

# NGO Activism and Anti-Corruption Disclosures: An Empirical Study of Emerging Economy Multinational Companies

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**Building on social movement theory, we investigate particular stakeholder contexts, including non-governmental organization (NGO) activism, within which emerging economy multinational companies (EMNCs) are more likely to disclose anti-corruption information. By leveraging Transparency International's unique dataset on anti-corruption disclosures by EMNCs, we find that EMNCs disclose more anti-corruption information in countries with a lower level of government oppression of NGOs, greater transparency of NGOs, as well as a greater number of anti-corruption NGOs operating in such markets. EMNCs with a higher level of internationalization exhibit more anti-corruption disclosures when they are based in countries with a higher level of NGO transparency and a lower level of government oppression of NGOs. Anti-corruption disclosures of EMNCs are more responsive to corruption scandals when they are headquartered in less repressive countries and countries with a higher level of NGO transparency. This study provides original insights into whether and how the NGO-driven social movement process in institutional environments plays a role in influencing the anti-corruption disclosure and transparency practices of EMNCs. We argue that, within the context of emerging economies, unless we consider the interactions of NGO activism with internationalization and corruption scandals, we will be unable to fully understand anti-corruption disclosure practices by EMNCs.**

## Introduction

Over the past three decades, the globalization process has shaped the institutional environment and the way companies maintain their legitimacy (Scherer, Palazzo and Seidl, 2013). It has shifted the power to address issues of public concern (e.g. corruption) from government actors to private actors such as multinational companies (MNCs) and non-governmental organizations (NGOs) (Mena and Palazzo, 2012). This has led to the emergence of NGOs as social movement organizations (hereafter SMOs) that play an influential role in shaping the institutional environment (Doh and Guay, 2006), corporate legitimacy and MNC–government interactions in both developed and emerging countries (Gifford, Kestler and Anand, 2010; Kourula, 2010). In particular, there is growing NGO activism against MNCs' activities in emerging countries (Doh and Tee-gen, 2002; Kourula, 2010), including their increasing

inclination to exploit weak institutional environments for business interests (Cuervo-Cazurra and Genc, 2008; Gifford, Kestler and Anand, 2010). This phenomenon, not previously researched thoroughly enough, creates a context for understanding particular corporate responsibility practices, such as corporate anti-corruption disclosure practices, in emerging countries. Although the roles of NGO activism and how they shape companies' behaviour and strategic choices are highlighted and acknowledged in the literature (Doh and Teegen, 2002; Kourula, 2010; McWilliams, Siegel and Wright, 2006), we aim to explore this phenomenon through an empirical investigation of the roles played by country-level NGO activism in influencing MNCs' anti-corruption disclosure/transparency practices within the context of emerging economies.

A growing cross-disciplinary accounting, business and management research demonstrates that stakeholder pressures or broader community expectations

influence particular forms/natures of non-financial disclosures, such as social (corporate social responsibility) disclosures (Orij, 2010; Ren *et al.*, 2023), environmental disclosures (Chithambo *et al.*, 2022; Huang and Kung, 2010), human rights disclosures (Islam and McPhail, 2011; Islam and van Staden, 2018) and anti-corruption/anti-bribery disclosures (Blanc *et al.*, 2017; Islam *et al.*, 2021). Past research that focused on anti-corruption disclosures has predominantly focused on companies based in developed economies, with limited attention paid to firms originating from emerging economies (Islam *et al.*, 2021; Jaggi *et al.*, 2021). For instance, Islam *et al.* (2021) investigated whether and how an evolving anti-bribery regulation, the UK Bribery Act 2010, influences anti-corruption disclosures by companies based in Great Britain. Whilst anti-corruption regulations like the UK Bribery Act 2010 primarily target businesses (corporations) and are still evolving and new for many developed nations, emerging economies mostly lag behind in enacting such regulations. Moreover, emerging countries are traditionally characterized by governance gaps (Barkemeyer, Preuss and Lee, 2015). In such a context, NGOs, through their activism, may emerge as influential stakeholders (Doh and Teegen, 2002) and create an awareness of corruption issues, exerting pressures on companies to disclose their anti-corruption efforts. Despite ubiquitous public discourse, broader stakeholder concerns and NGO activism against corruption (such as bribery, money laundering and other illegitimate activities) at governmental, institutional and corporate levels, particularly in emerging economies (Adeyeye, 2012; Castro and Ansari, 2017; Financial Times, 2016; Khanna and Palepu, 1997; Otusanya, 2011), there is a lack of research on whether and how the role/s of broader stakeholders (i.e. NGOs) influence the anti-corruption disclosure practices of emerging-economy MNCs (hereafter EMNCs).

We focus on EMNCs,<sup>1</sup> many of which face government corruption and institutional voids and a lack of ethical demands from stakeholders in their home markets (Cuervo-Cazurra and Genc, 2008; Khanna and Palepu, 1997, 2010; Logsdon, Thomas and Van Buren, 2006). Many stakeholders are not well organized and active in these markets compared with developed ones.<sup>2</sup> There are apparent variations in the empowerment of stakeholders, particularly NGOs in emerging economies, to demand and expect increased corporate transparency. Whilst prior research documents

corporate–NGO engagement (Kourula, 2010), as well as NGO activism towards particular corporate social practices (Doh and Guay, 2006; Islam and Van Staden, 2018), the country-level variations in the role of NGO activism in corporate anti-corruption disclosure practices have not been examined. We argue that owing to country-level differences in institutional and broader stakeholder roles, MNCs can be confronted with a higher degree of stakeholder demand for anti-corruption disclosure or transparency practices in some countries than in others, given that the local context in which the companies are embedded matters.<sup>3</sup> This may lead to differences in anti-corruption disclosure by MNCs, depending on the stakeholders' (i.e. NGOs') conditions in the institutional environment.

Drawing on social movement theory within the organizational and social science literature (Davis *et al.*, 2008; King, 2008a; McDonnell, King and Soule, 2015; Sine and Lee, 2009), and focusing on major MNCs headquartered<sup>4</sup> in emerging economies, we hypothesize that differences in contextual factors in terms of the level of government oppressions of NGOs, NGO transparency standing, and anti-corruption NGO presence will influence anti-corruption disclosure practices by EMNCs. There could also be additional contingency factors that affect the role of social activism in firms' practices. In this paper, we argue that the effect of internationalization and corruption scandals on anti-corruption disclosures varies with the country-level NGO activism level. Our hypotheses, formulated based on social movement theory, focus on important contextual factors that affect social activism in a given country and make NGOs more threatening to the legitimacy of EMNCs. First, we argue that government oppression or attacks on NGOs adversely affect their ability to put pressure on powerful MNCs owing to their limited ability to mobilize grassroots resources and lack of embeddedness in local institutional settings (Fransen *et al.*, 2021). Second, NGO credibility and transparency are important for gaining support from a broader set of stakeholders (Benford and Snow, 2000; Rohlinger and

<sup>3</sup>Of course, NGO activism extends further than merely putting pressure on corporations to be transparent. There are broader tensions because corruption is regarded as a major challenge to the goals of ending extreme poverty by 2030 and upholding shared prosperity for the poorest 40% of people in developing countries (The World Bank, 2018). Every year, corrupt practices, such as bribery, theft, and tax evasion, cost developing countries around US\$1.26 trillion, and this large sum of money could support those whose earnings are below \$1.25 a day for at least 6 years (The United Nations, n.d.).

<sup>4</sup>We specifically focus on the country of MNCs' corporate headquarters because this is the institutional environment of the key corporate decision-makers who attend meetings and formulate corporate policies (Marquis, Toffel and Zhou, 2016) and hence is the country environment with the greatest impact on corporate decisions (Guler, Guillén, and Macpherson, 2002).

<sup>1</sup>By 2025, more than 45% of the Fortune Global 500 companies will come from developing/emerging countries, compared with only 17% in 2010 (McKinsey Global Institute, 2013).

<sup>2</sup>Developing countries appear to experience social challenges that are different from those in developed countries, as they are characterized by governance gaps and acute social and environmental crises (Barkemeyer, Preuss and Lee, 2015).

Brown, 2013; Teegen and Doh, 2002) and putting pressure on MNCs to improve their transparency in relation to anti-corruption efforts. Third, we argue that the presence of strong anti-corruption NGOs in organizational fields helps mobilize diverse stakeholders (Sine and Lee, 2009), and this in turn magnifies NGO surveillance of corporate practices regarding anti-corruption disclosures. Finally, given that MNCs generally suffer from reputational threats and a wide range of stakeholder scrutiny due to increased exposure to internationalization (Zyglidopoulos, Williamson and Symeou, 2016) and corruption scandals (Blanc *et al.*, 2017), we argue that such threats and scrutiny are more likely to be intensified for EMNCs based in countries with stronger NGO-led social movement processes.

We use the Transparency International's (TI) anti-corruption disclosure scores for EMNCs published in 2013 and 2016, and our findings suggest that MNCs based in emerging economies with a lower level of repression of NGOs by governments, a greater level of NGO ethical and transparency standing, and a substantial presence of anti-corruption NGOs disclose more information on their anti-corruption activities. Our analysis also reveals that EMNCs with a higher level of internationalization exhibit more anti-corruption disclosures when they are based in countries with a lower level of repression of NGOs and a higher level of NGO transparency. The anti-corruption disclosures of these MNCs are more responsive to corruption scandals when they are headquartered in less repressive countries and countries with a higher level of NGO transparency. Our results suggest that NGO-driven social movement processes in institutional environments play an important role in influencing the anti-corruption disclosures and transparency practices of EMNCs.

Our study contributes to the extant literature in significant ways. First, our study contributes to the interdisciplinary accounting and management literature on corporate transparency and/or disclosure (Islam and Van Staden, 2018; Ren *et al.*, 2023; Canizzaro, and Weiner, 2018; Blanc *et al.*, 2017; Islam *et al.*, 2021) by highlighting whether and how country-level NGOs or social activism influence anti-corruption disclosure practices by EMNCs. Second, this study contributes to the social movement literature (King, 2008a; King and Soule, 2007; McDonnell, King and Soule, 2015; Sine and Lee, 2009) by providing original insights into how a particular social activism such as NGO activism influences a particular corporate reporting or transparency practice within the context of emerging economies. This study advances understanding of how NGO–MNC interactions (e.g. Doh and Guay, 2006; Skippari and Pajunen, 2010), NGO activism and/or country-level social activism or NGO movement influence corporate responsibility and transparency practices in contexts often marred with institutional voids (cf. Khanna and Palepu,

1997, 2010). Specifically, this study offers important insights into whether and how country-level factors, such as government oppression of NGOs or SMOs, relate to anti-corruption disclosure practices by EMNCs. Finally, although the anti-corruption disclosure literature is expanding (see Barkemeyer, Preuss and Ohana, 2018; Blanc *et al.*, 2017; Islam *et al.*, 2021), we extend this literature by showing how country-level NGO activism interacts with company-level factors such as exposure to internationalization and corruption scandals in shaping and heightening anti-corruption disclosure practices by MNCs within the context of emerging economies. At the same time, our results strongly support the advancement of social movement theory (King, 2008a; King and Soule, 2007; Zald, Morrill and Rao, 2005), indicating that the vigour of country-level NGO activism significantly shapes anti-corruption disclosures as EMNCs expand internationally and encounter heightened exposure to corruption scandals. We argue that without considering the interactions of NGO activism with internationalization and corruption scandals, we will be unable to fully understand anti-corruption disclosure practices by MNCs based in emerging economies.

In the next section, we outline a theoretical framework that includes social movement theory and the relevant literature, leading to the development of hypotheses. Then, we describe our research methods and explain our results. We also conduct additional analysis in a separate section. Finally, we conclude.

## Conceptual background and development of hypotheses

Past research that explored the influences of stakeholder pressures on particular non-financial disclosures predominantly used stakeholder theory and/or (institutional) legitimacy theory (e.g. Blanc *et al.*, 2017; Chiu and Wang, 2015; Deegan and Blomquist, 2006; Islam *et al.*, 2021; Orij, 2010; Ren *et al.*, 2023). Such research broadly saw corporations use disclosure practices to maintain their legitimacy with the broader set of stakeholders. Whilst NGO influence as a broader stakeholder pressure on corporate disclosure practices appears consistent with stakeholder theory and/or legitimacy theory (cf. Deegan and Blomquist, 2006), we argue that as NGOs acting as SMOs are involved in social movement activities and mobilizing political opportunities of the movement, social movement theory is a better fit to explain whether and how their activism influences a particular corporate disclosure. Although all these theories have complementary perspectives to explain particular corporate disclosure practices, social movement theory is more aligned with the notion of NGO activism and holds greater promise in overcoming an 'excessive institutional determinism'

and providing an understanding of how particular social movements such as NGO activism, which generally functions outside of formal (institutional) channels (Schneiberg and Lounsbury, 2008, p. 648), explain the phenomena. We thus draw upon key insights from social movement theory to explore the role of NGO activism in shaping the anti-corruption disclosure practices of EMNCs.

Early sociology literature on social movement theory focused on the causes (e.g. Davies, 1962) and motivations (e.g. Toch, 1965) that lead social movements to instigate state-level policy changes. With increasing globalization and pressure from civil society stakeholders, social movements have emerged that cause organizational and/or corporate change and put pressure on companies to address social issues (Davis *et al.*, 2008; Den Hond and De Bakker, 2007; Gupta and Briscoe, 2020). Accordingly, relatively recently, scholars have embraced social movement theory to explain how SMOs influence companies and create change through their movement's tactics, such as protests, boycotts, proxy proposals and negative media campaigns (e.g. King and Soule, 2007; McDonnell and King, 2013; McDonnell, King and Soule, 2015). Apart from movement tactics, an important focus of social movement theory has been understanding the conditions under which movements by non-market social activists (e.g. NGOs) against dominant actors (e.g. companies) in organizational fields emerge and facilitate social change (King, 2008a). Such outsider activists can be more disruptive and pose a significant threat to firms compared with insider activists such as employees (cf. Briscoe and Gupta, 2016).

The social movement literature suggests that specific factors and/or contexts may trigger/facilitate stakeholder (such as NGO) mobilization, indicating that certain companies are more vulnerable to social movements than others (King, 2008a; Lee, 2007; Zald, Morrill and Rao, 2005). Therefore, it is important to understand the role of the conditions or contexts (such as the conditions within which country-level social movements operate) that may facilitate social movements in effecting corporate social change (cf. Doh and Guay, 2006). Drawing on the theory, we identify three NGO-driven social movement contexts where the strength of NGOs as SMOs can be enhanced: the political contexts allowing NGOs to do their activism without government repressions and restrictions; the transparency standing of NGOs; and their presence in large numbers. We expect that these contextual factors positively influence corporate anti-corruption disclosures. In line with the social movement literature (King, 2008a; Lee, 2007), we also expect to see an interaction of NGO activism contexts with corporate-level conditions such as the degree of internationalization and corruption scandals, which may enhance the risk of

exposure to NGO scrutiny and expectations of corporate transparency. As the extant literature suggests that companies generally suffer from reputational threats and stakeholder scrutiny owing to the increased exposure to tension associated with internationalization (Zyglidopoulos, Williamson and Symeou, 2016) and corruption (Blanc *et al.*, 2019), we argue that such threats and scrutiny are more likely to be intensified for companies based in countries with stronger NGO-led social movement processes. Hence, we expect that the impact of internationalization and corruption scandals varies with the strength of NGO-led social movement processes.

#### *Government repressions of NGOs and corporate anti-corruption disclosures*

Social movement theory proposes that the influence of NGOs as SMOs depends on their ability to freely mobilize (King, 2008b). In line with this theory, we argue that government repressions of NGOs negatively affect their ability to influence corporate anti-corruption disclosures. Prior studies on NGO repressions suggest that government restrictions/repressions of NGOs limit their access to mobilizing resources, which in turn constrains their ability to influence their targets (Fransen *et al.*, 2021). NGOs are affected by government restrictions and repressions as their activities might threaten a country's implementation of industrialization policies, impose significant economic costs on a government (Chaudhry, 2022), and question the (corrupt) interaction between government and MNCs (Doh and Teegen, 2002; Skippari and Pajunen, 2010).

The nature of repressions by governments imposed on NGOs includes (but is not limited to) enactment of anti-NGO laws, harassments, threats, and restrictions on NGO funding, freedom of association and international affiliations (Chaudhry, 2022; Fransen *et al.*, 2021; Smidt *et al.*, 2021). In many emerging economies (such as Bangladesh, China, Cambodia, India, Russia), NGOs give up their campaigns and/or change the focus of their campaign (from political to service-oriented) in response to government-led repressions and regulatory restrictions (Fransen *et al.*, 2021; Smidt *et al.*, 2021). The governments' behaviour towards NGOs may affect NGOs' capacity to monitor MNCs in emerging economies. We argue that a higher (lower) level of government-led repressions of NGOs undermines (improves) NGOs' ability to operate freely and create pressure on MNCs for increased anti-corruption transparency. This leads us to suggest:

**H<sub>1</sub>:** MNCs based in emerging economies with less repressions of NGOs by governments will make more corporate anti-corruption disclosures.

### *NGO transparency and corporate anti-corruption disclosures*

NGOs traditionally play critical roles, calling for greater transparency, legitimacy and accountability from political, institutional, or corporate actors and power elites (Doh and Guay, 2006; Naidoo, 2004). NGOs' successful campaigns to improve the transparency of others (e.g. government bodies, corporations, people in general) often rely on their own transparency and legitimacy, and this interdependence has become a topic of major academic and policy debate (Baur and Schmitz, 2012; Burger and Owens, 2010; Doh and Teegen, 2002). The social movement literature highlights that when social activists such as NGOs influence institutional practices, such influence largely depends on their perceived transparency and credibility to the general public, which affects their ability to gain broader stakeholder support (Benford and Snow, 2000; Rohlinger and Brown, 2013). In the context of emerging economies, transparent NGOs are more likely to be taken seriously by MNCs because pressures from transparent NGOs are more likely to be credible and legitimate in the eyes of the public, media and society in general. There is a view that any inconsistency between actors' (NGOs') claims and their actions may risk their credibility and lead to the actors' claims being viewed with suspicion by the wider community (Carlos and Lewis, 2018). Following similar reasoning, we argue that a greater perception of transparency enables NGOs to raise a stronger voice in calling for corporate transparency and, in consequence, pose a more credible threat to MNCs' reputation and legitimacy. Thus, we suggest the following hypothesis:

**H<sub>2</sub>:** MNCs based in emerging economies with a higher level of NGO transparency will make more corporate anti-corruption disclosures.

### *Anti-corruption NGOs and corporate anti-corruption disclosures*

The previous social movement and broader management literature shows that social movements amplified by domestic and transnational networks of social activists (such as NGOs) influence corporate social practices (Den Hond and De Bakker, 2007; Kraemer, Whiteman and Banerjee, 2013; Lim and Tsutsui, 2012). NGOs can collaborate on a local issue (e.g. corruption), amplify their movement through global networking (Doh and Guay, 2006) and act as a mechanism to diffuse information and influence dominant institutions (Doh and Lucea, 2013; Kraemer, Whiteman and Banerjee, 2013). A strong NGO base, represented by large number of NGOs, increases their capacity to mobilize resources and effect social changes (Marquis, Toffel and Zhou, 2016) and to pose a legitimacy threat to (emerging econ-

omy) MNCs (Zyglidopoulos, Williamson and Symeou, 2016).

In many emerging economies, several domestic NGOs and grassroots activist groups first mobilize and campaign for social change and provide local information about their struggle to global NGOs (Kraemer, Whiteman and Banerjee, 2013), which in turn empower them by providing mobilization resources (e.g. strategic advice and material support) (Kraemer, Whiteman and Banerjee, 2013). We argue that, as EMNCs rapidly internationalize and set up operations in multiple countries (including developed economies, where most of the global NGOs are based that have transparency and ethical norms aligned with global norms) and need to maintain legitimacy in all countries where they operate (Gifford, Kestler and Anand, 2010), a strong presence of anti-corruption NGOs in the home (emerging) economies creates both local and global pressures on such MNCs to be transparent on their anti-corruption activities. Accordingly, we suggest that:

**H<sub>3</sub>:** MNCs based in emerging economies in which a larger number of anti-corruption NGOs operate will make more anti-corruption disclosures.

### *Internationalization, NGO activism and corporate anti-corruption disclosures*

As companies based in emerging economies internationalize, they face increasing reputational and legitimacy threats in the eyes of diverse stakeholders in the various countries in which they operate (Symeou, Zyglidopoulos and Williamson, 2018; Zyglidopoulos, Williamson and Symeou, 2016). With internationalization, companies are more likely to be the target of NGO activism owing to their increased visibility and the fact that some of their activities (i.e. corrupt practices) raise concerns amongst the broader set of stakeholders (Davis, King and Soule, 2022; Doh and Guay, 2006; Kraemer, Whiteman and Banerjee, 2013). This indicates that internationalization provides an indicator of corporate vulnerability to NGO activism, as firms are exposed to multiple and well-informed stakeholders. We argue that in countries featuring strong NGO activism, internationalizing companies will be especially concerned that lack of transparency regarding anti-corruption practices would be challenged by the NGOs, which can potentially affect their legitimacy in host markets (King, 2008b). Accordingly, as emerging economy companies internationalize, especially those from countries characterized by a strong level of NGO activism in the form of weaker government repressions of NGOs, higher transparency of NGOs and a stronger presence of anti-corruption NGOs, they are more likely to face greater NGO pressures to be transparent through anti-corruption disclosures. This leads us to suggest:

**H<sub>4</sub>:** The relationship between corporate internationalization and anti-corruption disclosures is positively moderated by the strength of country-level NGO activism.

#### *Corruption scandals, NGO activism and corporate anti-corruption disclosures*

In recent years, an increasing number of high-profile corruption scandals involving MNCs and their adverse consequences on society have attracted the attention of diverse stakeholders, and this has strengthened the need to hold MNCs accountable for their involvement in corruption and unethical practices (Blanc *et al.*, 2019; Islam *et al.*, 2018). Among others, NGOs have emerged as active campaigners of corporate anti-corruption efforts (Islam *et al.*, 2018), and their active involvement in local (domestic) and global anti-corruption campaigns indicates their potential impact on the effect of corruption scandals on corporate responses via anti-corruption disclosures. Drawing upon social movement theory, we argue that MNCs may become more appealing targets for activists and NGOs as a result of their exposure to corruption scandals, and thus their responses may depend on the strength of NGO activism (King, 2008a). We also argue that EMNCs involved in corruption scandals face increased reputational and legitimacy threats often emanating from global NGOs headquartered in countries where they have the option to freely speak up and engage in organized social movements. Thus, we propose that:

**H<sub>5</sub>:** The relationship between corporate corruption scandals and anti-corruption disclosures is positively moderated by the strength of country-level NGO activism.

## Research method

### *Sample selection*

We began selecting our sample by reviewing Transparency International (TI)'s 2013 and 2016 reports on anti-corruption disclosure by EMNCs. TI's database provides scores for the disclosure of anti-corruption information based on the publicly available documents provided by 100 large EMNCs (in total, 200 company-year observations as per 2013 and 2016 reports<sup>5</sup>) (Kowalczyk-Hoyer, 2013; 2016). We also relied on other datasets, including Thomson Reuters Eikon, Osiris, Orbis, and TI (TI's NGO transparency dataset), for a wide range of variables for this study. We excluded 39 observations that lack data on a range of variables (mostly

<sup>5</sup>To date, TI has published only two reports that include scores on ACDs by emerging-economy MNCs. The reports were published in 2013 and 2016, which limits our study to these years.

financial). This left a sample of 161 company-year observations (69 companies from the 2013 report, and 92 companies from the 2016 report), which were headquartered in 13 emerging economies across nine industries.<sup>6</sup> The country and industry composition data are presented in Table 1. TI's dataset on EMNC anti-corruption disclosures is unique and there is no other known database that could provide us with this type of comprehensive data on anti-corruption disclosure practices by EMNCs.

### *Dependent variable—anti-corruption disclosures (ACD)*

We use TI's ACD scores as our dependent variable. The scores were calculated using an index comprising 13 items (see Appendix A), which were derived from its own 'Business Principles for Countering Bribery' (Kowalczyk-Hoyer, 2013; 2016).<sup>7</sup> Using a content analysis technique, TI reviewed all publicly available documents on the samples' websites and scored each item as 0 if no or minimal disclosure was made. To rank disclosed items, TI assigned scores of 1 or 0.5, depending on the nature of the disclosure (see, Appendix A). Total scores were measured as the sum of total disclosed scores divided by total possible scores. TI's ACD scores have been adopted in well-documented prior studies (e.g. Blanc *et al.*, 2017).

### *Independent variables*

Following prior studies (Chaudhry, 2022; Fransen *et al.*, 2021), we collected the measure of the severity of government repressions of NGOs (GOVTREP) from the Varieties of Democracy (V-Dem) dataset (v9). The variable captures the severity of government repressions based on an ordinal scale (0 to 4), with 0 indicating violent and active repression by the government to liquidate NGOs and 4 indicating no government repressions of or threats to NGOs (Bernhard *et al.*, 2015).<sup>8</sup> This original scale has been converted to an interval scale using the

<sup>6</sup>We confirmed that the countries of our samples were emerging economies during the data period by reviewing the United Nation's World Economic Situation and Prospects reports published in 2012 and 2015. In our study, we considered China and Taiwan, China as a single country to ensure country-level data availability for the available sample, as most well-established databases (such as the World Bank's development indicators) generally provide aggregated data for China.

<sup>7</sup>The Business Principles for Countering Bribery are a multi-stakeholder initiative led by Transparency International. The Business Principles are extensively used worldwide and provide companies with a guideline for comprehensive anti-corruption behaviour (Transparency International, 2013).

<sup>8</sup>The measure captures the different degrees of government repressions on NGOs, which range from violent attacks, through completely liquidating NGOs, government imprisonment of NGO leaders, minor legal harassment, restrictions on NGO

Table 1. Country and industry composition

Panel A: Country composition							
No.	Country	Company-year observations	%	No.	Country	Company-year observations	%
1.	Argentina	2	1.2	8.	Malaysia	2	1.2
2.	Brazil	18	11.2	9.	Mexico	11	6.8
3.	Chile	2	1.2	10.	Russia	11	6.8
4.	China	51	31.7	11.	South Africa	7	4.3
5.	Egypt	2	1.2	12.	Thailand	8	5
6.	India	39	24.2	13.	Turkey	4	2.5
7.	Indonesia	4	2.5		Total	161	100
Panel B: Industry composition							
No.	Industry	Company-year observations	%	No.	Industry	Company-year observations	%
1.	Basic materials	44	27.3	5.	Industrials	39	24.2
2.	Consumer goods	31	19.3	6.	Oil, gas & energy	17	10.6
3.	Consumer services	8	5	7.	Technology	10	6.2
4.	Healthcare	4	2.5	8.	Telecommunications	7	4.3
				9.	Utilities	1	0.6
					Total	161	100

The industry classification is based on Transparency International's database. Basic materials industry covers companies that are engaged in mainly manufacturing activities, while industrials include companies involving construction, electric products and logistics services.

V-Dem measurement model, and the scale generally varies between  $-5$  and  $5$  (Coppedge *et al.*, 2019). We collected this variable for the years 2012 and 2015.

To measure NGO transparency, we relied on TI's Global Corruption Barometer report published in 2013. TI surveyed more than 114,000 respondents in 107 countries to assess the general public's direct experiences with corruption in key institutions, including NGOs, the judiciary, and the police in these countries (Hardoon and Heinrich, 2013). TI used a five-point rating scale to capture the perception of NGO corruption, with higher numbers indicating a greater perception of NGO corruption. We regard the scale as a measure of NGO transparency (NGOTRANS) because prior studies show that a lack of transparency and ethics leads to organizational corruption (Bahoo, Alon and Paltrinieri, 2020; Luo, 2006). We multiplied the original rating by  $-1$  so that a higher score indicates a greater level of NGO transparency and ethics.

The literature on social movements and organizations observes that specialized NGOs, such as environmental and/or human rights NGOs, campaign for environmental/human rights-related awareness and affect related corporate/organizational accountability practices (Marquis, Toffel and Zhou, 2016; Sine and Lee, 2009). Accordingly, we selected NGOs that campaign in some way for corporate 'accountability', 'transparency', 'anti-corruption/anti-bribery', 'ethics', and/or 'governance'. Using these criteria, we selected anti-corruption NGOs

activism and complex administrative processes to NGOs' freedom regarding social movements (Coppedge *et al.*, 2019).

(ACNGOs) from the UN's integrated civil society organizations (iCSO) system, which includes a total of 11,956 NGOs as of 11 November 2020.<sup>9</sup> Given that NGOs are registered with the UN database, we argue that the ACNGOs we selected are politically influential, highly visible, and critical of large companies (Bennie, Bernhagen and Mitchell, 2007).

Following Marquis, Toffel and Zhou (2016), we calculated the density of ACNGOs in each MNC headquarters country by scaling the number of ACNGOs per million population (population data collected from the World Bank database). We removed any ACNGOs that were established after the period we studied. The distribution of ACNGOs shows a wide variation across the 13 countries (Table 2).

Another independent variable is the interaction term between the above-discussed NGO activism measures (i.e. GOVTREP, NGOTRANS and ACNGOs) and internationalization (INTERN). Following prior studies (Symeou, Zyglidopoulos and Williamson, 2018;

<sup>9</sup>We used the advanced search option in the system, which enables an NGO search based on numerous criteria including (but not limited to) NGO country of operation, areas of expertise, fields of activity, and geographical scope. In the iCSO system, the NGO search can be restricted based on numerous areas of expertise and fields of activity, including (but not limited to) agriculture, biodiversity, atomic energy, children, gender issues, crime prevention, education, environment, ethics, transparency, accountability, demographics, disaster management, etc. Given such a wide range of NGO expertise and areas of activity, we have restricted our search to those issues that, we think, are directly related to corporate anti-corruption issues.

Table 2. Anti-corruption NGOs by country

No.	Country	Total ACNGOs			
		2012	Per million population	2015	Per million population
1.	Argentina	24	0.570	24	0.556
2.	Brazil	47	0.234	47	0.229
3.	Chile	-	-	5	0.278
4.	China	38	0.028	38	0.028
5.	Egypt	44	0.501	44	0.476
6.	India	170	0.135	170	0.130
7.	Indonesia	6	0.024	6	0.023
8.	Malaysia	14	0.480	14	0.462
9.	Mexico	27	0.223	27	0.222
10.	Russia	35	0.244	36	0.250
11.	South Africa	62	1.181	62	1.120
12.	Thailand	13	0.192	13	0.189
13.	Turkey	18	0.241	18	0.229

Total ACNGOs includes global, regional and domestic anti-corruption NGOs.

Zyglidopoulos, Williamson and Symeou, 2016), we use a breadth measure of internationalization of MNCs, which is calculated as the number of foreign countries in which MNCs had foreign operations in a given year. This variable was collected from TI's database. Our final independent variable is the interaction term between NGO activism measures and corruption scandals (CORSCAND). We identified corruption scandals for each company based on a search of the world's major news and business outlets using the Dow Jones Factiva database. The search terms were selected based on the study of Blanc *et al.* (2017) and include: 'corruption', 'bribery', 'facilitation payment', 'political contribution', 'money laundering', 'illicit financial flows', 'gifts', 'donation', 'whistleblower', 'transparency', and 'secrecy'. We also included the name of each company to restrict our search for media articles within the sample. To match with ACD data published in Transparency International's, 2013 and 2016 reports, corruption scandals were identified for a 1-year period: for ACD data reported in the 2013 report, corruption scandals reported from 19 March 2012 to 18 March 2013; and for the 2016 report, corruption scandals reported from 1 January 2015 to 31 December 2015.<sup>10</sup> Our initial search generated a total of 2738 and 3554 articles over the data period for the selected 2 years. Following prior social irresponsibility research (Keig, Brouthers and Marshall, 2015), we counted the number of reported cor-

ruption scandals experienced by a company in a given year. Thus, zero represents no corruption scandals, and higher numbers represent a greater exposure to corruption scandals.

### Control variables

Following prior studies (Barkemeyer, Preuss and Lee, 2015; Islam and van Staden, 2018; Keig, Brouthers and Marshall, 2015), we control for several company-level characteristics that are traditionally considered to have an influence on corporate disclosures. The variables include: company size (SIZE), profitability (ROE), financial leverage (LEV), female directorship (FEMDIR), dual role of CEO (CEODUAL) and participation in the UN Global Compact (UNGC). All these variables are defined in Appendix B and collected for the year end of 2012 and 2015.<sup>11</sup>

We further include several country-level factors that may have an impact on corporate anti-corruption disclosures. We control for the corruption perception level of a country using the corruption perception index (CPI) published by TI. We also control for the country-level regulatory quality (REGQUAL) using the World Bank's Worldwide Governance Indicator database. The CPI and REGQUAL are for the year end of 2012 and 2015. Finally, we control for the independence of the judiciary system (JUIND), which is derived from the World Economic Forum's global competitiveness reports for the fiscal years 2012–2013 and 2015–2016. All the variables are summarized in Appendix B.

## Results

### Summary statistics

Table 3 shows the descriptive statistics. Panel A shows that the average ratio for ACD is 0.496, with a minimum ratio of 0 and a maximum ratio of 0.96. Panel B reports that the average score of government repressions of NGOs (GOVTREP) is 0.442 (minimum: -1.163, maximum: 3.007). The mean score of NGO transparency (NGOTRANS) is 2.997 (minimum: 2.5, maximum: 3.3). The average number of ACNGOs per million population is 0.187 (minimum: 0.023, maximum: 1.181). Panel B of Table 3 further reveals that the internationalization (INTERN) measure ranges from 3 to 140 and the average is 24.801. The average number of corruption scandals (CORSCAN) is 0.640 within our sample and ranges in value from 0 to 7. Table 3 presents the summary statistics of other variables in detail.

<sup>10</sup>In its methodology, for the 2013 report, TI mentions that the ACD data were collected based on documents available between 21 February 2013 and 18 March 2013. Similarly, for the 2016 report, TI states that ACD data were collected based on documents available between November 2015 and December 2015. Therefore, following well-documented studies such as Blanc *et al.* (2017), we aligned the timing of the corruption scandals variable with the timing of ACDs.

<sup>11</sup>To match with our disclosure scores (i.e. dependent variable), we used both independent and control variables for the 2012 and 2015 fiscal year-ends.



Table 3. Descriptive statistics

Variables	Observations	Mean	SD	Min	Max
Panel A: Dependent variable					
ACD	161	0.496	0.285	0	0.96
Panel B: Continuous independent variables					
GOVTREP	161	0.442	1.319	-1.163	3.007
NGOTRANS	161	2.997	0.180	2.5	3.3
ACNGOs	161	0.187	0.233	0.023	1.181
INTERN	161	24.801	20.542	3	140
CORSCAN	161	0.640	1.389	0	7
SIZE	161	30.669	59.246	0.249	399.516
ROE	161	0.124	0.454	-2.394	4.127
LEV	161	0.625	0.257	0.107	1.856
CPI	161	37.714	5.267	28	70
REGQUAL	161	-0.164	0.359	-0.93	1.35
JUIND	161	3.893	0.589	2.3	5.4
Panel C: Categorical control variables					
		1		0	
		N	%	N	%
FEMDIR	161	104	64.60	57	35.40
CEODUAL	161	41	25.47	120	74.53
UNGC	161	28	17.39	133	82.61

Refer to Appendix B for variable definitions. The natural log scores of SIZE range from 12.426 to 19.806, with an average score of 16.317. For ease of interpretation of regression results, the NGOTRANS measure is multiplied by -1 so that a higher score indicates a greater level of NGO transparency.

Table 4 provides the results of Spearman's correlation coefficients. Table 4 shows significant positive associations of GOVTREP and ACNGOs with ACD at the 1% level. The NGOTRANS measure is significant and positively correlated with ACD at the 5% level. Table 4 further reveals that INTERN is significant and positively associated with ACD at the 1% level, while CORSCAND is positive but not significant at the conventional levels.

Table 4 shows that several control variables are significantly (SIZE, at the 10% level; FEMDIR, CEODUAL and UNGC, at the 1% level) associated with ACD. This justifies the need for multivariate analysis. Table 4 indicates no significant concern about multicollinearity among the independent and control variables (with no correlations higher than 0.612). Additionally, we examine the variance inflation factor (VIF) for each variable; for all cases, the VIF remains well below the cut-off level of 10 that indicates multicollinearity issues (Gujarati and Porter, 2009).

### Regression analysis

Prior to selecting a linear model, we perform the Ramsey (1969) RESET test, which shows a significant result (at the 1% level), suggesting a non-linear relationship between the dependent variable and independent variables. Papke and Woolridge (1996) strongly recommend using the generalized linear model (GLM) with a logit link function and binomial family (fractional logit

model), when the dependent variable is in ratio. They suggest that this model is robust and relatively efficient in such a context. Accordingly, we use the GLM with a logit link function and binomial family.<sup>12</sup> Our GLM regression results are based on a sample of 161 company-year observations. All regressions include industry and year dummies to control for industry- and year-fixed effects. In Table 5, we use ACD as a dependent variable. Models 1 to 3 show the testing of hypotheses 1–3, while Models 4 to 9 include interaction terms testing hypotheses 4 and 5.

In Table 5, Model 1, which includes both company- and country-level controls, provides evidence in support of H<sub>1</sub>, as indicated by a significant positive association of GOVTREP with ACD at the 1% level. The coefficient of this variable suggests that for one unit less GOVTREP, the odds of ACD are multiplied by 1.476 (exponent of 0.389). Model 2 tests H<sub>2</sub> and reports that NGOTRANS is significant and positively

<sup>12</sup>While the classical linear model is limited to the normal distribution, GLMs are flexible to several probability distributions, including (but not limited to) normal, binomial, Poisson, and negative binomial (Kouloukoui, Marinho, Gomes, Kiperstok and Torres, 2019). Our data and the model specification test (i.e. linktest) allow us to apply GLMs with different probability distributions and link functions. In particular, we apply GLMs with the Poisson family and log link function, binomial family and log-log link function, and negative binomial family and log link function. In all cases, our results (untabulated) remain qualitatively similar.

Table 4. Correlations

	ACD	GOVTREP	NGOTRANS	ACNGOs	INTERN	CORSCAND	SIZE	ROE	LEV	FEMDIR	CEODUAL	UNGC	CPI	REGQUAL	JUIND
ACD	1.000														
GOVTREP	0.346***	1.000													
NGOTRANS	0.194**	0.273***	1.000												
ACNGOs	0.431***	0.612***	0.048	1.000											
INTERN	0.214***	-0.125	0.022	-0.051	1.000										
CORSCAND	0.065	-0.064	0.005	-0.062	0.190**	1.000									
SIZE	0.136*	-0.258***	-0.214***	-0.072	0.180**	0.452***	1.000								
ROE	0.073	0.075	-0.024	0.088	0.007	-0.197**	-0.158**	1.000							
LEV	-0.078	-0.123	-0.096	-0.218***	-0.112	-0.097	0.008	-0.118	1.000						
FEMDIR	0.231***	0.058	0.064	0.046	0.030	-0.104	-0.054	0.055	-0.109	1.000					
CEODUAL	-0.274***	-0.015	-0.045	-0.219***	-0.095	-0.008	0.023	-0.120	0.060	-0.074	1.000				
UNGC	0.207***	0.183**	0.030	0.175**	0.095	0.084	0.110	0.083	-0.111	-0.037	-0.043	1.000			
CPI	0.037	0.107	0.236***	0.096	-0.016	-0.108	0.011	-0.010	0.037	0.166**	-0.073	0.021	1.000		
REGQUAL	-0.021	0.275***	-0.092	0.239***	-0.064	-0.149*	0.078	-0.112	-0.047	0.031	0.171**	0.088	0.486***	1.000	
JUIND	0.124	-0.014	0.396***	-0.078	0.113	0.045	-0.117	0.123	-0.007	0.206**	-0.124	0.023	0.269***	-0.173**	1.000

Refer to Appendix B for variable definitions. Spearman's correlation coefficients are reported. \*\*\*, \*\*, and \* represent significance at the 1%, 5% and 10% levels, respectively (two-tailed).

associated with ACD at the 5% level, providing strong evidence in support of H<sub>2</sub>. The coefficient of NGOTRANS indicates that when the transparency of NGOs increases by one unit, the odds of ACD are multiplied by 5.333 (exponent of 1.674).

Confirming H<sub>3</sub>, Model 3 in Table 5 shows that a higher number of ACNGOs in the home country is associated with more ACDs, at the 1% significance level. The coefficient of this variable suggests that a one-unit increase in ACNGOs multiplies the odds of ACDs by 10.708 (exponent of 2.371). Comparing the coefficients of the main variables, NGOTRANS and ACNGOs appear to have a greater influence on ACD than does GOVTREP.

Models 4 to 6 reported in Table 5 include interaction terms for testing hypothesis 4. Model 4 shows that the GOVTREP × INTERN interaction variable has a positive effect and statistically significant (at the 1% level). Model 5 also shows that the coefficient of NGOTRANS × INTERN is positive and statistically significant (at the 5% level). These results indicate that internationalizing EMNCs disclose more anti-corruption information as GOVTREP decreases and NGOTRANS increases. Model 6 reports that the interaction term ACNGOs × INTERN is positive but not significant. Overall, for two out of three interaction variables, we find evidence in support of H<sub>4</sub>.

Models 7 to 9 reported in Table 5 include interaction terms for testing hypothesis 5. Models 7 and 8 document that the extent of CORSCAND is significant and positively associated with ACDs for MNCs based in countries with a lower level of GOVTREP (GOVTREP × CORSCAND, at the 5% level) and a higher level of NGOTRANS (NGOTRANS × CORSCAND, at the 5% level), respectively. With respect to the ACNGOs, Model 9 demonstrates that the effect of ACNGOs × CORSCAND is in the expected direction (positive) but the coefficient is not statistically significant. Yet, we find consistent evidence for two out of three interaction variables, confirming hypothesis 5.

Additionally, in all the models (4 to 9), the main effects of NGO activism variables (GOVTREP, NGOTRANS and ACNGOs) remain significant at the 1% level, while the effects of internationalization (INTERN) and corruption scandals (CORSCAND) remain insignificant (except for INTERN in Model 4). Our results suggest that EMNCs are less likely to be transparent in response to exposure to internationalization and corruption scandals, unless they are headquartered in countries featuring a strong NGO activism level.

Our results show the importance and strength of NGO activism when analysing corporate anti-corruption transparency and disclosure practices. By drawing on social movement theory (King, 2008a; McDonnell and King, 2013; McDonnell, King and Soule, 2015), we argue that the strength of NGOs can be en-

Table 5. Results of generalized linear model regressions

Variables	Model 1 Coef.	Model 2 Coef.	Model 3 Coef.	Model 4 Coef.	Model 5 Coef.	Model 6 Coef.	Model 7 Coef.	Model 8 Coef.	Model 9 Coef.
GOVTREP	<b>0.389***</b>			<b>0.430***</b>			<b>0.403***</b>		
NGOTRANS		<b>1.674**</b>			<b>1.827***</b>			<b>1.702***</b>	
ACNGOs			<b>2.371***</b>			<b>2.222***</b>			<b>2.536***</b>
GOVTREP × INTERN				<b>0.012***</b>					
NGOTRANS × INTERN					<b>0.086**</b>				
ACNGOs × INTERN						0.034			
GOVTREP × CORSCAND							<b>0.139**</b>		
NGOTRANS × CORSCAND								<b>0.895**</b>	
ACNGOs × CORSCAND									0.614
INTERN	0.003	-0.000	-0.001	0.015***	0.006	0.002	0.004	0.000	-0.001
CORSCAND	-0.056	0.020	0.033	-0.047	0.048	0.034	-0.014	0.053	0.077
SIZE	0.197**	0.101	0.084	0.173**	0.079	0.076	0.186**	0.095	0.079
ROE	-0.117	-0.013	-0.334**	-0.173	0.018	-0.394**	-0.086	0.005	-0.326**
LEV	0.151	0.235	0.439	0.219	0.294	0.490	0.116	0.161	0.500*
FEMDIR	0.648***	0.607***	0.598***	0.616***	0.588***	0.601***	0.675***	0.625***	0.586***
CEODUAL	-0.611***	-0.663***	-0.522***	-0.604***	-0.665***	-0.535***	-0.673***	-0.723***	-0.537***
UNGC	0.421**	0.583***	0.607***	0.405**	0.611***	0.627***	0.390**	0.541***	0.618***
CPI	-0.003	-0.000	0.040*	0.012	0.002	0.044**	0.000	0.003	0.038*
REGQUAL	0.043	0.555*	-0.202	0.045	0.582*	-0.192	0.120	0.512*	-0.181
JUIND	-0.061	-0.169	-0.366**	-0.138	-0.166	-0.418**	-0.119	-0.243*	-0.345**
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Highest VIF	3.40	3.52	3.33	3.60	3.53	3.37	3.41	3.53	3.35
Observations	161	161	161	161	161	161	161	161	161

Refer to Appendix B for variable definitions. The dependent variable is anti-corruption disclosure (ACD) ratio. All the models are estimated using the generalized linear model (GLM) with binomial distribution and logit link function. Robust standard errors are clustered at the company-industry level. \*\*\*, \*\* and \* represent significance at the 1%, 5% and 10% levels, respectively (one-tailed).

hanced through their freedom from government repressions, credibility and transparency standing, and presence in larger numbers in organizational fields. Our results strongly support the advancement of social movement theory, indicating that the robustness of country-level NGO activism significantly shapes anti-corruption disclosures as EMNCs expand internationally and encounter heightened exposure to corruption scandals. While prior studies provide a theoretical/qualitative understanding of the role of NGOs in shaping business–NGO/business–government interactions (e.g. Doh and Guay, 2006; Doh and Lucea, 2013; Doh and Teegen, 2002), we provide robust empirical insights into whether and how country-level NGO activism shapes EMNCs' anti-corruption disclosures. Our results highlight the conditions under which NGOs, as outsider activists, can exert more influence in emerging economies where EMNCs tend to engage in corrupt practices.

Turning to company-level controls, a scan of the models in Table 5 indicates that SIZE (Models 1, 4 and 7) and FLEV (only for Model 9) have positive and significant associations with ACD. By contrast, the effect of ROE is significant and negative in Models 3, 6 and 9. FEMDIR and UNGC have a significant and positive impact on ACD, while CEODUAL is negatively associated with ACD across all the models. Among the country-level controls, Table 5 reports a significant positive

effect of CPI and REGQUAL on ACD in some model specifications. However, a significant negative effect is observed for JUIND in some models in Table 5. Considering country-level controls, our results suggest that the formal institutional quality (i.e. regulatory quality, judicial independence) of emerging economies appears to have less impact than the quality of social movement actors in creating sufficient conditions for anti-corruption disclosures by EMNCs.

## Additional analyses

### Using related NGO activism measures

We check the robustness of our main results using related country-level factors that may empower NGOs to challenge companies regarding transparency practices. In particular, we use a country-level measure of civil liberty (CIVIL\_LIBERTY) obtained from the annual Freedom in the World reports published by Freedom House.<sup>13</sup> The civil liberty rating varies from 0 to 7, and

<sup>13</sup>Freedom House publishes the 'Freedom in the World' report, which evaluates the status of civil liberties and political rights around the globe, and these data are widely used by academics, policy-makers, activists and others. For more details, see: <https://freedomhouse.org/report/freedom-world> (accessed 31 December 2023).

Table 6. Results of generalized linear model regressions—using related NGO activism measure

Variables	Model 1 Coef.	Model 2 Coef.	Model 3 Coef.	Model 4 Coef.
CIVIL_LIBERTY	<b>0.439***</b>		<b>0.432***</b>	
CIVIL_ASSOC_DEM		<b>0.211***</b>		<b>0.204***</b>
CIVIL_LIBERTY × INTERN	<b>0.007**</b>			
CIVIL_ASSOC_DEM × INTERN		<b>0.003**</b>		
CIVIL_LIBERTY × CORSCAND			<b>0.075**</b>	
CIVIL_ASSOC_DEM × CORSCAND				<b>0.036***</b>
INTERN	0.015***	0.015***	0.005	0.007
CORSCAND	-0.040	-0.055	-0.020	-0.043
SIZE	0.213**	0.209**	0.227***	0.213***
ROE	-0.210*	-0.188*	-0.135	-0.123
LEV	0.432*	0.276	0.364	0.229
FEMDIR	0.524***	0.488***	0.568***	0.529***
CEODUAL	-0.526***	-0.545***	-0.576***	-0.604***
UNGC	0.413**	0.398**	0.410**	0.419**
CPI	-0.005	0.016	-0.015	0.010
REGQUAL	0.017	0.052	0.081	0.124
JUIND	-0.169	-0.247*	-0.157	-0.257**
Industry FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Highest VIF	3.65	3.37	3.46	3.27
Observations	161	161	161	161

Note. Refer to Appendix B for variable definitions. The dependent variable is anti-corruption disclosure (ACD) ratio. All the models are estimated using the generalized linear model (GLM) with binomial distribution and logit link function. Robust standard errors are clustered at the company-industry level. \*\*\*, \*\* and \* represent significance at the 1%, 5% and 10% levels, respectively (one-tailed).

we multiplied the ratings by  $-1$  so that higher ratings represent stronger civil liberty. As an additional measure, we also use the aggregate measure of civil society's freedom of association, assembly and demonstration (CIVIL\_ASSOC\_DEM) from the Human Development Index jointly published by the Cato Institute, Fraser Institute and others. This measure ranges from 0 to 10, with a higher value suggesting a higher freedom of association and demonstration in a country.<sup>14</sup> In line with social movement theory (King, 2008a), we argue that in countries with higher civil liberty, including the ability to form associations, NGOs have a higher ability to conduct organized movement and broader stakeholder support, and encounter fewer restrictions from the government and other powerful actors. Using these measures, we repeat the analysis and report the results in Table 6. For brevity, in the additional analysis, we report the models that include the interaction term. Table 6 provides evidence in support of our main hypothesis and social movement theory.

#### Using aggregate measure of corporate anti-corruption and related transparency disclosures

Along with corporate anti-corruption disclosures, we further argue that greater transparency in MNCs' global

structures and foreign operation is important to allow local stakeholders (e.g., NGOs, regulators, suppliers, media, etc.) to assess the social impact of MNCs in their societies and for promoting corruption-free practices in foreign markets and in global supply chains (Kowalczyk-Hoyer, 2016). From TI's disclosure database, we specifically considered the aggregate corporate transparency (TRANS) disclosures, which cover three dimensions: anti-corruption disclosures, organizational transparency (i.e. disclosures on corporate structures and holdings), and country-by-country information (i.e. disclosures on key financial information regarding foreign operation) (see Appendices C1 and C2 for details). TI followed the same coding scheme as previously discussed for the ACD measure.<sup>15</sup> We calculate the aggregate measure of corporate transparency disclosures (TRANS) by taking the average of individual scores of three disclosure dimensions.

Panel A of Table 7 shows that our main results hold. Overall, it can be claimed that NGO-driven social movement factors have significant implications on broader corporate transparency practices by EMNCs.

<sup>14</sup>The values of both measures (CIVIL\_LIBERTY and CIVIL\_ASSOC\_DEM) are based on the data for the years 2012 and 2015.

<sup>15</sup>However, for the country-by-country disclosure score, TI calculated the total score for each disclosure item and then divided it by the number of foreign country operations. Then the overall score is calculated as the ratio of total scores to the maximum possible score of 5.

Table 7. Results of generalized linear model regressions and Heckman second-stage regressions

Panel A: GLM regression results: using aggregate disclosure measure						
Variables	Model 1 Coef.	Model 2 Coef.	Model 3 Coef.	Model 4 Coef.	Model 5 Coef.	Model 6 Coef.
GOVTREP	<b>0.235***</b>			<b>0.228***</b>		
NGOTRANS		<b>1.493***</b>			<b>1.467***</b>	
ACNGOs			<b>0.871***</b>			<b>1.118***</b>
GOVTREP × INTERN	<b>0.005**</b>					
NGOTRANS × INTERN		<b>0.045***</b>				
ACNGOs × INTERN			<b>0.031*</b>			
GOVTREP × CORSCAND				<b>0.101***</b>		
NGOTRANS × CORSCAND					<b>0.427*</b>	
ACNGOs × CORSCAND						<b>0.659**</b>
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Highest VIF	3.60	3.53	3.44	3.41	3.53	3.42
Observations	161	161	161	161	161	161
Panel B: Heckman second-stage regression results						
	Model 1 Coef.	Model 2 Coef.	Model 3 Coef.	Model 4 Coef.	Model 5 Coef.	Model 6 Coef.
GOVTREP	<b>0.380***</b>			<b>0.367***</b>		
NGOTRANS		<b>1.612***</b>			<b>1.289**</b>	
ACNGOs			<b>1.833***</b>			<b>1.994***</b>
GOVTREP × INTERN	<b>0.008**</b>					
NGOTRANS × INTERN		<b>0.120***</b>				
ACNGOs × INTERN			0.011			
GOVTREP × CORSCAND				<b>0.156**</b>		
NGOTRANS × CORSCAND					<b>1.122**</b>	
ACNGOs × CORSCAND						0.390
IMR	0.152*	0.238**	0.106	0.226**	0.283**	0.106
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Highest VIF	3.85	3.50	3.67	3.53	3.49	3.48
Observations	143	143	143	143	143	143

Refer to Appendix B for variable definitions. For Panel A, the dependent variable is the aggregate measure of anti-corruption and transparency disclosures (TRANS). For Panel B, the anti-corruption disclosure (ACD) is the dependent variable. The significance of the coefficients is based on robust standard errors clustered at the company-industry level. IMR is derived from the Heckman first-stage regression results reported in Appendix D. \*\*\*, \*\* and \* represent significance at the 1%, 5% and 10% levels, respectively (one-tailed).

### Potential sample selection bias

In our study, all of the companies were obtained from the TI reports published in the years 2013 and 2016. One might argue that the TI selected only those companies that have a strong commitment to anti-corruption disclosures, and thus our results may suffer from sample selection bias. We follow prior studies (e.g. Benlemlih, Arif and Nadeem, 2023; Ghoul, Guedhami and Kim, 2017) and perform a Heckman (1979) two-stage model to address this concern. In doing so, we merge the TI sample with the Bureau van Dijk's Osiris (industrials) database and differentiate the companies in the TI sample from others by creating a dummy variable, which takes the value of 1 if an observation is in the TI sample and 0 otherwise. Following the model specification of

Ghoul, Guedhami and Kim (2017), we estimate a probit model (i.e. first-stage regression) with the dummy TI sample as a dependent variable, and a set of company characteristics (SIZE, LEV, ROE and R&D) as well as country characteristics (CPI, REGQUAL, JUIND and GDPGRWTH) as independent variables (see Appendix D). Using the predicted values from the first-stage regression, we obtain the inverse Mills ratio (IMR), which we include in the second-stage model to control for potential sample selection bias.

The first-stage regression results are reported in Appendix D. Table 7 Panel B, Models 1–6 present the second-stage regression results. In the second stage, selection bias is observed, as the IMR is positive and significant in the GOVTREP (Models 1 and 2) and NGOTRANS (4 and 5) regressions, while the IMR is

insignificant in ACNGOs regressions (Models 3 and 6). Yet, even after controlling for this bias, our main results remain qualitatively similar.

#### *Impact threshold confounding variable analysis*

As a further check for potential omitted variable bias, we perform an impact threshold confounding variable (ITCV) analysis for NGO activism effects and interaction effects (Frank, 2000). We apply this method for significant coefficients of the main results of Table 5.<sup>16</sup> The ITCV values for GOVTREP, NGOTRANS and ACNGOs are 0.273, 0.063 and 0.257, respectively. Further, the ITCV values for GOVTREP  $\times$  INTERN, NGOTRANS  $\times$  INTERN, GOVTREP  $\times$  CORSCAND and NGOTRANS  $\times$  CORSCAND are 0.054, 0.033, 0.014 and 0.053, respectively.

Following Larcker and Rusticus (2010), we compare the ITCV values with the impact values of each selected control variable, where the impact is defined as the product of the partial correlation between the variable of interest and control variable, and the partial correlation between the dependent and control variable. The ITCV values are larger than all control variables except for CEODUAL, with a value of  $-0.031$  (only for Model 4 of Table 5). This indicates that a correlated omitted variable would need to have a stronger impact than CEODUAL to overturn the results. Taken altogether, our ITCV analysis suggests that we employ a good set of control variables and our main results are reasonably robust to potential omitted variable bias.

#### *Controlling for additional country-level variables*

We repeat our main analysis by controlling for additional country-level variables such as a socio-economic development indicator (percentage of GDP growth rate) (GDPGRWTH) and media independence (MEDIND). The GDPGRWTH is collected from the World Bank's database, and the MEDIND is based on the level of media censorship measure collected from the Varieties of Democracy (V-Dem) dataset (v9) for the years 2012

and 2015.<sup>17</sup> After controlling for GDPGRWTH and MEDIND, our results (untabulated) remain qualitatively similar.<sup>18</sup>

#### *Using alternative company size and profitability measure*

We use the natural logarithm of total revenue and return on asset as alternative measures of size and profitability, respectively, and our results (untabulated) remain similar.

## **Conclusion and implications**

In this paper, we investigated the roles of NGO activism-related contextual factors in influencing anti-corruption disclosures by EMNCs. We found that freedom from government repressions of NGOs, NGO transparency standing, and a strong presence of anti-corruption NGO in emerging economies are important drivers of anti-corruption disclosures and transparency practices by EMNCs. We also found that the strength of country-level NGO activism positively moderates the impact of internationalization and corruption scandals on anti-corruption disclosures. Therefore, this study advances our understanding of the role of NGO activism in influencing MNCs' anti-corruption transparency and disclosures.

#### *Theoretical implications*

Our study responds to the call for more research on corporate corruption (Castro, Phillips and Ansari, 2020), with a specific focus on the institutional context of NGOs (Doh and Guay, 2006; Kourula, 2010) and MNCs originating from emerging economies (Doh, Husted and Yang, 2016). By doing so and drawing on social movement theory (King, 2008a; King and Soule, 2007; Lee, 2007; McDonnell and King, 2013; McDonnell, King and Soule, 2015), we provide original insights into how NGO-driven social movement processes and their interaction with corporate factors influence EMNCs' anti-corruption disclosures. These insights resonate with the view of King (2008b, p. 36) suggesting

<sup>16</sup>Recognizing that the ITCV analysis is generally applicable for linear models, we perform this analysis based on ordinary least squares regression (OLS) models that we previously used to calculate the VIFs. As previously argued, we acknowledge that OLS models are not a good fit for our data, and our analysis may not be directly comparable to the main models. However, our results from OLS models are qualitatively similar to GLMs with a logit link function and binomial family. Accordingly, we feel that ITCV analyses based on OLS models provide a valuable indication of the severity to which our main results are affected by the correlated omitted variables. Our approach is consistent with the well-documented management study of Harrison, Boivie, Sharp and Gentry (2018).

<sup>17</sup>The measure captures the level of print and broadcast media independence from direct and indirect governmental influence in the form of limited broadcast coverages, withdrawal of financial support, constrained distribution networks, complex operational requirements, heightened tariffs and bribery. This original scale has been converted to an interval scale using the V-Dem's measurement model, and the scale generally varies between  $-5$  and  $5$  (Coppedge *et al.*, 2019).

<sup>18</sup>Because we find a significantly strong correlation between GOVTREP and MEDIND ( $r = 0.953$ ,  $p < 0.01$ ), indicating a potential multicollinearity issue that may cloud the results, we exclude the MEDIND measure in our GOVTREP model.

that some firms 'may simply be more open to change and input from secondary stakeholders'. We also extend interdisciplinary accounting and management literature on corporate social responsibility (CSR) and anti-corruption disclosures (Blanc *et al.*, 2017; Islam *et al.*, 2021; Orij, 2010; Ren *et al.*, 2023; Symeou, Zyglidopoulos and Williamson, 2018; Zyglidopoulos, Williamson and Symeou, 2016) by unpacking how NGOs' freedom from government repressions, their ethical and transparency standing, and their presence in emerging economies influence EMNCs' responsiveness through anti-corruption disclosures.

We also provide original understanding regarding the cross-disciplinary disclosure literature by highlighting EMNCs' responsiveness to corruption scandals when they are headquartered in less repressive countries and countries with a higher level of NGO transparency. We also advance this stream of literature (e.g. Symeou, Zyglidopoulos and Williamson, 2018; Zyglidopoulos, Williamson and Symeou, 2016) by integrating insights from the social movement literature (King, 2008a; Lee, 2007) and introducing factors of country-level NGO activism affecting the impact of internationalization on anti-corruption disclosures within the context of emerging economies. Importantly, our findings provide strong support for advancing social movement theory, highlighting the crucial role of country-level NGO activism in shaping EMNCs' anti-corruption disclosures as they expand internationally and encounter heightened exposure to corruption. Thus, we provide a fine-grained understanding of the roles of NGO activism-related contextual factors that shape firms' strategic choices in weak institutional environments where NGOs as normative institutional stakeholders become vital and configure the non-market environment dynamics.

### *Practical implications*

Our results have implications for regulators, managers and international development organizations. Previous studies suggest that ongoing anti-corruption regulations are not effective, as shown in the serious implementation problems at national and transnational levels (Cuervo-Cazurra, 2008) and failure to deter corrupt practices in foreign markets (Weismann, Buscaglia and Peterson, 2014). Owing to increased globalization, regulations on their own may not be enough to tackle corruption in transnational contexts, but we provide necessary conditions in which NGOs through their activism and monitoring capabilities may supplement government regulations in improving corporate anti-corruption initiatives.

Our results could assist regulators in emerging economies in tackling corporate corruption. Regulators generally struggle to tackle corporate corruption, mainly owing to undeveloped formal institutions (Cuervo-Cazurra, 2008) and a lack of regulatory intermediaries (Khanna and Palepu, 1997) and so on. We ar-

gue that strengthening informal institutional forces (i.e. NGOs) may help deter corporate corruption and create corporate anti-corruption transparency and disclosures. Our empirical evidence provides new arguments in favour of NGO transparency, and thus we recommend regulations aiming to improve NGO activism and transparency as they impacts corporate anti-corruption disclosures. Government repression of NGOs is growing alarmingly in many emerging economies (Fransen *et al.*, 2021; Smidt *et al.*, 2021), and our findings suggest that such a context is counterproductive for corporate transparency. A repressive country context is also critical for corporate managers who are inclined to increase accountability and legitimacy/reputation via transparency. Emerging-country governments should embrace democracy and less repressive policies that not only create more NGO transparency and NGO activism but also motivate managers to create anti-corruption accountability and transparency. Our results have important implications for corporate managers who have been increasingly encountering NGO activism in recent years in shaping non-market environment dynamics. Our findings emphasize the need for EMNC managers to develop strategies proactively to protect their corporate legitimacy and reputation by engaging and developing partnerships with NGOs and other SMOs in order to instigate important strategic changes inside their firms.

Finally, our study has important implications for NGO executives. Our results emphasize that executives of NGOs operating in emerging economies and campaigning against corporate irresponsibility need to ensure the transparency of their own organizations and activities in order to gain and maintain their legitimate power and moral legitimacy. With the transparency and moral legitimacy of NGOs, NGO officials in less repressive environments may find themselves in a more favourable position for negotiation with governments to influence vital public policy issues affecting EMNCs. In addition, NGO officials may leverage transparency and less repressive environments to establish a constructive dialogue with MNCs with the aim of promoting corporate transparency practices.

### *Limitations and future research*

We acknowledge the limitations of this study, which could provide useful avenues for future studies. Our results need to be considered in light of our sample of large EMNCs. Our results also need to be considered in light of our focus on EMNCs' home country (extra) institutional environments, and stakeholder pressures including NGO activism. There is ample scope for future research to examine the integration of home-host countries' stakeholder pressures and how these pressures influence EMNCs' anti-corruption practices. This study introduces databases and variables that have

not been previously explored, with the aim of advancing our understanding of corporate anti-corruption disclosures and transparency. Future research could benefit from paying more attention to the nature of the data considered in this study. This could involve investigating the potential implications of country-level NGO activism for broader CSR issues, including human rights and climate change-related practices in home and host markets. There is a scope for future research to advance social movement theory by examining whether and how the evolution of NGO bargaining power and their political opportunities in emerging economies influence MNC managers' operating practices in relation to their transparency and accountability on particular CSR actions. Such future research could integrate insights from social movement, stakeholder, and non-market strategy literature streams and examine firms' CSR and related accountability practices and engagement with non-market actors (Briscoe, King and Leitzinger, 2018). Firms can also use counter-mobilization tactics and shape the opinions of non-market actors, including SMOs; therefore, future studies could also pay attention to counter-mobilization strategies enacted by firms to mitigate social activists' concerns (cf. Carberry and King, 2012).

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## Supporting Information

Additional supporting information can be found online in the Supporting Information section at the end of the article.