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Understanding the link between subsidiary CEOs and corporate social responsibility in emerging markets: Moderating role of social capital

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Abstract

This paper analyzes the interlink among managerial experience, capabilities, and social capital in relation to corporate social responsibility (CSR) activities of multinational enterprises' (MNEs) subsidiaries in an emerging market context. Based on the empirical sample of 104 subsidiaries of 28 Italian MNEs operating in India, we found that CEO managerial capabilities are positively associated with CSR activities. However, interestingly, our findings also show that subsidiary CEO (managerial) experience is negatively associated with CSR activities in emerging markets. Therefore, our study is one of the few that highlights the negative repercussions of experience in the context of CSR activities in emerging markets. Moreover, our findings show that while social capital alleviates the negative influences of CEO experience on CSR activities, it does not enhance the role of CEO managerial capabilities in CSR activities. As such, our study contributes to research on business ethics with a focus on sustainable development in business.

KEYWORDS
CSR, emerging market, experience, managerial capabilities, social capital

1 | INTRODUCTION

Corporate social responsibility (CSR) strategies of multinational enterprises (MNEs), and specifically of their subsidiaries in different countries, are increasingly in the spotlight of academia and practice (e.g., Dahms, 2020; Stahl et al., 2020). These CSR activities become even more critical in emerging markets because the social standards traditionally tended to differ between MNE subsidiaries in developed markets versus emerging markets (Dahms, 2020; Garanina & Aray, 2021; Park & Ghauri, 2015). Hence, CSR is increasingly seen as a valuable managerial strategy offering legitimacy to MNE subsidiaries, particularly in emerging markets, rather than considering it a sideshow, as was the case some years ago (e.g., Adomako et al., 2023; Bu & Chen, 2023). In this concern, scholars have argued that CSR represents a pragmatic strategy for MNEs while responding to the pressures (linked to a variety of issues, including sustainability) of different stakeholders in emerging markets (e.g., Attah & Amoah, 2023). Moreover, managerial perceptions concerning the costs associated with CSR in emerging markets have also changed from viewing it as an extra cost to an investment that helps in overcoming several challenges, including liability of foreignness (Adomako & Tran, 2023; Bu & Chen, 2023).

Prior research on developed market MNEs' CSR activities in emerging markets has primarily focused on the role of external factors in this concern (e.g., Dahms, 2020; Kim et al., 2018; Park & Ghauri, 2015). At the same time, lesser attention has been paid to internal factors such as managerial experience or capabilities (e.g., Lund-Thomsen et al., 2016; Rettab & Mellahi, 2019). While the role of external factors in CSR cannot be overlooked, it is equally important to focus on the managers (particularly CEOs) who decide on the extent and nature of CSR activities and implement those initiatives. As such, the role of their experience and capabilities in CSR activities entails further attention. This aspect is particularly important because decoupling in the context of CSR has recently been highlighted by several scholars as a reality that cannot be ignored (e.g., Khan & Lockhart, 2022). It has been argued that even though CSR brings tangible benefits to organizations, managers (especially top management) may get involved in decoupling due to market pressures or lack of oversight, especially in emerging markets (Graafland & Smid, 2019; Khan & Lockhart, 2022). At the same time, subsidiary managers (CEOs) with more experience and exposure tend to avoid such decoupling and use CSR as a strategic tool for their organizations (e.g., Sauerwald & Su, 2019). This aspect is particularly critical in emerging markets, where external oversight concerning CSR can be lower. However, CEO experience has rarely been studied specifically in this concern, a gap that our study aims to fill in the extant literature.

Likewise, the role of social capital in the context of MNE subsidiaries' CSR activities is a rather underresearched area (Zhu & Lai, 2019). Social capital has been extensively researched in different social sciences, including management and organization studies. The social capital theory has also gained the attention of CSR scholars in recent years, where several scholars have analyzed the different roles it plays in this context (e.g., Servaes & Tamayo, 2017; Suh, 2016; Zhu & Lai, 2019). Specifically, social capital has been found to result in trust and strong relationships among different actors or parties (e.g., Chuang et al., 2013; Inkpen & Tsang, 2005). As such, social capital can strengthen the CSR activities of subsidiaries and influence the role of other drivers of CSR at the subsidiary level (e.g., Ahn & Park, 2018). In this concern, some studies have highlighted how managers, including CEOs, benefit from the network effect associated with their social capital, particularly regarding CSR activities (e.g., Chahine et al., 2019). However, a review of extant literature reveals that the research on these moderating influences of social capital on other subsidiary-level drivers, especially in emerging market contexts, is very limited. Hence, our study aims to fill this gap in the literature as well.

Considering these research gaps, we aim to answer the question, *What is the role of social capital in the context of subsidiary CEO's experience and capabilities concerning CSR activities in emerging markets*. We analyze the role of managerial experience, managerial capabilities, and social capital in host emerging markets concerning CSR activities of developed market MNE subsidiaries. In so doing, we rely on primary data collected from subsidiaries of Italian MNEs in a large emerging market of India. We find that the managerial experience of subsidiary CEOs is negatively associated with developed market MNEs' CSR activities in emerging markets. In contrast, their managerial capabilities are positively associated with such activities. We also find that social capital weakens the negative influence of managerial experience while it fails to strengthen the positive influence of managerial capabilities on developed market MNEs' CSR activities in emerging markets.

We contribute to extant business ethics and sustainable development literature in several ways. First, we probe into a relatively less researched aspect of managerial experience and examine its potential pitfalls concerning MNEs' CSR activity adoption in emerging markets. Our findings highlight the negative repercussions of managerial experience concerning CSR activities. Second, our paper is one of the first to specifically probe the moderating role of social capital in host emerging markets in the interlink among managerial experience, managerial capabilities, and CSR activities of developed market MNE managers. Our findings show that social capital alleviates the drawbacks of managerial experience concerning CSR activities and advances the research on the nexus of social capital, managerial capabilities, and managerial experience in the context of social sustainability in emerging markets. Besides, our research context allows us to understand how developed market MNE executives in emerging markets apply CSR practices to achieve sustainable development in these markets. Consequently, with its unique and nuanced findings, our study contributes to research on business ethics with a focus on sustainable development in business.

2 | THEORETICAL BACKGROUND AND HYPOTHESES

2.1 | CSR in emerging markets

CSR is a relatively emergent phenomenon that has especially been embraced, particularly by younger generations, who, when engaging in their work as managers, are relatively less experienced as well (e.g., Dahms, 2020; Stahl et al., 2020). CSR is defined as "The set of obligations an organization has to protect and enhance the society in which it functions" (Fischer, 2004, p. 392). As such, it denotes the activities organizations undertake to fulfill and realize social value creation for their relevant stakeholders. Firms engage with CSR initiatives to positively impact societal stakeholders and simultaneously improve their corporate image (Jia et al., 2022; Pan et al., 2022; Souiden et al., 2022). With growing emphasis on increasing challenges societies face, CSR has become a critical issue for firms and society, especially in the 1990s, and still upholds its importance (Jia et al., 2022; Souiden et al., 2022). Despite growing interest in CSR, it is becoming increasingly evident that its application and full realization are challenging due to the tensions and paradoxes involved in realizing CSR (Bento et al., 2017; De Colle et al., 2014; Thakhathi, 2021).

With particularly societies in emerging markets facing a plethora of profound socioeconomic and sociopolitical challenges, CSR has become an important area of consideration for scholars, policymakers, and practitioners alike in the context of emerging markets (Garanina & Aray, 2021; Jamali & Karam, 2018; Pan et al., 2022). While CSR has been somewhat overlooked in emerging markets over the past decades due to institutional voids, the lack of conducive frameworks, and relatively lower stakeholder expectations, recent years have witnessed rising interest in CSR in emerging markets (Jamali & Karam, 2018). Accordingly, there is a growing body of knowledge on CSR in emerging markets (cf., Garanina & Aray, 2021; Sarkar & Selarka, 2021).

A systematic review conducted by Jamali and Karam (2018) reveals key differentiating attributes of the literature on CSR in emerging markets concerning depictions of how CSR is conceived and how CSR is practiced and implemented. Similarly, Lund-Thomsen et al. (2016) reveal that CSR has not become institutionalized in many emerging markets and that the majority of industrial clusters in emerging markets are likely to engage in socially irresponsible behavior. This finding highlights the necessity of improvements in CSR in emerging markets and scholarly attention to further explore the means of achieving greater levels of CSR in emerging markets.

Extant research reveals that both developed and emerging markets have opportunities to learn from each other to make sense of CSR and achieve CSR in both contexts. For example, Sarkar and Selarka (2021) examine the effect of woman directors on the performance of family firms in India and argue that firms' governance structures in emerging markets matter for the role of woman directors in firm performance. Likewise, Garanina and Aray (2021) found that foreign board members and cross-listing help companies raise their accountability through increased CSR disclosure in emerging markets. These studies show that developed market MNEs can offer an opportunity to support CSR in emerging markets. That said, research on CSR in emerging markets is still in the early stages of development and is limited in terms of a nuanced analysis of how CSR manifests itself in markets outside the developed core (Jamali & Karam, 2018).

2.2 | The two facets of managerial experience

Individual experience is about how life histories affect managerial cognition and behavior (Buckley et al., 2016). It is often touted as a valuable individual trade in the global business environment (e.g., Bhatti et al., 2016; Hultman et al., 2011; Scarlata et al., 2016). When managers have experience in tackling the power structures and institutions in a particular host country, they become confident in their foresight concerning identifying the drawbacks of regulations and contracting (Oh & Oetzel, 2017). As such, managerial experience can become extremely handy when tackling challenges and problems abroad. Managers' host country experience reduces liabilities of foreignness and enhances the survival probability (Zaheer, 1995) while creating organizational processes and structures for international venturing (Eriksson et al., 1997). Furthermore, experienced managers may be better at seeing and reflecting upon the bigger picture regarding the challenges that society faces in the settings in which they operate.

On the other hand, experience, overall, is a paradoxical phenomenon (Amankwah-Amoah et al., 2021). In particular, despite the overall positive connotation of managerial experience and extensive evidence of its positive influence, managerial experience may also have negative facets (Arnulf et al., 2016; Le et al., 2013). In this research, we account for pitfalls of managerial experience, especially concerning CSR activities that have traditionally been seen as noncore and not particularly contributing to shareholder (rather than stakeholder) value in the short run.

First, while managers may draw on their past experience to offer a unique perspective to pressing challenges and offer generative solutions as they age and gather experience over time in their profession, their experience also comes with grievances and negative emotions (Grisar-Kasse, 2004). More experienced managers are often more likely to develop more cynical and less proactive attitudes (Maslach & Leiter, 2016). As experience is primarily about the role of life histories in managerial cognition and behavior (Buckley et al., 2016), negative life experiences, along with positive ones, take their toll on the way managers think and behave, which may, at times, be counterproductive. Such a role of managerial experience may especially be heightened when managers face unfamiliar tasks or tasks that are not perceived to be at the center of their firms' businesses. It is further important to highlight that despite increased attention, CSR tasks may not be perceived as central to the core business or operations of firms with a focus only on reporting (e.g., García-Sánchez et al., 2022).

Second, past experience may also mean increased resistance toward change and the lack of motivation and ability to learn new things and reflect upon recent developments and requirements. In fact, past research found that more experienced and senior managers are usually associated with lower potential for development (including learning new skills and tackling new challenges) and higher degrees of stability, both of which indicate higher resistance to change (Finkelstein et al., 1995). They typically have lower levels of fluid abilities and higher levels of crystallized intellectual abilities (Cattell, 1987).

Furthermore, every past experience can also be seen as a restraint to the magnitude and scope of new experiences (Mezirow, 1981). This is because managers may use filters developed from their past experiences when facing new possibilities. Especially considering the possibility of CSR activities competing with other more traditional business activities with regard to managerial resources (Bento et al., 2017), experienced managers may be more likely to perceive a trade-off between CSR and prefer what is familiar over what is perceived to be newer and riskier (Gölgeci et al., 2019). These filters may limit the scope of alternatives taken seriously and may lead experienced managers to miss out on unorthodox ideas and opportunities. As such, they may have fewer inclinations to think outside the box and have a narrower scope of possible new initiatives.

Both CSR activities and environmental activities are innovative processes that require an entrepreneurial mindset and a proactive approach (Gölgeci et al., 2019; Maclean et al., 2013). Managers whose formative years are spent in business environments where traditional business paradigms overlooking social and environmental sustainability prevailed may find it challenging to grasp the necessity of CSR activities and adapt to external demands for increased social responsibility. Especially senior executives were trained and assimilated business conventions decades ago when dominant business paradigms typically prioritized profit and business growth as virtually the sole purpose of business. Consequently, they may become less responsive to emergent demands from new generations on environmental and social sustainability (Stahl et al., 2020).

It is important to stress that until recent decades, CSR has not been a central corporate function until the introduction and increasing adoption of the triple bottom line (Norman & MacDonald, 2004). As such, more experienced managers, whose cognition and experiences are traditionally centered on profit-driven business processes, are less equipped and possibly less willing to tackle social challenges and adopt CSR activities.

> **H1.** Subsidiary CEO's managerial experience is negatively associated with CSR activities of developed market MNEs in emerging markets.

2.3 | Managerial capabilities and MNEs' CSR activities in emerging markets

The primary function of managerial capabilities in MNEs concerns developing and applying intra- and interorganizational processes that underlie strategic change, competitive advantage, and performance outcomes (Ferraris et al., 2017; Helfat & Martin, 2015). From a CSR perspective, managerial capabilities have specifically been highlighted as essential pillars of CSR-related outcomes in prior studies (e.g., Kawai et al., 2018). For developed market MNEs operating in emerging markets, the challenges associated with successful CSR strategy are many folds especially due to a higher number of stakeholders in many cases (e.g., Rettab & Mellahi, 2019) as well as their diverse interests (Shirodkar et al., 2018). In such situations, managerial capabilities play an essential role in developed markets' MNEs while dealing with CSR issues specifically (Kawai et al., 2018).

CSR activities in emerging markets benefit significantly from local employees' managerial capabilities as they understand relevant dynamics better (Jamali & Karam, 2018). As developed market MNEs are relatively large organizations with complex structures, having competent managers is often a must for tackling various stakeholder demands. Managerial capability can underlie the realization of the values underpinning CSR in MNE subsidiaries (e.g., Zhu & Lai, 2019). Furthermore, managerial capabilities can offer a competitive advantage by streamlining CSR initiatives with the requirements of primary stakeholders (e.g., Kawai et al., 2018; Shirodkar et al., 2018; Zhu & Lai, 2019). Depending upon the dynamics of emerging markets where developed market MNE is operating (e.g., Shams et al., 2021), CSR initiatives underpinned by managerial capabilities can address the most pressing concerns in that context, whether environment, poverty reduction, or localized skill development efforts in coordination with stakeholders. Hence, managerial capabilities can be useful for an emerging market subsidiary of developed market MNEs.

> **H2.** Subsidiary CEO's managerial capabilities are positively associated with CSR activities of developed market MNEs in emerging markets.

2.4 | The moderating role of social capital

Social capital is defined as "the sum of the actual and potential resources embedded within, available through, and derived from the relationships possessed by an individual or social unit" (Nahapiet & Ghoshal, 1998, p. 243). The concept of social capital explains how organizations and their members access resources through relationships (Wang et al., 2019). Social capital has consistently been highlighted as "a valuable strategic resource and considered critical to effective collaborative initiatives" (Wulandhari et al., 2022, p. 3).

Prior research on social capital has highlighted different types of competitive advantages that firms gain due to access to specific social networks and resources (e.g., Luo et al., 2004; Stam et al., 2014). We argue that the dimensions (cognitive, structural, and relational) of social capital identified by Nahapiet and Ghoshal (1998) play an essential role in the context of CSR activities of developed market MNE subsidiaries in emerging markets. First, cognitive social capital (shared goals, vision, and values among actors) facilitates the development of shared understanding, which outlines strategies for actors in a value chain or collaborative network to coordinate their exchange and share each other's thinking processes (Steinmo & Rasmussen, 2018). Moreover, structural social capital involves the pattern of connections among actors, that is, to whom you reach and how you reach them (Nahapiet & Ghoshal, 1998). Finally, relational social capital denotes trust in personal relationships among actors (Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 1998).

Two core premises of networks include contagion and convergence (Borgatti & Halgin, 2011). Contagion consists of flow-based similarity of choice, while convergence contains bond-based explanations of homogeneity (Borgatti & Halgin, 2011). Thus, managers who act in networks as reasonable network members would be more exposed to network influences that tend to homogenize behavior and diffuse innovative activities. Likewise, social capital allows individuals to collaborate with others effectively and capitalize on useful unique resources for positive change (Koka & Prescott, 2002; Stam et al., 2014). As such, social capital can be a unique relational asset for enabling CSR.

An important conclusion of social capital and related network research is that managers who want to acquire and utilize social capital are more likely to be receptive to network influences of convergence and leverage cooperation and capitalization benefits of social capital (Borgatti & Halgin, 2011; Inkpen & Tsang, 2005; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998). As such, they might adjust their attitudes toward change, such as CSR initiatives, and would be more exposed to external influences and make greater efforts to adopt new initiatives driven by network leaders.

The above-discussed key tenets of social capital mean that social capital can dissipate some of the liabilities that come with experience when dealing with new CSR initiatives. For example, DiMaggio and Powell (1983) highlight high social capital actors' mimetic processes, in which they actively seek to copy a trait from other network members in their environment. In this vein, even experienced CEOs who may have developed rigid capabilities over time (Cattell, 1987) may become more open and able to adopt CSR activities when they build and access social capital. At the same time, it should be noted that influences from network exposure can be both positive and negative concerning CSR (e.g., Gao et al., 2021). Hence, the idea of decoupling (Khan & Lockhart, 2022) that is referred to in the introduction may also appear interesting, especially in emerging markets where external oversight for CSR is relatively low. However, at this point, the experience of CEOs in those markets becomes even more critical as the structural and relational elements of social capital imply that experienced subsidiary CEOs in emerging markets become more aware and reflective of network requirements with greater demand for CSR while being more prone to share CSR-related goals, vision, and values with network actors.

Particularly, in high-context cultures, which are usually relational and collectivist and highlight interpersonal relationships (Kim et al., 1998), social capital can intervene with the negative role of managerial experience in CSR activities due to its greater importance and its critical role in navigating the socioeconomic landscape in the foreign context. For example, in India, a typical example of high-context cultures, businesses are usually conducted by building relationships and maintaining respectful communication (Lewis, 2010), highlighting the possible moderating role of social capital.

Moreover, as social capital allows better collaboration with and capitalization of external partners (Borgatti & Halgin, 2011; Wang et al., 2019), experienced managers capitalize on social capital to overcome challenges (Steinmo & Rasmussen, 2018) when adopting CSR activities in emerging markets. Thus, senior managers and CEOs leveraging social capital may overcome some of the learning and attitudinal challenges associated with long and saturated work experience (Finkelstein et al., 1995) and may become better at adopting CSR activities. They may leverage CSR-driven collaboration opportunities with partners to remove some of the cognitive and capability-related burdens of new CSR initiatives. In conclusion, we expect that social capital may help overcome some of the negative aspects of managerial experience concerning CSR activities and alleviate the negative influence of CEO managerial experience on CSR activities of MNEs in emerging markets.

> **H3A.** Social capital negatively moderates the link between subsidiary CEO's managerial experience and CSR activities of developed market MNEs in emerging markets such that higher levels of social capital weaken the negative association between subsidiary CEO's managerial experience and CSR activities.

In the context of managerial capabilities, we argue that social capital can help an emerging market subsidiary of developed market MNEs to strengthen the role of managerial capabilities in CSR initiatives. This is because cognitive social capital is directly linked with managerial attributes needed to keep local employees empowered and engaged in CSR initiatives. Furthermore, frequency contacts at different levels and various functions act as channels for information and resource flows, strengthening information sharing across actors or parties (e.g., Chuang et al., 2013; Koka & Prescott, 2002). Thus, we argue that in the context of CSR initiatives of emerging market subsidiaries of developed market MNEs, structural social capital is expected to strengthen managerial capabilities as information sharing is also a central aspect of managerial capabilities (Ahn & Park, 2018). Likewise, trust built through repeated transactions reduces the potential of opportunistic behavior, encourages open communication, and enhances behavioral transparency among parties (Kale et al., 2000). Hence, relational social capital can strengthen the link between managerial capabilities and CSR activities because aspects like trust and respect have been highlighted in prior research as crucial elements, especially in the context of CSR (Ahn & Park, 2018; Suh, 2016). Based on this discussion, we expect a moderating relationship between social capital and CSR activities of developed market MNEs in emerging markets.

> **H3B.** Social capital positively moderates the link between subsidiary CEO's managerial capabilities and CSR activities of developed market MNEs in emerging markets such that higher levels of social capital strengthen the positive association between subsidiary CEO's managerial capabilities and CSR activities.

Figure 1 depicts our conceptual framework.

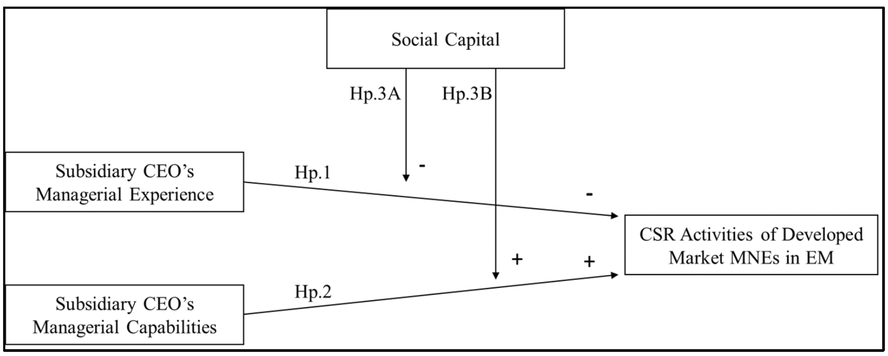

FIGURE 1 Conceptual model.

3 | METHODOLOGY

3.1 | Research context

Emerging markets are increasingly becoming the drivers of growth in the global economy. With rising incomes and a demanding population, emerging economies have become an important target for MNEs. Emerging economies offer attractive production conditions thanks to talented human resources and low production costs. For these reasons, there is a growing interest in MNEs from developed countries that are increasingly conducting operations in emerging markets (Prud'homme & von Zedtwitz, 2019). However, despite the growth opportunities offered by these markets, some threats remain. For example, a lack of knowledge of the regulatory environment and different market dynamics compared to developed economies make emerging markets unpredictable (Shirodkar et al., 2018). Thus, the role of MNE CEOs that are based in emerging markets (subsidiaries' CEOs) becomes critical in overcoming the liability of foreignness and adapting their strategies to the local market dynamics and regulations. More specifically, prior research addressed the need for CEOs to possess certain characteristics, experience, and managerial capabilities (Carpenter et al., 2001).

This paper focuses on India, which represents the second-largest emerging market in the world according to S&P Dow Jones Indices' 2018 Country Classification Consultation. It provides a perfect ground to study MNEs from developed economies (European) as a particular context for several significant reasons. First, India is considered a high-growth market with great potential, rich in raw materials, but very competitive with many MNEs from developed countries that are continuously setting up their foreign subsidiaries (Shirodkar et al., 2018). Second, India represents a fertile ground for exploring environmental sustainability and CSR (Ray & Chaudhuri, 2018; Sarkar & Selarka, 2021; Shirodkar et al., 2018). India has always been considered a country with a philosophical approach related to sustainable living. Indian philosophy has always been prone to the simple life, justice, integrity, protection of people, and internal happiness rather than external comfort, selfless service, equality, modesty, and charity—all of which have to do with sustainable living (Ray & Chaudhuri, 2018). In other words, India is continuously confronted with the tension between a traditional inclination toward practices related to sustainability deeply rooted in its value system, culture, and the competitive pressure of the open market and globalization (Ali et al., 2019), which makes the context relevant to our study.

Third, CSR in India has traditionally been seen as a philanthropic activity. However, with the introduction of Section 135 in the Companies Act 2013, India became the first country to have statutorily mandated CSR for certain companies. This Act requires companies with a net worth of ₹500 crores or more, or turnover of ₹1000 crores or more, or a net profit of ₹5 crores or more during the immediately preceding financial year, to invest at least 2% of the average net profits of the immediately preceding 3 years on CSR practices and activities. Moreover, the Act specifies the activities that can be undertaken and the manner in which the companies can undertake CSR projects. It also explains the areas related to the activities. The CSR areas related to specified activities include education, hunger and poverty, gender equality and women empowerment, health, skills training, environment, social enterprise projects, and promotion of rural and national sports. Consequently, this statutory specification represents another reason for studying CSR activities and their antecedents in a country like India.

3.2 | Research design and sample

We followed a survey approach to gather data from Italian MNEs' subsidiaries in India. We decided to focus on a single country for both the origin of MNEs (Italy) and the location of subsidiaries (India) to have a sample of firms with similar characteristics and thus test the hypotheses on a homogeneous sample, although not in terms of sectors. We decided to focus on India because it is one of the most promising emerging markets. According to S&P, India has the strongest growth prospects among emerging market economies. The fiscal year 2024 budget will support productivity and higher growth, which will be the economy's bulwark amid the global recession. The international rating company forecasts that India will grow 6% on a real basis in fiscal year 2024.

The subsidiaries are identified through the India Brand Equity Foundation (www.ibef.org), which is a Trust established by the Department of Commerce of the Government of India. Based on the provided list, we contacted the 50 largest MNEs (based on total revenues in India) and received positive acceptance from 28 of them. Consequently, we targeted all their subsidiaries (253). The questionnaire was developed and kept in English as CEOs work every day in this language. We received 104 completed questionnaires (response rate of 41%). We received responses from at least one subsidiary for each of the 28 MNEs who agreed to participate in the study. On the other hand, the maximum number of responses received from a single MNE in terms of subsidiaries is eight. The subsidiaries' CEOs have been chosen as key informants, and a questionnaire has been sent to them to gather relevant data. It is reasonable to infer that the CEO represents the best informant as we evaluate the critical role of managerial experience and capabilities in our analysis. In line with this, the CEO is the key manager of the subsidiary, and thus, their experience and personal capabilities could affect the business. Finally, previous studies underlined CEOs' influence on CSR actions and decisions (Wernicke et al., 2022).

Descriptive statistical analysis shows that subsidiaries in this study operate in the following industries: Apparel & accessories retail, Automotive & motorcycle, Aviation, Ceramics, Confectionery, Equipment, Financial Services, Management Consulting, Optics, Shipping, and Tractors. Subsidiary relative size compared to the parent MNE is 0.12, meaning that they are quite prominent and representative of MNE subsidiaries. The average age of subsidiaries is 24 years, meaning that subsidiaries are quite well established in the emerging market. The subsidiaries cover different roles such as representative office, production, services, regional offices, and sales.

3.3 | Variables

All the items used for measuring variables included in this study are presented in Table 1. *Experience* has been measured as the tenure of subsidiary CEOs in their whole working life because experience generally acts as a conduit of learning and is associated with capability development (Mäkelä et al., 2012; Zollo & Winter, 2002). We decided to focus on whole working life experience and not on firm-specific business experience for two main reasons. First, learning and knowledge have a path-dependent nature (Gavetti & Levinthal, 2000); therefore, the longer the tenure, the longer the possible effects in terms of knowledge and experience. Likewise, a long working life could contribute to the development of path dependency behaviors and barriers to change (Finkelstein et al., 1995), which could lead to the avoidance of new practices. Second, we also wanted to consider and evaluate past experiences, as managers could have had experiences in different countries and industries.

For *managerial capabilities*, we followed Helfat and Martin (2015) based on Gazzaniga et al. (2010) and Colman (2015) using three items to measure the "problem solving and reasoning" of CEOs that represent one of the critical cognitive capabilities for managers operating in turbulent environments as in our case (see Table 1). Regarding *social capital*, our moderating variable, we draw data concerning the relationships between subsidiaries' CEOs and external (host country) networks of customers, suppliers, and governmental institutions (Mäkelä et al., 2012). As stated, social capital can be defined as a form of capital and an asset embedded in social relationships and networks and thus is reflected in close interpersonal relationships among individuals. It can be distinguished into three different dimensions: (a) a structural dimension, (b) a relational dimension, and (c) a cognitive dimension. In this empirical research, we focus on the relational dimension, which is reflected by key facets such as trust, mutual senses of identification, shared norms, and perceived obligations, as well as positive relationships and high levels of intimacy between actors (Kale et al., 2000). We decided to focus on such a dimension as previous studies have found a strong link between CSR and relational social capital (e.g., Ahn & Park, 2018). For this variable, we collected information on three items (see Table 1), and for both variables (managerial capabilities and social capital), we used the average value of all the respective items. All the data (except the years of experience used for tenures) are collected and rated on a seven-point Likert scale ranging from 1 = "poor" to 7 = "excellent."

The operationalization of the dependent variable was developed based on multi-item scales to reflect CSR practices. Again, these items are collected and rated on a seven-point Likert scale ranging from 1 = "poor" to 7 = "excellent." We employed scales used by Luo (2006) and Park and Ghauri (2015). In detail, the latter used the variable in the context of emerging markets, which is our context of analysis. We thus used 12 items.

Finally, we included several control variables, such as industry (manufacturing or services), entry mode, subsidiaries' size, and age, in line with previous studies (Ferraris et al., 2017; Park & Ghauri, 2015). Table 2 shows the correlations among the main variables employed in this study. Notably, the average of the items composing the CSR variable is the highest among the variables, indicating that the companies composing the sample focus a lot on CSR activities. A possible explanation could be the 2013 statute, which evidently boosted CSR activities in India.

3.4 | Validity and reliability

The content validity of the variables' experience, managerial capabilities, and social capital is supported by their proven reliability and validity in previous studies that were cited for each construct mentioned above. Moreover, the content validity of the variables is confirmed by their usage in previous studies, plus the CFA analysis we conducted, which supported its reliability.

For CSR practices, we ran a CFA using principal component extraction with varimax rotation. The CFA generated one factor, excluding two items out of 12 (CSR7 and CSR8 were discarded), explaining a total of 62.266% of the observed variance. Consequently, we calculated a composite measure of the CSR practices' variable by averaging the scores of 10 items. Moreover, we assessed the correlation matrix through the KMO, and Bartlett's test resulted in an acceptable level of KMO statistic (.866); additionally, a significant *p* value was obtained for Bartlett's test of the construct. Cronbach's alpha was .931.

For managerial capabilities, the CFA generated one factor with all three items, explaining 64.428% of the observed variance. We assessed the correlation matrix through the KMO, and Bartlett's test resulted in a proper level of KMO statistic (0.535); additionally, a significant *p* value was obtained for Bartlett's test of the construct. Cronbach's alpha was .744. For social capital, the CFA generated one factor with all three items, explaining 70.997% of the observed variance. Bartlett's test resulted in a good level of KMO statistic (0.500) and a significant *p* value. Finally, Cronbach's alpha was .721.

This study adopts the following procedures to reduce or eliminate any bias resulting from multicollinearity because of interaction terms. First, the variables were mean-centered before calculating the interaction terms to avoid multicollinearity issues. Second, a VIF (variance inflation factor) test was used to evaluate the effect of multicollinearity. VIFs for variables are smaller than 10, ranging from 1.018 to 1.284.

We dealt with nonresponse bias by comparing early and later responses following the procedures of Armstrong and Overton (1977). No significant differences were encountered among subsamples. Moreover, we addressed potential common method bias regarding a single respondent, that is, MNE subsidiary CEOs. Hence, we employed Harman's one-factor test (Harman, 1967). We found five factors with an eigenvalue >1, explaining a total variance of 67%, limiting problems in our data set. Moreover, we employed constructs

TABLE 1 Variables and items.

Variables	Items	Sources	Mean (SD)
Experience	Tenure of subsidiary CEOs in their whole working life	Mäkelä et al. (2012), Zollo and Winter (2002)	11.99 (6.25)
Managerial capabilities	I usually spend time to find a way around an obstacle to reach a goal	Helfat and Martin (2015), Gazzaniga et al. (2010), Colman (2015)	3.70/7 (1.02)
	I usually spend time to evaluate and use information, arguments, and beliefs to draw a conclusion		
	I usually spend time directed at finding solutions to problems by applying formal rules of logic or some other rational procedures		
Social capital	Describe the relationships among actors in the subsidiary's external business network with regard to (i) the long-term orientation and stability of the relationships, and the level of (ii) interdependence and of (iii) mutual trust[a]	Hallin et al. (2011) Bresciani and Ferraris (2016)	3.77/7 (1.61)
CSR practices	Our company has established a set of transparent, comprehensive, and stringent codes of conduct, aiming at resisting bribery, corruption, and other illicit acts in the host country	Luo (2006) and Park and Ghauri (2015)	4.18/7 (1.20)
	Throughout the company, every manager and employee has strictly implemented the above codes of conduct		
	Our company has established an ethics compliance department or division that specifically handles the improvement, training, and enforcement of the above codes of conduct		
	Our company always attaches the utmost value to, and takes actual steps in, enhancing corporate image and reputation		
	Our company always honors our promises regarding product and/or service offerings and is dedicated to adapt to the local consumers' needs		
	Relying on its honesty and credibility, our company has maintained good and stable relationships with local suppliers, distributors, and other business partners		
	Each year our company allocates some portion of retained earnings to charitable organizations		
	Our company always recognizes its social responsibility and participates in helping the needy and the outcasts of society and improving a backward facility of the local community		
	Each year our company uses some portion of retained earnings to help the local community to consummate the public infrastructure and environmental protection		
	The resources (e.g., technology, skills, capital, or equipment) we invested in local project(s) are always complementary to the host country's economic development needs		
	We always invest resources (e.g., technology, skills, capital, or equipment) that the local government needs for social development		
	The resources (e.g., technology, skills, capital, or equipment) we invested in local project(s) always contribute to industrial development by enhancing technological and managerial knowledge in the local market		

[a]The studies used to support the variable "social capital" are in the context of subsidiary's innovation. Thus, we decided not to use in this analysis, the item "Degree of specific adaptations in technology among network counterparts" due to its specific connection to innovation that is not the primary focus of this paper.

TABLE 2 Correlation matrix.

	2.	3.	4.	5.	6.	7.	8.
1 (Age)	−.040	−.009	.055	−.160	−.101	−.044	.047
2 (Size)		−.066	.110	−.030	.121	.100	.087
3 (Industry)			−.436**	−.028	.059	.217*	.194*
4 (Entry)				−.172	−.059	−.102	−.113
5 (CEO experience)					−.393**	−.224*	−.452**
6 (CEO MC)						.641**	.636**
7 (CEO SC)							.821**
8 (CSR)							

*$p<.05$; **$p<.01$.

TABLE 3 Regression models.

Variables	Model 1 (controls only)	Model 2 (H1, H2)	Model 3 (H3a)	Model 4
Age	0.056 (1.277)	0.069 (0.919)	0.033 (0.663)	0.101 (1.827)*
Size	0.107 (1.084)	0.035 (0.476)	0.014 (0.285)	0.005 (0.096)
Industry	0.179 (1.648)	0.125 (1.538)	−0.001 (−0.025)	0.029 (0.457)
Entry mode	−0.050 (−0.457)	−0.077 (−0.913)	−0.099 (−1.763)*	−0.036 (−0.582)
CEO experience		−0.240 (−2.878)***	−0.299 (−5.686)****	
CEO managerial capabilities		0.532 (6.486)****		0.188 (2.530)**
CEO social capital			0.757 (13.715)****	0.682 (9.328)****
Exp × SC			−0.083 (−1.619)*	
MC × SC				0.054 (0.911)
R^2	0.052	0.486	0.766	0.709
Adj R^2	0.014	0.455	0.749	0.687
F-value	1.365	15.306****	35.716****	26.482****

Note: CSR practice is the dependent variable in all the models.
*$p<.1$; **$p<.05$; ***$p<.01$; ****$p<.001$.

based on numerous items, and our models included interaction effects, reducing the possibility of common method variance (Ferraris et al., 2022). Our conceptual framework was considerably complex, and respondents were unlikely to be guided within it (Podsakoff et al., 2003). Finally, all questions were mixed and spread across the questionnaire, and thus, it was very hard for respondents to grasp the relationships to be tested.

4 | RESULTS

Ordinary least square (OLS) regression models have been employed to test the research hypotheses, using four models (see Table 3). Model 1 comprises only the control variables (*age, size, industry, and entry mode*). Model 2 was used to test hypotheses 1 and 2, which shows that the effect of *experience* on *CSR practices* is negative and significant (beta = −.240***), supporting H1. As such, the negative effect of experience likely means that motivation to implement CSR activities fully is inhibited, supporting our first hypothesis. This finding could be explained by the path dependency theory meaning that experienced managers could follow old patterns and management models, thus neglecting changes and innovative behaviors. Model 2 shows that *managerial capabilities* positively and significantly impact *CSR practices* (beta = .532***). This result underlines that managerial capabilities are positively associated with the propensity of subsidiaries to adopt CSR practices in emerging markets. Therefore, H2 is also supported.

Moreover, Model 3 shows that the interaction term between *experience* and *social capital* is negative and significant (beta = −.083*), which marginally supports H3a. An interpretation of this marginal support is that social capital reduces the negative impact of managerial experience on CSR practices. One possible explanation is that, with deep and high-quality relationships with external stakeholders, CEOs in emerging markets increase their orientation toward complying with social and sustainable expectations. Model 4 shows that the interaction term between *managerial capabilities* and *social capital* does not significantly impact *CSR practices* (beta = .054). Therefore, H3b is not supported. Finally, it is interesting to note that the control variables do not significantly impact any of the four models, except for entry mode in

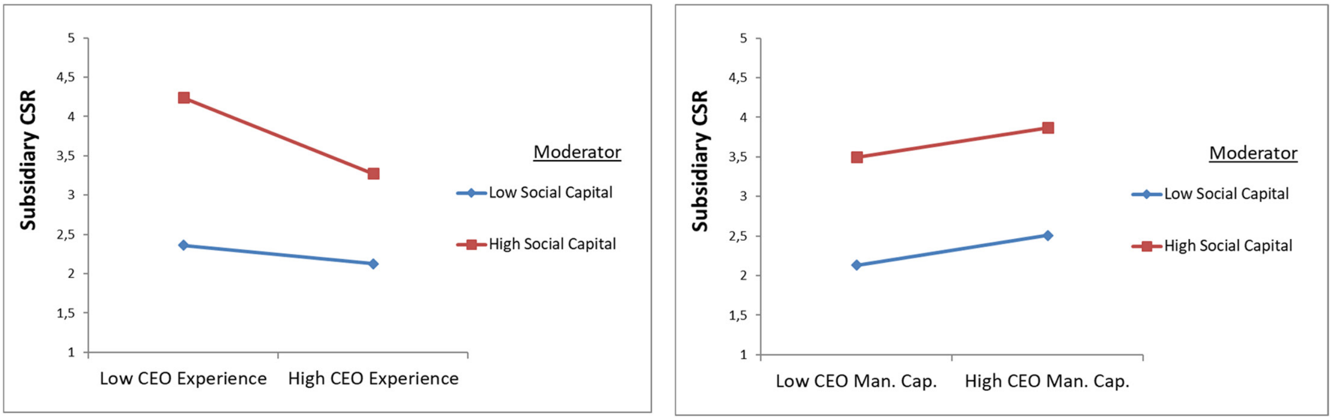

FIGURE 2 Graphical results of the moderating role of social capital.

Model 3 and age in Model 4. In Figure 2, the results are graphically reported.

5 | DISCUSSION AND CONCLUSIONS

5.1 | Results' discussion

Given the magnitude and urgency of social problems, MNEs are increasingly compelled to adopt inclusive approaches to CSR activities and involve their key managers in CSR activities to a greater extent. That said, CSR activities are sophisticated and have not been at the epicenter of MNEs' business models until recent decades (Maclean et al., 2013). This challenge brings out the pronged role of managerial experience and capabilities in CSR activities under the boundary conditions of social capital. This paper examines what role managerial experience and capabilities play in CSR activities and whether social capital moderates the role of managerial experience and managerial capabilities in CSR activities. Based on the empirical sample of 104 subsidiaries of 28 Italian MNEs in India, our study presents the following findings. First, we found a negative link between CEO (managerial) experience and CSR activities, which somehow goes against a large body of literature where experience has typically been referred to as a positive influencer for different organizational activities and strategies, including CSR. Managerial experience is typically praised as a valuable individual asset in the global business environment (e.g., Bhatti et al., 2016; Hultman et al., 2011; Scarlata et al., 2016). However, we find that managerial experience, like any asset, has certain caveats, especially in relation to CSR activities. We could interpret this result by saying that, since CSR is not a core activity for all companies in India (it is mandatory only for some of them according to the 2013 statute), the others tend to act according to path dependency effects. As highlighted by the literature, CSR activities are innovative processes that require an entrepreneurial mindset and a proactive approach (Gölgeci et al., 2019; Maclean et al., 2013). In this regard, past experience may increase resistance toward change and a higher degree of stability at an individual level (Finkelstein et al., 1995).

That said, at the same time, we find that social capital mitigates the negative influences of managerial experience on MNE CSR activities. Despite extensive evidence of its prevailing positive role (Ahn & Park, 2018; Inkpen & Tsang, 2005; Koka & Prescott, 2002; Nahapiet & Ghoshal, 1998), social capital may have its own negative repercussions (Pillai et al., 2017). In this research, we find that social capital may be used to hedge against the pitfalls of managerial experience concerning CSR activities. This specific finding recommends the importance of building strong business relationships to increase the adoption of CSR practices in emerging markets.

Second, our study finds that managerial capabilities positively impact CSR practices' adoption in emerging markets. Unlike the link between CEO (managerial) experience and CSR activities, this result is in line with the extant research that posits managerial capabilities are positively associated with CSR practices (e.g., Kawai et al., 2018; Shirodkar et al., 2018; Zhu & Lai, 2019). The implications of these findings are discussed next.

5.2 | Theoretical implications

Our research findings allow us to put forward the following implications for theory. First, we contribute to extant business ethics and sustainable development literature deepening our understanding of a relatively less researched aspect of managerial experience and examining its pitfalls concerning MNEs' CSR activity adoption in emerging markets. More specifically, our findings highlight the negative repercussions of managerial experience concerning CSR activities. Past experience may increase resistance toward change and a higher degree of stability at an individual level (Finkelstein et al., 1995), leading to a lower propensity toward CSR practices.

Second, our paper is one of the first to specifically probe the moderating role of social capital in host emerging markets in the interlink among managerial experience, managerial capabilities, and CSR activities of developed market MNE managers. Our findings show that social capital alleviates the drawbacks of managerial experience concerning CSR activities and advances the research on the nexus of social capital, managerial capabilities, and managerial experience in the context of social sustainability in emerging markets. Evidently, social capital, especially the relational one which has been included in the empirical analysis of this paper, enables the acquisition of knowledge and other resources from a network of stakeholders (Gao et al., 2021; Mäkelä et al., 2012), which is useful for innovating processes with a sustainability perspective as well.

Third, we contribute to the literature by advocating the key role of managerial capabilities (Helfat & Martin, 2015) in adopting CSR practices in emerging markets. Therefore, the manager's ability to analyze the target market, study local stakeholders' needs and requirements, and manage relationships (Kawai et al., 2018) is a key aspect of developing CSR activities in complex markets such as India.

Fourth, our research adds to the discourse on subsidiary MNE headquarters' relationships through the angle of CSR activities. In particular, we illustrate how subsidiary executives initiate and utilize CSR practices to enhance sustainable development and comply with local regulations in an emerging market while following internal CSR practices channeled through the headquarters. As such, our study speaks to research subsidiaries' dual embeddedness (Ciabuschi et al., 2014) and the challenges of navigating alternative institutional frameworks (Kim et al., 2018).

5.3 | Managerial implications

Our research also has noteworthy managerial implications. A key managerial implication of the current study relates to the need for caution regarding the applicability of prior managerial experience in emerging markets by MNE managers as well as avoiding inertia, as that can lead to using the same tried formula over a long time. Emerging markets, including India, represent changing and, in some cases, unpredictable contexts despite their remarkable economic growth over the years. In such contexts, managerial experience may be more of a liability than an asset for adopting and successfully implementing CSR activities. Therefore, MNE managers focusing on CSR activities need to give relevant capabilities and social capital more importance than past experience. They are advised to leverage social capital to escape the confines of past managerial experience.

Moreover, as highlighted in the current paper, managerial capabilities like problem solving and reasoning are beneficial for the success of CSR initiatives for MNEs to add value to the firm's overall operations. Hence, specific training initiatives to develop or enhance these capabilities can be very useful for new managers going to those subsidiaries.

5.4 | Limitations and future research directions

Our paper does have several limitations. First, it focuses on managerial experience at a general level while highlighting its negative influences. However, we do not differentiate between functional and strategic experience, although different kinds of experience tend to influence organizational activities, including CSR initiatives, differently. In this vein, future studies can enrich extant literature by further delving into specific types of managerial experiences and their application in this context. Likewise, business ethics scholars can delve deeper into the caveats and pitfalls of managerial experience concerning key MNE activities and outcomes beyond CSR activities. In an increasingly volatile and transformative world, a multifaceted examination of managerial experience is needed to grasp its complex influence on a diverse set of relevant processes and outcomes.

Second, we did not include factors and variables such as self-initiative/voluntary versus assigned expatriates or the purpose of their assignment (e.g., career advancement, transferring knowledge, and reunification with family). These can influence the findings; thus, we think they deserve more attention in future studies. Likewise, we adopted social capital theory as a theoretical lens to explain our framework. Future studies may adopt the upper echelons theory, as it highlights the role of top management teams' personal characteristics in strategic outcomes (Hambrick, 2007; Hambrick & Mason, 1984). The valuable insight gathered from the upper echelons theory can be extended to CSR activities and outcomes, and scholars can examine how top management teams' personal characteristics influence specific CSR outcomes using the upper echelons theory.

Third, our empirical context was based on subsidiaries of Italian MNEs in a single emerging market of India. Prior research has shown that MNE managers' behaviors are influenced by business systems and practices in the home country as there is no standardized way of management practices in different areas, including CSR (e.g., Tempel & Walgenbach, 2007). Hence, future researchers can try to explore similar phenomena by analyzing the influences of capabilities and experiences as well as social capital on CSR initiatives of MNE subsidiaries of other developed European countries to explore possible similarities or differences compared to our study.

Fourth, we focus on CEOs. Future studies could gather data from various managers to better understand sustainability decisions made in the context of developed market MNEs operating in emerging markets. Particularly, future research can offer a better understanding of the interaction between CEOs and managers in relation to their managerial experience and CSR activities. Finally, unfortunately, we do not know which companies in the sample have to comply with the 2013 Indian statute. Future research could account for this factor. Finally, future studies could examine the role of previous working experiences in several countries, as diverse settings could expose CEOs to different CSR standards. Moreover, future studies could analyze the impact (if any) of the CEOs' nationality.

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CONFLICT OF INTEREST STATEMENT

No conflicts of interest.

PEER REVIEW

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

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