurt stock exchange, which included the 30 largest publicly traded firms by market capitalization with headquarters in Germany (Zeisel, 2020). Whenever this paper refers to the DAX, the DAX 30 is meant.

For each firm in the sample, all names of the board directors were collected, and their individual backgrounds were subsequently researched to classify whether a director formally was or still is a politician. Following the data collection, a panel regression analysis was conducted to observe the effects of politician appointments on CSR performance. The use of standardized annual ESG data ensures a consistent measurement of CSR across all firms. Additionally, the effect of political directors on CSR performance was observed under the chosen moderators: Gender diversity and CEO power. Both factors may impact the scope of action of political directors. The results of the analysis are not consistent with the hypotheses, as no significant effects where measurable.

This research topic was chosen since the influence of political directors on the CSR performance of German DAX firms has not been studied before. In the way this thesis links the two topics, it aims to contribute to the CSR and CPA literature. At the same time, it aims to provide insights for firms considering politician appointments to assess the potential effects better.

The remainder of the thesis is organized as follows. In the first part, the paper provides an overview of the theoretical core concepts, beginning with the distinction between market and nonmarket environments, followed by corporate political activities in general and the tactic of politician appointments in specific. It further presents a traditional perspective on the role of corporate boards and the resulting demands and expectations on politicians in the role of a director. A traditional view on the politician appointments and sphere of influence contrasts with the concept of identity theory and social identity theory. Moreover, corporate social responsibility is defined. In the second part, three hypotheses are formulated based on the preceding theoretical perspectives. The third part describes the process of data collection and the selection and application of the analysis method. Subsequently, the findings obtained are presented and interpreted. Finally, the results are discussed and considered against the background of existing limitations.

2. Literature Review

2.1 Market and Nonmarket Strategies

The literature of strategic management focuses on distinctive competencies inside firms and the external environment surrounding them. Thereby, the external environment encloses market and nonmarket components. Interactions with other actors mediated by markets or private agreements are part of the market environment. Typically, they are not legally obligatory and focus on economic transactions. A market strategy is a coordinated pattern of actions used by firms to create value and improve economic performance (Baron, 1995).

On the other hand, nonmarket interactions take place with the public, governments, the media and other stakeholders. They can as well be involuntary if placed by any actor in the external environment like governments or activist groups (Baron, 1995). A nonmarket strategy is coordinated pattern of actions which is applied in the nonmarket environment to create value and improve the overall performance (Baron, 1995). Nonmarket contributions are crucial to manage the institutional and societal economic competition (Mellahi et al., 2016). Both components, market and nonmarket strategies, must be integrated with the firms' environment to match its competencies and create a successful business strategy (Bach & Allen, 2010; Baron, 1995).

A nonmarket strategy includes public politics strategies (lobbying or engaging with regulators) and private politics strategies (engaging with activists). Therefore, CSR and CPA are core research strands of nonmarket strategies. Both strategies refer to the firms' interactions with nonmarket stakeholders, like government actors and institutions, non-governmental organizations, social and environmental activists and local communities. Both strategies, CPA and CSR, need to be well integrated towards each other and aligned with the market activities of firms (den Hond et al., 2014; Mellahi et al., 2016). Den Hond et al. argue that the potential synergies between CSR and CPA are often overlooked. Recognizing these synergies will stimulate firms to align them. The results show that alignment, misalignment or non-alignment of CSR and CPA influence a firm's reputation beyond the separate reputation effects (den Hond et al., 2014). The alignment of CSR and CPA creates positive reputation effects and mitigates the adverse reputation effects. This could be the case, for example, if firms place a CSR focus on diversity and inclusion while lobbying for LGBTQ rights. Further, when CSR and CPA are not aligned, the reputation effects are additive since stakeholders evaluate them separately according to their favorable reputation. Finally, misalignment between CSR and CPA reduces the positive effects and increases the perception of negative effects. An example of this would be, if firms neglect ecological issues in the field of CSR while at the same time lobby for climate targets. Moreover, if firms recognize resources complementarities between CSR and CPA, it is favorable to support CSR and CPA mutually. A firms' CSR effort can influence CPA in three ways: by facilitating access to the polity, by improving the efficiency of CPA and by reducing the cost to interact with politicians and regulators (den Hond et al., 2014). On the other hand, resources created through CPA may also help firms selecting CSR priorities, enhancing visibility of CSR policies and improving the credibility of CSR commitments (den Hond et al., 2014). Although these results show that the intentionally aligned design of both strategies is favorable, it is also supposable that the two areas might influence each other under certain circumstances due to their overlapping subjects. The novelty of this paper therefore lies in analyzing the effect of political directors as a link between CSR and CPA, which has never been studied before for German DAX 30 firms.

2.2 Corporate Political Activity

One way to conceptualize the public policy process is as a marketplace with suppliers and demanders of public policy. The suppliers are political decision-makers, and the demanders are actors who desire specific outcomes. Among the demanders are individual citizens, individual firms, interest groups (Bonardi et al., 2005). CPA can be defined as efforts to shape government policy in a direction that is favorable to the firm (Baysinger, 1984; Hillman et al., 2004). Within CPA, it is distinguished whether firms respond to public policy by passive reaction, positive anticipation or public policy shaping. However, only in the case of the third approach, public policy shaping, firms engage proactively to reach certain political objectives (Hillman et al. 1999).

Following Hillman and Hitt's taxonomy on CPA approaches, firms choose their strategy and tactics according to three decisions: First, firms decide whether to follow a transactional or relational approach. A transactional approach describes a short-term oriented view in response to specific issues. In contrast, a relational approach presents a long-term relationship across issues, so when specific problems arise, a firm has already established the contacts and resources to influence a policy. Second, firms decide whether they want to participate individually or collectively. While individual action refers to efforts by individual firms, collective action can be found in the collaboration and cooperation of two or more actors, i.e. in trade associations. Third, firms decide which strategy they want to follow and thus also which tactics to apply. Following Hillman and Hitt, firms choose among information strategy, financial incentive strategy and constituency strategy. While the first two target individual decision-makers directly, the third one influences public policy by convincing voters and creating pressure on political decision-makers (Baysinger & Butler, 1985; Hillman & Hitt, 1999).

2.3 Politician Appointments to Corporate Boards

This paper focuses on a common and widely studied form of CPA: Politician appointments. Political directors can be considered a relational CSR approach on the individual level, as it targets political decision makers by providing financial incentives (Hillman & Hitt, 1999).

According to the corporate governance literature (Hillman et al., 2008), a board of directors commonly serves two relevant functions: monitoring a firm's management to protect shareholder interests, and providing resources to the firm. Monitoring or controlling management decisions and actions are intensely discussed based on agency theory, which articulates the risk of conflicts of interests that may evolve from the separation of ownership and control in organizations (Fama & Jensen, 1983). Thereby, directors have the responsibility to monitor the actions of agents (management) in order to enforce the interests of the principals (owners) (Hillman & Dalziel, 2003; Jensen et al., 1976).

The second core function of the board of directors refers to providing resources to the firm. When firms face external interdependence and uncertainty, the board of directors is an essential instrument to deal with a firms' environment (Pfeffer, 1972). To successfully cope with external uncertainty, directors provide specific resources to the firm. These can be tangible or intangible assets tied to the firm, i.e. specific knowledge, trade contacts, efficient procedures, and further (Wernerfelt, 1984). One option to link a firm to its environment is by appointing a current or former politician to the board of directors. Since resource dependency theory (RDT) is among the most applied theoretical lenses to analyze politician appointments, the following section summarizes the perspective (Hillman, 2005).

Following Pfeffer and Salancik, directors bring four critical benefits to the firm: advice and council, information exchange between the firm and external organizations, preferential access to commitments, support or resources outside the firm and legitimacy (Pfeffer & Salancik, 1978; Hillman, 2005; Hillman et al., 2009). Overall, especially regarding the resource dependency theory, the provision of crucial resources through political decisionmakers is linked to higher firm performance (Hillman, 2005; Hillman & Hitt, 1999; Lux et al., 2011). To gain these resources, firms invite politicians to their boards in exchange for benefits. These benefits include unique information on public policy processes, a channel to communicate and access political actors and influence political decision-makers, resulting in preferable political decisions (Hillman, 2005; Pfeffer, 1972).

However, other studies do not show such consistent positive effects of CPA. For example, a study by Hadani and Schuler found that firms with CPA investments have a worse market and accounting performance. These results relate to CPA in general and former politicians on the corporate boards in particular. The study also discusses reasons which might explain the comparatively low returns for firms using CPA. First, managers who tend to make risky decisions also tend to support CPA, suggesting that firms that take excessive risks are often convinced that governments will cover up their mistakes and help them out of the miseries. Second, it appears that firms often overvalue the investment in CPA and, as a result, channel resources into CPA rather than into relevant market activities, human capital or technology. Third, there is little transparency about how much firms invest in CSR, which can lead to information asymmetries between management and shareholders. And fourth, personal reasons, ideological beliefs, etc. often play a role in CPA that is not profit-oriented. Nevertheless, in the case of firms operating in highly regulated industries, the researchers see a positive correlation between CPA and market performance (Hadani & Schuler, 2013).

While there have been numerous analyses on the effects of politician appointments on core board functions, monitoring and especially resource provision and the resulting financial performance of firms, other domains of influence are less analyzed.

2.4 Identity Theory and Social Identity Theory

One of the main omissions is that previous CPA and politician appointment research perceives politicians mainly as providers for political resources (Hillman, 2005; Hillman et al., 1999). This leaves out the fact that politicians are individuals who have their own views on society and will most likely bring these into their role as directors (de Andres et al., 2022). In order to get a richer understanding of the effectiveness of boards, it is essential to look at the individual level and to understand what competencies does the person have and what motivates them to get involved as a board member (Roberts et al., 2005).

The identity theory and the social identity theory analyze the concept of identity. The notion of identity refers to the individual conceptions of "who I am" (Hillman et al., 2008). More precisely, identity theory suggests that an identity is formed through the following process: "(…) the self is reflexive in that it can take itself as an object and can categorize, classify, or name itself in particular ways concerning other social categories or classifications" (Stets & Burke, 2000, p. 224). Identity theory describes individuals as a collection of identities based on the different self-defining roles they occupy in a society, i.e. being a parent, teacher, chairman, politician or others. Having a role identity means fulfilling certain role expectations (Hillman et al., 2008; Hogg et al., 1995). Likewise, social identity theory argues that social categories help define identity. The focus is here on intergroup relations, so how people see themselves as members of a particular group or category (in-group) in contrast to others (out-group). Individuals within in a group share one perspective on things (Stets & Burke, 2000). Categories can be nationality, ethnicity, gender, and political affiliation (Hogg et al., 1995). While identity theory concentrates on roles as the bases for identities, social identity theory focuses on social categories, groups or memberships.

Hillman et al. specify these fundamental assumptions and take them as the basis for a better understanding of board effectiveness. Therefore, it is worth considering research in social psychology that focuses on the "(…) individuals' multiple identities and identifications as significant predictors of behavior" (Hillman et al., 2008, p. 441). The theories consider the role as a director and the interactions between multiple roles and social functions, so between the different identities.

In this thesis both theories are considered together, as "(…) one always and simultaneously occupies a role and belongs to a group, so that role identities and social identities are always and simultaneously relevant to, and influential on, perceptions, affect, and behaviour" (Stets & Burke, 2000, p. 229). As a result, it is not feasible to separately look at roles without social groups (Thoits & Virshup, 1997). According to both theories, an identity has only an effect when activated (Stets & Burke, 2000). Regardless of the multitude of identities people have, they are only selectively activated. While identity theory assumes the relationship between persons is crucial for activating identities, social identity theory focuses on situations' characteristics. However, both emphasize the importance of individual goals and purposes to activate identity. Finally, both theories agree that the identification with identities mirrors the importance of a particular identity to the individual and thereby the degree to which it will affect the behavior (Ashforth, 2001; Hillman et al., 2008). This thesis assumes these inner identities are closely linked since becoming a director, in this case, is based on being a politician. As a result, the identity of being a politician is present also when working as a director.

2.5 Corporate Social Responsibility

When firms decide to go beyond their legal requirements to voluntarily engage in activities for sustainability and social engagements, they demonstrate CSR ambitions (Gamerschlag et al., 2011). Moreover, such actions often include policies, processes and practices firms implement to meet societal demands (den Hond et al., 2014). Corporate social activities can be considered a form of integration of interests between businesses and society (Sheehy, 2014). Further, CSR can be defined as "context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance" (Aguinis, 2010, p. 858). While this definition refers to policies and actions by organizations, they are influenced and implemented by actors on all levels of analysis: institutional, organizational and individual (Aguinis & Glavas, 2012).

The interdisciplinarity of CSR is demonstrated by the numerous issues and targets the field is composed of. One way to cluster them is within six core categories: community, customer, employees, supply chain, environment and governance (Zeisel, 2020). These wide-ranging categories are reflected by CSR reporting frameworks, which bundle and identify measurable CSR indicators. Such approaches create comparability between the CSR performance of firms (Zeisel, 2020). The "community" category of CSR includes corporate citizenship and philanthropy, stakeholder engagement and communication, and firms' impact on communities. Further, the category "customer" focuses on competitive and ethical behavior (i.e. fair business practices), customer privacy and satisfaction, responsible marketing and communications, the impact of products on health and safety regarding customers. The third category "employee" is concerned with the well-being of employees. The topics range from avoiding child and forced labor, diversity and equal opportunities to health and safety and training to development of employees. The fourth the category "supply chain" focuses on sourcing practices and supply chain impacts. Fifth, the field of "environment" includes numerous crucial topics such as biodiversity, climate change management, energy, environmental management, materials and waste (recycling, biodegradability, renewable raw materials etc.), pollution and emissions, product quality, innovation and furthermore. And finally, the category “governance” entails business models regarding economic performance, sustainable investments and profitable growth, executive compensation policies, lobbying and political contributions and a code of conduct concerning different topics (Zeisel, 2020).

Since CSR issues have shown a dynamic development over the last decades, the ability to deal with CSR issues in different situations depends on the firms' competencies. Comparable to the concept of core competencies firms need to develop CSR competencies to deal with the issues described above (Osagie et al., 2016; Zeisel, 2020). One such competence is foresight thinking of CSR professionals who analyze possible scenarios concerning CSR challenges and how they might affect the firm. In order to leverage this competence in the long term, firms develop and strengthen coherent management competencies in the field of CSR in order to transfer knowledge from the individual level to the knowledge of the organization. Further, the integration of CSR in the core business processes is crucial to achieving effective long-term CSR practices (Heugens, 2006; Osagie et al., 2016; Zeisel, 2020).

As one stakeholder group, political participants “(…) define and use CSR as a means to advance particular preferences with respect to corporate and economic policy of distinct political philosophies” (Sheehy, 2014, p. 627). As a result, political views on CSR reach from conservative, right-wing perspectives, arguing that the social responsibility of businesses is to be profitable (Friedman, 1970) to the opposite left-wing perspective, arguing organizations are social intuitions shaped to meet the needs of a society (Sheehy, 2014). These perspectives show how expectations on CSR vary even within one stakeholder group. However, overall governments are promoting and using CSR to tackle social and environmental issues. Moreover, another complex and arguable question regarding CSR is the degree to which harms should be addressed and by which party (Sheehy, 2014).

These crucial questions and different expectations have been intensively discussed within firms as well as in political parties, by activist groups and in the public media. Aside from activist groups and social movements, who pressure firms to increase their CSR commitment and performance, businesses should increasingly view CSR as “(…) a source of opportunity, innovation, and competitive advantage” (Porter & Kramer, 2006, p. 2). However, one prevalent motivation to increase CSR is the reputation effect perceived by consumers. Studies have found that the better firms integrate CSR activities into competitive strategies, the more positive is the

CSR image of consumers which in turn leads to more purchases, long-term loyalty and advocacy behaviors (den Hond et al., 2014). Further benefits of credible CSR engagement are the ability to charge premium prices or attracting and training high-quality workers. Overall, empirical results for the German market show that CSR practice is a robust predictor of reputation and employee commitment since it significantly influences brand performance (Kowalczyk & Kucharska, 2020). As a result, the increased CSR commitment benefits can be considered to compensate for the costs that increase due to CSR (Gamerschlag et al., 2011).

2.6 Political Connections and CSR

The small number of existing research analyzing the effect of political connectedness on CSR consistently finds an increase in CSR performance (de Andres et al., 2022; Luo & Wang, 2021; Xu & Liu, 2020).

In particular, in China, the conditions differ as the government plays an influential role in the economy since it directly intervenes in the economic system. For example, the benevolence of the Chinese state is crucial when it comes to the distribution of scarce resources and thus the survival of firms. In this way, business-government relations are an essential means for government intervention as well as for firms to protect and gain access to valuable resources. Moreover, the government integrates firms in the long-term national interests in policy making and, therefore, can influence firms' CSR ambitions and actions. Thus, the background against which Chinese firms conduct CSR activities, and thus also the results of the studies, are not directly comparable with the circumstances of the German firms in this study. Nevertheless, it is interesting that politically connected boards lead to an increasing CSR performance (Luo & Wang, 2021; Xu & Liu, 2020).

Moreover, the results of a recent Spanish study also indicate that directors with political ties, primarily representatives of public authorities, positively affect the CSR spending of firms. Among the study's findings is that both political ideology and the regional identity of political directors add to the positive effect on CSR. However, this Spanish study differs in the structure of its sample in that it focuses on the sector of regional savings banks strongly tied to the state (de Andres et al., 2022).

Even though these samples examined vary enormously in terms of political, social economic systems, size and type of firms, it is interesting to note that the few existing studies on this topic have relatively consistent findings.

3. Hypotheses

Based on these theoretical perspectives, this study assumes that the different identities of a director also affect the behavior on the board (Hillman et al., 2008). This assumption is made in the case of directors, who are appointed board members based on their role of being a politician. So, in other words, directors with a political background are appointed for their identity as a politician – with regards to the benefits they can bring to a firm. As a result, this study assumes that roles and social groups are closely interrelated, and they therefore influence each other. The multitude of directors' identities can be considered an advantage, given that the more roles someone occupies, the more resources one can use to perform in other contexts. As a result, this study assumes the identity of being a politician manifests itself in different actions and behaviors, especially in business areas related to the profession of a politician.

Although identities of politicians naturally vary according to beliefs, values, different personalities and professional backgrounds, politicians, especially in democracies, are overall motivated by issues such as social justice, the public interest and the creation of public welfare (David Bromell, 2010; de Andres et al., 2022; Vandenabeele et al., 2006). If these issues would be transferred to the influence sphere of a director, they would be primarily reflected in a firm's CSR ambitions and efforts. Further, firms have specific incentives to involve politicians in their CSR strategy. Research has shown that firms which include governmental contacts to support their CSR performance are more likely to successfully address societal problems, which improves a firms' reputation (den Hond et al., 2014; Peterson & Pfitzer, 2009). Moreover, outside directors, so neither employees nor other direct stakeholders of the firm, are more oriented towards CSR than inside directors. With the effect that they pay more attention to different stakeholders, which increases their salience. They have a higher focus on employees, philanthropic activities and fulfilling ecological standards. Since these results refer to outside directors, it is interesting to study whether these tendencies are also reflected in the specific case of political directors (Johnson & Greening, 1999; Zhang et al., 2013).

In sum, since politician appointments are based on the role and social category of being a politician and identities may lead to actions, the attitude of being a politician will probably influence the behavior as a board member (Callero, 1985; Hillman et al., 2008). Following this assumption, this paper predicts that politicians will advocate for more CSR engagement when they join the board of a firm, which in turn will be reflected in a higher CSR performance.

Hypothesis I: There will be a positive relationship between politician appointments and the CSR performance of firms.

The moderating effect of corporate governance

The relationship between politicians on corporate boards and firms CSR engagement is presumed to vary under various factors. The abilities of political directors to expand and improve the CSR activities of firms depend on the corporate governance setup of the firm, which can either support or hinder the focus on CSR. Two factors are particularly relevant: board diversity and CEO power.

Board Diversity

Different corporate governance structures have a particular influence on the dynamics of boards and consequently also on the cooperation among the directors, which in turn has an influence on the decisions taken. An increasing diversity among directors' results in an overall increase in capabilities and skills in relation to the challenges of the business world, including socially responsible business (Ferrero-Ferrero et al., 2015) and therefore appears to have a positive effect on CSR. Board diversity by gender, ethnicity or cultural backgrounds leads to a higher influence on enhancing social behavior than boards characterized by lower diversity (Carter et al., 2003; Eagly et al., 1990).

Following the social role theory, women tend to be more communicative, less attention-seeking, more cooperative and democratic, more welfare-oriented, empathetic, caring and concerned for others (Eagly et al., 1990). In terms of gender diversity, it is considered that female traits as mentioned above contribute to a stronger social focus in making decisions regarding CSR (Dezsö & Ross, 2012; Huse et al., 2009; Ibrahim & Angelidis, 1995). Factors that could play a role are that women are considered to be more altruistic and philanthropically oriented (Cuadrado-Ballesteros et al., 2017) and they tend to be more ecologically aware than male directors (Park et al., 2012). Further, they are considered to be particularly good communicators within the board, as their leadership roles are perceived as participative, democratic and communal (Eagly et al., 1990). It can be assumed as well that, in addition to female communal characteristics, there is also a correlation between these, and the interests and goals represented in political work oriented towards the common good, and that politicians also represent these on the board.

Another reason why it is explicitly interesting to focus on gender diversity regarding this sample is that this subject was intensively discussed in the German public during the period under review. Based on the public debate that intensified from 2009 onwards, a supervisory board gender quota was introduced by the German parliament in 2015 to increase the very low share of women in the board room of large firms to at least 30%. Already during the debate, the share of female directors in listed firms increased from 10.6 % in 2009 to 22.6 % in 2015 and by the time the law came into force in 2016 by another 4.5 %. Therefore, this paper assumes that the comparatively strong increase also has an impact on the dynamics within the boards of German DAX firms (Bozhinov et al., 2017).

With the increasing board diversity, a change in board dynamics may well contribute to political directors gaining support for CSR engagement and having a social board environment in which they can well bring their CSR ambitions to the table. Especially, given that female supervisory board members positively impact a firm's CSR performance, it is reasonable to assume that they would also support, rather than resist, the CSR ambitions of other board members. Following this premise, politicians have the necessary support for their commitment to social issues and better prospects to implement their ambitions. Thus, the relative number of female members is expected to be a supporting and thus reinforcing factor for the positive influence of political directors on CSR performance.

Hypothesis II: A higher percentage of female board members strengthens the positive relationship between politician appointments and the CSR performance of firms.

CEO Power

Further, research has found that CEO power is one of the factors determining the influence of the board of directors. The power of CEOs increases the longer they are in office. However, CEOs still rely heavily on supervisory boards for support at the beginning of tenure as they need to focus on adapting to their new role. This is especially true for CEOs who join a firm from the outside. New CEOs are generally relatively vulnerable to challenges from inside and outside the firm. If they cannot rely on backing from the board of directors, they may not be able to develop their leadership potential and might even lose their position (Fredrickson et al., 1988; Shen, 2003). However, once CEOs have proven themselves in the role and exceeded the expectations of the board and critical stakeholders, the perception of their expertise rises sharply. This puts them in an excellent position to develop additional power sources (Shen, 2003). Research shows that as CEOs increase their power, the independence of supervisory boards decreases. In other words, the dynamic on corporate boards changes with CEO tenure, and one result is that directors become less independent. Even though the effect of CEO tenure on directors' independence is small in absolute terms, it still affects the degree of freedom of directors' action (Graham et al., 2020). Therefore, this paper assumes that politicians have less influence on a firms' CSR performance under the increasing tenure of CEOs.

Hypothesis III: The longer a CEO has been in office, the weaker is the positive relationship between politician appointments and the CSR performance of firms.

4. Research Methodology

4.1 Data and Sample

The relevant data were collected to study the effect of politician appointments on the CSR performance in firms listed in the German DAX 30 index. Therefore, both the composition of the supervisory board for each firm and the professional background of each director were identified regarding political connections. The data set contains longitudinal panel data, as it observes the behaviour of 41 firms across a period from 2009 to 2020, amounting to 492 firm-year observations. Since some firms were not listed in the DAX 30 during the entire period and data is missing accordingly, a certain imbalance results. As a result, the number of observations included in the regression analysis is reduced to 398. The number of variables amounts to 14 variables, including the independent variables, one dependent variable, moderator variables, control variables, and additional variables applied in robustness checks and post hoc analysis. The year of measurement for all independent and control variables is lagged, so causal effects on the dependent variable “change in CSR” can be explored.

4.2 Measures

Independent Variables

To determine which board members hold or have held relevant political positions, the following framework is applied. First, politicians are defined according to their government area, executive or legislative, and second by jurisdiction scope: regional, national or international (El Nayal et al., 2021). The sample includes current and former politicians, classified according to this framework. By following this structure, politicians with a certain political influence were identified and included.

On the regional level, executive and legislative politicians from local assemblies and the federal states are considered. Germany has a substantial federal political structure; therefore, it is subdivided into sixteen federal states, which elect their own regional parliaments and governments, including state ministers. As a result, the regional level includes politicians from mayors holding influential positions at the municipal level to the regional government and parliament members. On the national level, the chancellor, as the head of government, ministers and state secretaries are included and members of the national parliament. On the international level, EU commissioners, ambassadors and members of the European parliament and foreign parliaments are counted.

Table 1 – Definition Politician

	Regional	**National**	**International**
Executive	Regional Premier Ministers Mayors	Chancellor Ministers Secretaries of State	EU Commissioners Ambassadors Foreign Politicians
Legislative	Members of Local Parliaments	Members of the National Parliament	Members of European Parliament Foreign Politicians

To obtain this data, annual reports of the DAX 30 firms were used to collect the names of all individual supervisory board members within the timespan from 2009 to 2020. Over the period studied, this amounts to 1472 supervisory board members whose biographies were analyzed and of which 47 were identified as political directors. The biographies were accessed through various sources, including firm websites, trade union websites, social media networks (LinkedIn, Xing), as well as local and national German public media newspaper articles. In addition, the information was cross-checked with all the available sources.

The independent variable, "politician", was used as a dummy variable to perform the primary regression analysis, representing that at least one politician was on the board of directors. The variable "politician" was later applied as a count and percentage variable for additional robustness checks.

In order to further analyze the data beyond the regression analysis, additional post hoc analyses were carried out. For this purpose, the independent variable, “politician”, was divided according to right-wing vs. left-wing orientation and jurisdiction scope (regional, national, international). Furthermore, political orientation was determined according to a politician's party. Thereby, the left party (DIE LINKE), the social democratic party (SPD) and the green party (BÜNDNIS 90/DIE GRÜNEN) were clustered as left-leaning. On the other hand, the Christian Democratic party (CDU / CSU (in Bavaria)), the liberal party (FDP), and the right-wing party named alternative for Germany (AfD) were considered conservative (Lewandowsky et al., 2016). Even though the differentiation in right and left orientated does not fully cover the complexity of orientations regarding the political parties, it serves to clearly distinguish the fundamental political approaches and objectives. Both, political orientation and jurisdiction scope, are applied as count variables.

Dependent Variable

To measure the CSR performance of the firms within the sample, the annual combined ESG scores from 2009 to 2020 were collected from the Refinitiv Eikon database. The overall score combines the provided data on the three pillars: environmental, social and governance (ESG), and the scale ranges from 0% to 100%. This method was chosen because it represents a specific and comparable measure of CSR performance. However, to precisely compare the performance from year to year, the variable does not directly measure the yearly score. Instead, it reflects the change in CSR compared to the previous year in percentages.

Moderator Variables

In order to test the second hypothesis, whether a higher gender diversity on the board has a positive effect on the relationship between political directors and CSR performance, the percentage of female board members, as one indicator for board diversity, was calculated based on the prior research on board members and applied as a percentage variable.

Based on the variable "CEO tenure", the third hypothesis was tested, assuming the longer a CEO is in office, the more control he or she has, the weaker is the relationship between politician appointments and the CSR performance. As a positive relationship between political directors and CSR performance is predicted, increasing CEO tenure is expected to lower the positive impact or turn it into a negative effect. This moderator variable measures the years a CEO has been in office (Graham et al., 2020). The data was collected from the annual reports of the firms and applied as a count variable.

Control Variables

The variables "board size", "state ownership" and Return on Equity ("ROE") were chosen as control variables, as previous research has shown they may affect CSR performance.

For example, as the size of supervisory boards has been shown to impact firms' CSR practices, this factor is included as a control variable. This is demonstrated by the fact that as the size of boards grows, CSR engagement first increases, before decreasing again in the case of particularly large boards. This effect is reinforced by the presence of outside directors and is thus particularly interesting for the case of political directors examined here (Cuadrado-Ballesteros et al., 2017).

Lopetta, Jaeschke and Chen's analysis of the influence of ownership structures on CSR demonstrates that firms which are to a high degree state-owned have a direct positive influence on CSR performance, while other ownership structures show no influence on CSR performance. The study is based on a multi-country setting, which includes many European economies, including Germany. Therefore, it is crucial to include it as a control variable (Lopatta et al., 2017). The ownership structure of the firms regarding state-owned shares was accessed and collected via the Refinitiv Eikon database. This includes shares held by the 16 federal states, the German state and sovereign wealth funds of other countries. The variable is measured by the sum of state-owned shares as a percentage of the firms' shares.

Further, it has been found that firms' financial performance and CSR performance mutually influence each other. For example, empirical data suggests that financial performance has a negative impact on investments in environmental activities and a positive impact on social initiatives (Nakamura, 2015). To ensure that this factor does not bias the results of this analysis, financial performance is thus included and measured through ROE.

4.3 Empirical Strategy

In order to decide whether a fixed or random-effects model is more suitable for the multivariate regression analysis, the Hausman test was applied. Under the null hypothesis, the random-effects model is more effective, while under the alternative hypothesis, a fixed-effects model is preferred. Therefore, to perform the Hausman test, fixed and random effects were run. According to the result of the Hausman test, the null hypothesis cannot be rejected ($p = 0.9668$), and therefore a random-effects model is chosen (Wooldridge et al., 2009).

Additional tests were carried out to ensure that the model was correctly specified. First, a variance inflation test indicated that multicollinearity is unlikely to exist between the independent variables. The maximum value is 1.14 and therefore below the threshold of 10 where multicollinearity is considered a concern due to potentially high correlations between the independent variables. Multicollinearity can cause problems understanding whether the combination of independent variables influences the dependent variable (Meyers et al., 2017; Thompson et al., 2017).

Moreover, as this analysis includes the same units of the analysis during the period of 11 years, it is necessary to control for serial correlation to ensure the residuals are not correlated over time. This was done with the help of the Durbin Watson test, which may result in values between 0 and 4, with 2 indicating serial correlation is not present. However, the result of the Durbin Watson test reports the value 2,15 with $p = 0.9167$. Therefore, the null hypothesis can be retained, and serial correlation was not detected (Wooldridge et al., 2009).

5. Results

Table 2 records the means, standard deviations and correlations between the variables. Table 3 presents the results of the regression analysis. To check whether the expression of the independent variable influences the results, robustness tests were run in Table 4. To detect possible correlations, additional post hoc tests were then carried out and the results are presented in the Tables 5 to 7.

Table 2 – Descriptive Statistics and Correlations

Variable	Mean	St. Dev.	Change in CSR	Politican	CEO Tenure	Female Directors	ROE	Board Size
Change in CSR	0.113	1.498						
Politican	0.337	0.473	0.071					
CEO Tenure	5.412	3.626	- 0.027	- 0.049				
Female Directors	0.204	0.118	- 0.054	- 0.024	0.051			
ROE	11.654	21.005	0.057	0.022	0.016	- 0.036		
Board Size	16.957	5.755	0.033	0.260***	- 0.188***	0.299***	- 0.076	
State Ownership	5.183	7.783	0.144**	0.445***	- 0.020	0.101*	- 0.086	0.299**

5.1 Main Results

Table 2 presents descriptive statistics for all independent, dependent, and control variables. The share of politician appointments is consistent with previous research. On average, 33% of German DAX firms were politically connected on the board level in the period studied (El Nayal et al., 2021). The variable "change in CSR" significantly correlates with right-leaning politicians and state ownership. The control variable "board size" and "state ownership" present significant correlations with the independent variable "politician", which suggests that politicians are more likely to be present on larger boards or boards of state-owned firms.

Table 3 shows the different regression models that were conducted to test whether the outcomes predicted by the hypothesis can be validated for the sample of German DAX firms. The focus is on observing the influence of the independent variable "politician" on the dependent variable "change in CSR". By including the control variables, they do not have an undetected effect on the results of this analysis.

The first model includes the control variables. The second model provides results on the first hypothesis, presenting the coefficient of politician appointments on CSR performance. The models 3 and 4 explore this relationship under the influence of the moderator variables "female board members" and "CEO tenure". Finally, model 5 contains all variables including interaction effects.

Table 3
Results of Multiple Regression Models – Hypothesis I, II and III

	Dependent Variable:				
	Change in CSR				
	(Control)	(1)	(2)	(3)	(4)
Politician		0.048	0.432	0.266	0.623
		(0.176)	(0.313)	(0.316)	(0.407)
Female Directors			-0.024		-0.023
			(0.884)		(0.886)
CEO Tenure				-0.006	-0.005
				(0.026)	(0.026)
ROE	0.004	0.004	0.004	0.004	0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
State Ownership	0.029^{***}	0.028^{**}	0.032^{***}	0.027^{**}	0.031^{***}
	(0.010)	(0.011)	(0.011)	(0.011)	(0.011)
Board Size	-0.004	-0.004	0.001	-0.006	-0.0002
	(0.014)	(0.014)	(0.015)	(0.014)	(0.015)
Politician*Female Directors			-2.272		-2.206
			(1.419)		(1.423)
Politician*CEO Tenure				-0.041	-0.038
				(0.049)	(0.049)
Constant	-0.036	-0.036	-0.135	0.016	-0.089
	(0.253)	(0.254)	(0.279)	(0.310)	(0.334)
Observations	398	398	398	398	398
R^2	0.023	0.023	0.033	0.027	0.036
Adjusted R^2	0.016	0.013	0.018	0.012	0.016
F Statistic	9.374^{**}	9.425^{*}	13.468^{**}	10.702^{*}	14.495^{*}
Note:					$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

The values in the parentheses present the p-values for each coefficient.

Hypothesis I assumes a positive relationship between politicians on the board and the CSR performance based on the theoretical construct of identity. Model 1 shows a positive relationship; however, the result is not statistically significant ($\beta = 0.048$, $p > 0.1$). Model 2 views the relationship between political directors and CSR performance under the influence of the moderator variable “female directors”. Although contrary to the previous assumption, a positive correlation between political directors and CSR would be strengthened with increasing diversity measured through female directors; the results show a negative non-significant estimate (β = - 2.272, p > 0.1). Lastly, model 3 provides results for hypothesis III, which predicted a negative impact of increasing CEO power on the relationship between political directors and CSR performance. The proxy applied for CEO power is tenure. As the results show (β = -0.041; p > 0.1) tenure has a non-significant negative effect on the analyzed relationship.

5.2 Robustness Checks

To determine the strength and consistency of the results, robustness checks were run. Specifically, the independent variable “politician” (dummy) was re-operationalized as the number of political directors and the percentage of political directors on the board. Each hypothesis was then re-examined using the count variable and the percentage variable, respectively.

As the results below show, political directors still do not have a statistically significant effect on the CSR performance of firms. As table 4 demonstrates, there is no support for hypothesis I (Table 4, Model 1: β = 0.93, p > 0.1; Table 4, Model 2: β = 0.056, p > 0.1). Further, the results for hypothesis II mirror the negative results in table 3, however, they also lack statistical significance (Table 4, Model 3: β = - 11.113, p > 0.1; Table 4, Model 4: β = -1,308, p > 0.1). For hypothesis III, the outcomes also reinforce the results in table three, yet also with non-significant coefficients (Table 4, Model 5: β = - 0.602, p > 0.1; Table 4, Model 6: β = - 0.043, p > 0.1). Based on these outcomes, the theoretical predictions do not find support, and therefore all three hypotheses need to be rejected.

Table 4
Results of Multiple Regression Models – Robustness Checks for Hypothesis I, II and III

	Dependent Variable:					
	Change in CSR					
	(1)	(2)	(3)	(4)	(5)	(6)
Percentage Politicians	0.930		2.225		3.918	
	(1.765)		(2.789)		(3.416)	
Number Politicians		0.056		0.270		0.242
		(0.103)		(0.192)		(0.175)
Female Directors			-0.505	-0.172		
			(0.831)	(0.849)		
CEO Tenure					-0.005	-0.002
					(0.025)	(0.025)
ROE	0.004	0.004	0.004	0.004	0.005	0.005
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
State Ownership	0.027^{**}	0.026^{**}	0.029^{***}	0.029^{***}	0.027^{**}	0.028^{**}
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
Board Size	-0.003	-0.005	0.002	-0.001	-0.006	-0.007
	(0.014)	(0.014)	(0.015)	(0.015)	(0.014)	(0.015)
Percentage Politicians*Female Directors			-11.113			
			(14.155)			
Number Politicians*Female Directors				-1.308		
				(0.900)		
Percentage Politicians*CEO Tenure					-0.602	
					(0.580)	
Number Politicians*CEO Tenure						-0.043
						(0.033)
Constant	-0.056	-0.026	-0.053	-0.070	0.009	-0.002
	(0.256)	(0.254)	(0.279)	(0.269)	(0.306)	(0.306)
Observations	398	398	398	398	398	398
R^2	0.024	0.024	0.029	0.032	0.028	0.030
Adjusted R^2	0.014	0.014	0.014	0.018	0.013	0.015
F Statistic	9.634^{**}	9.656^{**}	11.552^{*}	13.114^{**}	11.286^{*}	12.004^{*}
Note:				$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$		

5.3 Post Hoc Analyses

To identify other causal relationships in the available data, a post hoc analysis was conducted. As this additional consideration extends the hypotheses, the following analyses are not based on theoretical assumptions. Since the independent variable "politician" is framed in a more holistic way and therefore does not consider this groups' heterogeneity, the variable will be further differentiated. The first subdivision of the variable "politician" refers to the jurisdiction scope, and the second to political orientation as both represent a further differentiation of social identities (de Andres et al., 2022).

Table 5
Results of Multiple Regression Models by Jurisdiction Scope of Political Directors (Part 1)

	Dependent Variable:		
	Change in CSR		
	(1)	(2)	(3)
Regional Politician	-0.166		
	(0.148)		
National Politician		0.035	
		(0.165)	
International Politician			0.003
			(0.232)
ROE	0.003	0.004	0.004
	(0.004)	(0.004)	(0.004)
State Ownership	0.032^{***}	0.028^{**}	0.029^{***}
	(0.010)	(0.012)	(0.010)
Board Size	-0.0004	-0.004	-0.004
	(0.014)	(0.014)	(0.014)
Constant	-0.068	-0.036	-0.036
	(0.255)	(0.254)	(0.254)
Observations	398	398	398
R^2	0.026	0.023	0.023
Adjusted R^2	0.016	0.013	0.013
F Statistic	10.634^{**}	9.395^{*}	9.351^{*}
Note:			$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

As Table 5 demonstrates, the distinction of the variable “politician” by jurisdiction scope does not have a significant effect on the change in CSR performance. The variable “regional politicians” presents a negative coefficient, yet not significant (β = - 0.166, p > 0.1). The variables “national politicians” and “international politicians” present a positive tendency, however also not statistically significant (β = 0.035, p > 0.1; β = 0.003, p > 0.1). These findings suggest that the main results observed earlier are not contingent on the type of politician on the board.

Table 6
Results of Multiple Regression Models by Jurisdiction Scope of Political Directors (Part 2)

	Dependent Variable:					
	Change in CSR					
	(1)	(2)	(3)	(4)	(5)	(6)
Regional Politician	-0.191			-0.019		
	(0.295)			(0.266)		
National Politician		0.534^{*}			0.546	
		(0.319)			(0.345)	
International Politician			-0.214			-0.006
			(0.427)			(0.435)
Female Directors	-1.005	-0.274	-0.996			
	(0.749)	(0.779)	(0.752)			
CEO Tenure				-0.017	-0.005	-0.018
				(0.023)	(0.024)	(0.024)
ROE	0.004	0.004	0.004	0.004	0.004	0.004
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
State Ownership	0.032^{***}	0.030^{**}	0.029^{***}	0.034^{***}	0.027^{**}	0.029^{***}
	(0.010)	(0.012)	(0.010)	(0.010)	(0.012)	(0.010)
Board Size	0.007	0.002	0.002	-0.003	-0.005	-0.006
	(0.015)	(0.015)	(0.015)	(0.014)	(0.014)	(0.014)
Regional Politician*Female Directors	-0.044					
	(1.580)					
National Politician*Female Directors		-2.540^{*}				
		(1.389)				
International Politician*Female Directors			1.059			
			(2.062)			
Regional Politician*CEO Tenure				-0.046		
				(0.064)		
National Politician*CEO Tenure					-0.089^{*}	
					(0.053)	
International Politiciant*CEO Tenure						0.003
						(0.070)
Constant	0.004	-0.088	0.070	0.053	0.017	0.089
	(0.260)	(0.267)	(0.270)	(0.299)	(0.300)	(0.306)
Observations	398	398	398	398	398	398
R^2	0.031	0.035	0.028	0.030	0.032	0.025
Adjusted R^2	0.016	0.020	0.013	0.015	0.017	0.010
F Statistic	12.616^{**}	14.307^{**}	11.110^{*}	11.953^{*}	12.830^{**}	9.929
Note:						$^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$

Further, the table above presents the effects of the moderator variables on the relationship between the different jurisdiction scopes and the CSR performance of firms. Including the effect of the interaction terms, “female directors” and “CEO tenure”, there is no evidence that regional politicians influence the CSR performance of firms (Table 6, Model 1, $\beta = 0.978$, $p > 0.1$; Table 6, Model 4, $\beta = - 0.046$, $p > 0.1$). However, a significant result is found for politicians on a national scope who, under the influence of the moderator “female directors”, have a less positive or negative impact on the CSR performance of the firm. These findings suggest that the relationship between national politicians and CSR performance is positive, yet it gets weaker the more female directors are on the board (Table 6, Model 2, $\beta = 0.534$, $p < 0.05$; Table 6, Model 2, $\beta = - 2.540$, $p < 0.05$).

Moreover, politicians on a national level have a significant negative effect on CSR performance when including the interaction of “CEO tenure”, respectively (Table 6, Model 5, $\beta = 0.546$, $p > 0.1$; Table 6, Model 5, $\beta = - 0.089$, $p < 0.05$). This finding suggests that national politicians have a positive effect on "change in CSR", however, this effect gets weaker the longer a CEO stays in office. The third variation of politician, international level, has no significant effect when influenced by the moderator variables “female directors” and “CEO tenure” respectively (Table 6, Model 3, $\beta = 1.059$, $p > 0.1$; Table 6, Model 6, $\beta = - 0.003$, $p > 0.1$).

In order to further examine the relationship between national level politicians and CSR performance as moderated by the proportion of female directors, the following graph was plotted. The x-axis shows the presence of politicians at the national level, the y-axis represents CSR performance.

Figure 1
CSR Performance for National Politicians and Female Directors

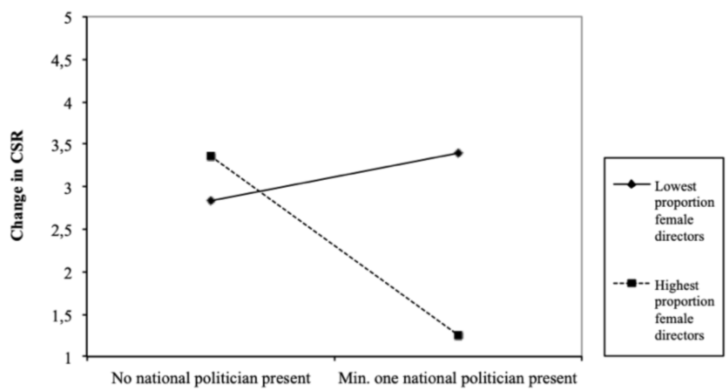


Figure 1 suggests that national politicians on the board have a positive impact on CSR performance. However, this appears to depend on the number of female directors. When there are fewer to no female directors, the influence of national politicians on CSR performance is positive. As the proportion of female directors increases, the effect appears to weaken considerably.

Table 7
Results of Multiple Regression Models by Political Orientation of Political Directors

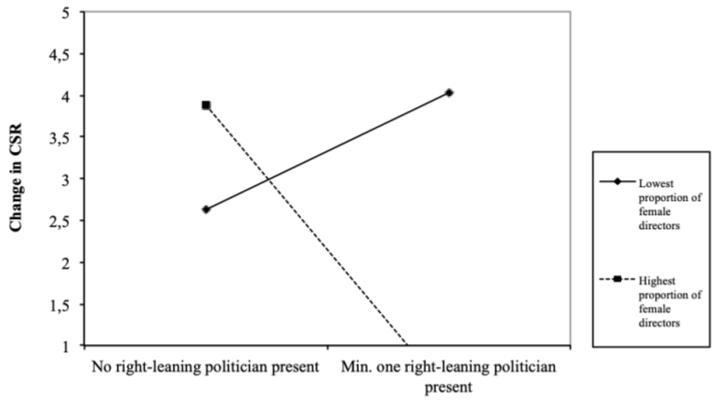
	Dependent Variable:					
	Change in CSR					
	(1)	(2)	(3)	(4)	(5)	(6)
Left Politician	-0.097		-0.164		-0.017	
	(0.103)		(0.206)		(0.200)	
Right Politician		0.215		1.723^{***}		0.655^{*}
		(0.204)		(0.496)		(0.386)
Female Directors			-1.143	-0.043		
			(0.778)	(0.773)		
CEO Tenure					-0.015	-0.006
					(0.024)	(0.024)
ROE	0.004	0.004	0.004	0.004	0.004	0.004
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
State Ownership	0.031^{***}	0.025^{**}	0.031^{***}	0.027^{**}	0.032^{***}	0.024^{**}
	(0.010)	(0.011)	(0.010)	(0.010)	(0.010)	(0.011)
Board Size	-0.002	-0.006	0.006	-0.004	-0.005	-0.005
	(0.014)	(0.014)	(0.015)	(0.015)	(0.014)	(0.015)
Left Politician*Female Directors			0.183			
			(1.171)			
Right Politicians*Female Directors				-5.954^{***}		
				(1.846)		
Left Politician*CEO Tenure					-0.021	
					(0.043)	
Right Politicians*CEO Tenure						-0.085
						(0.064)
Constant	-0.041	-0.011	0.051	-0.037	0.078	0.008
	(0.253)	(0.254)	(0.264)	(0.260)	(0.299)	(0.309)
Observations	398	398	398	398	398	398
R^2	0.025	0.026	0.031	0.056	0.028	0.032
Adjusted R^2	0.016	0.016	0.016	0.042	0.013	0.017
F Statistic	10.258^{**}	10.492^{**}	12.548^{*}	23.243^{***}	11.162^{*}	12.930^{**}
Note:						*p<0.1; **p<0.05; ***p<0.01

Finally, Table 7 presents the results for the effect of politicians on CSR performance according to their political orientation. Model one shows a negative tendency of left-oriented politicians on the change in CSR, yet not with statistical significance (Table 7, Model 1, $\beta = - 0.097$, $p > 0.1$). Further, under the influence of the interaction terms the effect remains non-significant (Table 7, Model 3, $\beta = 0.183$, $p > 0.1$; Table 7, Model 5, $\beta = - 0.021$, $p > 0.1$). When considering the influence of politicians from right-oriented parties, a non-significant positive coefficient is observed (Table 7, Model 2, $\beta = 0.215$, $p > 0.1$).

A statistically significant positive relationship was found for right-oriented political directors on change in CSR, however, incorporating the moderator effect of female board members this effect gets weaker the more female directors are on the board (Table 7, Model 4, $\beta = 1.723$, $p < 0.01$, Table 7, Model 4, $\beta = - 5.954$, $p < 0.01$), respectively. This finding contradicts the assumption that gender diversity positively influences the relationship between political directors and CSR performance. While the previous results were not significant, they did indicate a negative trend under the variable “female directors” in almost all cases. Regarding the influence of “CEO tenure” on the relationship between right-oriented politicians and CSR performance, the outcome is negative and non-significant (Table 7, Model 6, $\beta = - 0.085$, $p > 0.1$).

To complete the analysis of the relationship between conservative and right-leaning politicians on CSR performance under the moderator of female directors, this graph was plotted. The x-axis represents the presence of conservative politicians and the y-axis represents CSR performance.

Figure 2
CSR Performance for Conservative or Right-leaning Politicians and Female Directors



The graph indicates that conservative or right-leaning politicians have a positive impact on CSR performance when the proportion of women directors is low. As the number of female directors increases, the effect reverses and CSR performance decreases.

6. Discussion and Conclusion

Worldwide, politicians are serving on boards of directors as part of firms' CPA strategies. Accordingly, social sciences study the different effects of politically connected boards. While their focus is often on the effects on firms' value and economic performance, this study follows a different question in the context of political directors. Based on the theoretical concept of identity theory, it is analyzed whether the professional roots of political directors affect their engagement for CSR. So far, only a few researchers have focused on the effect of politically connected boards on the CSR performance of firms. As hypothesized in this study, prior research finds a positive effect of political directors on firms' CSR engagement. However, the results of this study do not confirm the findings of previous studies (de Andres et al., 2022; Luo & Wang, 2021; Xu & Liu, 2020).

In this thesis, it was formally hypothesized that political directors positively affect CSR performance based on identity theory, according to which individuals have different identities. Depending on their roles and social groups, these identities influence each other and, therefore, the individual's behavior (Callero, 1985; Hillman et al., 2008). Further, it was hypothesized that this relationship is reinforced by board diversity. At the same time, this study also assumed that the increasing influence and power of a CEO weakens the expected positive effect. Therefore, both board diversity and the power of a CEO were chosen since this paper supposes they can influence the scope of action of political directors.

The focus of this study lies on the German economy. Therefore, the sample includes all DAX 30 firms, of which 33% had at least one politician on their board over the 11-year study period. After collecting all relevant data, it was analyzed with several regression models. However, based on the results, which indicate no significant effects between political directors and CSR performance, it must be assumed that the linkage of identities between politician and director is not as close as assumed or not well aligned with each other (Hillman et al., 2008).

A potential explanatory approach could be the influence of the size of the German supervisory boards. As this evaluation has shown, supervisory boards of German DAX 30 firms have an average of 17 members over the period considered. However, this varies greatly depending on the firm's size, industry, and age. Particularly large firms in rather regulated industries tend to have the most politicians on the board. These firms often have extensive supervisory boards, so it is to reason that the individual's influence and scope for action are relatively small. It can be assumed that politicians, should they transfer their welfare ambitions from their political role to this role as a director, may have difficulties representing their CSR ambitions effectively in this board size. This must also be seen in the context of the fact that boards with an extensively high number of directors tend to have a negative influence on the CSR performance of firms (Cuadrado-Ballesteros et al., 2017).

Further, when comparing this study to the Spanish study on political directors and CSR, one sees differences that might indicate under which circumstances the link between political directors and CSR is significant. For example, the Spanish sample includes only saving banks with solid ties to the public sector whose political directors are direct representatives of the public administration. Consequently, the identities of being a politician and a director are particularly aligned given that their objective is directly to represent societal interests in the form of CSR. Furthermore, it is possible that the size of the firms also plays a role. While in the Spanish analysis, for example, smaller, local banks with close links to local politicians have a remarkably high influence on CSR engagement, this study focuses on large German firms which mostly do not have such strong political ties and whose political links only partially lead into local politics (de Andres et al., 2022).

While the results for the second hypothesis have primarily suggested a non-significant negative effect, the post hoc analyses have detected an interesting correlation (Table 6 and 7). According to the results, right-leaning or conservative and national political directors have a significant negative influence on the CSR engagement of firms when incorporating gender diversity measured by female board members. This may be related to the fact that board gender diversity has been shown to impact CSR positively and that these subgroups of political directors already consider this topic to be well represented (Boukattaya & Omri, 2021). Further, it is conceivable that this effect must be considered against the background that a conservative perception might be shaped by stereotypical role models, which equate a higher proportion of women with higher CSR performance and thus no longer see the need to devote themselves to the subject. A solid understanding of the negative effect on CSR under these circumstances would need attention in future research.

Finally, the third hypothesis in this sample also proved to be largely unsupported. However, Table 6 revealed a significant negative relationship between national political directors and CSR under the influence of CEO tenure.

The results of this study make a novel contribution to the study of the influence of political directors on the CSR performance of German DAX 30 firms based on identity theory. It would be worthwhile to apply this approach, for example, in the context of medium sized, local firms as well as other countries and cultures in order to identify possible effects.

7. Limitations and Future Research

The results of this study are limited to the analyzed period (2009 - 2020) and the chosen firm sample. Further relevant insights could be gained if data over an extended period as well as more firms were included. For example, small or medium-sized firms or the separate analysis of selected industries are not part of this study. However, it could be that, for example, medium-sized firms appoint regional politicians to their supervisory boards and that they would significantly influence CSR performance in this adapted setting. As a comparable study on medium sized saving banks in the Spanish banking sector showed, the regional identity of political directors has a positive effect on CSR spending for firms (de Andres et al., 2022).

In addition, the analysis of this study transferred to other national economies would create comparability and include, for example, cultural differences. An international comparison would be particularly interesting as the proportion of firms employing political directors varies highly between countries. For example, while the results of this study demonstrate that 33% of German DAX firms had at least one political director over the period studied, this figure is significantly higher in other countries. Similar studies for the UK, Spain or France would be interesting comparisons since about 50% of the largest firms have at least one politician on the supervisory board; in France, even more than 60% (El Nayal et al., 2021). A cross-country perspective would be a valuable next step and contribution to this rarely researched topic.

This study assumes that political directors are motivated to advance CSR primarily based on social values and interests. Furthermore, it can be assumed that they engage in CSR to avert public criticism of their role as a board member or promote their reputation and that of their party, thus gaining crucial votes. However, understanding the factors that influence motivation would be a further interesting scientific contribution.

In order to identify fundamental tendencies, the variables are defined somewhat more generally in this study. In the context of future research, more detailed differentiations could be made in example regarding the heterogeneity of the group of political directors. The variable could be unbundled and applied accordingly in a more detailed level, i.e. by considering the party a political director belongs to or whether he or she is still active as a politician or not. Regarding identity theory, the latter could impact the likelihood with which an identity gets activated and therefore influences behavior. Moreover, it would be interesting to determine in future studies whether there are differences in the influence of supervisory board members on CSR performance depending on whether they are currently still active as politicians or not anymore. A further differentiation that would have been interesting regarding the hypotheses I and II is the influence of female political directors on CSR performance. This was not a feasible option due to the small number of female political directors in this study, yet it would be a valuable addition in future research.

Another limitation is the consideration of the overarching CSR score. This could be considered in more detail if the effect on the different aspects of CSR were considered separately. It might be possible to identify correlations between politicians of specific parties and sub-areas of CSR. Possibly, in addition, the reversal of the perspective from high CSR scores and performance towards the composition of the supervisory board could also be an approach of interest and might reveal further insightful results.

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