Author #1 (Corresponding author)	
Name	Jin Hyung Kim
Title	Assistant Professor
Affiliation	George Washington University School of Business
E-mail	jinhyung_kim@gwu.edu
Phone number	+1-202-994-0413
Author #2	
Name	Jordan I. Siegel
Title	Professor
Affiliation	University of Michigan
E-mail	sijordan@umich.edu

Paper Information	
Title	The Effect of Home-Country Culture on Cross-Border Nonmarket Strategy: Egalitarianism and Lobbying in the United States
Abstract	This paper examines how home-country cultural orientation drives foreign firms' political strategy in a host country. Prior studies have identified several contributory factors considered to drive firms' political strategies. Yet much of the variation in firms' political strategies remains unexplained. Based upon international business studies that home-country culture is among the most important drivers of strategic heterogeneity when firms operate abroad, we argue that home-country beliefs around egalitarianism—the socially equitable and transparent use of market and political power—are a strong predictor of foreign firms' political strategies in a host-country market. Empirically, we look at formalized lobbying with mandated disclosure in the United States by non-U.S. firms and find strong support for our theory. We also find that home-country legal institutions and norms pertaining to egalitarianism have a moderating effect. This study contributes to the global strategy and nonmarket strategy literatures.

INTRODUCTION

The growing impact of government policy and regulation on firm performance has prompted many scholars to pay increasingly close attention to firms' political and related nonmarket strategy (Luo, Kaul, & Seo, 2018; Haveman, Jia, Shi, & Wang, 2017; Blake & Jandhyala, 2019). Efforts to determine what makes firms more or less engaged in political activities have identified contributory industry characteristics (e.g., heavy regulation, degree of industry concentration) and firm characteristics (e.g., firm size, degree of dependence on government sales) that influence the likelihood and intensity of lobbying and other political activities (Bombardini, 2008; Schuler, 1996; Lawton, McGuire, & Rajwani, 2013). However, identification of these factors leaves much unexplained (Brasher & Lowery, 2006).

In particular, it is often noted that foreign interests should not intervene in host-country national politics, with the resulting implication that foreign firms' political activities in a host country are often seen as illegitimate (Hansen & Mitchell, 2000; Jia, 2018). However, many foreign firms do keenly engage in political activities in host countries (De Villa, Rajwani, Lawton, & Mellahi, 2019). For example, foreign multinational enterprises (MNEs)[1] in the United States spent $4.6 billion, or more than $450 million on average annually, on lobbying the U.S. federal government from 1998 to 2012. Notably, foreign MNEs spent 1.3 times more on hiring outside lobbyists, on average, than did domestic U.S. firms.[2] However, it is also true that there is striking heterogeneity among firms and among countries in firms' degree of political engagement, of which we still have limited knowledge (Rodriguez, Siegel, Hillman, & Eden, 2006). On the assumption that similar firms may see similar incentives to participate in policy making and the regulatory process (Grier, Munger, & Roberts, 1994), scholars have called for

---

[1] This study considers subsidiaries of foreign MNEs.
[2] This figure is drawn from U.S. federal lobbying data for the period 1998–2012.

more research on factors motivating firms' political strategies (Choi, Jia, & Lu, 2015; Dorobantu, Kaul, & Zelner, 2017). Other than the observable firm- and industry-attributes that prior studies have identified, what else could drive heterogeneity in firms' political strategies? What leads foreign MNEs to get involved in politics in a foreign host country? This paper aims to shed more light on these questions by exploring one factor that could drive heterogeneity in firms' engagement in political activities: *the relative egalitarianism of foreign firms' home-country cultures*.

Early cultural studies used an aggregate measure of culture (e.g., Hofstede (2001) and Kogut and Singh (1988)) to examine foreign MNEs' strategic decisions. However, over time scholars have pointed out that aggregated measures combining heterogeneous cultural dimensions are like a black box that could reflect all kind of unobserved influences. Furthermore, there is a need to theorize about how a specific cultural dimension directly and causally impacts a specific strategic outcome. For example, the cultural dimension of uncertainty avoidance might be directly and positively related to entrepreneurship or risk-taking behaviors (Mueller & Thomas, 2000), but it may not be directly (or at most, indirectly) associated with other corporate strategies. This implies that it is necessary to construct well-specified theories about the effect of a particular cultural dimension on a specific firm-level strategic behavior (Ghemawat, 2001; Berry, Guillen, & Zhou, 2010).

Therefore, in this study, we propose that egalitarianism—the cultural dimension that has to do with a society's prevailing views on the appropriate use of market and political power (Brown, 1988; Siegel, Licht, & Schwartz, 2013)—will be a prominent cultural element to understand foreign MNEs' political behaviors, particularly their lobbying behaviors. In fact, as egalitarianism has been shown to be the cultural dimension that directly impacts the stringency of rules governing antitrust and competitive behavior within industries as well as the

transparency of corporate accounting (Siegel, Licht, & Schwartz, 2011; Desender, Castro, & Escamilla de León, 2011), we propose a theory predicting that egalitarianism is the cultural dimension likely to directly impact the nature of nonmarket strategy.

By definition, societies whose prevailing cultural belief systems emphasize egalitarianism tend to *constrain firms with market power from engaging in abusive market conduct* (Desender et al., 2011) as well as to be constraints on the use of political power. The same societies tend to push firms with market power toward *more transparency and accountability* (Scanlon, 2018). Furthermore, although foreign firms are rarely able to be in a position to even remotely abuse their market power attained through their political activities because of their lack of insidership driven by liability of foreignness in host markets (Hymer, 1960/1976; Zaheer, 1995; Dorobantu et al., 2017), nonmarket or political strategy of foreign MNEs to deal with various host-country stakeholders is assumed to be critical in a foreign host country (Rodriguez et al., 2006).

Therefore, under the assumptions that (1) home-country culture and institution will shape and affect strategic decisions of foreign MNEs in a host market (Hofstede, 2001; Jeong & Weiner, 2012), (2) their home-country institutional environments have regulated them through rules of enforcement as well as social norms to avoid actions seen as illegitimate or an abuse of their market or political power (Hillman & Wan, 2005), and (3) nonmarket strategy is basically a means to influence relevant stakeholders to gain any economic or other benefits (Barber & Diestre, 2019), when foreign MNEs engage with host-country political and regulatory actors, a home-country emphasis on egalitarianism is likely to push them toward selecting the nonmarket activity that is the most transparent and regulated and, thus, does not violate home-country cultural or institutional norms. Thus, we propose that *foreign firms from highly egalitarian home countries will be active in a nonmarket strategy that is least likely to be perceived as enabling abuse of any market power or less transparent in a foreign host country*. Scholars have been

careful to specify that using home-country culture to predict the behavior of one or a few firms would be to fall prey to the so-called ecological fallacy; in principle, however, it is reasonable to expect that a particular dimension of home-country culture affects a large population of firms from the same country operating in a given host country (Hofstede, 2001).

Empirically, we look at foreign firms' annual expenditures on U.S. formalized lobbying with mandated disclosure at the firm level from 1998 to 2012, supplemented by the effect of home-country egalitarianism on the likelihood of engaging in lobbying in the United States at the country level. In the United States, formalized lobbying—defined as a legitimate communication between elected politicians and interest groups (de Figuiredo & Richter, 2014)—entails a system of mandated disclosure that tracks how much each interest group pays to hire registered lobbyists; which federal agencies, including both houses of Congress, are lobbied; which lobbyists are hired; and the like. These mandated formal disclosure requirements make U.S. lobbying more transparent and accountable than other types of political activities.

Our empirical results strongly support our theoretical argument. Foreign MNEs from more egalitarian countries spend more on lobbying than their peers from less egalitarian countries at the firm level, with a novel identification of an instrumental variable approach. The results are still robust regardless of the inclusion of other variables of culture and institutions (e.g., power distance, country corruption) widely used in cultural studies. We also find that home-country legal institutions related to investor protection and accounting transparency—fundamental institutional embodiments of egalitarianism—moderate the effect of egalitarianism on lobbying spending. Additional analyses at the country level also strongly support that the likelihood to engage in lobbying is higher for firms from more egalitarian countries after controlling for various home-country cultural variables.

4

Our study makes several theoretical contributions. First, this study contributes to the global strategy literature, particularly the culture and behaviors of foreign MNEs. Culture, by definition, is multidimensional since it consists of "a society's shared values, beliefs, norms, and symbols" (Siegel et al., 2013: 1175), but prior literature on culture, as noted, has not adequately accounted for the multidimensionality that significantly limits our understanding (Berry et al., 2010; Kirkman, Lowe, & Gibson, 2006). In particular, one of the central criticisms is that most prior studies use aggregated measures of culture, making it difficult to pinpoint causes and consequences of specific cultural beliefs dominant in a society on foreign firms' strategic decisions in a host market (Bae & Salomon, 2010) other than initial entry decisions such as foreign direct investment, mergers, and acquisitions (e.g., Hennart & Larimo, 1998; Kogut & Singh, 1988). By examining (1) the specific dimension among multiple elements in home-country culture (egalitarianism) and (2) the effect of egalitarianism on the theoretically relevant aspect of strategic behaviors of foreign operation (political lobbying), our study provides a more nuanced understanding on the effect of home-country culture on foreign MNEs' behaviors in a host country.

Second, our study also contributes to the stream of the nonmarket strategy literature that has argued for the centrality of firm- and industry-specific characteristics in understanding organizational political and nonmarket activities (Brasher & Lowery, 2006; Dorobantu et al., 2017). Other than pinpointing firm and industry characteristics, however, our knowledge of the drivers of corporate political activities is far from complete. We posit that understanding the drivers of firms' heterogeneous strategic initiatives is critical to evaluating strategic performance (Kim, 2019) and, thus, we look at home-country cultural institutions—considered to be among the most important drivers of strategic heterogeneity when firms operate abroad—to shed new light on the sources of heterogeneity in nonmarket strategy. What is more, foreign MNEs'

political activities are considered critical, but little is known about the host-country political activities of foreign MNEs (Rodriguez et al., 2006; Rajwani & Liedong, 2015; Siegel, 2007). By showing that home-country culture is one critical factor influencing foreign MNEs' host-country political behaviors, this study seeks to contribute to our understanding of foreign MNEs' nonmarket strategies.

RESEARCH SETTING: FORMALIZED LOBBYING IN THE UNITED STATES

For several reasons, formalized lobbying in the United States is an ideal research setting in which to study whether home-country beliefs about egalitarianism make certain groups of foreign firms become active participants in the U.S. lobbying system. First, the system requires the disclosure of detailed quarterly reports identifying items such as the specific agencies or congressional committees being lobbied, the amount spent on lobbying, and the topic or issue being discussed. This implies that, by electing to engage in the U.S. system of formalized lobbying, a firm is opting into a system of detailed disclosure and a high degree of transparency. Second, political strategy is typically considered an important C-suite decision (Kim, 2019; Drutman, 2015) and, thus, is highly likely to be influenced by both host-country and home-country institutions (Hillman & Wan, 2005); this configuration allows us to tease apart the relationship between home-country cultural orientation and strategic choices of subsidiaries of foreign MNEs located and operating in a host country. Third, in the U.S. political system, anyone can try to influence political and regulatory processes. In particular, by participating in the political process via lobbying (Milyo, Primo, & Groseclose, 2000), firms can reduce uncertainty (Schuler, Rehbein, & Cramer, 2002) in the political and regulatory environment. This means that subsidiaries of foreign MNEs can attempt to influence policy making and regulatory decision-making processes without any barriers or discrimination—just like domestic firms, as long as they follow lobbying regulations.

Foreign firms typically are assumed to suffer from the liability of foreignness (Hymer, 1960/1976; Zaheer, 1995). And, as a way to overcome the liability of foreignness (Beazer & Blake, 2018; Gertz, Jandhyala, & Poulsen, 2018), international business studies have emphasized the importance of nonmarket strategy and stakeholder management of foreign MNEs. Hence, we assume that to overcome the liability of foreignness, foreign firms would choose from among the available nonmarket strategy alternatives the one that is simultaneously legal, least likely to conflict with home-country regulations, and least likely to appear illegitimate in the host country; lobbying satisfies all three criteria (Ahmed, 2020). First, whether lobbying is legal or not is decisive, since many host countries ban lobbying (OECD, 2014). Second, foreign firms from more egalitarian home environments are, among all foreign firms, the most likely to shun the obfuscatory accounting practices that characterize under-the-table nonmarket activities (Desender et al., 2011). Lastly, lobbying is a common, fairly accessible, regulated, and widely accepted political strategy in the United States (Drutman, 2015). Lobbying is different from other political strategies such as campaign contributions or using political ties through a board member or executive, as these things typically involve monetary contributions or personal favors (McDonnell & Werner, 2016; Yan & Chang, 2018)[3] and are less easily accessible to foreign firms (Kim, 2019; Hansen & Mitchell, 2000). Most political scientists generally agree that formalized lobbying is benign, akin to advertising, and relatively easily accessible; companies simply explain how particular policies would impact them and their industry (de Figueiredo & Richter, 2014; Milbrath, 1963). This view is even shared and supported by intergovernmental

---

[3] It must be noted that firms pay fees to the lobbyists they hire, but there is absolutely no direct monetary transaction in lobbying between firms and politicians; this is a violation of the law. Furthermore, firms, regardless of whether they are domestic or foreign, are not allowed to make campaign contributions to politicians through company treasuries (except for super PACs). However, firms can contribute directly to politicians through their PACs. Foreign MNEs' PACs are typically smaller than domestic MNEs' PACs because only U.S. citizen employees can make contributions to a company's PAC. Given that foreign firms are typically smaller than U.S. domestic firms, this puts them in a disadvantaged position.

organizations such as OECD (2014). Therefore, after controlling for other political strategies, we expect that firms from more egalitarian countries will spend more on lobbying.

<h2 style="text-align:center">THEORY AND HYPOTHESES</h2>

Heterogeneity in Corporate Political Activities

Corporations pursue political activities to reduce uncertainty driven by nonmarket environments and to promote more favorable market and nonmarket outcomes (Hiatt & Park, 2013). As influencing the policy-making process and dealing with government agencies become more prominent features of corporate strategy, many firms are engaging in political activities and trying to enhance the effectiveness of their efforts (Blake & Jandhyala, 2019; Diestre, Barber, & Santaló, 2020). Because the first step in understanding corporate political strategy and its outcomes is to identify the drivers of these political strategies (Brasher & Lowery, 2006; Hillman & Wan, 2005), a number of prior studies have attempted to identify firm and industry characteristics, such as firm size and degree of regulation, as drivers of corporate political strategy (Schuler, 1996; Werner, 2017). It is unsurprising that the three industries that spend the most on lobbying are the pharmaceutical, insurance, and electric utilities industries, as they are highly regulated and their profits are significantly affected by government policies and regulations. Nor is it surprising that the top individual company spenders are well-known companies like General Electric, Boeing, Northrop Grumman, Exxon Mobil, and Comcast. This anecdotal evidence validates scholarly predictions that certain company and industry characteristics are reliable and powerful predictors of corporate political activities.

Interestingly, though, some companies with these characteristics are aggressive while others shun political activities, suggesting that this simple characterization does not apply universally (Choi et al., 2015). For example, Wal-Mart alone spent approximately $3.1 million annually on lobbying and consistently lobbied U.S. federal agencies over our sample period,

1998–2012. It also spent $1.8 million on campaign contributions in the same period. In sharp contrast, one of its biggest competitors, Costco Wholesale, did not lobby at all and averaged only $257,642 annually on campaign contributions, or 14.5% of Wal-Mart's corresponding expenditure, during the sample period. Thus, it is not unreasonable to claim that, though regulations and policies were likely to affect the two businesses similarly, their approaches to political strategy were strikingly different, even taking their relative size into account. Similar anecdotal examples suggest that we still lack a clear understanding of within-industry heterogeneity in political activities (Drutman, 2015).

Because entering and operating in a foreign country requires foreign MNEs to deal with new institutional environments and unfamiliar stakeholders (Dorobantu et al., 2017), nonmarket strategy is considered important for multinational companies (Beazer & Blake, 2018; Gertz et al., 2018; De Villa et al., 2019). Nevertheless, foreign firms' political behaviors vary significantly as well (Kim, 2019). For example, subsidiaries of Norwegian companies spent approximately $25.2 million on lobbying in the United States from 1998 to 2012, while firms from India spent $28.3 million. Given that India's GDP was triple that of Norway and that subsidiaries of Indian multinational firms in the United States hired 3.8 times more U.S. employees in the same period (BEA, 2020), simple economic considerations cannot explain this observation.

Under the assumption that foreign MNEs are driven to reduce the uncertainty and risk associated with new and thus challenging institutional environments in a host-country market (Siegel, Pyun, & Cheon, 2019), many international business scholars emphasize not only the nonmarket environment itself, encompassing government, society, institutions, and politics (Frynas, Mellahi, & Pigman, 2006; Rodriguez, Uhlenbruck, & Eden, 2005), but also nonmarket strategy (Hillman, 2003). However, our understanding of foreign firms' political activities, and particularly of what makes certain foreign firms engage more than others in political activities,

remains limited (Rodriguez et al., 2006). Therefore, the prime question that remains to be answered is what drives heterogeneity in the political activities of subsidiaries of foreign MNEs. What makes certain foreign firms more politically active and others less so in a host market? We suggest that home-country culture is one prominent factor that drives heterogeneity in political strategy, particularly in lobbying, among foreign MNEs in a host-country market.

Home-country Culture and the Political Strategies of Foreign MNEs

The importance of culture in international business, and particularly the effect of home-country culture on foreign MNEs, cannot be stressed enough (e.g., Hofstede, 2001; Kogut & Singh, 1988). Fundamentally, culture embodies values and beliefs (North, 1990) that operate within an overarching value system to create and reinforce social institutions (Hofstede, 2001) that persist over time (Inglehart & Baker, 2000). Thus, firms that operate within a given culture are expected to adhere to cultural norms to secure legitimacy (Hofstede, 2001). However, this expectation becomes complicated for foreign MNEs that operate in a foreign host country: they must contend with a host country's institutions to survive there and with home-country institutions to maintain legitimacy at home (De Villa et al., 2019). In other words, a behavior or strategy that is legitimate in a host country might be seen as illegitimate in the home country; thus, foreign MNEs tend to formulate and execute strategies legitimate in both host and home countries (Hillman & Wan, 2005; Jeong & Weiner, 2012). This is also true of political strategy.

Formulating and executing a political strategy in a host country tends to be more challenging for foreign MNEs than for domestic firms. In general, accumulating sufficient political capital to access relevant political players and to navigate the policy-making process is assumed to be critical to successful political strategy (Haveman et al., 2017; Li & Zhang, 2007). Due to the liability of foreignness, however, foreign MNEs are at a disadvantage in developing and consolidating political capital (Hymer, 1960/1976; Zaheer, 1995). Because foreign MNEs

10

are less socially embedded in host-country society (Mezias, 2002; Zaheer & Mosakowski, 1997) and, thus, social and political capital are harder for them to amass, foreign firms invariably enjoy less political capital than domestic firms (Kim, 2019). But as noted earlier, influencing a host-country government to reduce uncertainty and increase the probability of desirable outcomes is among foreign MNEs' most important strategic aims (Hiatt, Carlos, & Sine, 2018). Thus, if we assume that (1) political capital is critical to achieving market and nonmarket goals (Bonardi, Holburn, & Vanden Bergh, 2006; Kim, 2019), but that (2) foreign MNEs are at a disadvantage in their efforts to consolidate political capital due to a captured institution (Dorobantu et al., 2017), *we can expect that foreign MNEs will engage in commonplace nonmarket strategies or tactics relatively more available and easily accessible to them in a given host market.* The nonmarket and political activities that foreign MNEs pursue, however, will be chosen in light of home-country cultural and institutional norms (Hillman & Wan, 2005; Kostova & Zaheer, 1999). We, thus, propose that the relative egalitarianism of the home-country culture will affect the type and intensity of the political strategies that subsidiaries of foreign MNEs pursue in a host country.

Egalitarianism as a Driver of Foreign MNEs' Legitimate Political Strategy

Egalitarianism, a cultural value with historical roots in wars of state formation and social fractionalization (among other exogenous causes), has been defined as "the belief that all people are of equal worth and should be treated equally in society" (Schwartz, 2001: 65). Behaviorally, a society's egalitarianism is manifested in "intolerance of abuses of market and political power and support for protecting less powerful actors" (Siegel et al., 2013: 1174).

Schwartz (1994, 1999), the first scholar to theorize about egalitarianism, draws on social science theory—unlike previous cultural studies not based on theory (Berry et al., 2010)—to argue that societies must confront three fundamental questions: (1) the relationship between the individual and the group, (2) the individual's degree of responsibility for protecting social

values, and (3) relationships among the individual, nature, and society. Different societies approach these questions differently, resulting in heterogeneity in cultural norms. Schwartz (1994) identified seven distinct arrays of cultural values, arguing that a society's values define its prevailing behavioral norms which, in turn, determine the appropriateness of various behaviors and specify social expectations, reducing potential conflict. Schwartz (1994) also asserts that a society can establish norms in two ways: (1) *hierarchy* or (2) *egalitarianism*. Hierarchy basically uses disparities in power to solve social problems: a hierarchical order puts in place rules and sanctions that enforce obedience to the rules. In such a society (e.g., Korea, India), unequal distribution of power and resources is socially accepted and tolerable. Egalitarianism, by contrast, emphasizes equality among individuals. In an egalitarian society, people tend to believe that social problems should be resolved via "commitment to voluntary cooperation with others" (Schwartz, 1994: 29); empathy for the less protected and less powerful is critical to preserving social values and making society function (e.g., Norway, France).

For example, in noting about social structure, Scanlon (2018: 4-5) argued, "Caste systems and other social arrangements that involve stigmatizing differences in status are leading historical examples of objectionable inequality…The evil involved in such arrangements has a comparative character: what is objectionable is being treated as inferior to others in a demeaning way. The root idea of the objection to this is thus an egalitarian one." Thus, in a more egalitarian society, the philosophical and political notion of egalitarianism manifests itself not only in a social movement to protect the least powerful in society, but also in many public policies such as strong antitrust enforcement, the provision of equitable education opportunities, and the promotion of gender and racial equality (Scanlon, 2018; Wilentz, 2016). In short, more egalitarian countries are averse to the use of unequally distributed power to deal with social problems, but attempt to promote social equality in a socially desirable and acceptable way.

Thus, *egalitarian societies tend to adopt social and legal systems structured to provide benefits to the weak and to protect against illegitimate uses of power* (Siegel et al., 2013).

Prior studies have also shown that prevailing views on a society's egalitarianism driven by historical shocks—war experience and social fractionalization—generate specific current managerial behaviors and policy choices (Chander, 2003; Holderness, 2017). In particular, a series of studies has shown that managers from more egalitarian cultures tend to avoid citing their power advantages during negotiations; instead, they tend to adopt deferential negotiating strategies (Brett & Okumura, 1998; Brett, 2001) to influence and deal with stakeholders. Moreover, egalitarianism also relates to the progress of corporate governance by reducing agency problems "through greater transparency and more stringent auditing as checks on agents' power" (Siegel et al., 2011: 622); thus, egalitarianism is also assumed to be strongly associated with accounting transparency. Egalitarianism was shown to be significantly associated with measures capturing the "intensity and timeliness" of financial disclosures, the frequency and comprehensiveness of financial disclosures, and the stringency of the audits of those financial disclosures (Siegel et al., 2011: 635). Therefore, under the theoretical view that home-country culture is predictive of groups of foreign MNEs' strategic behaviors in the host market (Bae & Salomon, 2010), egalitarianism is, hence, a suitable lens to predict foreign MNEs' political strategy. This is true since political strategy can emphasize either corrupt or transparent dealings with stakeholders, which naturally involves the foreign MNEs' calculation of what is the appropriate and transparent use of power.

In sum, people from more egalitarian cultures value "equality, social justice, responsibility, help, and honesty" (Siegel et al., 2011: 624); overt use of power and coercion are considered inappropriate, while maintaining checks and balances for transparency is regarded appropriate. Some may argue that lobbying itself is tilted toward bigger firms or firms with more

market power, thus they will be able to exert more power through lobbying. However, *what we claim is that firms from the more egalitarian society will exert their power through more socially acceptable and desirable ways—not that they will not exert any power*. Among the many ways to influence stakeholders, foreign firms will engage in more legitimate, equitable, and transparent ones from the more egalitarian society. Furthermore, foreign firms in the foreign host market typically are considered outsiders and, thus, suffer from the liability of foreignness (Hymer, 1960/1976; Zaheer, 1995). This means that it is more difficult for foreign firms in the host-country market to exert their power to influence the system in their own favor.

Therefore, on the assumptions that (1) foreign firms are shaped and influenced by their home-country cultures and institutions in their efforts to secure legitimacy in their home and host countries (Hillman & Wan, 2005; Kostova & Zaheer, 1999), (2) nonmarket strategy is critical for foreign MNEs operating in a foreign host country but they suffer from the liability of foreignness (Hymer, 1960/1976; Zaheer, 1995), and (3) more egalitarian countries tend to favor lawful, more transparent, and constrained ways of exerting market and political power over illegal or corrupt actions (Siegel et al., 2011, 2013), firms from such countries with higher egalitarianism are likely to engage thus *more active* in the nonmarket activity that is the transparent and legally legitimate of the easily accessible and widely available options in the host country—which is *formalized lobbying with mandated disclosure* in the current study context. Therefore, we argue that firms from more egalitarian countries will pursue formalized lobbying with mandated disclosure more readily than will firms from less egalitarian countries. They will, thus, spend more on lobbying than firms from less egalitarian countries as a way to overcome their liability of foreignness.

> *Hypothesis 1: Foreign MNEs from home countries with more egalitarian cultural orientations spend more on U.S. formalized lobbying with mandated disclosure than do firms from less egalitarian countries.*

METHODS

Data and Sample

Given that our study examines the effects of home-country culture on lobbying activities of foreign MNEs, our sample population consists of subsidiaries of foreign MNEs that are located and operating in the United States and engaged in the U.S. federal lobbying at least once during our sample time period (1998–2012). To construct our sample, we use two types of data: (1) U.S. lobbying and political activities and (2) various home-country characteristics. Thanks to the Lobbying Disclosure Act of 1995 (LDA), modified in 2007, we were able to collect information on firms' U.S. federal lobbying activities. Any firm or entity located in the United States can lobby, regardless of its country of origin or ownership, but it is required to file an LDA report; this requirement enabled us to examine the lobbying activities of organizations from different countries. The data we obtained from the Center for Responsive Politics includes such detailed information as expenditures, number and types of lobbyists hired, lobbying firms hired, and the like, but it does not disclose information about the ultimate controlling ownership of the firms in question. To identify firms' countries of origin and ownership, we used other databases such as Worldscope, Capital IQ, Orbis, and Zephyr, following the definition of global ultimate ownership. To ensure accuracy, we confirmed the ownership and country of origin of each firm via a web search. We obtain country-level data from multiple sources; we will discuss data sources for specific variables in subsequent sections. Our final sample consists of 1,949 subsidiaries of foreign MNEs in the United States from 47 countries and a total of 10,343 firm-country-year observations from 1998 through 2012.

Dependent Variable

Given that our research goal is to probe whether home-country egalitarianism makes foreign MNEs more actively engage in lobbying, our dependent variable is the logged dollar

amount of annual U.S. *lobbying spending* by a subsidiary of each foreign multinational enterprise. Our main analysis is performed at the firm level. To create the dependent variable, we calculate firms' annual lobbying spending using LDA reports obtained from the Center for Responsive Politics. Due to the skewness of lobbying spending, we transform lobbying spending to the natural logarithm. Furthermore, to support our argument that firms from the same home country will behave similarly in a host country (Simons & Ingram, 2003) while ruling out a possibility that other measures of country institutions can better predict lobbying behaviors, we also examine the propensity to engage in lobbying by creating a binary variable—whether a certain home country has any firm that engaged in lobbying at the country level, as we control for multiple country-level variables (Table A3).

Explanatory Variable

Our main explanatory variable is the home-country's *egalitarianism cultural index*, calculated based upon Schwartz's value survey and related studies (see Schwartz (2004) for more detail). As a measure of a country's degree of egalitarianism, we obtained a raw egalitarianism index score, instrumented the raw egalitarianism index score, and used the instrumented value as our main explanatory variable to alleviate the potential endogeneity concern; we will describe the instrumentation process in further detail in the next section.

Control Variables

We control for several variables at the firm, industry, and country levels. First, we control for firm-level characteristics that could influence lobbying spending. Past lobbying experience or capability of each firm might come into play in determining lobbying intensity (Holburn & Vanden Bergh, 2014), so we control for each firm's number of years engaging in lobbying (*years of lobbying experience*). We also include *in-house lobbying as a percentage of total lobbying spending*, the ratio of a firm's spending on its own in-house government affairs function to its

total lobbying spending; this measure captures firms' own lobbying capability and experience (Kim, 2019). We also control for the *average number of lobbyists hired* in each lobbying transaction. Employing many lobbyists implies that a firm is actively involved in lobbying activities (Ridge, Ingram, & Hill, 2017). To account for the variety of congressional issues firms address that relate to the intensity of lobbying, we include *average number of congressional issues addressed* in each lobbying transaction.

In addition to these lobbying-related variables, we control for two important political strategies available to a firm in the United States to account for alternative routes of political influence: (1) political ties measured by *number of government ties* of corporate board members, from the BoardEx database, and (2) campaign contributions, the logged amounts of annual spending on political campaign contributions (*political campaign contribution amounts*), from the U.S. Federal Election Commission (FEC). More political ties (political capital) have been found to be strongly associated with high-intensity nonmarket and political activity (Li & Zhang, 2007; Haveman et al., 2017). Thus, we calculate the natural logarithm of *number of government ties* by counting the number of board members or executives who have worked in the legislative or executive branches. It is also assumed that campaign contributions promote relationships with political players (Holburn & Vanden Bergh, 2014; Keim & Zeithaml, 1986) and, thus, intensify the effectiveness of lobbying (Franklin, 2014; Snyder, 1992). We create the natural logarithm of *political campaign contribution amounts* by aggregating the annual contributions of a firm's political action committee to candidates or party committees, and we control for this variable. Also, because this kind of political capital is more typical of larger firms (Hadani & Schuler, 2013; Schuler, 1996), these two variables related to political capital could also be considered proxies for firm size. We also control for *industry advertising intensity*, which is assumed to

affect the type of investment firms make depending upon the type of industry (Macher &

Richman, 2008); this accounts for any industry heterogeneity.

Finally, we control for home-country characteristics pertinent to the likelihood and

intensity of lobbying. First, we control for the economic ties between a home country and the

United States. It is likely that firms will engage more in political strategies as their economic

interests and stakes are high; thus, we control for *trade amounts with the U.S.* (logged) to

account for the importance of the U.S. market as an export partner for a home country, using data

downloaded from the World Bank. The percentage of foreign direct investment (FDI) from a

focal country to total foreign direct investment in the U.S. is also included (*FDI inflow to the*

U.S. from home country), which is obtained from OECD and the Bureau of Economic Analysis.

Lastly, we controlled for *home-country GDP per capita* (logged) to take into account any wealth

or size effects of the home-country economy. We downloaded this data from the World Bank.

We also try to account for geographic distance and historical legacies that may have

contributed to institutional similarities or differences between a home country and the United

States. First, we control for *geographic distance* between the United States and a given home

country because geographic distance can affect the relative ease with which firms can access a

given country or market (Zwinkels & Beugelsdijk, 2010); we downloaded this data from CEPII.

Furthermore, as the literature shows, a country's prevailing legal tradition can drive the

development of various country institutions (La Porta, Lopez-de-Silanes, Shleifer, & Vishny,

1997, 1998). Thus, we created and controlled for a binary variable, *common law country*.

Identification Strategy and Statistical Analysis

Given our fundamental argument that home-country culture, specifically egalitarianism,

will affect the intensity of lobbying, our main endogeneity concern is omitted variable bias: the

possibility that observable or unobservable factors not included in the regression could influence

foreign MNEs' lobbying spending. First, although we control for political activities of foreign MNEs' U.S. subsidiaries, which can be considered a proxy for a firm's political capabilities and size in a host country, it is implausible to know about or obtain data on firms' illicit or covert political activities such as bribery or personal ties (an example of unobservables) (Jia, Markus, & Werner, 2021). Furthermore, our sample consists of subsidiaries of foreign MNEs, publicly traded as well as private. One of the challenges hard to fully overcome in studying strategies of foreign MNEs in a host country is that it is not practically feasible to control for relevant organizational variables because these firms do not disclose the data (an example of observables that cannot be readily controlled for). This is the reason, we believe, there are few studies on foreign firm political activities; even most studies on domestic firm political strategy examine only large firms because of this practical difficulty (e.g., Ridge et al., 2017; McDonnell & Werner, 2016). Although we cannot effectively control for some organizational variables, *our sample captures every foreign MNE in the entire lobbying data sphere in the United States*, regardless of their size, and we believe that this will help us paint a holistic picture of foreign firm political activities in a host country, which has not been examined much but crucial to understand (Bucheli & Kim, 2015; Rodriguez et al., 2006).

Nonetheless, we use a two-stage least squares (2SLS) approach with an instrumental variable to further alleviate the omitted variable bias driven by both observable and unobservable factors. Firm fixed effects are not appropriate because deeply rooted country culture does not vary (Guiso, Sapienza, & Zingales, 2006; Hofstede, 2001), limiting variation of our explanatory variable. Selection bias is not an issue in our analysis because (1) our sample population is all foreign firms that have engaged in the U.S. federal lobbying at least once and (2) our main argument is that home-country culture will make foreign MNEs sort into more legitimate and transparent political strategy and, thus, spend more on lobbying to overcome the liability of

foreignness. Namely, *our research question is whether a home-country culture can drive heterogeneity in foreign MNEs' lobbying intensity as a means to overcome the liability of foreignness, not whether foreign MNEs choose lobbying over other political strategies.*

In the first stage of our primary specification, we instrument Schwartz's egalitarianism index by19[th] Century war experience and social fractionalization (Siegel et al., 2013). Two conditions of the exclusion restriction—that (1) the instrument variable must be strongly correlated with the endogenous explanatory variables and (2) the error term of the second stage must not strongly correlate with the instruments—are crucial in the justification of our analytical approach. First, regarding the need for a strong correlation between our instrument and the endogenous explanatory variables, cultural stances on egalitarianism are assumed to be largely determined by these historical factors, which date back a century or more. For example, war histories critically influenced egalitarianism by forming people's attitudes toward social equality (Wilensky, 1975; Fogarty, 1957); thus, the high degree of modern society egalitarianism is highly positively associated with the number of wars in the 19th Century, when many modern states were formed. It is also argued that fractionalized societies tend to ignore others' welfare, making for minimal public goods, which negatively affects society's egalitarianism (Siegel et al., 2013). Second, it is very unlikely that the first-stage instruments we used are strongly associated with our dependent variable, foreign MNEs' lobbying, after more than 100 years of those historical events and, of course, vice versa. The pairwise correlations between lobbying spending (dependent variable) and the two instruments are 0.074 and 0.009, which supports this second property empirically. Thus, we believe that the two most important theoretical conditions of exclusion restrictions are met in our specification.

Empirically, we conducted multiple tests as a first step in the overall analysis to validate our instruments and the instrumentation process. In the first stage instrumentation, the

coefficients of both 19th Century war experience and social fractionalization are statistically significant at p<0.001; 19th Century war experience is positively, and social fractionalization is negatively, associated with the egalitarianism score, as theories suggest. Second, the Kleibergen-Paap rk Wald F statistic, a postestimation of the regression, is 662.278, which confirms that we do not have any weak instrument issue. Furthermore, the Hansen J statistic for overidentification restrictions is 0.199, and its chi-square value is 0.6554, so it fails to reject the null hypothesis that overidentifying restrictions are valid.[4]

In the second stage of our regression analysis, we estimate 2SLS for firm-country-year from 1998 to 2012, with the egalitarianism cultural index instrumented. Here, our dependent variable—the logarithm of country lobbying spending in year *t* by each foreign MNE *j* from country *i*—is determined by the egalitarianism cultural index instrumented and various other control variables. Thus, our second-stage regression equation is as follows:

$$Lobbying\ spending_{i,j,t} = \alpha + \beta_e e_i + \gamma' X_{i,j,t} + \varepsilon_{i,j,t}$$

where e_i is the *egalitarianism cultural index* instrumented by 19th Century war experience, and social fractionalization for country *i*, and $X_{i,j,t}$ is the firm-, industry-, and country-level control variables. Standard errors in the second stage are corrected for clustering at the firm level, and all regression analyses include year and industry fixed effects unless otherwise noted.

RESULTS

Table 1 presents descriptive statistics and pairwise correlations of coefficients for all variables in the main model. Additionally, we provide summary statistics for selected country-

---

[4] Since our time-invariant explanatory variable (home-country egalitarianism) is instrumented also by time-invariant instruments (by19th Century war experience and social fractionalization), this is a theoretically and empirically valid approach (Hausman & Taylor, 1981; Wooldridge, 2002; Hsiao, 2003). To further validate this econometric approach, we consulted with an econometric expert and the econometrician has confirmed this instrumental variable approach is correct and justified.

level variables in the Appendix, Table A1. Table 2 presents the main 2SLS regression results of lobbying spending as a dependent variable, while Table 3 and Appendix Table A2 present 2SLS regression results with various cultural measures to rule out the main alternative explanation that other cultural measures can be stronger predictors than the egalitarianism cultural index. We provide country-level probit regression results in Table A3 in the Appendix to further support our main argument. The mean variance inflation factor (VIF) is 2.13 with no individual VIF exceeding 2.40, an acceptable level of multicollinearity.

Please insert Tables 1–3 about here

Main Hypothesis Testing (Table 2)

Table 2 presents the main results of our 2SLS analyses of lobbying spending at the firm level. Model 1 includes only the main explanatory variable, the egalitarianism cultural index, instrumented. Hypothesis 1 predicts that firms from more egalitarian countries will spend more on lobbying, and Table 2, model 2 (our main specification) strongly supports that hypothesis. Controlling for various firm-, industry-, and country-level variables, the coefficient of the instrumented egalitarianism cultural index is highly statistically significant. As the egalitarianism index instrumented increases by one standard deviation, annual lobbying spending by foreign MNEs increases by 20.8% on average. Since the annual average lobbying expenditure of a firm is $102,133, this implies that foreign MNEs from home countries whose instrumented egalitarianism cultural indexes are one standard deviation above the mean spend approximately $21,235 more per year than firms from countries whose instrumented cultural indexes are around the mean. For example, the difference in the egalitarianism cultural index between France (more egalitarian) and Korea (less egalitarian) is roughly 0.712, which can be translated into the fact that French firms, on average, spend 62.70% more on lobbying than Korean firms, which is quite an economically significant difference.

The same results are also displayed in Figure 1. Figure 1 shows the predicted effect of a country's position on the egalitarianism cultural index instrumented on lobbying spending, holding all variables in our main specification constant (Table 2, model 2). Figure 1 illustrates that with an increase in our main explanatory variable (egalitarianism cultural index), lobbying spending increases steadily; this finding affirms our main argument that lobbying spending increases as the degree of egalitarianism increases.

In model 3, we created a signed egalitarianism distance measure between a home country and the United States, constructed by subtracting the U.S. egalitarianism cultural index from home-country egalitarianism, instrumented as a main explanatory variable. For example, France has a higher egalitarianism score and Korea has a lower egalitarianism score than the United States. In this case, the newly constructed variable for France will be positive, while that for Korea will be negative. Algebraically, regardless of whether we use the degree of home-country egalitarianism cultural orientation or signed distance, the coefficients of all variables must be the same except for the constant. However, to rule out the possibility that the directionality of the cultural distance measure can drive the results (Shenkar, 2001), we provide the results of the signed egalitarianism cultural index. The coefficient of our main explanatory variable is the same as in model 2, which strongly supports our results. In model 4, we correct standard errors for clustering at the country level since our main explanatory variable varies at the home-country level (Bertrand, Duflo, & Mullainathan, 2004). Regardless, our results remain unchanged.

Models 5 and 6 are particularly noteworthy. In model 5, we control for relative frequency of each federal agency lobbied. One of the possible alternative explanations is that lobbying spending of a firm can be differentially determined by types of lobbying or lobbying purpose (Drutman, 2015; Werner, 2017). For example, due to expected new regulations, some firms

might need to address certain federal agencies more frequently. Another example would be that some firms target only policy making, while some firms also deal with federal agencies and their policy implementations. Although we control for industry fixed effects and number of congressional issues addressed in all specifications, we further consider heterogeneity in lobbying breadth of a company to rule out one of the prominent alternative explanations (Ridge et al., 2017). To do this, we first calculated the total number of federal agencies lobbied by each foreign MNE each year; we then calculated the relative frequency of each agency lobbied. Assume that firm A lobbies two federal agencies, B and C, in 2011. Agency B is addressed three times, while Agency C is addressed once. In this case, relative frequency for Agency B is calculated as 0.75; for Agency C, it is 0.25. There are 247 federal agencies in the lobbying report during our sample time period; the other 245 are assigned a frequency of zero. We included these relative frequencies of agency lobbied for all 247 federal agencies in the sample (247 individual variables in addition to our main control variables included) and ran the regression (model 5); the results are still strongly supportive.

In model 6, we use total spending on outside lobbyists as our main dependent variable. Due to the political sensitivity of foreign entities' attempts to influence U.S. politics (Hansen & Mitchell, 2000) and the liability of foreignness in political lobbying (Drutman, 2015; Jia, 2018), foreign MNEs may tend to rely heavily on outside lobbyists. To show that our main prediction is still robust even when we look only at spending on outside lobbyists, we use the natural logarithm of total annual spending on outside lobbyists hired at the firm level as our dependent variable. The results still support our arguments.

Model 7 presents 2SLS regression results of model 2 with bootstrapped clustered standard errors; bootstrap resampling for all variables included in all models is conducted 10,000 times. The coefficients of our variables of interest are still statistically significant at p<0.001.

Ruling Out Alternative Arguments: The Effect of Other Cultural and Institutional Measures (Tables 3 and A2)

Although we believe that home-country egalitarianism is the most appropriate and relevant cultural dimension in predicting foreign MNEs' lobbying behaviors, we next directly test for the alternate possibility that any other cultural dimensions could be driving the results. We attempt to account for different cultural measures from several different studies in each model in Table 3. Power distance reflects survey responses about people's attitudes about the exercise of power within their organizations, and it has been used to predict various strategic decisions of multinational firms (e.g., Choi & Contractor, 2016; Daniels & Greguras, 2014). Thus, whereas power distance is about the exercise of power within the organization, egalitarianism is about the exercise of power by the firm vis-à-vis the market and society. Since the latter relationship is theoretically most relevant to the lobbying context, we focus our theory and empirics on egalitarianism. Still, it is deemed useful to run robustness checks controlling for power distance. Thus, in models 1 through 3, we included power distance measures from Hofstede; signed distance of power distance between home country and the U.S. in model 1, absolute distance of power distance in model 2, and raw index of power distance in model 3. Regardless of the variables included, the coefficients of the egalitarianism cultural index instrumented, our main explanatory variable, are statistically significant at $p<0.001$ or $p<0.01$. Similarly, we did the same analyses including power distance measures constructed from the GLOBE national culture project, and the results are still supportive of our arguments (models 4 through 6); the coefficients of our explanatory variable, egalitarianism, are positive and statistically significant at $p<0.01$ even after controlling for power distance measures from the GLOBE national culture project.

In model 7, we include the World Value Survey (WVS) Mahalanobis cultural distance used in Berry et al. (2010), which we downloaded from the Penn Lauder Center for International Business Education and Research (CIBER); the results do not change. In model 8, we calculate the Euclidean distance of all measures of the Hofstede cultural index, again following Berry et al. (2010); our results do not change and still strongly support our arguments. In models 9 through 11, we include all different dimensions of culture from various cultural indexes together. We include harmony and embeddedness measures from Schwartz (1994) in model 9, all Hofstede (2001) cultural dimensions in model 10, and all cultural dimensions from GLOBE in model 11. Regardless of the cultural dimensions we include, the coefficients of our egalitarianism cultural index instrumented are statistically significant in all models; this strongly supports our arguments while ruling out the effect of other cultural dimensions.

In Table A2, we included the Worldwide Governance Indicators (WGI) home-country corruption index published by the World Bank (Kaufmann, Kraay, & Mastruzzi, 2005). Every model corresponds to models 1 through 7 in Table 2. Although it is still inconclusive, prior studies argue that lobbying could be positively or negatively associated with corruption (de Figueiredo & Richter, 2014). Thus, we attempt to rule out the effect of home-country corruption on lobbying by further controlling for the home-country corruption index in all models. Although the coefficients of the corruption index variable are negative and statistically significant in all models, the results do not change; they strongly support our arguments that home-country egalitarianism is a strong and reliable predictor of the lobbying spending of foreign firms, even after controlling for corruption.

Likelihood of Lobbying at the Country Level (Table A3)

It is not true that each individual, firm, or entity from a given country will behave identically (Kramer, 1983); however, it is widely believed that populations of firms from the

same home-country institutional environment will exhibit identifiable behavioral patterns (Simons & Ingram, 2003). Furthermore, it can be claimed that other measures of country institutions—not necessarily home-country egalitarianism—can drive the results we have observed. Thus, to further validate and strengthen our arguments that home-country egalitarianism drives foreign firms' lobbying behaviors in a host country while ruling out the possibility of ecological fallacy (Hofstede, 2001), we conducted another analysis at the country level. In particular, we ran a probit regression of whether any firm from a certain home country engages in lobbying after controlling for different country-level institutional variables. Thus, the regression equation is:

$$\Pr (Y = 1) = \phi(\beta_e egalitarianism_i + \delta' \boldsymbol{X}_{i,t} + \varepsilon_{i,t})$$

where $\Pr (Y = 1)$ is the probability that a firm engages in lobbying, ϕ is the cumulative distribution function of the standard normal distribution, $egalitarianism_i$ is the egalitarianism cultural index for home country i, and $\boldsymbol{X}_{i,t}$ is the vector of country-level control variables at time t. To test this, we created a dependent variable, which is a binary variable indicating whether there is any firm engaging in lobbying from a certain home country. For example, Country A has two firms engaging in lobbying from 1998 to 2005 and no firm from 2006 to 2012 while Country B has three firms engaging in lobbying during our sample time period (1998-2012). In this case, the dependent variable for Country A is coded 1 for 1998 to 2005 but 0 for 2006 to 2012. Country B is given 1 throughout our sample time period. Standard errors are corrected for clustering at the country level.

Table A3, model 1 is the main probit model with the home-country egalitarianism cultural index as an explanatory variable and all country-level variables controlled for in our main regression analyses at the firm level. In models 2 through 8, we add different cultural and institutional variables similar to Tables 3 and A2. Models 2 through 7 in Table A3 correspond to

27

each model from models 3 through 8, respectively: raw score of power distance from Hofstede in model 2, WVS Mahalanobis cultural distance in model 3, Euclidean distance of all measures of Hofstede cultural index in model 4, Schwartz's harmony and embeddedness measures in model 5, all Hofstede cultural dimensions in model 6, and all cultural dimensions from GLOBE in model 7. We also included the WGI corruption index in model 8. Including these different home-country cultural and institutional measures does not change the results, but the coefficients of egalitarianism cultural index are statistically significant either at $p<0.001$ or $p<0.01$. In sum, the results strongly confirm that home-country egalitarianism cultural orientation is the reliable and strong predictor of foreign MNEs' political activities, lobbying, in the United States.

The Moderating Effect of Institutional Distance related to Egalitarianism (Table 4)

It is generally assumed and believed that country culture is more fundamental and deeply ingrained in society (Guiso et al., 2006) and, thus, has a stronger effect on individuals and organizations than any other country institutions, such as legal institutions or rules (Holderness, 2017; Fisman & Miguel, 2007). Thus, if home-country egalitarian orientation works as shown, we can also expect that the distance between home- and host-country societal and legal institutions and norms related to characteristics of egalitarianism could moderate the effect of egalitarianism on political behaviors of foreign MNEs in a host country.

Distance/difference between home and host countries has proven to be among the most enduring theoretical approaches to understanding MNEs' foreign activities, and institutional distance can be understood in several ways. First, less distance between home and host countries means that foreign firms can more easily adapt to the host-country legal and other institutional environments (Ghemawat, 2001) because of the institutional familiarity and similarity. Second, firms will see that the host-country environment is more acceptable if the distance is less (Jeong & Weiner, 2012; Spencer & Gomez, 2011). Therefore, foreign firms from a home country with

less institutional distance will be more active in related strategic activities because their strategic behaviors do not violate home-country norms (Hillman & Wan, 2005).

As argued, an egalitarian society attempts to constrain abusive market and political power while emphasizing the protection for the less powerful actors (Siegel et al., 2011) as well as mandating transparency and accountability for those holding market and political power (Desender et al., 2011; Scanlon, 2018). This means other legal and societal institutions such as investor protection, accounting transparency, and the like are also likely to be constructed to support the fundamental egalitarian values and norms (Guiso et al., 2006). However, even if two countries have similar egalitarian orientations, it is likely that the development of the precise rules and norms is at least slightly different, which creates heterogeneity in institutions between two countries.

Therefore, on the assumption that formal lobbying with mandated disclosure is seen as a more desirable political strategy for firms from more egalitarian countries due to its characteristics of disclosure and transparency, *we argue that the distance between the home and host countries, particularly with regard to specific rules and policies related to the fundamental, principal element of egalitarianism (e.g., appropriate use of power, transparency), will moderate the effect of the home country's relative egalitarianism*. That is because the specific rules and policies, while impacted and formed originally by the country's heritage of cultural egalitarianism, will also help determine the relative ease as well as legitimacy of behaviors like lobbying by foreign MNEs in a foreign host country.

Hypothesis 2: The effect of home-country egalitarianism on lobbying spending in a host country is moderated by home-country legal institutions related to investor protection and accounting transparency—fundamental institutional embodiments of egalitarianism.

To test this hypothesis, we constructed a number of home-country institutional variables related to egalitarianism. First, the literatures on economics and finance have examined the role

of country institutions, particularly legal institutions, in investor protection (e.g., Ayyagari, Demirguc-Kunt, & Maksimovic, 2006; Leuz, Nanda, & Wysocki, 2003). Investor protection defends the rights of minority shareholders and creditors from controlling shareholders (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2002); studies have shown that countries vary in the strength of their investor protections and that this variation is strongly associated with how firms' management teams manage company resources (La Porta et al., 1997, 1998). And, egalitarianism, as theorized and delineated above, is among the dimensions of culture that mold societal behavior vis-à-vis equality; any behaviors of more powerful social actors that hurt social equality and fairness are considered unjust and unfair in the more egalitarian society (Scanlon, 2018). Thus, more egalitarian societies' institutional systems are likely to promote and ensure the fair use of power and authority, such as stricter minority shareholder protection (Siegel et al., 2011, 2013); the results are presented in Table 4, models 1 and 2. Similarly, we use an anti-director rights index (models 3 and 4), which captures protection from management power (La Porta et al., 2002; Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2008).

Models 5 through 8 use variables related to transparent accounting practices: whether a home country voluntarily adopted International Financial Reporting Standards (IFRS) in models 5 and 6 and tax wedge distance in models 7 and 8. Egalitarian countries are more likely to adopt institutional systems that protect the weak by enacting and enforcing more stringent accounting rules and more constraints on corrupt activities (Siegel & Larson, 2009). Thus, firms from more egalitarian home-country environments tend to avoid such murky accounting practices in favor of more transparent accounts of performance (Desender et al., 2011); they are more likely to participate in lobbying, which requires a high degree of transparency. Data on voluntary IFRS adoption is from Trimble (2018), while tax wedge data was obtained from OECD.

To test this empirically, in the first stage, we instrumented home-country egalitarianism with two excluded instruments—19th Century war experience and social fractionalization—and predicted this value to make an interaction term. We used this method since one cannot do this with a two-stage IV model using currently available STATA commands (i.e., ivregress or ivreg2) to test specifications involving two predicted terms (the main instrumented term of egalitarianism and the term of instrumented egalitarianism interacted with moderating variables). To calculate the distance, we first subtract the U.S. score from a foreign MNE's home-country score. Then we make this computed value absolute by eliminating the sign of the difference measure computed in the first step. Standard errors are corrected for clustering at the firm level for models 1, 3, 5, and 7 while at the country level in other models (models 2, 4, 6, and 8).

Please insert Table 4 and Figure 2 about here

In all the models in Table 4, the coefficients of our main instrumented egalitarianism cultural index, distance of moderating variables, and the interaction terms are all as expected and all statistically significant, strongly supporting our moderating mechanism. Figure 2 also illustrates the interaction effect between the instrumented egalitarianism cultural index and one of the moderating variables, particularly the distance of investor protection between a foreign MNE's home country and the United States (Table 4, model 1). The figure shows that as distance of investor protection increases, from the mean to one standard deviation above the mean, the slope becomes negative; thus, firms spend less on lobbying as investor-protection distance increases. This finding illustrates the strong moderating effects of distance of investor protection on the relationship between the instrumented egalitarianism cultural index and lobbying spending, strongly supporting our second hypothesis.

In sum, egalitarian societies tend to structure their social and legal systems to provide benefits to the weak and to protect against illegitimate uses of power in a more transparent way

31

(Siegel et al., 2013). Under the assumptions that (1) distance between the home and host countries determines the relative ease of adapting to host-country institutions and, thus, it also influences strategic choices of foreign MNEs (Mezias, 2002) and (2) foreign MNEs are regulated by home-country institutions (Hillman & Wan, 2005), it can be claimed that foreign MNEs will be more likely to sort into a strategy that is closer to and favored by home-country institutions. Thus, in the current study context, if a foreign MNE comes from a home country whose level of investor protection—one of the foundational elements of egalitarianism—is less distant, it is more likely to engage in U.S.-style formal lobbying with mandated disclosure because formal lobbying is a type of political strategy closer to home-country institutions; thus, this would moderate the effect of home-country egalitarian cultural orientation. The results strongly confirm our arguments.

DISCUSSION

Understanding the drivers of a firm's nonmarket activities is a critical first step to better evaluating its strategies and outcomes (Hillman & Wan, 2005; Dorobantu et al., 2017). This paper aims to examine one possible driver of political engagement: *home-country culture and legal institutions*. We argue and show that egalitarianism, which frames and defines firms' approaches to dealing with stakeholders, is a reliable predictor of foreign subsidiaries' legitimate and transparent political activities in a host country. Egalitarianism precludes illegitimate and opaque dealings with stakeholders; hence, it would in turn influence foreign subsidiaries' choices with regard to legitimate formalized lobbying in a host country. Empirical analyses also support our argument that institutional distance between home and host countries, and in particular the distance between the two countries' legal protections for investors and accounting transparency, moderate the effect of home-country culture on firms' spending on U.S. formalized lobbying with mandated disclosure.

This study makes several theoretical contributions. First, it contributes to the literature on global strategy and, in particular, it enhances our understanding of the effect of home-country culture and institutions on the strategic behaviors of foreign subsidiaries in a host country. Most prior work emphasizes cross-national differences in culture and institutions, focusing largely on entry decisions (e.g., Siegel et al., 2011, 2013) and modes of entry (e.g., Hennart & Larimo, 1998). Furthermore, most prior studies mainly examined the effect of cultural distance as a main theoretical lens in explaining strategic behaviors of foreign MNEs, but did not disentangle how other country legal institutions or norms can come into play and moderate the effect of culture, more fundamental societal institutions. In spite of anecdotal evidence and theoretical arguments for the influence of home-country institutions on foreign subsidiaries' strategic behavior (Hillman & Wan, 2005), our understanding of the effect of home-country culture and how other institutional arrangements can come into play on strategic heterogeneity is still limited (Xu & Shenkar, 2002). Given the central tenet of strategy that firms' heterogeneity is a source of different strategic outcomes, it is important to understand what drives this heterogeneity. By showing that foreign firms' C-suite strategic decisions in a host country are driven by home-country culture and moderated by other related legal institutions, our study sheds light on an underexplored arena in international business (Brasher & Lowery, 2006; Rodriguez et al., 2006).

Furthermore, one of the main criticisms of cultural studies in international business is that strategic decisions or activities of foreign MNEs cannot be precisely evaluated by means of widely used cultural measures that aggregate different dimensions of culture into a single score or index (Berry et al., 2010). Using egalitarianism that is theoretically based and can be tied to specific firm-level behaviors and/or specific firm-level outcomes, our study enhances our understanding of the effect and importance of culture on foreign MNEs' strategic choices in a host country.

Our study also contributes to the study of nonmarket strategy. Much scholarship has examined organizational and environmental factors apt to affect firms' likelihood of engaging in various political and nonmarket strategies (e.g., Lenway & Rehbein, 1991; Hill, Kelly, Lockhart, & Van Ness, 2013), but prior studies have not much explained heterogeneity in firms' nonmarket and political activities (de Figueiredo & Richter, 2014; Dorobantu et al., 2017). By looking at cultural norms and relevant institutional characteristics as a potential driver of firms' heterogeneous strategic behaviors, this study enhances our understanding of firms' political behavior. Future work might need to explore other country characteristics that could influence stakeholders' perceptions. For example, if we assume that stakeholders' perceptions on firm legitimacy are critical to firms' choices of political activities (McDonnell & Werner, 2016), the relationship between home and host countries such as interstate conflict (e.g., trade wars between countries) or political system dissimilarity (e.g., democracy vs. autocracy) may play an important role in determining those perceptions; thus, the likelihood of engagement of certain political activities or the engagement of different types of political and nonmarket activities also might be affected. Looking at how legitimacy perception is driven by these international relations could provide further insight into boundary conditions of drivers of political and nonmarket behaviors of foreign MNEs.

Furthermore, the international business literature has also emphasized the importance of MNEs' nonmarket strategies in host countries, because nonmarket activities naturally involve interactions with the host country's government and stakeholders (Rugman & Eden, 1985). A recent study argues that foreign firms are reluctant to engage in political activities in a host country for reasons of perceived illegitimacy on the part of host-country stakeholders (Jia, 2018); another study shows that foreign companies can still achieve positive economic outcomes via political strategies even in the face of perceived illegitimacy (Kim, 2019). These mixed findings

could be attributed in part to a lack of understanding on a first-stage data-generation process that has not yet been able to determine firms' likelihood of engaging in these political activities (Rajwani & Liedong, 2015). By specifying a strong predictor of foreign firms' behaviors in a host country (Hillman & Wan, 2005), our study also lays the foundation for future studies on political strategy and its outcomes.

Finally, we believe this study has important managerial implications. Deleting images of women from IKEA's catalogue in Saudi Arabia provoked questions about the firm's values and identity and caused a tumultuous backlash in Sweden, IKEA's home country. That Samsung's U.S. lobbying activities were harshly criticized in South Korea—its home country, where lobbying is prohibited and viewed as corrupt—is further evidence that foreign operations are not divorced from home-country norms. MNEs' institutional duality guarantees that they cannot be entirely free of home-country culture and institutions (Hillman & Wan, 2005). As both examples attest, MNEs' strategic decisions and operations in a host country are scrutinized by stakeholders in the home country, imposing significant normative pressure (Guillén, 1994, 2001). Our study reminds managers, once again, of the importance of home-country institutions and stakeholder management in their formulation and execution of strategy in a foreign host country.

REFERENCES

Ahmed, N. (2020). Determinants of Firm's Nonmarket Strategy: Ownership and Lobbying in Emerging Economies. Working paper: Ivey Business School.

Ayyagari, M., Demirguc-Kunt, A., & Maksimovic, V. (2006). How Well Do Institutional Theories Explain Firms' Perceptions of Property Rights? *Review of Financial Studies*, 21, 1833-1871.

Bae, J., & Salomon, R. (2010). Institutional Distance in International Business Research. In T. Devinney, T. Pedersen, & L. Tihanyi (Eds.), *The Past, Present and Future of International Business & Management*: 327-349. Bingley, U.K.: Emerald Group Publishing Limited.

Barber, B., & Diestre, L. (2019). Pushing for speed or scope? Pharmaceutical lobbying and Food and Drug Administration drug review. *Strategic Management Journal,* 40, 1194-1218.

Beazer, Q., & Blake, D. (2018). The conditional nature of political risk: How home institutions influence the location of foreign direct investment. *American Journal of Political Science,* 62, 470-485.

Bucheli, M., & Kim, M. (2015). Attacked from both sides: A dynamic model of multinational corporations' strategies for protection of their property rights. *Global Strategy Journal*, 5, 1-26.

Bureau of Economic Analysis. (2020). International Transactions. https://www.bea.gov/data/intl-trade-investment/international-transactions. [Accessed on June-13-2020].

Berry, H., Guillen, M., & Zhou, N. (2010). An Institutional Approach to Cross-national Distance. *Journal of International Business Studies*, 41, 1460-1480.

Bertrand, M., Duflo, E., & Mullainathan, S. (2004). How much should we trust differences-in-differences estimates? *Quarterly Journal of Economics,* 119, 249-275.

Blake, D., & Jandhyala, S. (2019). Managing policy reversals: Consequences for firm performance. *Strategy Science*, 4, 111-128.

Bombardini, M. (2008). Firm Heterogeneity and Lobby Participation. *Journal of International Economics*, 75, 329-348.

Bonardi, J., Holburn, G., & Vanden Bergh, R. (2006). Nonmarket Strategy Performance: Evidence from U.S. Electric Utilities. *Academy of Management Journal*, 49, 1209-1228.

Brasher, H., & Lowery, D. (2006). The Corporate Context of Lobbying Activity. *Business and Politics*, 8: Article 1.

Brett, J., & Okumura, T. (1998). Inter- and Intracultural Negotiation: U.S. and Japanese Negotiators. *Academy of Management Journal*, 41, 495-510.

Brett, J. (2001). *Negotiating Globally: How to Negotiate Deals, Resolve Disputes, and Make Decisions Across Cultural Boundaries*. San Francisco, CA: Jossey-Bass.

Brown, H. (1988). *Egalitarianism and the Generation of Inequality*. Oxford: Clarendon Press.

Chander, A. (2003). Minorities, Shareholder and Otherwise. *Yale Law Journal*, 1, 119-178.

Choi, S., Jia, N., & Lu, J. (2015). The Structure of Political Institutions and Effectiveness of Corporate Political Lobbying. *Organization Science*, 26, 158-179.

Choi, J., & Contractor, F. (2016). Choosing an appropriate alliance governance mode: The role of institutional, cultural and geographical distance in international research & development (R&D) collaborations. *Journal of International Business Studies*, 47, 210-232.

Daniels, M., & Greguras, G. (2014). Exploring the Nature of Power Distance: Implications for Micro- and Macro-Level Theories, Processes, and Outcomes. *Journal of Management*, 40, 1202-229.

de Figueiredo, J., & Richter, B. (2014). Advancing the Empirical Research on Lobbying. *Annual Review of Political Science*, 17, 163-185.

De Villa, M., Rajwani, T., Lawton, T., & Mellahi, K. (2019). To engage or not to engage with host governments: Corporate political activity and host country political risk. *Global Strategy Journal*, 9, 208-242.

Desender, K., Castro, C., & Escamilla de León, S. (2011). Earnings Management and Cultural Values. *American Journal of Economics and Sociology*, 70, 639-670.

Diestre, L., Barber, B., & Santaló, J. (2020). The Friday Effect: Firm lobbying, the timing of drug safety alerts, and drug side effects. *Management Science*, 66, 3295-3798.

Djankov, S., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2008). The law and economics of self-dealing. Journal of Financial Economics, 88, 430-465.

Dorobantu, S., Kaul, A., & Zelner, B. (2017). Nonmarket Strategy Research through the Lens of New Institutional Economics: An Integrative Review and Future Directions. *Strategic Management Journal*, 38, 114-140.

Drutman, L. (2015). *The Business of America is Lobbying: How Corporations Became Politicized and Politics Became More Corporate*. New York, NY: Oxford University Press.

Fogarty, M. (1957). *Christian Democracy in Western Europe*. London: Routledge & Kegan Paul.

Franklin, G. (2014). *Raisin Bran and Other Cereal Wars: 30 Years of Lobbying for the Most Famous Tiger in the World*. Bloomington, IN: iUniverse LLC.

Fisman, R., & Miguel, E. (2007). Corruption, Norms, and Legal Enforcement: Evidence from Diplomatic Parking Tickets. *Journal of Political Economy*, 115, 1020-1048.

Frynas, J., Mellahi, K., & Pigman, G. (2006). First mover advantages in international business and firm-specific political resources. *Strategic Management Journal*, 27, 321-345.

Gertz, G., Jandhyala, S., & Poulsen, L. (2018). Legalization, diplomacy, and development: Do investment treaties de-politicize investment disputes? *World Development,* 107, 239-252.

Ghemawat, P. (2001). Distance Still Matters: The Hard Reality of Global Expansion. *Harvard Business Review*.

Grier, K., Munger, M., & Roberts, B. (1994). The Determinants of Industry Political Activity, 1978-1986. *American Political Science Review*, 88, 911-926.

Guillén, M. (1994). *Models of Management: Work, Authority, and Organization in a Comparative Perspective*. Chicago, IL: University of Chicago Press.

Guillén, M. (2001). *The Limits of Convergence: Globalization and Organizational Change in Argentina, South Korea, and Spain*. Princeton, NJ: Princeton University Press.

Guiso, L., Sapienza, P., & Zingales, L. (2006). Does Culture Affect Economic Outcomes? *Journal of Economic Perspective*, 20, 23-48.

Hadani, M., & Schuler, D. (2013). In search of El Dorado: The elusive financial returns on corporate political investments. *Strategic Management Journal*, 34, 165-181.

Hansen, W., & Mitchell, N. (2000). Disaggregating and Explaining Corporate Political Activity: Domestic and Foreign Corporations in National Politics. *American Political Science Review*, 94, 891-903.

Haveman, H., Jia, N., Shi, J., & Wang, Y. (2017). The dynamics of political embeddedness in China. *Administrative Science Quarterly*, 62, 67-104.

Hennart, J., & Larimo, J. (1998). The Impact of Culture on the Strategy of Multinational Enterprises: Does National Origin Affect Ownership Decisions? *Journal of International Business Studies*, 29, 515-538.

Hiatt, S., & Park, S. (2013). Lords of the Harvest: Third-party Influence and Regulatory Approval of Genetically Modified Organisms. *Academy of Management Journal*, 56, 923-944.

Hiatt, S., Carlos, C., & Sine, W. (2018). Manu Militari: The Institutional Contingencies of Stakeholder Relationships on Entrepreneurial Performance. *Organization Science*, 29, 633-652.

Hill, M., Kelly, G., Lockhart, B., & Van Ness, R. (2013). Determinants and Effects of Corporate Lobbying. *Financial Management*, 42, 931-957.

Hillman, A. (2003). Determinants of Political Strategies in U.S. Multinationals. *Business and Society*, 42, 455-484.

Hillman, A., & Wan, W. (2005). The Determinants of MNE Subsidiaries' Political Strategies: Evidence of Institutional Duality. *Journal of International Business Studies*, 36, 322-340.

Hofstede, G. (2001). *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations* (2nd ed.). Thousand Oaks: Sage.

Holburn, G. & Vanden Bergh, R. (2014). Integrated Market and Nonmarket Strategies: Political Campaign Contributions around Merger and Acquisition Events in the Energy Sector. *Strategic Management Journal*, 35, 450-460.

Holderness, C. (2017). Culture and the ownership concentration of public corporations around the world. *Journal of Corporate Finance*, 44, 469-486.

Hymer, S. (1960/1976). *The International Operations of National Firms: A Study of Direct Foreign Investment*. Cambridge, MA: MIT Press.

Inglehart, R., & Baker, W. (2000). Modernization, Cultural Change and the Persistence of Traditional Values. *American Sociological Review*, 65, 19-51.

Jeong, Y., & Weiner, R. (2012). Who bribes? Evidence from the United Nations' oil-for-food program. *Strategic Management Journal*, 33, 1363-1383.

Jia, N. (2018). "Make and/or buy" decisions of corporate political lobbying: An integration of economic efficiency and legitimacy perspectives. *Academy of Management Review*, 43, 307-326.

Jia, N., Markus, S., & Werner, S. (2021). Theoretical Light in Empirical Darkness: Illuminating Strategic Concealment of Corporate Political Activity. *Academy of Management Review*, forthcoming.

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2005). *Government matters III: Governance Indicators for 1996-2002*. Policy Research Working Paper Series 3106, The World Bank.

Keim, G., & Zeithaml, C. (1986). Corporate Political Strategy and Legislative Decision Making: A Review and Contingency Approach. *Academy of Management Review*, 11, 828-843.

Kim, J. (2019). Is your playing field unleveled? U.S. defense contracts and foreign firm lobbying. *Strategic Management Journal*, 40, 1911-1937.

Kirkman, B., Lowe, K., & Gibson, C. (2006). A quarter century of ''Culture's Consequences'': A review of empirical research incorporating Hofstede's cultural values framework. *Journal of International Business Studies*, 37, 285–320.

Kogut, B., & Singh, H. (1988). The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies*, 19, 411-432.

Kostova, T., & Zaheer, S. (1999). Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review,* 24, 64-81.

Kramer, G. (1983). The Ecological Fallacy Revisited: Aggregate- versus Individual-level Findings on Economics and Elections, and Sociotropic Voting. *American Political Science Review*, 77, 92-111.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1997). Legal Determinants of External Finance. *Journal of Finance*, 52, 1131-1150.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1998). Law and Finance. *Journal of Political Economy*, 106, 1113-1155.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (2002). Investor Protection and Corporate Valuation. *Journal of Finance*, 57, 1147-1170.

Lawton, T., McGuire, S., & Rajwani, T. (2013). Corporate Political Activity: A Literature Review and Research Agenda. *International Journal of Management Reviews*, 15, 86-105.

Lenway, S., & Rehbein, K. (1991). Leaders, Followers, and Free Riders: An Empirical Test of Variation in Corporate Political Involvement. *Academy of Management Journal*, 34, 893-905.

Li, H., & Zhang, Y. (2007). The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal*, 28, 791-804.

Leuz, C., Nanda, D., & Wysocki, P. (2003). Earnings management and investor protection: an international comparison. *Journal of Financial Economics*, 69, 505-527.

Luo, J., Kaul, A., & Seo, H. (2018). Winning us with trifles: Adverse selection in the use of philanthropy as insurance. *Strategic Management Journal*, 39, 2591-2617.

Macher, J., & Richman, B. (2008). Transaction cost economics: An assessment of empirical research in the social sciences. *Business and Politics,* 10, 1-63.

McDonnell, M., & Werner, T. (2016). Blacklisted businesses: Social Activists' challenges and the disruption of corporate political activity. *Administrative Science Quarterly*, 61, 584-620.

Mezias, J. (2002). Identifying Liabilities of Foreignness and Strategies to Minimize Their Effects: The Case of Labor Lawsuit Judgments in the United States. *Strategic Management Journal*, 23, 229-244.

Milbrath, L. (1963). *The Washington Lobbyists*. Chicago, IL: Rand McNally.

Milyo, J., Primo, D., & Groseclose, T. (2000). Corporate PAC Campaign Contributions in Perspective. *Business and Politics*, 2, 75-88.

Mueller, S. L., & Thomas, A. S. 2000. Culture and entrepreneurial potential: A nine country study of locus of control and innovativeness. *Journal of Business Venturing*, 16, 51-75.

North, D. (1990). *Institutions, Institutional Change and Economic Performance*. New York, NY: Cambridge University Press.

OECD. (2014). Lobbyists, Governments and Public Trust, Volume 3: Implementing the OECD Principles for Transparency and Integrity in Lobbying, OECD Publishing, Paris, https://doi.org/10.1787/9789264214224-en. [Accessed on Jan-8-2021].

Rajwani, T., & Liedong, T. (2015). Political activity and firm performance within nonmarket research: A review and international comparative assessment. *Journal of World Business*, 50, 273-283.

Ridge, J., Ingram, A., & Hill, A. (2017). Beyond lobbying expenditures: How lobbying breadth and political connectedness affect firm outcomes. *Academy of Management Journal,* 60, 1138-1163.

Rodriguez, P., Siegel, D., Hillman, A., & Eden, L. (2006). Three Lenses on the Multinational Enterprise: Politics, Corruption, and Corporate Social Responsibility. *Journal of International Business Studies*, 37, 733-746.

Rodriguez, P., Uhlenbruck, K., & Eden, L. (2005). Government Corruption and the Entry Strategies of Multinationals. *Academy of Management Review*, 30, 383-396.

Rugman, A., & Eden, L. (1985). *Multinationals and transfer pricing*. Kent: Croom Helm Limited.

Scanlon, T. (2018). *Why Does Inequality Matter?* Oxford: Oxford University Press.

Schuler, D. (1996). Corporate political strategy and foreign competition: The case of the steel industry. *Academy of Management Journal,* 39, 720-737.

Schuler, D., Rehbein, K., and Cramer, R. (2002). Pursuing Strategic Advantage Through Political Means: A Multivariate Approach. *Academy of Management Journal*, 45, 659-672.

Schwartz, S. (1994). Beyond Individualism/Collectivism: New Dimensions of Values. In U. Kim, H. Triandis, C. Kağıtçıbaşı, S-C. Choi , G. Yoon (Eds.), *Individualism and Collectivism: Theory, Method, and Applications*. Newbury Park, CA: Sage, 85-119.

Schwartz, S. (1999). A Theory of Cultural Values and Some Implications for Work. *Applied Psychology*, 48, 23-47.

Schwartz, N. (2001). Egalitarianism. In S. Lipset (Eds.), *Political Philosophy: Theories, Thinkers, Concepts*. Washington, DC: Congressional Quarterly, 64-71.

Schwartz, S. (2004). Mapping and Interpreting Cultural Differences Around the World. H. Vinken, J. Soeters, P. Ester (Eds.), *Comparing Cultures: Dimensions of Culture in a Comparative Perspective*. Leiden, The Netherlands: Brill Academic Publishers, 85-119.

Shenkar, O. (2001). Cultural Distance Revisited: Towards a More Rigorous Conceptualization and Measurement of Cultural Differences. *Journal of International Business Studies*, 32, 19-535.

Siegel, J. (2007). Contingent political capital and international alliances: Evidence from South Korea. *Administrative Science Quarterly*, 52, 621-666.

Siegel, J., & Larson, B. (2009). Labor Market Institutions and Global Strategic Adaptation: Evidence from Lincoln Electric. *Management Science*, 55, 1527-1546.

Siegel, J., Licht, A., & Schwartz, S. (2011). Egalitarianism and International Investment. *Journal of Financial Economics*, 102, 621-642.

Siegel, J., Licht, A., & Schwartz, S. (2013). Egalitarianism, Cultural Distance, and Foreign Direct Investment: A New Approach. *Organization Science*, 24, 1174-1194.

Siegel, J., Pyun, L., & Cheon, B. (2019). Multination Firms, Labor Market Discrimination, and the Capture of Competitive Advantage by Exploiting the Social Divide. *Administrative Science Quarterly*, 64, 370-397.

Simons, T., & Ingram, P. (2003). Enemies of the State: The Interdependence of Institutional Forms and the Ecology of the Kibbutz, 1910–1997. *Administrative Science Quarterly*, 48, 592-621.

Snyder, J. (1992). Long-term Investing in Politicians; or Give Early, Given Often. *Journal of Law and Economics*, 35, 15-43.

Spencer, J., & Gomez, C. (2011). MNEs and corruption: the impact of national institutions and subsidiary strategy. *Strategic Management Journal*, 32, 280-300.

Trimble, M. (2018). The Historical and Current Status of IFRS Adoption Around the World. SSRN working paper No. 3276760. http://dx.doi.org/10.2139/ssrn.3276760.

Werner, T. (2017). Investor Reaction to Covert Corporate Political Activity. *Strategic Management Journal*, 38, 2424-2443.

Wilensky, H. (1975). *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditures*. Berkeley, CA: University of California Press.

Wilentz, S. (2016). *The Politicians & The Egalitarians*. New York: W.W. Norton & Company.

Xu, D., & Shenkar, O. (2002). Institutional Distance and the Multinational Enterprise. *Academy of Management Review*. 27, 608-618.

Yan, J., & Chang, S. (2018). The Contingent Effects of Political Strategies on Firm Performance: A Political Network Perspective. *Strategic Management Journal*, 39: 2152-2177.

Zaheer, S. (1995). Overcoming the Liability of Foreignness. *Academy of Management Journal*, 38, 341-363.

Zaheer, S., & Mosakowski, E. (1997). The Dynamics of the Liability of Foreignness: A Global Study of Survival in Financial Services. *Strategic Management Journal*, 18, 439-464.

Zwinkels, R., & Beugelsdijk, S. (2010). Gravity Equations: Workhorse or Trojan Horse in Explaining Trade and FDI Patterns across Time and Space? *International Business Review*, 19, 102-115.

Figure 1: Predicted Effects of Egalitarianism on the Annual Lobbying Spending of Foreign MNEs in the United States at the Firm Level (Table 2, Model 2)
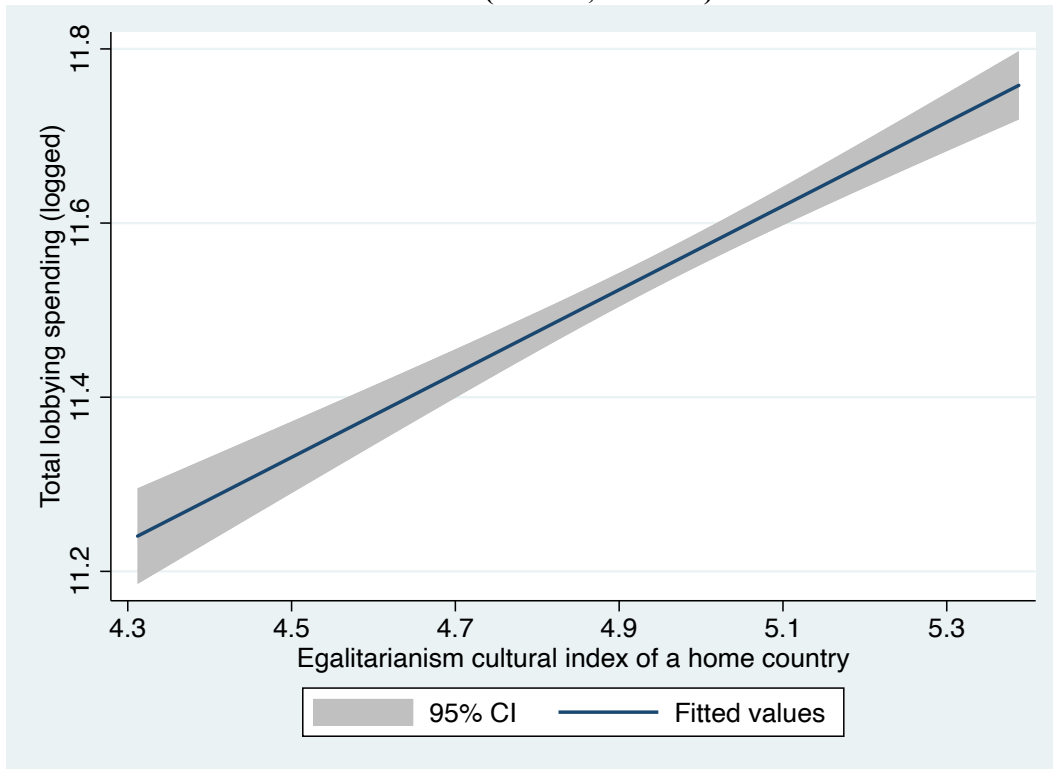
Figure 2: Interaction Effects between the Instrumented Egalitarianism Cultural Index and Distance of Investor Protection (Table 4, Model 1)
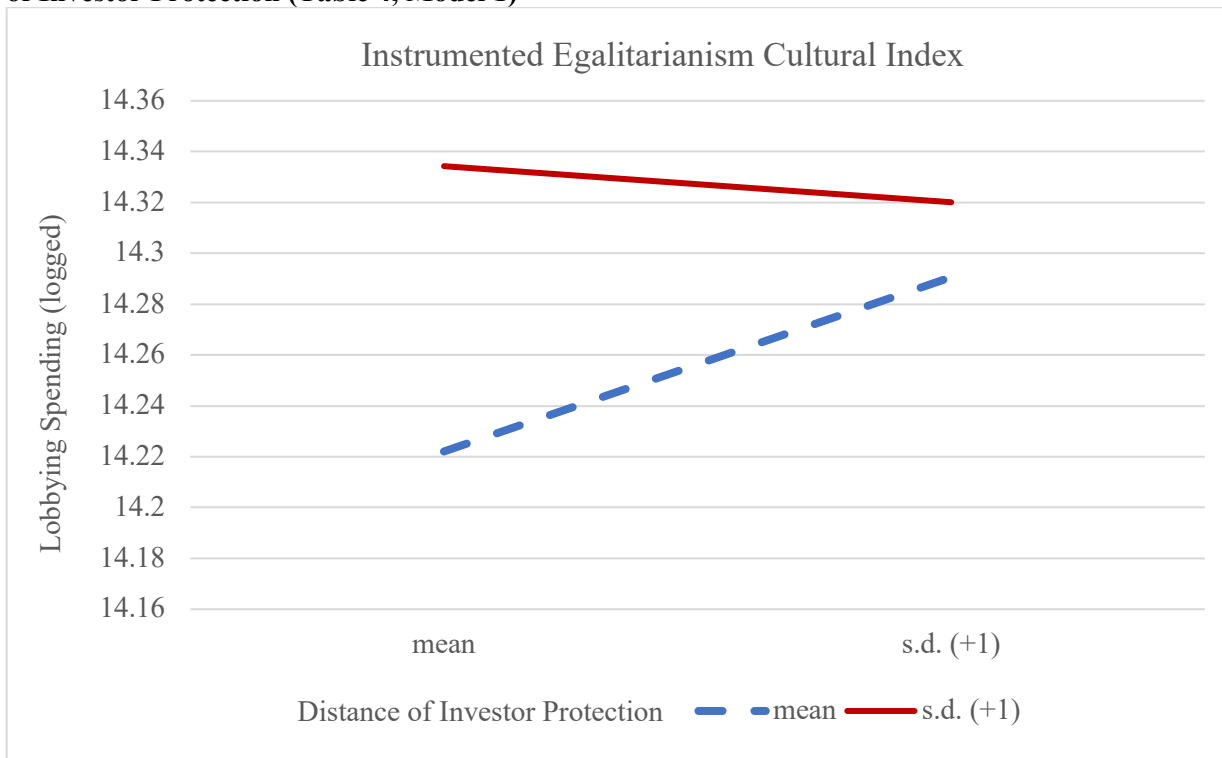
Table 1: Descriptive Statistics and Pairwise Correlations at the Firm Level

This table presents descriptive statistics and pairwise correlations of variables for the main analysis at the firm level. * denotes significance at the 5% level.

	Variables	mean	s.d.	min	max	1	2	3	4	5
1	Lobbying spending (logged)	11.534	1.539	7.473	16.665	1				
2	Egalitarianism cultural index	4.957	0.236	4.312	5.388	0.029*	1			
3	Distance of investor protection	0.478	0.282	0.041	1	0.054*	0.101*	1		
4	Distance of anti-director rights index	1.634	1.482	0	5	0.036*	0.255*	0.887*	1	
5	IFRS voluntary adoption (1: Yes, 0: No)	0.668	0.471	0	1	0.099*	0.643*	0.286*	0.308*	1
6	Distance of tax wedge	8.368	7.723	0.044	26.260	0.015	0.497*	0.740*	0.788*	0.437*
7	Years of lobbying experience	4.732	3.569	1	15	0.320*	0.008	0.057*	0.049	0.043*
8	In-house lobbying as a % of total lobbying spending	0.174	0.330	0	1	0.510*	-0.008	0.043*	0.015	0.040*
9	Average number of lobbyists hired	2.532	2.184	0	33	0.251*	0.019	0.034*	0.034*	0.062*
10	Average number of congressional issues addressed	1.598	1.354	0	30	0.329*	-0.005	0.036*	0.048*	0.037*
11	Number of government ties (logged)	0.259	0.734	0	4.511	0.146*	-0.003	-0.117*	-0.103*	-0.086*
12	Political campaign contribution amounts (logged)	0.642	2.523	0	14.234	0.213*	0.027*	-0.013	0.009	0.052*
13	Industry advertising intensity (1/1000000)	0.064	0.131	0.002	1.1824	-0.004	-0.009	-0.017	-0.008	-0.035*
14	Trade amounts with the U.S. (logged)	24.675	1.592	17.321	27.148	0.029*	-0.248*	-0.320*	-0.318*	-0.549*
15	FDI inflow to the U.S. from home country	0.079	0.088	0	0.387	0.044*	0.096*	-0.286*	-0.307*	0.130*
16	Home-country GDP per capita (logged)	10.316	0.880	4.109	12.004	0.124*	0.370*	0.019	-0.013	0.343*
17	Geographic distance (in thousands/kms)	6.396	3.483	0.548	16.180	-0.022*	-0.513*	0.258*	0.128*	0.027*
18	Common law country (1: Yes, 0: No)	0.414	0.493	0	1	-0.015	0.001	-0.797*	-0.746*	-0.129*

	6	7	8	9	10	11	12	13	14	15	16	17	18
6	1												
7	0.035*	1											
8	0.005	0.269*	1										
9	0.008	-0.057*	-0.009	1									
10	0.013	0.159*	0.351*	0.274*	1								
11	-0.146*	0.082*	0.105*	0.050*	0.078*	1							
12	-0.034*	0.134*	0.260*	0.010	0.164*	0.101*	1						
13	-0.035*	-0.111*	0.013	0.014	0.037*	0.014	0.007	1					
14	-0.249*	0.087*	0.070*	-0.056*	0.030*	0.069*	-0.036*	0.002	1				
15	-0.218*	-0.021*	0.055*	-0.007	0.025*	0.008	0.017	0.015	0.354*	1			
16	-0.159*	0.200*	0.084*	0.001	0.021*	0.043*	0.040*	-0.090*	0.078*	0.204*	1		
17	0.048*	-0.007	0.005	0.010	-0.024*	-0.157*	-0.049*	-0.025*	-0.202*	-0.238*	-0.282*	1	
18	-0.642*	-0.033*	-0.036*	-0.013	-0.038*	0.128*	0.022*	0.022*	0.149*	0.250*	0.035*	-0.232*	1

Table 2: Two-Stage Least Squares Regression for Lobbying Spending and Egalitarianism Cultural Index Instrumented at the Firm Level

This table presents the results of two-stage least squares (2SLS) regression in which the logarithm of total annual lobbying spending by each firm (except model 6) is used as the dependent variable. In all models, excluded instruments of 19th Century war experience and social fractionalization are used to instrument a main explanatory variable, Schwartz's egalitarianism cultural index. Model 1 only includes the main explanatory variable while model 2 is our main model with all control variables. In model 3, signed distance of egalitarianism index (instrumented) is used as a main explanatory variable to show that the coefficients are indifferent between the original index (model 2) and signed distance measure (model 3). In model 4, standard errors are corrected for clustering at the country level. Model 5 includes the relative frequency of federal agencies lobbied by each foreign firm to account for lobbying heterogeneity as well as its breadth and capability of a firm (Ridge et al., 2017). Model 6 uses total annual lobbying spending by each firm on hiring outside lobbyists (Jia, 2018). In model 7, bootstrapped standard errors corrected for clustering at the firm level are used and 10,000 resampling were conducted to calculate bootstrapped standard errors. All models include year and industry fixed effects. Industry fixed effects only capture any change in the industry of a firm over the sample time period. Standard errors are corrected for clustering at the firm level (except model 4), and these are presented in parentheses. ***, **, *, and † denote significance at the 0.1%, 1%, 5%, and 10% level, respectively.

Dependent variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Egalitarianism cultural index (instrumented)	1.030*	0.881***		0.881*	0.532*	1.886***	0.881***
	(0.443)	(0.265)		(0.353)	(0.220)	(0.560)	(0.266)
Signed egalitarianism cultural index (instrumented)			0.881***				
			(0.265)				
Years of lobbying experience		0.088***	0.088***	0.088***	0.070***	0.178***	0.088***
		(0.008)	(0.008)	(0.010)	(0.007)	(0.017)	(0.008)
In-house lobbying as a % of total lobbying spending		1.862***	1.862***	1.862***	2.571***	-4.250***	1.862***
		(0.137)	(0.137)	(0.169)	(0.097)	(0.355)	(0.137)
Average number of lobbyists hired		0.167***	0.167***	0.167***	0.110***	0.253***	0.167***
		(0.015)	(0.015)	(0.015)	(0.012)	(0.028)	(0.015)
Average number of congressional issues addressed		0.095***	0.095***	0.095***	0.043*	0.039	0.095***
		(0.025)	(0.025)	(0.029)	(0.019)	(0.062)	(0.026)
Number of government ties (logged)		0.146**	0.146**	0.146**	0.112**	0.265**	0.146**
		(0.047)	(0.047)	(0.047)	(0.037)	(0.100)	(0.048)
Political campaign contribution amounts (logged)		0.030*	0.030*	0.030*	0.011	0.111***	0.030*
		(0.012)	(0.012)	(0.013)	(0.009)	(0.029)	(0.012)
Industry advertising intensity (1/1000000)		0.105	0.105	0.105	0.036	0.188	0.105
		(0.107)	(0.107)	(0.093)	(0.101)	(0.212)	(0.107)
Trade amounts with the U.S. (logged)		0.078*	0.078*	0.078	0.043	0.171*	0.078*
		(0.033)	(0.033)	(0.055)	(0.027)	(0.067)	(0.033)
FDI inflow to the U.S. from home country		0.289	0.289	0.289	0.205	0.603	0.289
		(0.199)	(0.199)	(0.257)	(0.171)	(0.401)	(0.200)
Home-country GDP per capita (logged)		-0.009	-0.009	-0.009	-0.015	-0.047	-0.009
		(0.037)	(0.037)	(0.061)	(0.032)	(0.075)	(0.037)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Geographic distance (in thousands/kms)		0.044**	0.044**	0.044†	0.022†	0.105***	0.044**
		(0.014)	(0.014)	(0.024)	(0.012)	(0.028)	(0.014)
Common law country (1: Yes, 0: No)		0.027	0.027	0.027	0.017	0.077	0.027
		(0.058)	(0.058)	(0.078)	(0.049)	(0.115)	(0.058)
Constant	5.677**	3.520	7.746***	3.520	4.915**	-4.025	3.520
	(2.201)	(1.864)	(0.832)	(2.760)	(1.576)	(3.834)	(1.860)
Year fixed effects	Included	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included	Included
Relative frequency of each federal agency lobbied					Included		
R-squared	0.026	0.394	0.394	0.394	0.522	0.267	0.394
Number of countries				47			
Number of firms	1,949	1,949	1,949		1,949	1,949	1,949
Number of observations	10,349	10,343	10,343	10,343	10,343	10,343	10,343

Table 3: Two-Stage Least Squares Regression for Lobbying Spending and Egalitarianism Cultural Index Instrumented Controlling for Other Cultural Measures at the Firm Level

This table presents the results of two-stage least squares (2SLS) regression in which the logarithm of total annual lobbying spending by each firm is used as the dependent variable after controlling for various home-country cultural variables to rule out that including other country cultural variables will weaken our main argument that egalitarianism is the most important determinant of lobbying spending of foreign MNEs in a host country. In all models, excluded instruments of 19th Century war experience and social fractionalization are used to instrument a main explanatory variable, Schwartz's egalitarianism cultural index. In models 1 through 3, measures of power distance from Hofstede (1980) are included; signed distance and absolute power distance between home country and the United States in models 1 and 2, respectively, and home-country raw index of Hofstede's power distance in model 3. Similarly, we included measures of power distance from the GLOBE national culture project in model 4 through 6; signed distance in model 4, absolute distance in model 5, and home-country raw index of GLOBE power distance in model 6. In model 7, WVS Mahalanobis cultural index is included while Hofstede Euclidean cultural distance is included in model 8 (Berry et al., 2010). From models 9 through 11, a whole set of cultural measures from different datasets is included; Schwartz's harmony and embeddedness measures in model 9, 5 measures of Hofstede cultural index in model 10, and 9 measures from Globe cultural index in model 11. All models include year and industry fixed effects. Standard errors are corrected for clustering at the firm level, and these are presented in parentheses. ***, **, *, and † denote significance at the 0.1%, 1%, 5%, and 10% level, respectively.

DV: Lobbying spending (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Egalitarianism cultural index (instrumented)	0.862***	0.760**	0.862***	0.636**	0.670**	0.636**
	(0.246)	(0.242)	(0.246)	(0.234)	(0.235)	(0.234)
Hofstede power distance index (signed)	0.001					
	(0.002)					
Hofstede power distance index (absolute)		0.005†				
		(0.003)				
Hofstede power distance index			0.001			
			(0.002)			
GLOBE power distance index (signed)				0.260		
				(0.183)		
GLOBE power distance index (absolute)					-0.189	
					(0.206)	
GLOBE power distance index						0.260
						(0.183)
Years of lobbying experience	0.088***	0.088***	0.088***	0.089***	0.089***	0.089***
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
In-house lobbying as a % of total lobbying spending	1.860***	1.857***	1.860***	1.880***	1.880***	1.880***
	(0.138)	(0.138)	(0.138)	(0.137)	(0.137)	(0.137)
Average number of lobbyists hired	0.168***	0.168***	0.168***	0.173***	0.173***	0.173***
	(0.015)	(0.015)	(0.015)	(0.016)	(0.016)	(0.016)
Average number of congressional issues addressed	0.094***	0.095***	0.094***	0.085***	0.085***	0.085***
	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)

Number of government ties (logged)	0.146**	0.145**	0.146**	0.136**	0.137**	0.136**
	(0.047)	(0.047)	(0.047)	(0.047)	(0.047)	(0.047)
Political campaign contribution amounts (logged)	0.030*	0.030**	0.030*	0.028*	0.028*	0.028*
	(0.012)	(0.012)	(0.012)	(0.011)	(0.011)	(0.011)
Industry advertising intensity (1/1000000)	0.102	0.107	0.102	0.099	0.096	0.099
	(0.107)	(0.107)	(0.107)	(0.108)	(0.108)	(0.108)
Trade amounts with the U.S. (logged)	0.074*	0.071*	0.074*	0.006	0.015	0.006
	(0.035)	(0.036)	(0.035)	(0.035)	(0.036)	(0.035)
FDI inflow to the U.S. from home country	0.277	0.380†	0.277	0.192	0.178	0.192
	(0.199)	(0.197)	(0.199)	(0.197)	(0.199)	(0.197)
Home-country GDP per capita (logged)	0.009	0.042	0.009	0.035	0.025	0.035
	(0.040)	(0.035)	(0.040)	(0.034)	(0.034)	(0.034)
Geographic distance (in thousands/kms)	0.043**	0.037**	0.043**	0.021	0.027*	0.021†
	(0.014)	(0.013)	(0.014)	(0.013)	(0.013)	(0.013)
Common law country (1: Yes, 0: No)	0.042	0.051	0.042	-0.021	-0.003	-0.021
	(0.064)	(0.061)	(0.064)	(0.064)	(0.062)	(0.064)
Constant	3.527	3.760*	3.490	6.297***	5.977***	5.555**
	(1.810)	(1.899)	(1.812)	(1.701)	(1.717)	(1.814)
Year fixed effects	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included
R-squared	0.394	0.396	0.394	0.404	0.404	0.404
Number of firms	1,933	1,933	1,933	1,874	1,874	1,874
Number of observations	10,285	10,285	10,285	9,993	9,993	9,993

Table 3: Two-Stage Least Squares Regression for Lobbying Spending and Egalitarianism Cultural Index Instrumented Controlling for Other Cultural Measures at the Firm Level (continued)

This table presents the results of two-stage least squares (2SLS) regression in which the logarithm of total annual lobbying spending by each firm is used as the dependent variable after controlling for various home-country cultural variables to rule out that including other country cultural variables will weaken our main argument that egalitarianism is the most important determinant of lobbying spending of foreign MNEs in a host country. In all models, excluded instruments of 19th Century war experience and social fractionalization are used to instrument a main explanatory variable, Schwartz's egalitarianism cultural index. In models 1 through 3, measures of power distance from Hofstede (1980) are included; signed distance and absolute power distance between home country and the United States in models 1 and 2, respectively, and home-country raw index of Hofstede's power distance in model 3. Similarly, we included measures of power distance from the GLOBE national culture project in model 4 through 6; signed distance in model 4, absolute distance in model 5, and home-country raw index of GLOBE power distance in model 6. In model 7, WVS Mahalanobis cultural index is included while Hofstede Euclidean cultural distance is included in model 8 (Berry et al., 2010). From models 9 through 11, a whole set of cultural measures from different datasets is included; Schwartz's harmony and embeddedness measures in model 9, 5 measures of Hofstede cultural index in model 10, and 9 measures from the GLOBE cultural index in model 11. All models include year and industry fixed effects. Standard errors are corrected for clustering at the firm level, and these are presented in parentheses. ***, **, *, and † denote significance at the 0.1%, 1%, 5%, and 10% level, respectively.

DV: Lobbying spending (logged)	Model 7	Model 8	Model 9	Model 10	Model 11
Egalitarianism cultural index (instrumented)	0.791**	0.946**	0.852**	0.703*	0.697†
	(0.273)	(0.292)	(0.309)	(0.307)	(0.394)
WVS Mahalanobis cultural distance	0.004				
	(0.003)				
Hofstede Euclidean cultural distance		0.004†			
		(0.003)			
Schwartz harmony cultural index			-0.422**		
			(0.144)		
Schwartz embeddedness cultural index			-0.187		
			(0.170)		
Hofstede power distance index				0.003	
				(0.002)	
Hofstede individualism vs. collectivism index				0.000	
				(0.003)	
Hofstede masculinity vs. femininity index				0.006***	
				(0.002)	
Hofstede uncertainty avoidance index				-0.003	
				(0.002)	
Hofstede long-term orientation vs. short-term normative orientation index				0.004*	
				(0.002)	
GLOBE power distance index					-0.012
					(0.275)

GLOBE assertiveness index					-0.015
					(0.072)
GLOBE future orientation index					-0.104
					(0.171)
GLOBE gender egalitarianism index					0.075
					(0.159)
GLOBE humane orientation index					-0.350†
					(0.210)
GLOBE in-group collectivism index					-0.603**
					(0.205)
GLOBE institutional collectivism index					-0.416*
					(0.185)
GLOBE performance orientation index					0.429*
					(0.176)
GLOBE uncertainty avoidance index					0.425***
					(0.104)
Years of lobbying experience	0.092***	0.089***	0.086***	0.087***	0.089***
	(0.011)	(0.008)	(0.008)	(0.008)	(0.008)
In-house lobbying as a % of total lobbying spending	1.747***	1.869***	1.852***	1.853***	1.872***
	(0.151)	(0.137)	(0.137)	(0.136)	(0.135)
Average number of lobbyists hired	0.158***	0.169***	0.166***	0.169***	0.173***
	(0.016)	(0.016)	(0.015)	(0.015)	(0.016)
Average number of congressional issues addressed	0.107***	0.093***	0.095***	0.091***	0.087***
	(0.027)	(0.025)	(0.025)	(0.025)	(0.025)
Number of government ties (logged)	0.172**	0.142**	0.147**	0.143**	0.152**
	(0.053)	(0.048)	(0.047)	(0.046)	(0.047)
Political campaign contribution amounts (logged)	0.029*	0.028*	0.029*	0.028*	0.028*
	(0.013)	(0.012)	(0.011)	(0.012)	(0.011)
Industry advertising intensity (1/1000000)	0.163	0.105	0.114	0.101	0.107
	(0.108)	(0.110)	(0.106)	(0.108)	(0.108)
Trade amounts with the U.S. (logged)	0.077*	0.061†	0.077*	-0.041	0.000
	(0.035)	(0.034)	(0.037)	(0.040)	(0.038)
FDI inflow to the U.S. from home country	0.336†	0.270	0.060	-0.072	-0.260
	(0.201)	(0.196)	(0.198)	(0.190)	(0.161)
Home-country GDP per capita (logged)	-0.042	0.026	-0.004	0.013	0.118*
	(0.043)	(0.033)	(0.037)	(0.038)	(0.055)

Geographic distance (in thousands/kms)	0.033[*]	0.034[**]	0.036[**]	0.004	0.008
	(0.015)	(0.012)	(0.013)	(0.013)	(0.014)
Common law country (1: Yes, 0: No)	0.020	0.242†	-0.147	0.091	-0.042
	(0.064)	(0.138)	(0.106)	(0.118)	(0.107)
Constant	4.302[*]	3.022	6.263[**]	6.912[***]	8.665[***]
	(1.932)	(2.128)	(2.402)	(2.032)	(2.421)
Year fixed effects	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included
R-squared	0.371	0.396	0.398	0.401	0.411
Number of firms	1,572	1,891	1,949	1,933	1,874
Number of observations	7,221	10,038	10,343	10,285	9,993

Table 4: Ordinary Least Squares Regression for Lobbying Spending and Instrumented Egalitarianism Cultural Index with Moderating Variables at the Firm Level

This table presents the results of ordinary least squares (OLS) regression in which the logarithm of total annual lobbying spending by each firm is used as the dependent variable. Each model uses a different country-level variable as a moderator to further test the moderating effect of country institutional distance specifically pertaining to egalitarianism; distance of investor protection in models 1 and 2, distance of anti-director-rights index in models 3 and 4, whether a country adopted IFRS voluntarily in models 5 and 6, and tax wedge distance from OECD in models 7 and 8, respectively. Standard errors are corrected for clustering at the firm level in models 1, 3, 5, and 7 while standard errors corrected for clustering at the home-country level are used in models 2, 4, 6, and 8. And these standard errors appear in parentheses. All distance measures for moderating variables are calculated by the absolute value of the difference between score of home country and that of the United States. All models include year and industry fixed effects. ***, **, *, and † denote significance at the 0.1%, 1%, 5%, and 10% level, respectively.

DV: Lobbying spending (logged)	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Instrumented egalitarianism cultural index	2.831**	2.831***	2.789***	2.789***	4.064***	4.064***	2.778**	2.778***
	(1.000)	(0.631)	(0.774)	(0.634)	(1.128)	(0.843)	(0.880)	(0.503)
Distance of investor protection	20.124*	20.124**						
	(9.616)	(7.111)						
Interaction: Instrumented egalitarianism cultural index × Distance of investor protection	-3.980*	-3.980**						
	(1.945)	(1.434)						
Distance of anti-director rights index			4.535*	4.535**				
			(1.768)	(1.656)				
Interaction: Instrumented egalitarianism cultural index × Distance of anti-director rights index			-0.899*	-0.899*				
			(0.356)	(0.332)				
IFRS voluntary adoption					17.646**	17.646***		
					(5.974)	(4.542)		
Interaction: Instrumented egalitarianism cultural index × IFRS voluntary adoption					-3.560**	-3.560***		
					(1.212)	(0.920)		
Distance of tax wedge							0.750*	0.750***
							(0.293)	(0.117)
Interaction: Instrumented egalitarianism cultural index × Distance of tax wedge							-0.150*	-0.150***
							(0.059)	(0.023)
Years of lobbying experience	0.086***	0.086***	0.086***	0.086***	0.087***	0.087***	0.089***	0.089***
	(0.008)	(0.011)	(0.008)	(0.011)	(0.008)	(0.010)	(0.008)	(0.010)
In-house lobbying as a % of total lobbying spending	1.851***	1.851***	1.862***	1.862***	1.858***	1.858***	1.864***	1.864***
	(0.136)	(0.177)	(0.136)	(0.176)	(0.136)	(0.174)	(0.149)	(0.191)
Average number of lobbyists hired	0.166***	0.166***	0.166***	0.166***	0.169***	0.169***	0.166***	0.166***
	(0.015)	(0.016)	(0.015)	(0.015)	(0.015)	(0.016)	(0.017)	(0.017)

Average number of congressional issues addressed	0.095***	0.095**	0.093***	0.093**	0.093***	0.093**	0.102***	0.102**
	(0.025)	(0.029)	(0.025)	(0.028)	(0.025)	(0.028)	(0.028)	(0.029)
Number of government ties (logged)	0.146**	0.146**	0.151**	0.151**	0.145**	0.145**	0.169***	0.169**
	(0.046)	(0.042)	(0.046)	(0.044)	(0.046)	(0.042)	(0.046)	(0.047)
Political campaign contribution amounts (logged)	0.029*	0.029*	0.028*	0.028†	0.029*	0.029*	0.032**	0.032*
	(0.011)	(0.014)	(0.011)	(0.014)	(0.011)	(0.014)	(0.012)	(0.015)
Industry advertising intensity (1/1000000)	0.112	0.112	0.109	0.109	0.105	0.105	0.224	0.224
	(0.108)	(0.095)	(0.108)	(0.095)	(0.107)	(0.095)	(0.317)	(0.207)
Trade amounts with the U.S. (logged)	0.008	0.008	0.018	0.018	0.023	0.023	0.002	0.002
	(0.031)	(0.029)	(0.028)	(0.027)	(0.034)	(0.037)	(0.031)	(0.029)
FDI inflow to the U.S. from home country	0.064	0.064	-0.032	-0.032	-0.016	-0.016	-0.062	-0.062
	(0.188)	(0.193)	(0.183)	(0.245)	(0.191)	(0.198)	(0.190)	(0.214)
Home-country GDP per capita (logged)	0.067*	0.067*	0.084**	0.084**	0.044	0.044	0.168*	0.168*
	(0.028)	(0.028)	(0.028)	(0.029)	(0.032)	(0.026)	(0.076)	(0.081)
Geographic distance (in thousands/kms)	-0.002	-0.002	0.005	0.005	-0.002	-0.002	0.005	0.005
	(0.009)	(0.007)	(0.009)	(0.007)	(0.009)	(0.008)	(0.010)	(0.007)
Common law country (1: Yes, 0: No)	0.261**	0.261***	0.268**	0.268**	0.122†	0.122**	0.136	0.136*
	(0.091)	(0.060)	(0.094)	(0.079)	(0.064)	(0.042)	(0.090)	(0.062)
Constant	-5.007	-5.007	-5.182	-5.182	-10.991†	-10.991*	-5.626	-5.626*
	(5.234)	(3.466)	(3.999)	(3.694)	(5.703)	(4.323)	(4.760)	(2.531)
Year fixed effects	Included	Included	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included	Included	Included
R-squared	0.406	0.406	0.406	0.406	0.403	0.403	0.410	0.410
Number of countries		37		37		40		29
Number of firms	1,888		1,888		1,932		1,710	
Number of observations	10,115	10,115	10,115	10,115	10,279	10,279	8,740	8,740

APPENDIX

Table A1: Summary Statistics for Selected Variables by Country
This table presents summary statistics for the egalitarianism cultural index, Hofstede power distance index, World Value Survey Mahalanobis cultural distance (Berry et al., 2010), investor protection, legal origin, and total country lobbying spending over the sample time period by each country.

Country	Egalitarianism cultural index	Hofstede power distance index	WVS Mahalanobis cultural distance	Investor protection	Legal origin	Lobbying spending (country total in U.S. dollars, 1998-2012)
Argentina	5.098	49	2.33	0.479	French	1,583,000
Australia	4.921	38	2.78	0.784	United Kingdom	47,900,000
Austria	5.059	11	2.44	0.104	German	1,732,282
Bolivia	4.834	NA	3.41	NA	French	320,000
Brazil	5.037	69	2.35	0.442	French	21,400,000
Bulgaria	4.249	70	NA	NA	German	0
Canada	4.985	39	2.70	0.959	United Kingdom	312,000,000
Chile	5.109	63	NA	0.610	French	2,690,000
China	4.312	80	3.10	NA	German	17,400,000
Cyprus	5.061	NA	NA	NA	United Kingdom	2,614,500
Czech Republic	4.589	57	NA	NA	German	400,000
Denmark	5.147	18	2.76	0.363	Scandinavian	56,600,000
Egypt	4.827	NA	3.24	0.202	French	590,000
Estonia	4.752	40	NA	NA	German	665,000
Finland	5.026	33	2.19	0.465	Scandinavian	14,200,000
France	5.183	68	2.76	0.473	French	439,000,000
Georgia	4.742	NA	2.84	NA	German	5,808,298
Germany	5.140	35	2.54	0.000	German	539,000,000
Ghana	4.854	NA	NA	NA	United Kingdom	0
Greece	4.979	60	2.39	0.319	French	1,505,000
Hong Kong	4.612	68	3.24	0.851	United Kingdom	27,600,000
Hungary	4.507	46	2.49	NA	German	80,000
India	4.494	77	2.64	0.769	United Kingdom	28,300,000
Indonesia	4.325	78	2.69	0.507	French	610,000
Ireland	4.987	28	2.71	0.478	United Kingdom	263,000,000
Israel	4.857	13	2.72	0.594	United Kingdom	95,700,000
Italy	5.376	50	2.47	0.197	French	95,600,000
Japan	4.466	54	2.86	0.417	German	548,000,000

Jordan	4.470	NA	NA	0.244	French	1,333,000
Macedonia	4.475	NA	NA	NA	French	0
Malaysia	4.497	104	2.97	0.729	United Kingdom	13,000,000
Mexico	4.774	81	2.85	0.098	French	36,000,000
Namibia	4.599	NA	2.86	NA	United Kingdom	0
Nepal	4.703	NA	NA	NA	United Kingdom	0
Netherlands	5.083	38	2.45	0.537	French	247,000,000
New Zealand	5.027	22	3.53	0.465	United Kingdom	7,876,666
Norway	5.285	31	NA	0.436	Scandinavian	25,200,000
Peru	4.984	64	NA	0.656	French	1,457,000
Philippines	4.603	94	2.72	0.812	French	3,491,000
Poland	4.546	68	3.12	NA	German	1,343,000
Portugal	5.388	63	2.38	0.574	French	865,500
Russia	4.641	93	2.62	NA	French	15,600,000
Singapore	4.691	74	3.04	0.770	United Kingdom	13,700,000
Slovakia	4.578	104	NA	NA	German	515,000
Slovenia	4.581	71	2.57	NA	German	45,000
South Korea	4.471	60	2.55	0.358	German	39,760,376
Spain	5.203	57	2.26	0.553	French	35,000,000
Sweden	4.960	31	2.70	0.386	Scandinavian	38,900,000
Switzerland	4.979	34	2.44	0.304	German	554,000,000
Taiwan	4.394	58	3.09	0.547	German	12,300,000
Turkey	4.909	66	2.41	0.338	French	955,000
United Kingdom	4.998	35	2.80	0.776	United Kingdom	1,100,000,000
Venezuela	4.734	81	2.29	0.224	French	6,863,993
Zimbabwe	4.311	NA	2.67	0.418	United Kingdom	80,000

Table A2: Two-Stage Least Squares Regression for Lobbying Spending and Egalitarianism Cultural Index Instrumented with home-country WGI corruption index at the Firm Level

This table presents the results of two-stage least squares (2SLS) regression in which the logarithm of total annual lobbying spending by each firm (except model 6) is used as the dependent variable. In all models, excluded instruments of 19th Century war experience and social fractionalization are used to instrument a main explanatory variable, Schwartz's egalitarianism cultural index. Each model corresponds to models 1 through 7 in Table 2, our main table, and this table only additionally includes home-country WGI corruption index in each model. All models include year and industry fixed effects. Standard errors are corrected for clustering at the firm level (except model 4 whose standard errors are corrected for clustering at the country level), and these are presented in parentheses. ***, **, *, and † denote significance at the 0.1%, 1%, 5%, and 10% level, respectively.

Dependent variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Egalitarianism cultural index (instrumented)	0.785*	0.831**		0.831*	0.452*	1.944***	0.831**
	(0.317)	(0.265)		(0.383)	(0.217)	(0.557)	(0.267)
Signed egalitarianism cultural index (instrumented)			0.831**				
			(0.265)				
WGI corruption index	-0.012	-0.141**	-0.141**	-0.141*	-0.132**	-0.220*	-0.141**
	(0.060)	(0.049)	(0.049)	(0.060)	(0.042)	(0.108)	(0.051)
Years of lobbying experience		0.086***	0.086***	0.086***	0.069***	0.171***	0.086***
		(0.008)	(0.008)	(0.011)	(0.007)	(0.017)	(0.008)
In-house lobbying as a % of total lobbying spending		1.895***	1.895***	1.895***	2.590***	-4.152***	1.895***
		(0.141)	(0.141)	(0.178)	(0.098)	(0.361)	(0.142)
Average number of lobbyists hired		0.164***	0.164***	0.164***	0.107***	0.247***	0.164***
		(0.016)	(0.016)	(0.015)	(0.011)	(0.028)	(0.016)
Average number of congressional issues addressed		0.094***	0.094***	0.094**	0.040*	0.044	0.094***
		(0.026)	(0.026)	(0.030)	(0.018)	(0.061)	(0.026)
Number of government ties (logged)		0.152***	0.152***	0.152***	0.116**	0.275**	0.152***
		(0.046)	(0.046)	(0.045)	(0.035)	(0.099)	(0.046)
Political campaign contribution amounts (logged)		0.033**	0.033**	0.033*	0.014†	0.114***	0.033**
		(0.011)	(0.011)	(0.013)	(0.009)	(0.029)	(0.012)
Industry advertising intensity (1/1000000)		0.003	0.003	0.003	-0.051	0.217	0.003
		(0.324)	(0.324)	(0.319)	(0.294)	(0.542)	(0.324)
Trade amounts with the U.S. (logged)		0.050	0.050	0.050	0.016	0.144*	0.050
		(0.032)	(0.032)	(0.054)	(0.027)	(0.066)	(0.033)
FDI inflow to the U.S. from home country		0.469*	0.469*	0.469*	0.368†	0.849†	0.469*
		(0.234)	(0.234)	(0.237)	(0.198)	(0.479)	(0.233)
Home-country GDP per capita (logged)		0.066	0.066	0.066	0.054	0.066	0.066
		(0.043)	(0.043)	(0.047)	(0.037)	(0.103)	(0.045)
Geographic distance (in thousands/kms)		0.037**	0.037**	0.037	0.014	0.099***	0.037**
		(0.014)	(0.014)	(0.023)	(0.012)	(0.027)	(0.014)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Common law country (1: Yes, 0: No)		0.054	0.054	0.054	0.045	0.116	0.054
		(0.061)	(0.061)	(0.079)	(0.051)	(0.121)	(0.062)
Constant	6.895***	3.968*	7.956***	3.968	5.502***	-4.358	3.968*
	(1.509)	(1.873)	(0.848)	(2.974)	(1.562)	(3.853)	(1.906)
Year fixed effects	Included	Included	Included	Included	Included	Included	Included
Industry fixed effects	Included	Included	Included	Included	Included	Included	Included
Relative frequency of each federal agency lobbied					Included		
R-squared	0.035	0.401	0.401	0.401	0.532	0.261	0.401
Number of countries				47			
Number of firms	1,928	1,928	1,928		1,928	1,928	1,928
Number of observations	9,226	9,221	9,221	9,221	9,221	9,221	9,221

Table A3: Probit Regression for Whether to Engage in Lobbying at the Country Level

This table presents the results of probit regression in which whether any firm from a home country engages in lobbying at the country level are used as the dependent variable to further support that home-country egalitarianism is a strong predictor of lobbying of foreign MNEs. Model 1 presents the main result of probit regression while we add different country institutional variables on top of model 1; raw index of power distance from Hofstede in model 2, Mahalanobis cultural index and Hofstede Euclidean cultural distance in models 3 and 4 respectively. Similar to models 6 through 8 in Table 3, from models 5 through 7, a whole set of cultural measures from different datasets is included; Schwartz's harmony and embeddedness measures in model 5, 5 measures of Hofstede cultural index in model 6, and 9 measures from the GLOBE cultural index in model 7. WGI corruption index is included in model 8. All models include year fixed effects. Standard errors are corrected for clustering at the country level, and these are presented in parentheses. ***, **, *, and † denote significance at the 0.1%, 1%, 5%, and 10% level, respectively.

DV: Whether to lobby	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Egalitarianism cultural index	1.950***	2.473**	1.990***	2.531**	1.933**	3.116***	3.832***	1.814**
	(0.588)	(0.775)	(0.571)	(0.798)	(0.609)	(0.878)	(1.027)	(0.628)
Hofstede power distance index		0.007				0.015		
		(0.008)				(0.009)		
WVS Mahalanobis cultural distance			-0.002					
			(0.022)					
Hofstede Euclidean cultural distance				0.019†				
				(0.010)				
Schwartz harmony cultural index					0.066			
					(0.559)			
Schwartz embeddedness cultural index					-0.230			
					(0.563)			
Hofstede individualism vs. collectivism index						0.003		
						(0.010)		
Hofstede masculinity vs. femininity index						-0.007		
						(0.006)		
Hofstede uncertainty avoidance index						-0.006		
						(0.009)		
Hofstede long-term orientation vs. short-term normative orientation index						0.013†		
						(0.008)		
GLOBE power distance index							-1.132*	
							(0.529)	
GLOBE assertiveness index							0.288	
							(0.356)	
GLOBE future orientation index							-1.594†	
							(0.845)	

GLOBE gender egalitarianism index							0.723[†] (0.388)	
GLOBE humane orientation index							-0.982 (1.004)	
GLOBE in-group collectivism index							-0.124 (0.595)	
GLOBE institutional collectivism index							-1.065[*] (0.443)	
GLOBE performance orientation index							-0.648 (0.444)	
GLOBE uncertainty avoidance index							0.521 (0.508)	
WGI corruption index								0.223 (0.188)
Trade amounts with the U.S. (logged)	0.489*** (0.076)	0.672*** (0.111)	0.407*** (0.081)	0.714*** (0.112)	0.480*** (0.087)	0.719*** (0.117)	0.717*** (0.131)	0.490*** (0.076)
FDI inflow to the U.S. from home country	2.422 (6.214)	0.616 (3.470)	3.049 (7.700)	1.415 (4.630)	1.639 (5.024)	-0.716 (3.608)	1.953 (7.798)	-0.370 (4.872)
Home-country GDP per capita (logged)	0.236[†] (0.121)	0.136 (0.160)	0.334[*] (0.154)	0.233 (0.174)	0.206 (0.139)	0.143 (0.148)	-0.427[*] (0.194)	0.159 (0.141)
Geographic distance (in thousands/kms)	0.102 (0.073)	0.030 (0.066)	0.146[*] (0.074)	0.037 (0.071)	0.107 (0.069)	0.006 (0.075)	0.011 (0.094)	0.083 (0.068)
Common law country (1: Yes, 0: No)	0.201 (0.471)		0.590 (0.542)		0.212 (0.545)		1.869[*] (0.758)	0.152 (0.467)
Constant	-22.329*** (2.940)	-28.102*** (4.919)	-22.072*** (3.133)	-31.416*** (5.129)	-21.224*** (6.043)	-32.608*** (6.201)	-10.123 (8.334)	-20.986*** (3.397)
Year fixed effects	Included	Included	Included	Included	Included	Included	Included	Included
Log pseudolikelihood	-217.075	-117.238	-152.304	-113.838	-216.672	-112.372	-114.884	-186.536
Wald chi-square	637.07	7541.79	760.77	14728.24	729.98	111881.15	1259831.68	310.69
Number of countries	54	34	49	34	54	34	42	54
Number of observations	810	510	572	510	810	510	630	698