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The Impact of Corporate Social Responsibility in Home Countries on the Financial Resilience of Emerging-Market Multinationals: The Brazilian MNEs

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Abstract

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1. Introduction

Major materialized risks, such as the COVID-19 outbreak, present numerous challenges and threats to society worldwide. Particularly in emerging markets, this pandemic should be treated as a global disaster due to the gravity of its impact on economic and social development (Freitas et al., 2020; Mellahi et al., 2016). The outbreak intensified social inequality and income concentration, worsening the conditions of the most vulnerable populations. It also required attention and coordination from multiple stakeholders, such as governments, firms, non-profit organizations, and the population in general, to diminish its repercussions and develop a specific type of risk governance (Freitas et al., 2020). Furthermore, firms were affected in global and local arenas, including the global transformation of industries, supply chains, work conditions and practices, communication, and institutional frameworks (Lawton et al., 2020).

This global turmoil reinforces the premises of non-market strategies, the need to adopt corporate social responsibility (CSR) (Gonzalez-Perez et al., 2021; Lawton et al., 2020) and the need to strengthen political ties to expand business abroad (Doh et al., 2012; Hadjikhani et al., 2008, 2012; Sun et al., 2021). Two correlated fields usually explore the literature in this area: corporate political activity (CPA) and CSR (Sun et al., 2021). CPA involves strategies employed by businesses to shape and navigate political entities and impact policymakers' decisions, whereas CSR refers to business activities that seem to promote societal benefits, enabling a firm to improve its financial performance (Mellahi et al., 2016). Our investigation focuses on the latter, as we are interested in investigating practices implemented by firms aligned with society. Unlike Western nations, Latin American economies are often shaped by political and economic instability, which influences the strategies of businesses operating in the region. This environment requires firms to develop resilience and adaptability, often fostering innovations that can be relevant for other emerging markets (Ciravegna et al 2016; Aguilera, 2017). CSR practices vary significantly based on the institutional environments in which firms operate. As Demirbag et al. (2017) illustrate, firms in civil law countries tend to engage more actively in CSR compared to those in common law environments, where shareholder interests dominate corporate strategies. We state that firms' investments in CSR initiatives in an emerging country might be a strategic tool for navigating crises and building financial resilience, even in times of uncertainty, such as the COVID-19 outbreak. In this study, we rely on different authors (Aslaksen et al., 2021; Mitnick et al., 2022; Phillips et al., 2019) to define CSR as the commitment of private businesses to act ethically, self-regulate, and act voluntarily and deliberately to behave and adopt initiatives in ways that benefit society (Flammer & Luo, 2017). This concept includes economic, social, and environmental aspects and stresses the moral obligations of businesses to society (Barnett et al., 2020). The definition highlights the importance of sustainability and societal impact (Nazri et al., 2020). It acknowledges the historical development of CSR and its evolving complex and multidimensional nature within the global business landscape. Furthermore, for this study, drawing on insights from various authors, we propose a definition of financial resilience as the capacity of a firm to adapt, recover, and remain financially stable and viable in the face of unexpected and uncertain circumstances (Ameur & Boussetta, 2023; Sari & Sedana, 2020). CSR is recognized as a firm-specific advantage (FSA) according to Adarkwah and Malonæs (2020), Sirsly and Lamertz (2008), Uzhegova et al. (2018), Wang et al. (2021), and Gomez-Trujillo et al. (2023). This view derives from firms developing social connections with stakeholders to enhance social responsibility. CSR also serves as risk mitigation and reputation enhancement and potentially improves performance (Bouquet & Deutsch, 2008; Wang, Q. et al., 2022). Despite its significance in management and international business (IB) research, there has been limited exploration of CSR as a unique FSA for post-crisis recovery.

Shirodkar and Shete (2022) found that CSR fosters internationalization in emerging markets, as it lessens the “liabilities of origin” for emerging-market multinational enterprises (EMNEs) through CSR reporting (Marano et al., 2017). Sahasranamam et al. (2022) demonstrates that firms embedded in dual institutional environments, such as Indian multinational enterprises (MNEs), experience conflicting CSR expectations from home and host countries. While home countries may have weaker enforcement mechanisms, host countries with stringent CSR regulations push firms to adopt more responsible business practices, influencing their domestic CSR engagement. Thus, CSR activities can diminish the negative stereotype of EMNE home countries’ weak institutions and improve their impact on legitimacy (Zhang, 2022). Furthermore, CSR enhances collaboration between governments, non-profits, and the private sector, promoting firm internationalization (Boddewyn & Doh, 2011). However, the literature seldom addresses whether CSR, as a unique FSA, contributes to financial resilience during crises. This study concentrates on this gap, drawing on Sun et al. (2021) and Shirodkar and Shete (Shirodkar & Shete, 2022), who observed the benefits of social engagement for EMNEs in their home countries. It posits that EMNEs can use CSR as a non-market strategy domestically (Deng et al., 2018; Du & Luo, 2016; Marano et al., 2017; Shirodkar & Shete, 2022) and as an FSA to navigate institutional voids.

We hypothesize that engagement in CSR activities by EMNEs in their home countries contributes to enhanced financial resilience. Our reasoning is built on four key arguments:
First, reduced stigma and enhanced financial resilience through CSR disclosure: we propose that voluntary CSR disclosure by EMNEs mitigates the stigma of liabilities of origin, as noted by Marano et al.(2017). Since the EMNE signals that the firm is a good citizen and establishes

credibility, reliability, and trustworthiness, enhancing international stakeholders' legitimacy perception of the EMNE despite the weak regulation and institutional voids at home, this reduced stigma creates a positive ripple effect, enhancing EMNEs' financial resilience.

Second, CSR disclosure also reduces the liability of emergingness (LOE). Zhang (2022) argues that LOE introduces additional complexity that alters the nature of legitimacy and the process of legitimation itself. Specifically, LOEs highlight the economic and social costs EMNEs face in host countries.

Third, CSR reporting as a strategic tool for legitimacy. Firms do not engage in CSR merely for ethical reasons but also as a strategy to gain legitimacy and competitive advantage. Sahasranamam et al. (2022) demonstrate that Indian MNEs use CSR to maintain legitimacy both at home and abroad, especially when operating in stringent regulatory environments . We argue that EMNEs utilize their CSR reports as strategic tools to gain legitimacy with host governments and other stakeholders in countries where they have subsidiaries. It signals an ability to deal with different stakeholders, such as politicians, NGOs, and communities, and improves the EMNEs non-market knowledge and capabilities (Shirodkar & Shete, 2022; Zheng, 2017). Four, building trust among foreign investors: finally, we suggest that CSR activities conducted in their home countries help EMNEs generate trust among foreign investors, aiding in their overseas investments. This argument is supported by research by Marano and Tashman (2012) and Tashman et al. (2019).

Our study aims to explore these aspects to determine whether CSR activities, as a distinct form of FSA, can be a strategic approach for EMNEs to achieve financial resilience during times of crisis. Latin American firms, or "Multilatinas," serve as a model for international business from emerging markets, illuminating how companies can thrive despite institutional and infrastructural challenges. The adaptability of these firms, shaped by a history of navigating market instability and economic cycles, makes their strategies pertinent for application in other emerging economies (Cuervo-Cazurra). Therefore, we tested our hypotheses in the Brazilian business environment since Brazil is an emerging market with great economic potential but is still politically unstable (Casnici et al., 2022; *The Economist*, 2021), and often in a volatile scenario (Gatignon et al., 2023; Makino et al., 2004; Marquis & Raynard, 2015), with institutional voids and the higher need for *collective goods*, supported by the collaboration between firms, non-profit organizations, and government (Boddewyn & Doh, 2011; Cabral et al., 2019).

Brazil's expansive domestic market and rich natural resource reserves initially minimized the need for Brazilian companies to pursue international expansion. This inward focus, however, evolved dramatically between 2002 and 2009, a period marked by a significant rise in outward investments, reflecting a strategic shift in the approach of Brazilian corporations towards the global market. This change underscores a broader economic transformation, as these companies now actively compete on the international stage, challenging established OECD entities in diverse sectors (Casanova & Kassum, 2013). Their presence is notably strong in industries like mining, oil, iron and steel, and aerospace, illustrating Brazil's growing economic versatility and its ability to adapt to the competitive demands of global markets. This expansion not only diversifies the country's economic engagements but also positions its companies as key players in various global sectors, enhancing Brazil's international economic influence (Fleury & Fleury, 2011).

In addition, due to several crises, the country is a natural laboratory for building theories and testing new ones (Aguinis et al., 2020). Indeed, economic readjustment has remained weak since the corruption scandals of 2014 (Szerman, 2019) and the 2015–2016 recession, and COVID-19 increased uncertainties in the country's recovery (World Bank, 2021). Hence, we considered the COVID-19 crisis relevant since Brazil lost status for its cavalier approach. Furthermore, under the presidency of Jair Bolsonaro (between 2019 and 2022), on top of economic stagnation, Brazil faced environmental and social regress (Casnici et al., 2022; *The Economist*, 2021). The far-right president's administrative mismanagement, combined with local vulnerabilities, increased the calamity caused by the pandemic (Filho, 2021).

To operationalize our study, we used panel data from 404 Brazilian companies publicly listed on the São Paulo Stock Exchange (B3); the data are annual, and we considered the years between 2018 and 2021. We used this period because in 2018, Brazil had a presidential election with high institutional instability. Likewise, we propose that it is a significant period in which to analyse the impact of CSR on EMNEs' financial resilience, considering the crisis, urgency, and uncertainty of the COVID-19 outbreak.

Our study contributes to prior research on EMNEs' non-market strategy at home (Deng et al., 2018; Du & Luo, 2016; Shirodkar & Shete, 2022), focusing on IB institutional voids. Latin America provides a unique lens through which to examine the effects of institutional voids, allowing for a richer understanding of internationalization dynamics and local adaptation strategies that are globally transferable (Cazurra 2008; Aguilera et al, 2017). Specifically, our contributions are threefold. First, we show that institutional voids can be opportunity spaces that enable a firm's market and non-market arenas to pursue competitive advantages. EMNEs may benefit from social involvement at home (Dau et al., 2020; Han et al., 2019; Sahasranamam et al., 2022; Shirodkar & Shete, 2022; Sun et al., 2021), in which not all companies can invest, and it becomes an FSA. Second, through CSR, EMNEs may develop financial resilience. Therefore, we show that CSR can minimize crisis risks by helping firms overcome the transaction costs created by institutional voids (El Ghoul et al., 2017). Third, our study points out that environmental, social, and governance (ESG)-driven investors can advocate for better governance, where the market values may corroborate financial resilience (Ademi & Klungseth, 2022; Khanchel et al., 2023; Zhou & Zhou, 2022).

This paper is structured as follows: The second section provides a comprehensive review of institutional voids and their connection to non-market strategies and CSR. The third section develops the theoretical framework and associated hypotheses. The fourth section describes the methodologies employed and presents the results of the empirical study. The fifth section interprets the research findings, and the sixth section presents the study's contributions, suggests potential directions for future research, and discusses the significance of these findings for both business leaders and policymakers.

2. CSR in Overcoming Institutional Voids in Emerging Markets

Institutional voids, characterized by the underdevelopment of market-facilitating institutions (lower quality institutions), present both challenges and opportunities in emerging markets (Doh et al., 2017; Khanna & Papepu, 1997). These voids impact foreign direct investment (FDI) patterns and associated risks (Doh et al., 2017), where the absence of robust institutions may negatively affect international stakeholder perceptions (Berlemann & Wenzel, 2018; Hoskisson et al., 2000; Marquis & Raynard, 2015), enhance liabilities of origin (He & Zhang, 2018; Scalera et al., 2020) and liability of emergingness (Zhang, 2022). Such liabilities arise from challenges linked to the home country's institutional characteristics (Stevens & Shenkar, 2012), potentially reducing global competitiveness and hindering firm growth (Chari & Banalieva, 2015; Kafouros et al., 2021; C. Wang et al., 2020).

Ghoul et al. (2017) explored how CSR initiatives can enable firms to navigate home country institutional voids and access more efficient foreign markets, where the quality of the institutions is higher (Ciravegna & Nieri, 2022). EMNEs are subject to global CSR norms, and to gain legitimacy with international stakeholders, they face intense pressure to comply with international CSR standards (Sahasranamam et al., 2022; Ciravegna & Nieri, 2022). CSR's role in addressing institutional voids and bolstering financial resilience is increasingly recognized

(Marano et al., 2017; Su et al., 2016). Amaeshi, Adegbite and Rajwani (2016) and Ghassim and Bogers (2019) discussed how CSR motives under institutional voids influence firms' sustainable development commitments, particularly in terms of profitability.Institutional voids pose a dual challenge: they can damage firms' reputations but also motivate societal contributions and enhance reputation (Kelling et al., 2020). The COVID-19 pandemic response in countries such as Brazil exemplifies such voids, where government actions or lack thereof have affected multinational companies' reputations and valuations (Freitas et al., 2020; Zhou & Wang, 2020).

Ciravegna and Nieri (2022) suggest that firms manage their reputations selectively, choosing whether to comply with or evade human rights standards based on the expected risks and benefits. Latin America's unique socio-economic demands, including high levels of inequality, demand that companies engage in more inclusive, culturally relevant CSR, a practice that could be insightful for companies in similarly diverse and unequal markets (Duque-Guisales & Aguilera-Caracuel, 2021). To combat these voids, firms may invest in developed countries to improve their operations and mitigate negative home country perceptions (Cuervo-Cazurra et al., 2018). Research shows that social and environmental practices are critical for multinationals, who must balance local stakeholder pressures and host country demands (Kolk, 2016; Sun et al., 2021; Vachani et al., 2009). A focus on institutional voids broadens the examination of market and non-market influences on businesses (Doh et al., 2017), presenting challenges in designing global non-market strategies due to varied expectations and norms (Bartlett & Ghoshal, 1989b; Kobrin, 2015; Sun et al., 2021).

While many firms adopt CSR, others exploit regulatory gaps to transfer irresponsible practices abroad. Bu et al. (2023) provide evidence that some MNEs engage in "pollution havens," relocating harmful production processes to countries with weak environmental regulations. This aligns with Reimann et al (2012), who show that local stakeholder pressures can determine whether MNEs behave responsibly or irresponsibly in emerging economies. Companies with strong CSR track records may better withstand crises related to social irresponsibility. Zhou et al. (2025) demonstrate that firms with positive CSR reputations can mitigate reputational damage when accused of wrongdoing, but the credibility of the accusing entity also matters.

Companies that undertake domestic CSR initiatives improve their reputation with internal stakeholders. CSR is crucial for employee management and fosters sustainable competitive advantages by developing human capital. Flammer and Luo (2017) argue that in response to increased risks of adverse behaviour, companies strategically boost their investments in employee-focused CSR initiatives. This proactive strategy enhances both the firm's global image and its overall attractiveness. For instance, Le and Morchett (2023) demonstrate that EMNEs engaged in home country CSR activities become more appealing to talent in host countries.

CSR influences societal debates and impacts political and social movements (Bertrand et al., 2021; McDonnell & Werner, 2016), with overseas CSR practices enhancing the investing firm's home country reputation. This contributes significantly to sustainable development goals (Dau et al., 2020). Foreign firms often overspend on CSR to gain legitimacy in host countries, especially when facing high institutional distance. Shirodkar et al. (2025) find that MNE subsidiaries in countries with stricter CSR norms tend to exceed mandated CSR spending to enhance their legitimacy and social acceptance. However, this raises questions about the efficiency of CSR investments prioritize reputation over genuine social impact.

We explore the roles of civil society in influencing multinational enterprise (MNE) decisions (Ballesteros & Gatignon, 2019; Boddewyn & Doh, 2011), aiming to assess the impact of CSR in fostering social engagement between EMNEs, civil society organizations, and governments to create meaningful partnerships (Doh & Lucea, 2013; Marano & Tashman, 2012;

Sun et al., 2021; Teegen et al., 2004; Vachani et al., 2009). Furthermore, we seek to understand the influence of various stakeholders on the internationalization process of firms and their CSR investment decisions (Rodgers et al., 2019; Sun et al., 2021).

3. Hypotheses Development

An emerging country is known as an environment with institutional voids (Khanna & Papepu, 1997; Shirodkar & Shete, 2022), lack of law enforcement (Koch, 2022), and economically and politically uncertain environments (Jianjun Zhang & Luo, 2013). Firms from these countries are willing to invest abroad to escape a lack of institutions and inefficiencies (Marano et al., 2017). However, to gain legitimacy abroad, EMNEs might also develop CSR activities at home, showing engagement with the local government and building their reputations and responsible behavior in order to improve their social–political legitimacy (Sahasranamam et al., 2022). Consequently, EMNEs may reduce their liability of origin (Marano et al., 2017) and liability of emergingness (Zhang, 2022) . The legitimizing advantages of CSR are not confined to the firm's home territory but are also extended to its ventures into international markets (Shirodkar & Shete, 2022).

According to Zhang (2022), socio-political legitimacy is achieved when key stakeholders, including the public, opinion leaders, and government officials, recognize a firm as adhering to prevailing norms and laws (Aldrich & Fiol, 1994). Companies can establish this form of legitimacy by adhering to established behavioural standards and legal codes (Schultz et al., 2014), since EMNEs, engaging in CSR activities effectively demonstrate their commitment to being responsible global citizens, thereby enhancing their legitimacy (Sahasranamam et al., 2022; Wang et al, 2025).

With CSR activities, EMNEs signal social support and integrity (Dorobantu et al., 2017; Odziemkowska & McDonnell, 2019; Sun et al., 2021) and overcome the prejudice associated with the image of emerging markets (Suter et al., 2018; Sahasranamam et al., 2022). Moreover, they generate protection, as they accrue moral capital among stakeholders and thus can lower their negative reactions to adverse events (Godfrey, 2005; Jia et al., 2020). This means that firms involved with philanthropy might be protected against adverse events since, through the eyes of its stakeholders (e.g., investors and society), it is a trustable organization.

Prior to the COVID-19 outbreak, CSR activities were gaining traction among firms; however, with the shock, the number of CSR activities by firms increased, and the Benchmarking do Investimento Social Corporativo (BISC) Institute showed an increase of 280% in donations of financial resources, goods, and services in 2020.[1] Data on social grant-making report a donation increase of 83% with the COVID-19 outbreak. Thus, we argue that legitimacy is a mechanism through which EMNEs with CSR activities achieve better financial resilience when compared with local firms or EMNEs without CSR activities. EMNEs with CSR activities might attract investors and customers, increase sales, and retain good talents, leading to employment satisfaction, thus assuring financial resilience in times of uncertainty. Thus, we offer the following baseline hypothesis:

> *Hypothesis H1: After the COVID-19 outbreak, EMNEs that demonstrated CSR activities in their home country have better financial resilience than locally listed firms and EMNEs without social initiatives.*

It is defended by extant literature in strategy that optimal utilization of organisational resources is pivotal for attaining superior performance and a sustainable competitive edge (Cooper et al., 2023). It is also acknowledged by strategy scholarly that sustained practices of resource allocation can lead to the accumulation of strategic assets, providing long-term benefits

[1] https://monitordasdoacoes.org.br/en (Osland et al., 2001).

for the firm (Leiblein, 2011). These two assumptions pressures firms to put forward an effective plan to prioritise resources allocation, with the aim to deploy their assets, knowledge, and skills in activities that significantly enhance value and bolster competitiveness, which is crucial for sustained success (Leiblein, 2011)

Therefore, we argue that understanding the dynamics between headquarters and subsidiaries is essential for comprehending how resource distribution influences value generation in MNEs, particularly in EMNE's. The number of subsidiaries abroad shows how much the firm invested in outward FDI. The higher the amount of outward FDI, the higher the resources committed by headquarters in foreign markets (Osland et al., 2001). The risk of the firm's operation increases due to sunk costs associated with investments and challenges in resource allocation (Cavusgil, 1980; X. Han et al., 2018; Lu et al., 2014). International growth can provide many challenges for the parent firm regarding (1) managing complexities, (2) maintaining alignment between headquarters and subsidiaries' interests, and (3) mitigating risks, especially in emerging markets where the firms are exposed to the high volatility of critical economic, political, and institutional variables (Buckley & Tian, 2017). Thus, it is known that MNEs can be perceived as complex (Narula, 2014).

Moreover, on top of the complexity of international expansion, in 2020 foreign subsidiaries and parent firms had to deal with the challenges brought about by the COVID-19 outbreak. A negative social reputation in the home country can have adverse effects on foreign subsidiaries, impacting contracts, processes, and negotiations due to the high visibility of the parent firm, its control over the subsidiary, and both liability of foreignness and emergingness. Firms that establish wholly owned subsidiaries via FDI face intensified cultural-cognitive pressures in host countries. Sahasranaman et al (2022) noted that Indian MNEs with limited social responsibility histories may encounter consumer backlash—including scrutiny, reduced acceptance, or even boycotts. In response, they are likely to strengthen CSR efforts to address reputational risks and overcome legitimacy gaps. This may prompt the subsidiary to engage in CSR in the host country to mitigate the home country negative spillover effect (Zhou & Wang, 2020). However, diverting social resources to the host country due to the unexpected shock of the COVID-19 outbreak may have repercussions, particularly for firms from emerging markets with institutional voids and generally lower resources from local governments to alleviate social issues. Nevertheless, the parent firm invested in CSR to mitigate the liability of foreignness and emergingness, reduce reputational risk, and protect the firm's financial status in the home country might still lead to spillover effects.

Although the ability to manage failures while simultaneously securing a competitive advantage has been widely discussed in both academic and managerial circles, it remains unclear how specific CSR investments can address market and governmental failures in emerging markets, particularly through institutional voids during crises like COVID-19 (Cuervo-Cazurra et al., 2023) . By integrating CSR into firm-specific strategic choices (Flammer, 2013), our study aims to enhance the understanding of how EMNEs assess CSR investments across different national contexts. We do know that CSR at home can impact exports (Chan & Ma, 2016; Leonidou et al., 2015), but we claim that the subsidiary in the host country might have to deviate resources to CSR, what can impact negatively the financial resilience of the parent firm. Our arguments are in line with statements from Dellestrand et al. (2020) that rather than merely receiving resources passively, subsidiaries may actively partake in power struggles that shape the dynamics of resource allocation within MNEs. Thus, we put forward the following hypothesis:

Hypothesis H2: After the COVID-19 outbreak, previous firm FDI in the host country negatively moderated the relationship between EMNEs' CSR activities in the home country and financial resilience.

While foreign investors typically perceive EMNEs as less engaged in CSR activities compared to their counterparts in developed economies, the pandemic has shifted expectations (Lawton et al., 2020). Investors now increasingly recognize the value of CSR in ensuring financial resilience, especially during times of institutional crises. Post-pandemic, there is heightened awareness among foreign investors about the importance of CSR in mitigating risks and ensuring financial stability. This change in perception is likely due to the observed correlation between robust CSR practices and firm resilience during crises (Godfrey et al., 2009; Kim et al., 2021).

EMNEs that proactively engage in CSR activities may be perceived as better equipped to handle crises, attracting foreign investors seeking stability in uncertain times. Sahasranamam et al. (2022) suggest that international exposure to stricter CSR environments encourages EMNEs to adopt responsible practices even in their home countries This shift positions CSR as a strategic tool for risk mitigation, potentially influencing investor decisions and expectations (Broadstock et al., 2021). Foreign investors' increasing pressure on EMNEs to demonstrate effective CSR practices can lead to a strategic re-evaluation within these enterprises (Gugler & Shi, 2009; Shirodkar & Shete, 2022). This pressure might drive EMNEs to adopt more comprehensive and impactful CSR strategies that align with global standards and expectations (Marano et al., 2017;Sahasranamam et al., 2022; Shirodkar & Shete, 2022). Therefore, the dynamic between EMNEs' CSR activities and financial resilience in the post-COVID-19 era is significantly influenced by foreign investor expectations. In this vein, CSR activities are partly driven by foreign investors' social concerns (Gugler & Shi, 2009; Shirodkar & Shete, 2022). When an EMNE increases its CSR activities, it might respond to foreign investors' expectations or needs (Marano et al., 2017; Shirodkar & Shete, 2022). Thus, CSR activities might work as a risk mitigation mechanism to attract foreign investors, and they might reduce or avoid profitability losses in times of crisis. Thus, we propose the following hypothesis:

> *Hypothesis H3: After the COVID-19 outbreak, foreign investors positively moderated the relationship between EMNEs' CSR activities in their home countries and financial resilience.*

The effectiveness and perception of CSR activities are also influenced by cultural and socio-economic factors (Shiu & Yang, 2017). In some emerging markets, CSR might not traditionally hold the same value as in developed economies (Sahasranamam et al., 2022). However, post-COVID-19 there is a growing global convergence in the expectations of CSR's role in ensuring financial resilience (Albuquerque et al., 2020; Broadstock et al., 2021).

4. Research Methods

Despite some challenges, there are many benefits to conducting research in Latin America (Reyes et al., 2019), especially in Brazil. First, it has uncertain institutions, but even after a set of crises, the institutions are still functional, albeit with some weaknesses (Gonzalez-Perez et al., 2021). Second, due to several crises, the country is a natural laboratory for building theories and testing new ones (Aguinis et al., 2020). Third, Brazil has significant social and environmental challenges, such as climate change, socio-economic inequality, deforestation, and the digital divide (Azevedo et al., 2020; Casnici et al., 2022). Finally, because of specific characteristics, the country makes us rethink the baseline assumptions of institutional theory, firms, and organizations (Aguinis et al., 2020; Gonzalez-Perez et al., 2021).

Our study analysed a sample of 404 listed companies, including 95 EMNEs. Overall, we observed 1,069 instances from these companies between 2018 and 2021. Using the Heckman two-stage model, we narrowed our focus to 906 of these observations. Our data set is an unbalanced panel, meaning that the number of firms represented varies from year to year.

It is important to note that these firms are not mandated to publish an annual report detailing their social and environmental activities. Upon examining the available data, we found that, on average, only 174 firms annually disclosed information about their CSR activities in their reports. This number fluctuated each year within the study period. In total, we analysed 696 annual reports. Not all firms consistently disclosed their reports every year. From these reports, we identified 6,874 instances of CSR activities over a four-year span. Our methodology for categorizing and analysing these CSR activities follows the approach used by Gatignon et al. (2023) and Gatignon and Capron (2023).

We used the time span from January 2018 to December 2021 to include observations before and after the first year of the COVID-19 outbreak. We analysed the financial data per year. Even knowing that the COVID-19 outbreak in Brazil was on February 26, 2020, and the first country lockdown occurred on March 21, 2020, the COVID-19 outbreak started to impact the global economy in January. Since we are working with EMNEs, it is consistent to evaluate the impact of COVID-19 globally. Therefore, we decided to use yearly-based variables. We collected financial and ownership data from the *Economatica* data set and the voluntary social initiatives included in the firms' annual reports. Our sample choice was motivated by the greater availability of publicly listed firms' financial and social activity data. This is a particular challenge when conducting research investigating firms in emerging markets, such as Brazil (Hoskisson et al., 2000). We excluded firms in the financial sector because their financial leverage is around 20 times that of firms in other industries, as a condition of the Basel Accords, of which Brazil is a signatory. This would have led to the distortion of our capital structure indicators, which we included as controls.

To test our hypotheses, we employed two methods in this paper: a differences-in-differences model, comparing how the financial resilience of EMNEs with CSR activities versus

EMNEs without CSR activities and local companies changed before and after the COVID-19 outbreak, and a Hackman two-stage method, to show how the financial resilience of EMNEs with CSR activities after the COVID-19 outbreak changed when these firms had FDI investments (subsidiaries) and foreign investors. We will discuss these methods in turn and then describe the equations and the variables that we use to implement them.

4.1 Difference-in-Differences

We treat the COVID-19 outbreak in 2020 as an exogenous shock. Our treatment is EMNEs with CSR activities. This makes it possible to use the difference-in-differences method (Fredriksson & Oliveira, 2019; Schiozer et al., 2021; Wooldridge, 2014) to compare EMNEs with CSR activities and EMNEs without CSR activities and local firms before and after the COVID-19 outbreak. This comparison allowed us to analyse the financial resilience of these firms before and after the exogenous shock. Identification based on difference-in-differences relies on the parallel trends (Lechner, 2011) assumption (Figure 1), which states that EMNEs with CSR activities before the shock follow the same time trend as the control group (Fredriksson & Oliveira, 2019). To test our hypothesis (H1), we consider the following equation:

$$\begin{aligned} Financial\ Resilience_{it} &= \alpha_0 + \beta_1 EMNE\ CSR_{\ it} + \beta_3\ shock_{\ it} + \beta_6 EMNE\ CSR_{\ it} * shock_{\ it} + X_{it} + \delta_j + \mu_t \\ &\quad * EMNE\ CSR_{\ it} + \varepsilon_{it} \end{aligned}$$

For the proposed hypothesis H1, the dependent variable is the firm's financial resilience of firm i in year t (measured by firm performance), the EMNE's CSR activities is a dummy variable of the EMNE's CSR initiatives, and shock is a dummy variable, coded as zero if the period is before the COVID-19 outbreak and 1 if it is after COVID-19 outbreak i in year t. There are also two-way interaction terms: X_{it} designates a vector of control variables for firm i in year t,

δ_j designates the country dummy variable, μ_t designates the interaction of year dummy variable with the EMNE's CSR activities t, and standard errors are clustered by firm.

4.2 Heckman Two-Stage Selection Model

We ran hypotheses H2 and H3 using Heckman selection models, which controlled for selection bias (Certo et al., 2016; Heckman, 1979; Wooldridge, 2014). Since our sample goes from a large sample (comparing EMNEs with CSR activities and EMNES and local firms) to a small, non-random sample (the characteristics of EMNEs, FDI investment, and foreign investors of EMNEs [with and without CSR activities]), the sample might be potentially biased by the portion of EMNEs without CSR activities that decide to internationalize, despite their experience with CSR activities. This might lead to omitted variables that induce sample bias (Certo et al., 2016). To address this problem, we used the Heckman two-stage process to correct sample-induced endogeneity. In the first stage, we used the probit model and a "selection instrument" (Certo et al., 2016). For the selection instrument, we used the lagged number of CSR activities (the lagged variable is one way to address endogeneity).[2] The rationale is that the prior CSR activities might influence the firm's resilience in the future, since the investors / market in general understand the CSR as a positive aspect and recognize it when buying, investing in the firm. Therefore, it is reasonable to assume that the firm's financial resilience is potentialized by this valuable CSR (Ameur & Boussetta, 2023; Boubaker et al., 2020). After obtaining the predicted probabilities from the first stage, we calculated the selection parameter – Inverse Mills Ratio (IMR) – in which the coefficient is the *lambda*, and included it in our second-stage model to account for potential sample selection bias (Certo et al., 2016; Heckman, 1979).

[2] Following Certo et al. (2016) and Sartori (2003), the Heckman model should include at least one exclude restriction variable.

$$EMNE_{it} = \alpha_0 + \beta_1 CSR\ activities\ (lag)_{it} + \beta_2 Firm\ FDI_{it} + \beta_3 Foreign\ investor_{it}$$
$$+ \beta_4 EMNE\ CSR\ after\ Shock_{it} * Firm\ FDI_{it} + \beta_5 EMNE\ CSR\ after\ Shock_{it}$$
$$* Foreign\ investor_{it} + X_{it} + \delta_j + \mu_t + \varepsilon_{1it}$$

$$Financial\ Resilience_{it}$$
$$= \alpha_0 + \beta_1 EMNE\ CSR\ after\ Shock_{it} + \beta_3 Firm\ FDI_{it} + \beta_4 Foreign\ investor_{it}$$
$$+ \beta_6 EMNE\ CSR\ after\ Shock_{it} * Firm\ FDI_{it} + \beta_9 EMNE\ CSR\ after\ Shock_{it}$$
$$* Foreign\ investor_{it} + X_{it} + \delta_j + \mu_t + \lambda_{it} + \rho_{it} + \varepsilon_{2it}$$

where, in the first stem, the dependent variable is the EMNE i in year t; the exclude restriction variable is the CSR activities lagged 1 year; firm FDI designates the number of foreign subsidiaries of firm i in year t; and foreign investors designate the percentage of shares coming from foreign investors in firm i and year t. There are also the two-way interaction terms: X_{it} designates a vector of control variables for firm i in year t; δ_j designates the country dummy variable; μ_t designates year dummy variable t; and standard errors are clustered by firm. For the second step (or the firm financial resilience) of firm i in year t, the EMNE's CSR activities after the shock is a dummy variable i in year t; firm FDI designates the number of foreign subsidiaries of firm i in year t; and foreign investors designate the percentage of shares coming from foreign investors in firm i and year t. There are also the two-way interaction terms: X_{it} designates a vector of control variables for firm i in year t; δ_j designates the country dummy variable; μ_t designates year dummy variable t; λ_{it} designates the lambda variable (exclude restriction) for firm i in year t; ρ_{it} designates the rho; and standard errors are clustered by firm.

4.3 Variables

The dependent variable is *firm financial resilience* to analyse the impact on overall firm performance and we used return on assets (ROA) (Hamann et al., 2013; Tan & Chintakananda, 2016). It is a continuous variable obtained from the *Economatica* database. The main idea is to verify whether there is financial resilience (a better financial performance) from EMNEs with CSR activities after the COVID-19 outbreak.

The independent variable is *EMNEs' CSR activities after the shock*. For the purpose of hypothesis H1, we considered two independent variables: *(1) the EMNEs' CSR activities; and (2) the shock*. For the purpose of hypotheses H2 and H3, we considered *(1) EMNEs' CSR activities after the shock* as one variable. These variables were collected using three steps: first, we gathered data on the firm's *CSR.* To accomplish this, we hand-collected data from the 696 annual reports in our sample and from their corporate foundations, where applicable. In Brazil, firms often implement CSR initiatives and donations through corporate foundations. This process was based on a protocol developed by manually coding multiple years of annual reports (Gatignon et al., 2023; Gatignon & Capron, 2023). We collected data on the social initiatives by summarizing the number of social ties from: (1) donations (financial or in-kind) to non-profit organizations (Ballesteros & Gatignon, 2019; Gatignon & Capron, 2023); (2) the firm's social initiatives through the foundation (Bertrand et al., 2021); and (3) the firm's direct corporate environmental or social initiatives (Kaul & Seo, 2018; Seo et al., 2021). This is a dummy variable taking the value of "1" if the firm implements CSR activities and 0 otherwise. These connections represent the most salient and substantive (Nardi, 2022) relationship types that firms can develop in social and environmental arenas. Second, we collected data on EMNEs from the Orbis global database by searching for each firm listed on the São Paulo Stock Exchange, considering firms to be EMNEs if they operated a joint venture, M&A, or a greenfield abroad. The variable took a value of 1 if it was an EMNE and 0 otherwise. Third, we operationalized the COVID-19 outbreak with a dummy variable that takes a value of 1 if it is 2020 or after and 0 otherwise.

We accessed the Orbis database and firms' websites to gather data on the prior *firm FDI activity,* calculated as the number of the firm's previously established subsidiaries abroad

(DeMello et al., 2023). Through Orbis, it is possible to collect data on subsidiaries per firm and country. We obtained data on the variable of *foreign investors* from the *Economatica* database. We followed the examples provided by previous studies (Benito et al., 2016; Gatignon et al., 2022; Ioannou & Serafeim, 2015) and tracked the share percentage of foreign investors. We then used different levels of cut-offs of foreign investor shares (10%, 12%, and 15%) to guarantee a minimum level of engagement and interest in mitigating risk through CSR activity.[3]

4.3.1 *Control Variables*

Government shareholders are measured by each firm's percentage of Brazilian government shares. We collected this variable from the *Economatica* database. We considered it to be an interesting variable to include in this study since the Brazilian government strongly influences the economy, and enterprises in general (DeMello et al., 2023; Lazzarini et al., 2015). Research and development intensity is a dummy variable that takes the value of 1 if the firm is in the ranking of innovation from *Valor Economico* and PWC[4] and 0 otherwise. The corporate governance index is a proxy for good corporate governance; it is a dummy variable that takes the value of 1 if the firm is listed on the New York Stock Exchange and 0 otherwise. Firm age is a proxy for accumulated capabilities (DeMello et al., 2023). We also controlled for the firm's financial variables: firm size (the logarithm of total assets); leverage ratio (debit over assets) (Gatignon et al., 2023); debt (Ioannou & Serafeim, 2015); firm profitability lagged by 1 year; investment intensity (logarithm); market value (logarithm); year dummy; country dummy; and firm fixed effects. For hypothesis H1, we also controlled how the year dummy interacted with EMNE CSR activity (treatment) to address the parallel trend bias (Angrist & Pischke, 2014). For

[3] In the main model (Table 4, Model 2), we use the 15% cut-off, and in the robustness tests (Table 6, Model 3 and 4) we use the 10% and 12%, respectively.
[4] https://www.strategyand.pwc.com/br/pt/inovacao-brasil-2021.html

hypotheses H2 and H3, we used prior CSR activity, measured as the number of CSR activities per firm and year, as an exclusion restriction in the Heckman two-stage selection model.

5. Results

The descriptive statistics and correlation matrix are presented in Tables 1 and 2, respectively. In general, the variables are not highly correlated, except for investment intensity and firm size, for which the correlation is 0.71. However, the larger the firm, the greater the investment. To determine whether to use random or fixed effects, we conducted the Hausman test, which also examined the hypothesis that the error term of the random effects model is not correlated with the regressors (Allison, 2009). The results indicate that the use of fixed effects models is preferred. Thus, the panel data with fixed effects control for unobservable variables (Kennedy, 2016; Wooldridge, 2014), thereby allowing multiple observations of the same units of analysis (Allison, 2009) and reducing the problem of multicollinearity. To address multicollinearity, we examined the variance inflation factor (VIF). All VIFs were below 5, which is well below the conventional threshold of 10 (Hair & Black, 2009). Finally, in this study, the omitted explanatory variables are more likely the source of endogeneity than simultaneity, as the dependent variable is financial resilience. To address the endogeneity problem, we used the generalized method of moments (GMM) employing a one-step system estimator (Blundell & Bond, 2023). We applied the Arellano–Bond test for serial correlation in the first-difference residuals, and we accepted H0: no autocorrelation at $p = 0.2959$. We also tested for overidentifying restrictions and accepted H0: overidentifying restrictions are valid at $p = 0.5931$.

("Tables 1 and 2 go about here")

Table 3 reports the coefficients of hypothesis H1. Model 3 shows that the direct effect of EMNEs with CSR activity on firm financial resilience is positive and statistically significant (b =

0.0402, $p < 0.1$) and the direct effect of the shock – the COVID-19 outbreak – is negative and significant ($b = -0.1152$, $p < 0.01$). This result shows the strong impact of COVID-19 on a firm's financial status. The interaction between EMNEs with CSR activity and the shock is positive and significant ($b = 0.0300$, $p < 0.05$). Figure 2 shows that there is a range for shock (moderator variable) for which the effect is not significant (when one of the two lines reflecting the confidence interval are below the horizontal zero line) (Meyer et al., 2017), and the effect of EMNE CSR activity on financial resilience conditional on shock is negative. This result shows that after the shock, EMNEs with CSR activities would be more financially resilient than firms without such CSR activities; thus, EMNEs with CSR activity increase the probability of financial resilience by 5.89 percentage points. Therefore, we found significant support for H1.

Table 4 reports the coefficients of hypotheses H2 and H3. As observed in Model 1 (1st stage), the CSR activities lagged 1 year (exclusion restriction) is significant ($b=-0.01$, $p<0.05$), and the lambda coefficient of the IMR is significant ($b= -0.039$, $p<0.1$), and the correlation between the residuals from the first and second stage (rho) do exist. These results suggest that sample selection bias is present. In Model 1 (2nd stage), the interaction term between EMNEs with CSR activity after the shock and firm FDI is negative but not significant ($b = -0.002$, $p = 0.197$). Even though the signal is negative, the firm FDI in the host country does not affect the financial resilience of EMNEs with CSR activity after the shock. Therefore, the subsidiaries may prioritize dealing with local issues, and opt to engage in CSR initiatives in the host country to mitigate the negative impact from the parent firm. For this purpose, the foreign subsidiary must allocate social resources within the host country, which could potentially convey a negative signal from the parent firm. This activity could be reduced after a reduction of attention from the EMNE's headquarters to develop CSR activity after the COVID-19 outbreak, despite the potential decrease in resources allocated from the headquarters to the subsidiaries. However, hypothesis H2 was not supported.

As observed in Model 2 (1st stage), the CSR activities lagged 1 year (exclusion restriction) is significant in the first stage ($b=-0.01$, $p<0.05$). The lambda coefficient of the IMR is significant ($b=-0.05$ $p<0.1$), and the correlation between the residuals from the first and second stage (rho) do exist. These results suggest that sample selection bias is present. In Model 2 (2nd stage), the coefficient of the interaction term between EMNEs with CSR activity after COVID-19 outbreak and foreign investor are positive and statistically significant ($b = 0.002$, $p < 0.1$). This means that the foreign investor works as a tool that generates positive returns for firms. Therefore, the foreign investor increases the probability of an EMNE reaching financial resilience after COVID-19 outbreak by 3.33 percentage points. Figure 3 shows that there is a range for Foreign Investor for which the effect is not significant (when one of the two lines reflecting the confidence interval are below the horizontal zero line) (Meyer et al., 2017), and the effect of EMNE CSR activity after the shock on financial resilience conditional on Foreign Investor is negative for low values and positive for high values of Foreign Investor. We also perform the Likelihood-ratio (LR) test and we can confirm the incremental explanatory power of the incorporated instrument (H2: chi-sq= 141.55, $p<0.001$; H3: chi-sq= 143.22, $p<0.001$). These results suggest that sample selection bias is present, and we should use the Heckman model to address it (Certo et al., 2016).

Regarding the control variables in Table 3, Model 3, firm age is positive and significant ($b = 0.0401$, $p < 0.01$), showing that the firm experience positively impacts firm financial resilience. The leverage is negative and significant ($b = -0.013$, $p < 0.001$), showing that the higher the leverage, the lower the firm financial resilience. ROA (lagged 1 year) is negative and significant (b = -0.0632, $p < 0.05$), showing that the profitability of the previous year has a negative impact on the current profitability.

Regarding the control variables in Table 4, Models 1 and 2 (2nd stages), the government shareholder negatively impacts firm financial resilience (b = -0.003, $p < 0.001$; b = -0.002, $p < 0.01$, respectively); this could be due to the negative reputation of the government during the COVID-19 outbreak (Freitas et al., 2020). Firm age is positive and significant (b = 0.1466, $p < 0.001$; b = 0.1361, $p < 0.001$, respectively), showing that firm experience positively impacts firm financial resilience. Leverage is negative and significant (b = -0.0025, $p < 0.001$; b = -0.0024, $p < 0.001$, respectively), showing that the higher the leverage, the lower the firm financial resilience. ROA (lagged 1y) is negative and significant (b = -0.2130, $p < 0.001$; b = -0.1964, $p<0.001$, respectively), showing that the profitability of the previous year has a negative impact on the current profitability. The market value is positive and significant (b = 0.0617, $p < 0.001$; b = 0.0603, $p < 0.001$, respectively), showing the positive influence of the market value on firm financial resilience.

("Tables 3 and 4 go about here")

5.1 Robustness Test

We verified the robustness of our findings for hypothesis H1 in Table 5. First, we checked for treatment reversals (Oliveira et al., 2015; Schiozer et al., 2021) and observed the opposite effect when the treatment was reversed; therefore, the treatment effect became more credible (Model 1). Second, we used a placebo timing window in which the shock is in 2019, and the results do not hold (Schiozer et al., 2021) (Model 2). Third, we used a placebo timing window in which the shock is in 2021, and the results hold but are weak compared with the shock in 2020 (Schiozer et al., 2021), showing that in 2021 we were still feeling the COVID-19 outbreak effects

(Model 3). Fourth, we ran the model with random effects and an industry dummy, and the results hold (Model 4). Fifth, we test the main model by adding the CSR activity lagged by 1 year and by 3 years, and the results hold (Models 5 and 6).

We also verified the robustness of our findings for hypotheses H2 and H3 in Table 6. First, we tested H2 considering firm FDI, and the results hold (Model 1). Second, we ran H2, controlling for firm FDI in developed countries, and the results remained the same (Model 2). Finally, we ran H3, considering a cut-off of 10% of shares from the foreign shareholder (Model 3) and a cut-off of 12% of shares (Model 4), and the results hold.

("Tables 5 and 6 go about here")

6. Discussion

EMNEs are gradually gaining more relevance from investors, employers, exporters, governments and innovators (Ciravegna & Nieri, 2022); and gaining remarkable presence in the global context (Bu et al., 2023). Severalemerging markets are still weakly regulated and can be used as pollution havens (Bu et al., 2023). Therefore, due to the distinct CSR and governance dynamics, investigating Latin American firms offers scholarly a valuable perspective on balancing profit with social impact under challenging conditions (Davila er al, 2018).

Our study provides key insights into IB scholarship. It shows that both home and host market institutions are relevant in shaping the conduct of firms (Ciravegna & Nieri, 2022; (Sahasranamam et al., 2022) as it identifies that CSR activities might be considered a distinct FSA that can enhance financial resilience during times of uncertainty and external crises and potentially help overcome liabilities of origin (Marano et al., 2017) and emergingness (Zhang, 2022). Most of the existing literature (Berlemann & Wenzel, 2018; Hoskisson et al., 2000; Marquis & Raynard, 2015) reports on the negative attributes of emerging markets, such as weak institutions, poor infrastructure, fragile and excessive regulatory bureaucracy, and institutional uncertainty. These voids impact FDI patterns and associated risks (Doh et al., 2017) in emerging markets. Since there is an absence of robust institutions, international stakeholders might consider investing in venturesome EMNEs (Berlemann & Wenzel, 2018; Hoskisson et al., 2000; Marquis & Raynard, 2015). These aspects can reduce EMNE's global competitiveness and hinder firm growth (Chari & Banalieva, 2015; Kafouros et al., 2021; C. Wang et al., 2020).

Nevertheless, the negative features of this context (lower quality institutions) can attract firms from other countries to infringe human rights in emerging markets (Ciravegna & Nieri, 2022) and even transfer to their subsidiaries there, their corporate social irresponsibility (CSiR) practices (Bu et al., 2023). On the other hand, this precarious context combined with the pressure posed by high quality level of the institutions in the host country (Ciravegna & Nieri, 2022) can drive EMNEs to develop a distinct FSA. A distinct EMNE's FSA, such as CSR, can help firms face international competition and achieve better financial resilience.

6.1 Theoretical Contributions

Our study offers multiple contributions to the literature on EMNEs' non-market strategy at home focusing on IB institutional voids. Therefore, our study contributes to the literature on three fronts and we do so by gathering data from EMNEs, specifically originated in Latin America, which provides us with a unique approach to examine the effects of institutional voids, grasp richer understanding of internationalization dynamics and local adaptation strategies that are globally transferable (Cazurra 2008; Aguilera et al, 2017). First, our results show that in emerging markets, widely known for institutional voids and economic uncertainty (Ge et al., 2019; Liedong et al., 2020) and challenged by an additional crisis, such as COVID-19, CSR activities can be considered a distinct FSA for EMNEs, given that not all firms will have enough resources and incentives to invest in them. Therefore, before and during crises, EMNEs will access the necessary resources and incentives to nurture CSR activities and use them as a way to achieve legitimacy mechanisms (Sahasranamam et al., 2022) that might attenuate the negative impact of the COVID-19 outbreak on EMNE financial resilience.

Second, we found evidence of stakeholder influence, where there is a clear understanding that CSR activities mitigate risks in times of crisis (Broadstock, Chan et al., 2021). It's aligned with Sahasranamam et al. (2022) findings that international exposure to stricter CSR environments encourages EMNEs to adopt responsible practices even in their home countries.

Third, ESG-driven investors can apply pressure to implement better governance practices, which will be perceived as superior by the market and likely lead to better financial resilience (Garcia et al., 2017; Giese et al., 2019; Hymer, 1969; Rugman, 1981; Sahut & Pasquini-Descomps, 2015; Velte, 2017).

6.2 Practical Implications

As our results lead us to identify that EMNEs listed on stock exchanges are more likely to be guided and driven by ESG variables, we highlight the relevance of firms paying extra attention to investors rather than just short-term financial variables and internal knowledge, such as those developed by firms with international subsidiaries exposed to different market dynamics. EMNEs are more concerned with meeting foreign investors' expectations or needs (Marano et al., 2017; Shirodkar & Shete, 2022).

In addition, our results demonstrate that the CSR activities of EMNEs at home can attenuate the negative financial impact of COVID-19, especially when pressured by foreign investors. This might happen because EMNEs' CSR at home generates trust among foreign investors, mitigating the risk of investing in EMNEs due to institutional voids. Therefore, firm managers should look at CSR practices not just as a trend or "hot topic" but also as firms' value drivers advantages other than financial benefits.

During the COVID-19 outbreak, several firms in Brazil used their foundations and donated money to non-government organizations to support local communities. However, a few multinational firms stopped or changed their manufacturing processes and worked toward a higher aim. Ambev, one of the largest beer producers in the world, started to manufacture hand sanitizers for free to public hospitals.[5] In addition, Ambev and Gerdau worked together to build a new hospital focusing on treating coronavirus in only 40 days.[6]

One interesting example of multi-stakeholder initiatives in Brazil was led by an EMNE (Itau) in partnership with the Brazilian Academy of Sciences; ABC, the National Academy of Medicine; ANM, the Oswaldo Cruz Foundation; FIOCRUZ, the Foundation for the School of Medicine of the University of São Paulo; Albert Einstein Israelite Hospital; and the creation of the Instituto Todos pela Saude (ITpS),[7] a non-profit organization established in February 2021. The primary purpose of ITpS is to aid in the development of an epidemiological surveillance system and to prepare Brazil for future health emergencies, such as outbreaks, epidemics, and pandemics. One of its key areas of focus is supporting research and human resource development in genomic epidemiology.

To leverage this, it is necessary to convey reliable messages about CSR activities to potential investors and other stakeholders. Our examples align with Gugler and Shi (2009) and Shirodka and Shete (2022), in which CSR practices can lead to a strategic re-evaluation of the

[5] https://agenciabrasilia.df.gov.br/2020/03/17/ambev-doara-alcool-em-gel-para-hospitais-publicos/
[6] https://www2.gerdau.com.br/noticias/gerdau-prefeitura-de-sp-ambev-e-einstein-unem-forcas-para-construir-hospital-publico/
[7] https://www.itps.org.br/quem-somos

enterprise. Therefore, we recommend that high-rank managers from different departments develop joint efforts to internalize and communicate CSR activities with the aim of creating a spillover effect within the different places the firm operates. In addition, managers working in non-internationalized firms should also make efforts to develop CSR activities; this can help their firms strengthen their financial resilience in times of crises and compete with international players in the national territory.

Latin America offers a compelling research landscape due to its unique interactions with diverse stakeholder groups. Multilatinas, distinguished by their relatively uniform structural profiles (Casanova 2009), provide a unique opportunity to explore patterns in their stakeholder engagement practices (Davila et al, 2018). The governance structures in Latin American firms, however, often reflect the challenges posed by institutional voids, leading to a reliance on concentrated ownership and limited board independence (Federo & Parente, 2023). Our findings first suggest that IB managers and the board of directors from EMNEs need to be aware of the importance of strategic CSR activities as a relevant tool to mitigate risk and increase EMNE legitimacy. Because there are weak institutions and environmental uncertainty in emerging markets, CSR activities might work as instruments to develop trust with foreign investors and mitigate the risks embedded in the environment. In addition, CSR activities increase the EMNE's legitimacy by overcoming the disadvantages associated with liabilities of origin (Marano et al., 2017). Moreover, CSR has become a synonym for moral capital among stakeholders since EMNEs have become trustworthy organizations.

6.3 Recommendations for Policymakers

Based on our findings regarding the role of CSR activities in enhancing financial resilience for EMNEs, particularly during crises such as COVID-19, we delineate some policy recommendations for decision-makers and policymakers:

First, promote CSR and ESG initiatives: encourage EMNEs and local firms to adopt CSR and ESG practices. These initiatives not only improve the firm's reputation and stakeholder trust but also contribute to financial resilience during times of crisis. Based on our results, CSR pays off, and the literature also corroborates that CSR serves as risk mitigation and reputation enhancement and potentially improves the financial resilience (Bouquet & Deutsch, 2008; Wang, Q. et al., 2022)

Second, foster multi-stakeholder partnerships: support collaborations between businesses, non-profit organizations, and governmental agencies. These partnerships can lead to more effective and widespread CSR activities, benefiting both the community and the businesses involved. CSR influences societal debates and political and social movements (Bertrand et al., 2021; McDonnell & Werner, 2016). Therefore, there is a need to create multiple collaborations to meet different needs.

Third, focus on localized CSR activities: recognize the importance of context-specific CSR activities, as these are more likely to address relevant local issues effectively and enhance the firm's legitimacy in its home market. Sahasranamam et al. (2022) argue that internationalization can lead to positive CSR spillovers, as firms adopt global best practices to enhance their legitimacy . Futhermore,social and environmental practices are critical for multinationals, who must balance local stakeholder pressures and host country demands (Kolk, 2016; Sun et al., 2021).

Fourth, strengthen institutional frameworks: work toward strengthening institutional frameworks in emerging markets to reduce the prevalence of institutional voids. This can create a more stable environment for firms to operate and engage in CSR activities. Amaeshi et al. (2016) and Ghassim and Bogers (2019) discussed how CSR motives under institutional voids influence firms' sustainable development commitments, particularly in terms of profitability.

Fifth, global–local balance in CSR strategies: advise EMNEs to balance global integration with local responsiveness in their CSR strategies, ensuring that their activities are globally aligned while being locally relevant and impactful (Bartlett & Ghoshal, 1989a). Studies have shown that the legitimation of CSR activities is not confined to a firm's home territory but is also extended to its ventures into international markets (Shirodkar & Shete, 2022).

6.4 Limitations and Future Studies

Like most academic studies, our study has some limitations. First, it covers only firms from Brazil, which might represent a limitation concerning its generalizability. Second, we understand that the consequences of the COVID-19 crisis are not over, and other pandemics might follow. Nonetheless, we argue that the impact from the first and second years of the COVID-19 crisis (2020–2021) might be the strongest because vaccination was unavailable for all countries, measures to isolate the population were in place, and there was higher uncertainty about how the virus would spread. Moreover, in our sample, we did not evaluate the different types of roles originating in EMNEs' subsidiaries.

In our study, we could not use export intensity as a control variable. We did not have access to these data, as the listed firms are not required to disclose this information on the Brazilian Stock Exchange. Future studies to be carried out in other countries may be able to access the export intensity and insert it into the model.

Future studies may address the moderation of subsidiaries related to a specific role or strategic scope. In addition, it is possible to extend the analysis to other Latin American countries and emerging markets to test the impact of the home country on the results. It would be interesting to compare the impact of the 2020–2021 pandemic to the 2008–2010 financial crise to better understand the uncertain institutional environment, mainly in emerging markets. Another approach is to compare the financial results of the same sample before (2018–2021) and after

(2021–2024) the COVID-19 crisis. This comparison would provide a more detailed insight into how the pandemic has affected the financial resilience of these firms.

Sahasranamam et al. (2022) highlight how MNEs from emerging markets, such as India, adjust their CSR engagement based on home and host country pressures . In contrast, Bu et al. (2023) illustrate that some firms exploit institutional weaknesses in host countries to engage in socially irresponsible practices, leading to a "race to the bottom" effect. Similarly, Ciravegna and Nieri (2022) show that firms operating in weak institutional settings are more likely to commit human rights violations due to a lack of regulatory oversight. By integrating these perspectives, future research could explore the conditions under which firms internalize global CSR norms versus when they engage in regulatory arbitrage to avoid accountability. Future research on corporate social irresponsibility (CSI) in emerging markets, particularly in Latin America, could explore the unique institutional, cultural, and economic factors that shape corporate behavior in the region.

6.5 Conclusion

We concluded that EMNEs with CSR activities prior to the COVID-19 outbreak had better financial resilience than listed firms and EMNEs that did not invest in CSR activities. In other words, when there is a major external shock/crisis (such as the pandemic), socially engaged EMNEs are more likely to perform better than those local and/or without such engagement. Therefore, our study is aligned with previous publications about strategic philanthropy by sharing that socially engaged EMNEs are consistently doing good to do well (Jeong & Kim, 2019; Long et al., 2023).

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Figure 1

Parallel Trends: Pre- and Post-Comparison Between Treatment and Control Groups

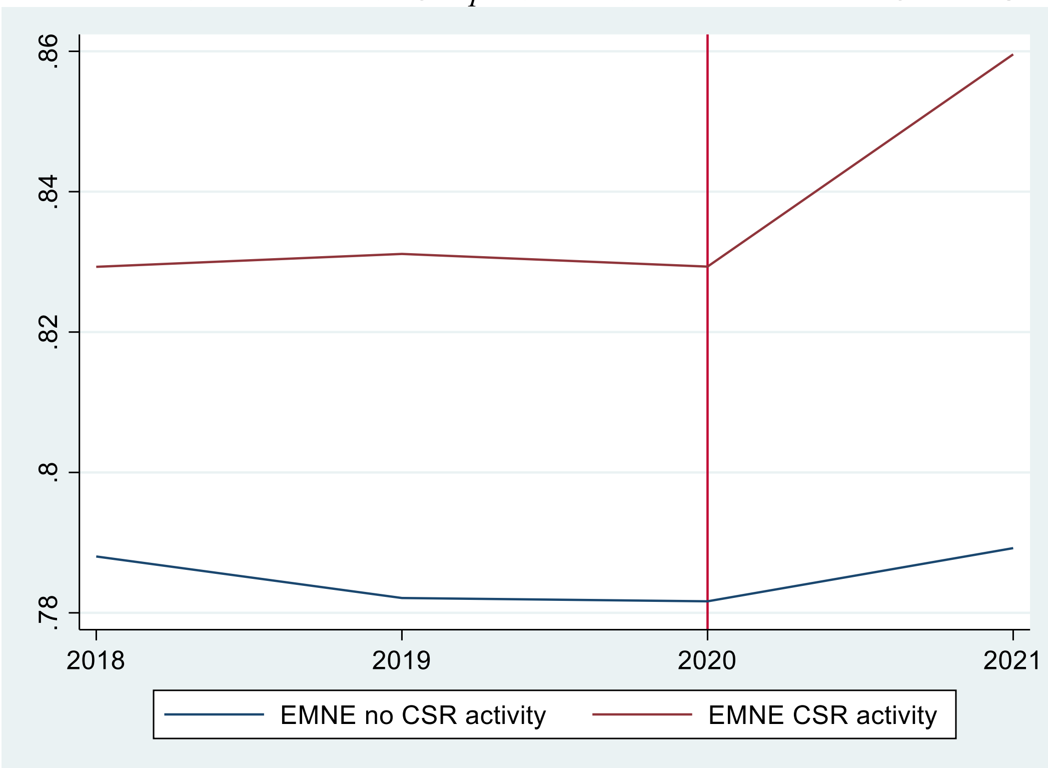

Figure 2

Hypothesis H1—Average Marginal Effects of EMNE CSR Activity with 95% CIs

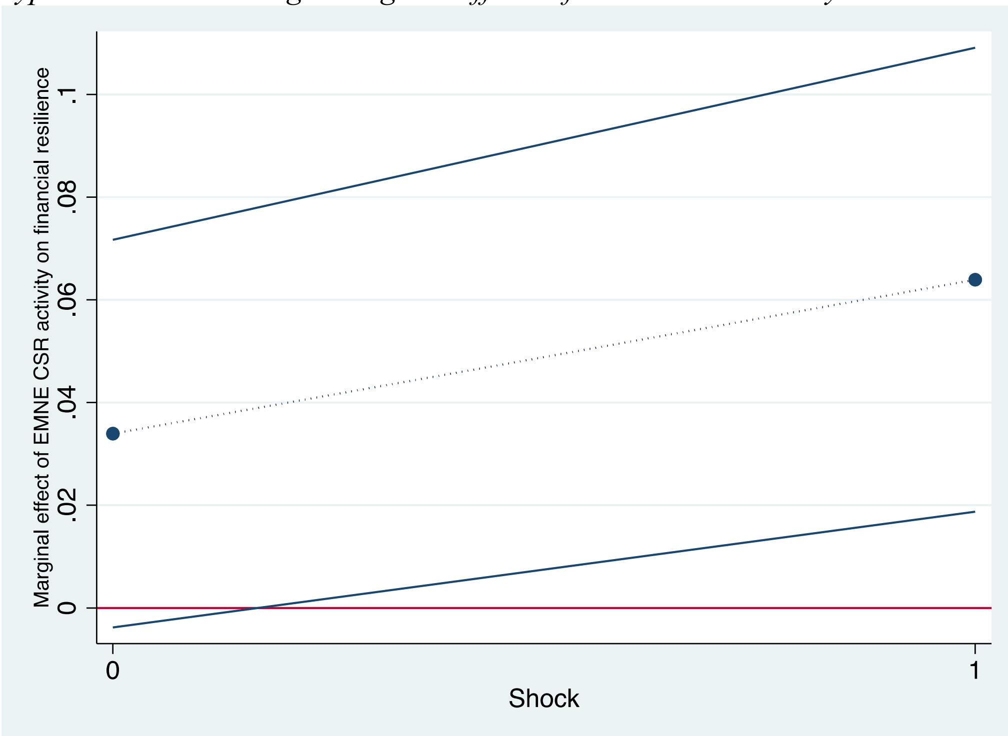

Figure 3

Hypothesis H3—Average Marginal Effects of EMNE CSR Activity after shock with 95% CIs

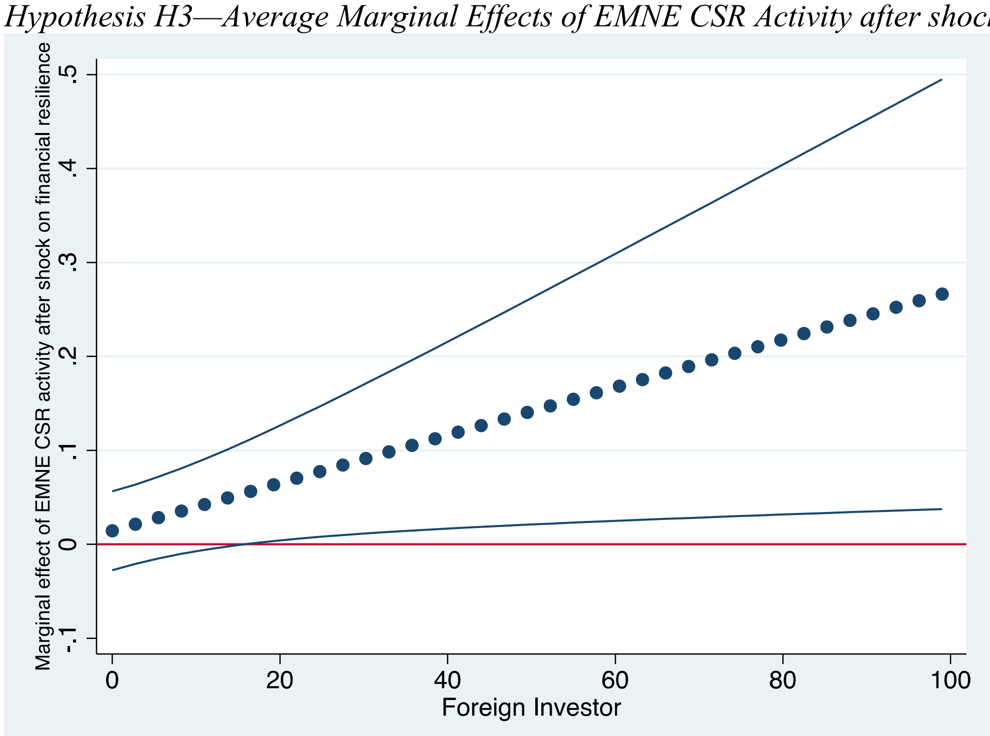

Table 1

Descriptive Statistics (H1)

Variables	mean	std.dev	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) Return on assets	0.784	0.52	1.000												
(2) EMNE CSR activity	0.069	0.254	0.038	1.000											
(3) Shock	0.497	0.5	-0.022	0.003	1.000										
(4) Government Shareholder	4.864	17.409	0.001	0.006	0.002	1.000									
(5) Innovation	0.081	0.272	0.020	0.288*	0.018	0.022	1.000								
(6) Corporate Governance index	0.081	0.273	0.025	0.354*	-0.000	0.022	0.323*	1.000							
(7) Firm age	156.42	464.959	0.031	-0.064*	-0.002	-0.022	-0.065*	-0.070*	1.000						
(8) Firm size (ln)	12.757	2.542	0.086*	0.243*	-0.011	0.085*	0.331*	0.364*	-0.099*	1.000					
(9) Debt	8.868	168.796	-0.030	-0.016	0.004	0.205*	-0.016	-0.017	-0.014	-0.126*	1.000				
(10) Leverage (ln)	0.803	1.394	0.015	-0.005	0.014	0.008	0.023	0.010	0.048*	0.084*	-0.107*	1.000			
(11) Return on assets (lagged 1y)	0.788	0.739	0.011	0.004	-0.033	0.117*	-0.007	0.004	0.014	-0.030	0.055*	-0.009	1.000		
(12) Market value (ln)	17.927	3.837	0.138*	0.244*	-0.445*	0.071*	0.266*	0.246*	0.007	0.519*	-0.173*	-0.013	0.047	1.000	
(13) Investment intensity (ln)	9.605	2.516	0.159*	0.285*	-0.011	0.040	0.333*	0.293*	-0.047*	0.761*	-0.111*	0.013	0.011	0.391*	1.000

* shows significance at the 0.05 level

Table 2

Descriptive Statistics (H2 and H3)

Variables	mean	Std. dev	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Return on assets	0.784	0.52	1.000													
(2) EMNE CSR activity after shock	0.033	0.178	0.029	1.000												
(3) Prior Firm FDI	0.987	3.778	0.028	0.476*	1.000											
(4) Foreign investor	2.751	12.027	0.020	0.039*	0.037	1.000										
(5) government shareholder	4.864	17.409	0.001	-0.001	-0.014	-0.031	1.000									
(6) innovation	0.081	0.272	0.020	0.217*	0.253*	0.048*	0.022	1.000								
(7Corporate governance index	0.081	0.273	0.025	0.245*	0.307*	0.150*	0.022	0.323*	1.000							
(8)Firm age	156.42	464.959	0.031	-0.044*	-0.046*	-0.060*	-0.022	-0.065*	-0.070*	1.000						
(9) Firm size (ln)	12.757	2.542	0.086*	0.168*	0.205*	0.107*	0.085*	0.331*	0.364*	-0.099*	1.000					
(10) Debt	8.868	168.796	-0.030	-0.011	-0.014	-0.006	0.205*	-0.016	-0.017	-0.014	-0.126*	1.000				
(11) Leverage (ln)	0.803	1.394	0.015	0.014	-0.021	-0.064*	0.008	0.023	0.010	0.048*	0.084*	-0.107*	1.000			
(12)Return on asset (lagged 1y)	0.788	0.739	0.011	0.005	0.002	-0.007	0.117*	-0.007	0.004	0.014	-0.030	0.055*	-0.009	1.000		
(13) Market value (ln)	17.927	3.837	0.138*	0.038	0.140*	0.067*	0.071*	0.266*	0.246*	0.007	0.519*	-0.173*	-0.013	0.047	1.000	
(14) Invest intensity (ln)	9.605	2.516	0.159*	0.199*	0.223*	0.133*	0.040	0.333*	0.293*	-0.047*	0.761*	-0.111*	0.013	0.011	0.391*	1.000

* shows significance at the 0.05 level

Table 3
Differences-in-Differences Regression of EMNE CSR Activity on Firm Financial Resilience (Hypothesis H1)

	Model 1	Model 2	Model 3
EMNE CSR activity		0.0701**	0.0402+
		(0.0249)	(0.0209)
Shock			-0.1152**
			(0.0443)
EMNE CSR activity*Shock			0.0300*
			(0.0152)
Government shareholder (%)	-0.0016	-0.0016	-0.0016
	(0.0012)	(0.0012)	(0.0012)
Innovation (dummy)	0.0034	0.0034	0.0034
	(0.0097)	(0.0097)	(0.0097)
Corporate governance index	(omitted)	(omitted)	(omitted)
Firm age	0.0251**	0.0017	0.0401**
	(0.0082)	(0.0025)	(0.0148)
Firm size (ln)	-0.0000	-0.0000	-0.0000
	(0.0000)	(0.0000)	(0.0000)
Debt	0.0007	0.0007	0.0007
	(0.0164)	(0.0164)	(0.0164)
Leverage	-0.0129***	-0.0129***	-0.0129***
	(0.0035)	(0.0035)	(0.0035)
Return on asset (lagged 1y)	-0.0632*	-0.0632*	-0.0632*
	(0.0266)	(0.0266)	(0.0266)
Market value	0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)
Investment intensity (ln)	0.0044	0.0044	0.0044
	(0.0027)	(0.0027)	(0.0027)
Constant	-1.7824*	0.6467*	-3.3433*
	(0.8544)	(0.2647)	(1.5356)
Observations	1,070	1,070	1,070
R-squared	0.0983	0.0983	0.0983
Number of firms	404	404	404
Year*treat FE	YES	YES	YES
Firm FE	YES	YES	YES
Country FE	YES	YES	YES

Robust standard errors clustered by firm in parentheses
*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

Table 4

Hackman Two-Stages Model on Firm Financial Resilience (Hypotheses H2 and H3)

	Model 1 1st stage	Model 1 2st stage	Model 2 1st stage	Model 2 2st stage
EMNE CSR after shock	144.3392	0.0786+	8.2284	0.0895+
	(0.0000)	(0.0424)	(0.0000)	(0.0536)
Firm FDI (lagged 1y)	0.1431***	0.0015		
	(0.0153)	(0.0016)		
EMNE CSR after shock* Firm FDI	45.1298	-0.0025		
(lagged 1y)	(0.0000)	(0.0020)		
Foreign investor (%)			-0.0122*	-0.0012
			(0.0049)	(0.0018)
EMNE CSR after shock * Foreign			0.0023	0.0021+
Foreign investor (%)			(0.0000)	(0.0012)
Government shareholder	0.0016	-0.0030***	-0.0008	-0.0028**
	(0.0034)	(0.0009)	(0.0032)	(0.0009)
Innovation (dummy)	0.1871	-0.0098	0.1833	-0.0053
	(0.1897)	(0.0151)	(0.1711)	(0.0144)
Corporate governance index	Omitted	Omitted	Omitted	Omitted
Firm age	-0.0005	0.1466***	-0.0005	0.1361***
	(0.0004)	(0.0254)	(0.0004)	(0.0286)
Firm size (ln)	0.0095	-0.0330	0.0722	-0.0324
	(0.0779)	(0.0206)	(0.0746)	(0.0211)
Debt	-0.0103	0.0103	0.0389	0.0121
	(0.1235)	(0.0235)	(0.1216)	(0.0238)
Leverage	0.0085	-0.0250***	-0.0060	-0.0240***
	(0.0508)	(0.0037)	(0.0480)	(0.0036)
Return on asset (lagged 1y)	-0.7935	-0.2130***	-0.5658	-0.1964***
	(0.6086)	(0.0492)	(0.5686)	(0.0464)
Market value (ln)	-0.1577*	0.0617***	-0.1666**	0.0603***
	(0.0640)	(0.0108)	(0.0621)	(0.0112)
Investment intensity (ln)	0.1277**	-0.0018	0.1248**	-0.0001
	(0.0468)	(0.0048)	(0.0428)	(0.0055)
CSR activities (lagged 1y)	-0.0148*		-0.0122*	
	(0.0069)		(0.0060)	
lambda	0.0397+		0.0511+	
	(0.0224)		(0.0309)	
Constant	1.4475	-9.5986***	0.9555	-8.9396***
	(0.8903)	(1.7554)	(0.8362)	(1.9359)
Observations	906	906	906	906
Year FE	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

Standard errors in parentheses *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

Table 5

Robustness Hypothesis H1

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
EMNE CSR activity	0.0570***	0.0276*	0.0276*	0.0071	0.0291*	0.0225
	(0.0169)	(0.0130)	(0.0130)	(0.0240)	(0.0141)	(0.0145)
Shock				0.0083	-0.1142**	-0.4461***
				(0.0072)	(0.0410)	(0.1316)
EMNE CSR activity *Shock				0.0251+	0.0262+	0.0270+
				(0.0171)	(0.0155)	(0.0154)
Shock (reversal)	0.1098**					
	(0.0411)					
EMNE CSR activity *Shock	-0.0294+					
(reversal)	(0.0150)					
Shock placebo 2019		0.0108				
		(0.0238)				
EMNE CSR activity * Shock		0.0294				
placebo 2019		(0.0150)				
Shock placebo 2021			-0.1098**			
			(0.0411)			
EMNE CSR activity * Shock			0.0294+			
placebo 2021			(0.0150)			
CSR activity (lagged 1 year)					-0.0000	
					(0.0002)	
CSR activity (lagged 3 years)						0.0002
						(0.0005)
Government shareholder	-0.0016	-0.0016	-0.0016	-0.0002+	-0.0016	-0.0011
	(0.0012)	(0.0012)	(0.0012)	(0.0001)	(0.0012)	(0.0011)
Innovation (dummy)	0.0037	0.0037	0.0037	0.0007	0.0009	0.0000
	(0.0098)	(0.0098)	(0.0098)	(0.0085)	(0.0087)	(0.0089)
Corporate governance index	(omitted)	(omitted)	(omitted)	0.0074	(omitted)	(omitted)
				(0.0095)		
Firm age	0.0382**	-0.0020	0.0382**	-0.0000	0.0410**	0.2065**
	(0.0137)	(0.0074)	(0.0137)	(0.0000)	(0.0135)	(0.0625)
Firm size (ln)	-0.0046	-0.0046	-0.0046	0.0048	-0.0125	-0.0269+
	(0.0150)	(0.0150)	(0.0150)	(0.0039)	(0.0155)	(0.0162)
Debt	-0.0011	-0.0011	-0.0011	0.0095	-0.0047	0.0081
	(0.0160)	(0.0160)	(0.0160)	(0.0082)	(0.0154)	(0.0154)
Leverage (ln)	-0.0129***	-0.0129***	-0.0129***	-0.0095**	-0.0138***	-0.0133***
	(0.0036)	(0.0036)	(0.0036)	(0.0032)	(0.0037)	(0.0039)
Return on asset (lagged 1year)	-0.0632*	-0.0632*	-0.0632*	0.0495*	-0.1115***	-0.0795**
	(0.0267)	(0.0267)	(0.0267)	(0.0247)	(0.0308)	(0.0262)
Market value (ln)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)	(0.0000)
Investment intensity (ln)	0.0044	0.0044	0.0044	0.0023	0.0032	0.0038
	(0.0028)	(0.0028)	(0.0028)	(0.0022)	(0.0031)	(0.0029)
Constant	-3.2002*	1.0866	-3.0904*	0.6528***	-3.2981*	-16.2545**
	(1.4382)	(0.8077)	(1.3979)	(0.0462)	(1.3967)	(5.2504)
Observations	1,070	1,070	1,070	1,062	1,035	884
R-squared	0.0980	0.0980	0.0980		0.1174	0.1377
Number of firms	404	404	404	396	403	277
Year*treat FE	YES	YES	YES	YES	YES	YES
Firm FE	YES	YES	YES	NO	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Industry FE	NO	NO	NO	YES	NO	NO

Note: Robust standard errors clustered by firms in parentheses

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$

Table 6

Robustness Hypotheses H2 and H3

	Model 1	Model 2	Model 3	Model 4
EMNE CSR activity after shock	0.0023	0.0020	0.0008	0.0073
	(0.0158)	(0.0155)	(0.0134)	(0.0123)
Firm FDI	-1.3817***			
	(0.2747)			
EMNE CSR activity after shock*	0.0016			
Firm FDI	(0.0013)			
Prior firm FDI		-0.0003		
		(0.0006)		
EMNE CSR activity after shock*		0.0017		
Prior firm FDI		(0.0013)		
Number of subsidiaries in developed countries		-1.7567***		
(dummy)		(0.4043)		
Foreign investor at least 10% shares			0.0012*	
			(0.0005)	
EMNE CSR activity after shock*			0.0024+	
Foreign investor at least 10% shares			(0.0013)	
Foreign investor at least 12% shares				0.0015**
				(0.0006)
EMNE CSR activity after shock*				0.0028*
Foreign investor at least 12% shares				(0.0013)
Government shareholder	-0.0015+	-0.0014+	-0.0016*	-0.0017+
	(0.0008)	(0.0008)	(0.0008)	(0.0008)
Innovation (dummy)	-0.0026	-0.0027	-0.0018	-0.0034
	(0.0100)	(0.0103)	(0.0100)	(0.0100)
Corporate governance index	1.3092***	1.2984***	1.3304***	1.3338***
	(0.2534)	(0.2542)	(0.2517)	(0.2517)
Firm age	0.0589***	0.0584***	0.0604***	0.0606***
	(0.0116)	(0.0116)	(0.0115)	(0.0115)
Firm size (ln)	-0.0269**	-0.0268**	-0.0235*	-0.0232*
	(0.0097)	(0.0097)	(0.0097)	(0.0097)
Debt	0.0071	0.0076	0.0082	0.0086
	(0.0109)	(0.0110)	(0.0109)	(0.0109)
Leverage (ln)	-0.0129***	-0.0129***	-0.0128***	-0.0130***
	(0.0020)	(0.0020)	(0.0020)	(0.0020)
Return on asset (lagged 1year)	-0.1055***	-0.1057***	-0.1086***	-0.1078***
	(0.0238)	(0.0238)	(0.0238)	(0.0237)
Market value (ln)	0.0245***	0.0243***	0.0249***	0.0248***
	(0.0050)	(0.0050)	(0.0050)	(0.0050)
Investment intensity (ln)	0.0039+	0.0040+	0.0038+	0.0036+
	(0.0020)	(0.0020)	(0.0020)	(0.0020)
Constant	-3.1272***	-3.0941***	-3.2732***	-3.2869***
	(0.8315)	(0.8336)	(0.8261)	(0.8263)
Observations selected	906	906	906	906
CSR activity 1st stage	-0.0152***	-0.0153***	-0.0152***	-0.0152***
	(0.0029)	(0.0029)	(0.0029)	(0.0029)
Lambda	0.0010	0.0024	0.0041	0.0030
	(0.0248)	(0.0248)	(0.0247)	(0.0247)
Year*treat FE	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES

Note: standard errors in parentheses *** p < 0.001, ** p < 0.01, * p < 0.05, + p < 0.1

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