REGIONAL INFLUENCES ON RESPONSIBLE BEHAVIORS OF BUSINESS ORGANIZATIONS

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ABSTRACT

My dissertation explores how regional societies influence the responsible behaviors of business organizations. It is comprised of three essays that come together in the shared theme of investigating the role of regional social connectedness – the structural dimension of regional social capital – in facilitating responsible behaviors. The first essay challenges simplistic views of regional political conservatism and demonstrates that regional political conservatism can have contradictory aspects as regards social responsibility, which are elicited by two different types of regional social connectedness (interfirm and cooperative). The second essay examines how regional social connectedness compensates for the decline of local newspapers. It finds that while local newspaper scarcity has led to an increase in corporate wrongdoing, regional social connectedness mitigated that effect. The third essay applies social capital theory to a disaster context by observing the impact of the ongoing COVID-19 crisis on unemployment rates. It finds that the spread of COVID-19 cases results in a higher unemployment rate as local organizations rely more on layoffs. However, this relationship is affected by two different types of regional social connectedness (cooperative and instrumental) in contradictory ways. In addition to each essay's individual contributions to a distinctive set of literature, three essays all together offer two key insights into the research that integrates social capital theory and organization studies: first, that regional social connectedness has complementary relationships with other regional determinants for responsible behaviors; and second, that different types of regional social connectedness coexist in regional society and generate heterogeneous effects on responsible behaviors.

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1 Introduction

The main topic of my dissertation is the social responsibility of business organizations, which is here defined as "context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance (Aguinis, 2011, p. 855)." The social responsibility of business organizations, often loosely referred to as "corporate social responsibility" (CSR), has gained growing attention since its conceptualization in the mid-20th century (Carroll, 1999, p. 268). The gist of this concept is that business organizations – which primarily indicate firms, but also include small local businesses – need to consider and respond to issues beyond narrow economic, technical, and legal requirements (Davis, 1973). Stimulated by major events such as the Enron scandal, the collapse of Lehman Brothers, and the Deepwater Horizon oil spill, the existing research on social responsibility has firmly established its position in mainstream organization studies.

My dissertation explores *what drives responsible behaviors of business organizations* with a focus on regional institutional environments (e.g., culture, norms, and identities) that create similar behavioral patterns within geographical areas (Marquis & Battilana, 2009). To discover determinants for responsible behaviors, prior studies mainly concentrated on key characteristics of organizations (e.g., corporate governance, ownership, and leadership) or the organizations' individual exchanges with external stakeholders; such as consumers, regulators, and media (Aguinis & Glavas, 2012; Frynas & Yamahaki, 2016). Regional influences, on the other hand, only gained increasing attention over the past decade (Jha & Cox, 2015; Lee & Lounsbury, 2015; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013). As the term *social* suggests, the social responsibility of business organizations is not arbitrarily defined by

individual organizations, but rather by the regional societies within which these organizations operate (Marquis et al., 2007). Regional societies have unique institutional infrastructures that determine the boundaries of acceptable behavioral choices (Gardberg & Fombrun, 2006). Without explaining regional variations, we cannot fully understand why some organizations behave in more responsible ways than others.

Specifically, I investigate how regional social capital affects organizations through its interactions with other environmental changes. Regional social capital refers to "those features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions" (Putnam, 1993, p. 167). Characterizing the socio-cultural aspect of geographical areas, regional social capital enables local actors to work together for common purposes that would otherwise be impeded by the pursuit of individual interests (Fukuyama, 1995; Ostrom & Ahn, 2009). As prior studies investigate particular forms of social capital depending on the authors' research purposes (Collins et al., 2017; Israel et al., 2001; Kwon et al., 2013; Laursen et al., 2012), I focus on regional social connectedness; which indicates how connected local actors are to each other based on a "sense of belonging" (Putnam, 2000, p. 273). Eliciting responsible actions often requires a collective effort on the part of organizations that agree on building an ethical culture and avoiding "chicken" games. Regional social connectedness is thus bound to take on a critical role in coordinating such efforts to build a responsible society.

My dissertation includes three essays that illustrate three distinctive ways in which regional social connectedness facilitates the responsible behavior of business organizations. These essays are presented in detail through Chapters 2-4. Here, I summarize two key insights

that my dissertation offers to the literature that integrates social capital research and organization studies:

1) *Regional social connectedness has complementary relationships with other regional institutions.* Through "complementarity", a set of regional institutions display interdependence and result in outcomes which individual institutions cannot explain in and of themselves (Crouch, 2010, p. 117). The first essay analyzes the influence of regional political conservatism on S&P500 US firms and finds that regional social connectedness has a triggering role in eliciting certain values from regional political conservatism. By doing so, regional social connectedness determines whether conservative ideology encourages or discourages socially responsible behavior of firms. The second essay examines whether the decline of local newspapers has affected the spread of corporate wrongdoing in 50 US states. It finds that by virtue of functional similarity, regional social connectedness compensates for the decline of local newspapers and thus alleviates the spread of corporate wrongdoing.

2) *Different types of regional social connectedness coexist in regional society and create contradictory impacts on organizational behavior*. The first and third essays compare heterogeneous types of regional social connectedness. The first essay illustrates that social connectedness of firms derives the free-market orientation from regional political conservatism, whereas that of general local people which enhances the solidarity of their regional society elicits the community orientation. As a result, depending on these two types of regional social connectedness, regional political conservatism creates contradictory institutional pressures regarding the responsible behaviors of firms. The third essay further extends this finding by empirically testing Knack and Keefer's (1997)

classification of cooperative and instrumental social connectedness. The essay explores how the recent COVID-19 pandemic has increased the unemployment rate in regional societies of US counties. It demonstrates that this relationship is dependent on the two forms of regional social connectedness that respectively spread cooperative and self-centric orientation over the regional societies.

A more detailed discussion on these findings will follow after the three essays are presented. Before delving into the essays, I provide an overview of the literature on social responsibility, regional influences on organizations, and regional social capital, which inform all three papers.

1.1 SOCIAL RESPONSIBILITY AND BUSINESS ORGANIZATION

Over the past decades, a large community of researchers emerged to reestablish our understanding of the relationship between businesses and society (Carroll, 1999). While traditional economic responsibility gives business organizations their raison d'être, these organizations are now required to pursue higher profitability without harming the social and natural environments upon which citizens, often also called stakeholders, rely for their continued wellbeing (Dahlsrud, 2008). Some studies associate social responsibility only with voluntary and philanthropic activities of business organizations that go beyond legal boundaries (van Marrewijk, 2003). However, a more broadly defined social responsibility, which my dissertation follows, embraces any type of organizational efforts to improve societal wellbeing and to avoid wrongful behaviors that cause negative externalities (Lin-Hi & Müller, 2013; Vaughan, 1999).

Adopting this latter definition, international organizations and external examiners have introduced comprehensive guidelines for social responsibility with regard to many different

dimensions of business operations; such as employee relations, environmental management, community engagement, corporate governance, and products (Perrault & Quinn, 2018). A variety of compliance strategies have been devised by organizations regarding engagement methods (e.g., a code of ethics, information disclosure, and donation), beneficiary groups, scope, and the level of financial commitment (Marquis et al., 2007; Tang et al., 2012). When following these guidelines for responsible business, organizations tailor their targets and strategies to the unique contextual expectations imposed on themselves (Brammer & Pavelin, 2006; Gardberg & Fombrun, 2006). The complexity of this compliance process allows organizations to make numerous discretionary decisions; and, as a result, their behavioral choices vary significantly in accordance with the organizations' internal decision-making processes and external environments.

To date, a large volume of research has identified determinants for responsible behaviors in both internal and external environments of business organizations (Aguinis & Glavas, 2012; Frynas & Yamahaki, 2016). Internally, certain characteristics of top managers and general employees, such as personal ideology (Chin et al., 2013), needs (Kim et al., 2010), and knowledge (Weaver, TreviÑo, et al., 1999), have substantial influences on organizations' decisions. At the organizational level, previous studies have mainly highlighted structural aspects, such as corporate governance (Bernardi et al., 2006), and ownership (Oh et al., 2011); cultural aspects, including organizational mission (Marcus & Anderson, 2006) and values (Gupta et al., 2017); and organization-specific contexts like financial performance (Waddock & Graves, 1997) and internationalization (Strike et al., 2006b). When it comes to external environments, the extant literature mainly investigates how organizations are influenced by their individual exchanges with external stakeholders, such as customers (Christmann & Taylor, 2006),

regulatory agents (Delmas & Toffel, 2008), industry peers (Husted, Jamali, et al., 2016), and media (Zyglidopoulos et al., 2012).

Despite the valuable insights of prior research, we still know very little about the regional institutional processes through which a set of environmental factors generate unique pressures for business organizations within a particular geographical boundary (Marquis & Battilana, 2009). Although the social embeddedness of business organizations has been one of the fundamental assumptions of organization studies (Granovetter, 1985), social responsibility research began to appreciate the importance of geographical location more explicitly in the late 2000s (Aguilera et al., 2007; Campbell, 2007). This line of inquiry assumes that each regional society defines a range of acceptable behaviors, and that business organizations within those societies strive to align their behaviors with this acceptable range (Gardberg & Fombrun, 2006). While similar global standards for social responsibility spread worldwide, business organizations still go through a "translation" process whereby their practices are adjusted to local conditions (Aguilera et al., 2007, p. 855).

Empirical analyses for regional influences remain scant overall, but a small group of studies has identified some factors that encourage responsible behaviors of local organizations. These factors include regional peers (Husted, Jamali, et al., 2016; Marquis & Tilcsik, 2016), political ideology (Di Giuli & Kostovetsky, 2014; Lee & Lounsbury, 2015; Rubin, 2008), governmental policies (Greenwood et al., 2010; Luo et al., 2017), community knowledge and vigor (Arenas et al., 2020), social capital (Jha & Cox, 2015), and major events like disasters (Tilcsik & Marquis, 2013). These studies prove the importance of political, social, cultural, and situational factors in explaining regional variations in responsible behaviors. However, these factors are still understudied as many studies take an "additive" approach by analyzing the

effects of institutions isolated from one another (Jackson & Deeg, 2019, p. 9). More nuanced models, which take into account complex interactions between regional institutions, may tell us more accurate and richer stories about the relationship between regional societies and business organizations. My dissertation scrutinizes three different cases wherein regional social connectedness interacts with other regional environmental changes.

1.2 REGIONAL INFLUENCES ON ORGANIZATIONS

The idea that organizations do not operate in silos, but are rather embedded in their external environments, has long been a core assumption in organization studies (Granovetter, 1985; Scott & Davis, 2006). Nevertheless, more extensive efforts have been made over the past decade to understand and theorize institutional processes within certain geographical boundaries (Marquis & Battilana, 2009; Marquis et al., 2013; Thornton et al., 2012). Regional societies are now considered as institutional fields within which constituents "partake of a common meaning system and interact more frequently and faithfully with one another than with actors outside of the field" (Scott & Meyer, 1994, pp. 207-208). Organizations in the same region encounter a unique combination of regional institutions that create discernible behavioral patterns for that region. As Simon (1962) describes, our society is characterized by a "nearly decomposable" structure comprising multiple layers (p. 473). In other words, organizations are influenced simultaneously by the institutional processes of different levels of society; such as states (Luo et al., 2017), counties (Cruz et al., 2018; Lee & Lounsbury, 2015; Qian et al.), metropolitan areas (Tilcsik & Marquis, 2013), and cities (Lounsbury, 2007; Marquis et al., 2013; Marquis et al., 2007).

To establish the presence of regional influences, prior studies took different approaches. While Marquis and Tilcsik (2016) analyze the impact of regional peers on the philanthropic activities of firms, Bell and Zaheer (2007) show that geographical proximity between firms takes a decisive role in determining the effectiveness of their knowledge-sharing networks. Some other studies compare different regions directly by using a geographical area as their unit of analysis. For example, Marquis et al. (2013) present that US cities with a higher density of corporations tend to experience a stronger growth of nonprofits. These studies empirically demonstrate that regional societies emerge as institutional fields in a way that facilitates unique interactions between local constituents, develops endemic institutions, and, as a result, creates behavioral variations that are observable at the regional level.

Overall, the research on regional influences on organizations is still emerging and understudied. There are various aspects of regional societies that have largely been overlooked to date. To a large extent, this lack of attention is attributable to the current literature's narrow focus on organization-level processes. For example, in relation to the watchdog role taken on by the media, most studies investigated whether individual media coverage of focal organizations affects their behaviors (Dyck et al., 2008; Jia et al., 2016; Zyglidopoulos et al., 2012), while the mass closures of local newspapers across the country has been a critical threat to the watchdog function in some regions (Gao et al., 2020). In a similar vein, the increasing attention to political ideology has manifested itself mostly in research on the personal ideology of employees in recent years (Chin et al., 2013; Gupta et al., 2017; A. Gupta et al., 2020), despite the fact that geographical boundaries play a critical role in the ideological identification of regional constituents (McCarty et al., 2006). More research on regional processes is thus required to fully understand some phenomena of significant interest among organizational theorists.

As we acknowledge regional societies as institutional fields, the next step to advance the extant literature is discussing dynamic interactions between regional institutions that collectively affect organizational behavior (Jackson & Deeg, 2019). Many studies have explored the independent effects of institutions without taking into account those institutions' interactions with other institutions (Jha & Cox, 2015; Laursen et al., 2012; Rubin, 2008). However, according to recent developments in institutional theory, it is now deemed essential to see a broader web of intertwined institutions whose pressures are adjusted in the context of their interactions with one another (Kraatz & Block, 2008). Stimulated by a vast amount of attention given to institutional complexity – the presence of conflicting institutional pressures (Greenwood et al., 2011) – some studies investigated the joint impacts of regional institutions (Greenwood et al., 2010; Lee & Lounsbury, 2015; Luo et al., 2017). For instance, Greenwood et al. (2010) illustrate how regional party dominance and government spending in Spanish regions interact with each other in affecting the downsizing of local firms. Nevertheless, due to the somewhat narrow focus on conflicts, other types of relationships between regional institutions, such as reinforcing, substituting, blending, and assimilating (Thornton et al., 2012), have not received as much attention. What is warranted in the current literature is the incorporation of a "thicker" view of institutions by elaborating further on various types of relationships between regional institutions (Jackson & Deeg, 2019, p. 5)

In this regard, my dissertation offers valuable insights by identifying two different forms of interactions between regional social connectedness and other institutions. It shows that regional social connectedness triggers the effects of regional political conservatism (as seen in the first essay) and compensates for the decline in local newspapers (as seen in the second essay).

1.3 REGIONAL SOCIAL CAPITAL

Regional social capital is a multifaceted concept that is observable in different forms, including social connectedness, norms, trust, and generalized reciprocity (Onyx & Bullen, 2000; Putnam, 1993). Sharing the common function of facilitating coordination between regional actors, these forms are intertwined (Adler & Kwon, 2002; Larson, 1992; Ostrom & Ahn, 2009). Most studies investigate particular forms of social capital depending on their specific research purposes (Collins et al., 2017; Israel et al., 2001; Kwon et al., 2013; Laursen et al., 2012). Following prior studies (Collins et al., 2017; Sampson & Graif, 2009; Wickes et al., 2013), my dissertation concentrates on regional social connectedness that builds foundations for other forms of social capital (Coleman, 1988; Putnam, 2000).

Regions with stronger levels of social connectedness have a higher density of interlocking networks between constituents (Onyx & Bullen, 2000, p. 24). Local people and organizations interact more frequently through these networks, and these extensive interactions are materialized in and reinforced by recurring social gatherings and the formation of social associations like trade unions, religious groups, and political organizations (Rupasingha et al., 2006). Social capital research theorizes that this enhanced social connectedness leads to positive outcomes for the region by enabling regional constituents to coordinate in view of a shared goal (Ostrom & Ahn, 2009; Putnam, 2000). The core mechanism of regional social connectedness is twofold. Frequent interactions facilitate the formation of shared norms because individual constituents adjust and justify their behaviors by observing others (Aldrich, 2012; Friedkin, 2001). A common sense of what is appropriate is established, especially through memberships in social associations where regional constituents develop “habits of cooperation” (Putnam, 1993, pp. 89-90). Dense networks also improve mutual accountability by facilitating the information-

sharing capacity of the region (Sparrowe et al., 2001). Frequent interactions help identify deviants (Aldrich, 2012), and the threat of collective sanctions elicits a more favorable attitude toward cooperation (Ostrom & Ahn, 2009).

The effects of regional social connectedness have been discussed in various domains, including economic performance (Westlund & Adam, 2010), political development (Paxton, 2002), public health (Kawachi et al., 1999; Mellor & Milyo, 2005), and public security (Wickes et al., 2017). As for organization research, while the macro-level process of social capital is yet an emerging field of inquiry, some studies have identified different aspects of business operations to which regional social connectedness makes contributions; such as entrepreneurship (Kwon et al. 2013), innovation (Laursen et al., 2012), and responsible behaviors (Hasan et al., 2017; Jha & Cox, 2015). These studies explain that the influence of regional social connectedness reaches organizational decision-making not only through internal decision-makers who, as regional constituents themselves, bring in the cooperative norm, but also through enhanced interactions between organizations and other regional actors (Jha & Cox, 2015; Laursen et al., 2012).

As the influence of regional social capital on organizations has been established, more nuanced models for its mechanism are currently needed. In their review articles, Kwon and Adler (2014) and Aldrich and Meyer (2014) urge researchers to further investigate the heterogeneity of social capital. To date, while some studies have analyzed this heterogeneity, their efforts have largely concentrated on comparing different forms of social capital (e.g., connectedness, norms, and trust) regarding which forms make positive contributions to society and which do not (Hasan et al., 2017; Jha & Cox, 2015; Knack, 2002; Messner et al., 2004). Largely missing from the discussion, however, is the heterogeneity observable in each form of social capital. In particular,

considering that regional societies generally encompass social associations with varied purposes (e.g., business associations and religious groups), we can examine whether heterogeneous types of regional social connectedness are coexistent. This analysis has significant theoretical implications, as it addresses the question of when the effect of regional social capital becomes positive or negative in a given society (Kwon & Adler, 2014; Portes, 1998). My dissertation empirically demonstrates that multiple types of social connectedness coexist at the regional level, impacting organizations and society in contradictory ways (Kwon et al., 2013).

1.4 SUMMARY

The influence of regional environments began to draw increasing attention from scholars in both organization and social responsibility research in the late 2000s. Although the significance of regional influences has been established in different contexts, there remain many aspects of regional societies whose impact on business organizations have not yet been thoroughly investigated. I suggest that the next step to advance this line of inquiry is to scrutinize the various types of interactions between regional institutions through which the effects of these institutions are caused, amplified, or counterbalanced. Focusing on regional social connectedness, I investigate how it triggers contradictory effects of regional political conservatism (in the first essay) and compensates for the decline of local newspapers (in the second essay) in either facilitating or impeding responsible behaviors of business organizations. Furthermore, I extend social capital research by challenging dominant assumptions on the homogeneity of regional social connectedness. I illustrate that multiple types of regional social connectedness coexist in regional societies, generating contrary institutional pressures as concern the social responsibility of business organizations (in the first and third essays).

2 The Triggering Role of Regional Social Capital: Two Sides of Regional Political Conservatism for CSR Engagement

2.1 ABSTRACT

Drawing on social capital theory, I explore the triggering role of regional social connectedness for the formation of regional institutional pressures in the context of corporate social responsibility engagement. I argue that two types of regional social connectedness – interfirm and cooperative – shape the institutional pressure of regional political conservatism differently by eliciting a free-market and community orientation, respectively, from conservatism. Analyzing a large sample of US firms over 16 years, I find that in a region with strong interfirm social connectedness, regional political conservatism leads firms to collectively limit the "doing good" aspect of corporate social responsibility so that the firms focus on economic responsibilities. In contrast, in a region with strong cooperative social connectedness, regional political conservatism presents itself as enhancing the "avoiding bad" component of corporate social responsibility so that the threats to the wellbeing of regional society are prevented.

Keywords:

Corporate social responsibility; regional political ideology; regional social capital; the logic of appropriateness

2.2 INTRODUCTION

Despite decades of globalization, organization studies have consistently found evidence of regional influences on firm behavior (Greenwood et al., 2010; Lee & Lounsbury, 2015; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013). As socially embedded actors (Granovetter, 1985), firms are affected by a range of formal and informal institutions shared within the regional societies they are rooted in (Marquis & Battilana, 2009). Among these key regional institutions is regional social capital, referred to as "those features of social organization, such as trust, norms, and networks" that facilitate the coordination of local actors for the common good (Fukuyama, 1995; Putnam, 1993, p. 167; 2000). The significance of regional social capital has long been recognized by many disciplines as affecting various domains such as economic growth (Knack & Keefer, 1997), political accountability (Nannicini et al., 2013), and public health (Kawachi et al., 1999). Organization studies, however, have only begun to pay more extensive attention to regional social capital during the past decade in the context of entrepreneurship (Kwon et al. 2013), innovation (Laursen et al. 2012), and responsible behaviors (Jha and Cox 2015, Hasan et al. 2017).

While it is now established that regional social capital constitutes a relevant institutional environment, the extant literature reveals significant gaps that make our understanding of the construct partial at best. As previous studies focus on the direct effect of regional social capital, little is known about how regional social capital is intertwined with other institutions that collectively form a regional institutional field (Tilcsik & Marquis, 2013). Given that the collective identity and mobilization of local actors are key elements of many regional institutional processes (Berrone et al., 2016), regional social capital may play a vital role in determining the influence of other regional institutions. In addition, the current literature pays

skewed attention to the positive effect of regional social capital (Kwon & Adler, 2014; Portes, 1998). This narrow focus is problematic because social connections are formed according to various motives. Kwon and Adler (2014) encourage the identification of different types of social capital, challenging the pervasive view on social capital as homogeneous and inherently positive.

To fill these gaps, I propose and test a theoretical model on the triggering role that regional social capital plays in a regional institutional field. I investigate how regional social capital activates the latent effects of a regional political ideology on the corporate social responsibility engagement (CSR) of firms. Following previous studies, I focus on US counties in which firms are headquartered to analyze regional influences (Jha & Cox, 2015; Lee & Lounsbury, 2015; Piazza & Perretti, 2020; Rubin, 2008). Defined as "the shared framework of mental models that groups of individuals possess" (Denzau & North, 2000, p. 4), regional political ideologies are closely linked with CSR due to their "fundamental conceptions of the role of firm endemic in the society" (Detomasi, 2008, p. 816). Previous studies have found that firms headquartered in a region more strongly influenced by political conservatism are likely to display weaker CSR because the underpinning values behind conservatism tend to devalue CSR (Di Giuli & Kostovetsky, 2014; Lee & Lounsbury, 2015; Rubin, 2008). I note, however, that a shared belief system requires a collective endorsement to be influential in eliciting behavioral changes (Ansari et al., 2013; Thornton et al., 2012). I examine whether "the ability of [a regional society] to work together for common purposes" (Fukuyama, 1995, p. 10), reflected in regional social capital, will have a decisive impact on the influence of regional political conservatism on CSR.

In doing so, I focus on regional social connectedness, which – as the structural form of social capital (Nahapiet & Ghoshal, 1998) – represents how connected local actors are to each

other through social relations and activities that generate the "sense of belonging" within a region (Putnam, 2000, p. 273). I investigate whether two types of regional social connectedness – interfirm and cooperative – derive and enhance contradictory institutional pressures from regional political conservatism. Interfirm social connectedness represents the overall connectedness of the decision-makers of local firms in a region, while cooperative social connectedness indicates that of general local people insofar as it is conducive to the solidarity of the entire region (Knack, 2002; Onyx & Bullen, 2000).

The current literature on CSR emphasizes the free-market orientation of conservatism (Gupta et al., 2017; Lee & Lounsbury, 2015), but I challenge this somewhat simplistic view and highlight an overlooked dimension of conservatism: community orientation (Haidt & Graham, 2007). This omission is problematic because, unlike the devaluing effect of free-market orientation on CSR, a widespread community spirit could instead favor CSR. The relationship between political conservatism and CSR might be more complex than currently described in the literature. An important question then arises: how are the two sides of regional political conservatism triggered?

To answer this question, I integrate social capital theory with the logic of appropriateness perspective (March, 1994). The logic of appropriateness is ideal for my task because it can explain how actors make contradictory behavioral choices when their identity offers multiple rules of action to follow (Weber et al., 2004). The choice of action is made by answering a basic question: "What does a person such as I, or an organization such as this, do in a situation such as this?" (March, 1994, p. 57) When local actors share a multifaceted identity with conflicting behavioral prescriptions, their chosen course of action is determined by which side of their identity matches the social situation they are in (March & Olsen, 2004). Applying this

perspective to the regional level process, I can then predict what side of regional political conservatism will be mostly elicited and reinforced by looking at what kinds of social environments matching two different orientations of conservatism local actors are frequently exposed to. I argue that interfirm and cooperative social connectedness provide different situational cues as they develop in heterogeneous social environments (Knack & Keefer, 1997). I predict that interfirm social connectedness strengthens the negative impact of regional political conservatism whereas cooperative social connectedness weakens it. I examine the impact of regional political conservatism on the "doing good" and "avoiding bad" dimensions of CSR separately (Lin-Hi & Müller, 2013, p. 1928).

My study makes several contributions. First, I advance social capital theory by challenging the homogeneous view of regional social capital (Kwon & Adler, 2014). I illustrate how two different types of regional social connectedness can develop in a region, with contrary implications for firm behavior. I thereby lend support to the idea that the mechanical function of social capital in facilitating coordination and the actual content transmitted through interactions should be distinguished to better predict the effect of social capital (Portes, 1998; Putzel, 1997). Another contribution to the theory is my discussion on the triggering role of regional social connectedness. Whereas most studies focus on the direct influence of regional social capital, my study indicates that regional social capital could play more diverse roles in a web of regional institutions given that collectivity matters for many regional institutions (Thornton et al., 2012).

Next, I contribute to the literature on CSR and challenge the homogeneous view of political conservatism (Chin et al., 2013; Lee & Lounsbury, 2015; Rubin, 2008) by showing that the community orientation of political conservatism also has a significant implication for CSR while the free-market orientation receives the most attention in the extant literature. I thereby

establish that the commonly assumed negative association between regional political conservatism and CSR is only conditionally present in society. In addition, I further advance the literature by showing that regional political conservatism has different impacts on the doing-good and avoiding-bad dimensions of CSR (Ioannou & Serafeim, 2015; Lin-Hi & Müller, 2013). My analysis lends support to the view that separating these dimensions allows a more nuanced relationship between key constructs. Lastly, my theoretical integration further develops the mechanism of the logic of appropriateness perspective. This perspective often assumes that once an actor identifies an appropriate rule of action that matches a situation, the rule is naturally converted into an action (Weber et al., 2004). However, I incorporate social capital into this mechanism as a key factor that facilitates this conversion process.

2.3 THEORETICAL BACKGROUND

2.3.1 Regional Political Conservatism and Corporate Social Responsibility Engagement

Characterizing the cultural-cognitive processes of individuals and organizations in a geographical area (Scott, 1995), regional political ideology influences a wide range of attitudes, preferences, judgments, and behaviors (Jost et al., 2009). Political ideologies are associated with CSR because they involve fundamental conceptions of the role of firm endemic in a region (Detomasi, 2008). Organization studies have investigated the relationship between political ideology and CSR at both organizational (Chin et al., 2013; Gupta et al., 2017; Gupta et al., 2021) and regional levels (Di Giuli & Kostovetsky, 2014; Lee & Lounsbury, 2015; Rubin, 2008). While the former accounts for the variations of CSR that are attributed to organizational members' beliefs and values, the latter focuses on macro-level institutional pressures grounded in the shared belief system of a region. The regional analyses underline the open-systems

perspective (Scott & Davis, 2007) by describing organizations as socially embedded actors (Granovetter, 1985). Joining the latter group, my study focuses on the influence of regional political conservatism.

Political ideologies significantly influence the identities of local actors and provide them with a particular set of stances on various issues (Karthikeyan et al., 2016). Prior studies have focused on conflicting stances of two regional political ideologies on CSR: liberalism and conservatism (Huber & Inglehart, 1995). According to the current literature, political liberalism supports CSR because it emphasizes cooperation between businesses and the government in order to solve social and environmental problems; consequently improving societal welfare more broadly (Walters, 1977). Political liberalism gives attention to a wide range of social issues, such as equality, human rights, and the natural environment (Schwartz, 1994). In contrast, it is argued that political conservatism advocates for values that are largely unfavorable to CSR, such as free-market capitalism, property rights, efficiency, and acceptance of socioeconomic inequality (Skitka & Tetlock, 1993; Tetlock, 2000). The underlying principle of CSR that the blind pursuit of profit can be socially harmful is contradictory to free-market capitalism, which supports profit maximization (Rubin, 2008). This dichotomous view contends that political conservatism regards CSR as an unjustifiable cost (Walters, 1977).

The growth of regional political conservatism in a region indicates that more local actors resonate with conservative values, generating normative institutional pressure to limit a firm's engagement in social missions (DiMaggio & Powell, 1983). This behavioral prescription penetrates the decision-making of local firms headquartered in the region in two ways. First, since key decision-makers such as executives usually reside near their headquarters (Palmer et al., 1986; Porter, 1998), they bring locally shared conservative values to the decision-making process

(Rubin, 2008). Prior studies establish that even globally oriented firms are embedded in the organizational field of the regions they are headquartered in (Husted, Jamali, et al., 2016; Marquis et al., 2013; Tilcsik & Marquis, 2013). Second, even if the decision-makers do not hold conservative values, firms pay close attention to the beliefs and values that are widely shared among local stakeholders (Husted, Jamali, et al., 2016; Murphy & Shleifer, 2004). As firms refer to other locally headquartered firms in seeking the standards of appropriate behaviors (Marquis et al., 2007), regional political conservatism generates isomorphic pressure among local firms.

In organization studies, this regional process is understudied; more attention has been given to the impact of organizational or individual ideologies. A handful of studies have presented evaluated the negative relationship between regional political conservatism and CSR (Di Giuli & Kostovetsky, 2014; Lee & Lounsbury, 2015; Rubin, 2008). Despite the valuable insights of these studies, I suspect a more complex process underlies the impact of regional political conservatism than currently described in the literature. Previous studies do not examine the ideological impact on the doing-good and avoiding-bad dimensions of CSR individually (Lin-Hi & Müller, 2013, p. 1928). As recent studies suggest that these dimensions "are two theoretically separate and distinct constructs and should be treated as such empirically" (Doh et al., 2010; Ioannou & Serafeim, 2015, p. 1062; Kim et al., 2018), distinguishing the two dimensions will let us see a more nuanced relationship between regional political conservatism and CSR.

More importantly, as I explain later, the simplistic view of conservative values led us to overlook an important aspect of conservative identity – community orientation – which is well-aligned with CSR. Overlooking this aspect is thus problematic because it may challenge the prediction of the current literature by eliciting a more positive stance of political conservatism

toward CSR. Admittedly, the overall influence of regional political conservatism on CSR might still appear to be negative. I offer the following baseline hypotheses.

Hypothesis 1-(a): The stronger political conservatism in a region, the weaker firms' CSR (doing good) will be.

Hypothesis 1-(b): The stronger political conservatism in a region, the weaker firms' CSR (avoiding bad) will be.

2.3.2 Multidimensional Political Conservatism and Logic of Appropriateness

Although the free-market orientation is mainly highlighted in the extant literature, community orientation is also fundamental to political conservatism. To conservatives, society is not just a collection of individuals but a cluster of institutions, groups, and families seeking moral integrity and unique collective identity (Shweder et al., 1997). The maintenance of a common social identity is important, and adherence to group norms often outweighs personal beliefs and interests (Janoff-Bulman, 2009). Two specific moral values highlighted by "the ethics of community" are ingroup and authority (Haidt & Graham, 2007). While the former indicates that political conservatism values those who make sacrifices for the ingroup, the latter is linked with respect toward those who hold legitimate authority and exemplify good leadership through magnanimity within regional societies (Haidt & Graham, 2007). It follows that firms that make sacrifices for their regional societies through prosocial activities, commonly labeled as CSR, can be seen as admirable and therefore well-received among conservatives. Because firms are powerful leaders in the modern capitalist world, they might also feel a sense of obligation toward helping their regional societies by giving back.

It should be noted that the conservatives' strong religiosity also contributes to community orientation. The association between political conservatism and religiosity has long been recognized in discussions of political ideology (Malka et al., 2011). Religiosity is linked with prosocial values such as altruism, empathy (Saroglou et al., 2005), and generosity (La Barbera & Gürhan, 1997). During religious activities, individuals enhance community orientation (Greenberg, 2000) by building "a sense of agency" and displaying prosocial behaviors (Malka et al., 2011), including environmental consumption (Peifer et al., 2016) and charitable gifts (Hill & Vaidyanathan, 2011). In such an environment, CSR might be perceived as a medium through which this sense of prosocial agency can be realized (Basu & Palazzo, 2008).

Therefore, depending on which side of regional political conservatism is derived and signaled to local people, regional political conservatism can generate conflicting institutional pressures regarding CSR in a region. The question then arises: how are the conflicting sides of political conservatism elicited from the same regional ideology? The logic of appropriateness perspective argues that situational cues play a key role in determining which aspect of a multiplicative identity affects individuals' behavioral choices (Weber et al., 2004).

According to the logic of appropriateness perspective, individuals base their choice of action on what is deemed right in a particular situation rather than on an exogenous utility function (March & Olsen, 2004). The way these individuals behave and think is grounded in their assessments of "what their identities are, what the situation is, and what action is appropriate for persons such as they are in the situation in which they find themselves" (March, 1994, p. 68). When individuals' identities involve alternative rules, only some of the relevant rules are evoked in particular situations (March & Olsen, 2004). The same actor can thus display highly different stances over an issue as their situation changes (Weber et al., 2004). At the

regional level, regional political conservatism, as a key identity factor, provides local actors with heterogeneous grounds – economic versus community-oriented – for the evaluation of a firm's prosocial behaviors. However, which part of the conservative values is evoked and enhanced in shaping the regional institutional pressure is contingent on what type of social situations local actors are mostly exposed to in their daily activities.

The logic of appropriateness perspective emphasizes the interaction between identity and situational factors that jointly frame the standards for appropriate behaviors (Weber et al., 2004). Given regional political conservatism as a regional identity factor, my study examines two types of regional social connectedness – interfirm and cooperative – as key social environments whose situational cues trigger the free-market and community orientations, respectively, of regional political conservatism.

2.3.3 Two Types of Social Connectedness

Social capital is a multifaceted concept whose meaning varies significantly among studies (Adler & Kwon, 2002; Payne et al., 2010) because it can be formed with different elements such as social connectedness, social norms, generalized reciprocity, and social trust (Onyx & Bullen, 2000; Putnam, 1993). Following mainstream research on social capital (Laursen et al., 2012), I focus on social connectedness that represents the structural dimension of social capital (Nahapiet & Ghoshal, 1998). Often described as the macro-level accumulation of social ties (Balkundi & Harrison, 2006) and social networks (Putnam, 1993), social connectedness generally refers to a "dense interlocking network of relationships" (Onyx & Bullen, 2000, p. 24). Prior studies emphasize that the stronger social connectedness is in a region, the better the region facilitates shared beliefs and coordinated actions (Fukuyama, 1995; Putnam, 1993) and controls collective action problems (Ostrom & Ahn, 2009).

The key mechanisms underlying the function of social connectedness are information sharing and the development of norms. Frequent interactions naturally facilitate information sharing, which in turn enhances cooperation and mutual accountability (Sparrowe et al., 2001). When local actors learn more about each other, they become more confident of shared beliefs and less prone to showing deviant behaviors. Information sharing is known to have a trickle-down effect: those who do not have a strong network benefit from it too (Adler & Kwon, 2002). According to social comparison theory (Festinger, 1954), interpersonal interactions are essential for a norm to be formed because individuals weigh and revise their own behavioral attitudes based on information about the thoughts and behaviors of others (Friedkin, 2001). Therefore, information sharing lays foundations for the development of norms (Granovetter, 1985). A stronger social connectedness indicates that the behaviors of others are more predictable, and the incentive to show self-seeking opportunism is reduced (Wu, 2008). This helps to sustain the shared norm by easing the process of monitoring and punishing the deviant behaviors of local actors (Bowles & Gintis, 2002).

My study addresses two types of social connectedness that appear in heterogeneous social environments of a region: interfirm and cooperative social connectedness. These two types share the common mechanical functions of facilitating social coordination discussed above, but their impacts on the region are significantly different because of the heterogeneous contents developed through social interactions (Portes, 1998; Putzel, 1997). Interfirm social connectedness develops in a social environment in which interactions only involve the decision-makers of local firms. Business associations are the main platforms for the associational life of firms (Campbell, 2007). As participants have common interests in market activities, a business- or industry-centric motive is well received during their interactions (Knack & Keefer, 1997; Olson, 1971). This

instrumental motive is readily observable when a collective of firms initiate political lobbying to create a favorable regulatory environment (Lux et al., 2011) or when self-regulation is introduced to prevent public regulation without effective sanctions (King & Lenox, 2000). In such a social environment, it is deemed appropriate for firms' decision-makers to overtly discuss the core mission of firms –profit maximization – rather than community values.

When stronger interfirm social connectedness is present in a region, the growth of regional political conservatism will manifest itself in a way that triggers stronger support for free-market capitalism. Through frequent interactions among themselves, decision-makers of local firms constantly receive the situational cue that focusing on economic responsibilities, rather than CSR, is what is expected of firms in the region. Diverting many resources to prosocial activities will begin to be seen as inappropriate behavior (Friedman, 1970). As a result, in a region with stronger interfirm social connectedness, the institutional pressure of regional political conservatism has the effect of curbing CSR.

The common mechanisms of social connectedness play an important role in facilitating the coordinated restriction on CSR. In the absence of interfirm social connectedness, even if political conservatism is prevalent, firms might be reluctant to reduce CSR due to the uncertainty about other firms' behaviors. Without confirming other firms' commitment, a firm may perceive controlling CSR on its own as risky: the firm could stand out as a particularly irresponsible firm. However, more business-oriented discussions will allow the decision-makers of firms in question to confirm the presence of a shared belief in free-market capitalism and priorities given to economic responsibilities in the region (Friedkin, 2001). The enhanced information sharing assists in tracking down deviants that misperceive the role of businesses with notably high CSR and in imposing social sanctions on them (Jones et al., 1997). Social sanctions may include

exclusion from normal interactions, reduced contracts, and political lobbies targeting such firms (Das & Teng, 2002). Firms could even share their knowledge pertaining to efficiency-driven but irresponsible behaviors such as tax evasion, insider trading, or political bribery (Aven, 2015).

In sum, I contend that the situational cues from interfirm social connectedness derive the free-market orientation from regional political conservatism. The institutional pressure of regional political conservatism is shaped to limit CSR and reinforced by the key mechanisms of interfirm social connectedness.

Hypothesis 2-(a): The stronger interfirm social connectedness is in a region, the stronger the negative relationship between regional political conservatism and firm-level CSR (doing good) will be.

Hypothesis 2-(b): The stronger interfirm social connectedness is in a region, the stronger the negative relationship between regional political conservatism and firm-level CSR (avoiding bad) will be.

Cooperative social connectedness forms when local people engage in general social interactions that facilitate the solidarity of a region (Putnam, 1993). Diverse social associations represent cooperative social connectedness; such as recreational and sports clubs, as well as religious and civic organizations (Putnam, 2000; Rupasingha et al., 2006). The key nature of such environments is that interactions tend to be family-, community-, and religiously oriented and foster group spirit. Local people reinforce their identity as members of larger communities and naturally become accustomed to caring about the betterment of regional societies they are part of (Coalter, 2007; Neal & Walters, 2008). Compared to business-centric interactions, it is more common and appropriate in these social interactions to discuss regional matters such as

how to build a better regional society and who threatens or contributes to the wellbeing of local people.

Accordingly, when a region has stronger cooperative social connectedness, the growth of regional political conservatism will result in the widespread community orientation of local people. During the frequent interactions with other members of the regional society, local people repeatedly receive the situational cue that contributing to the wellbeing of others and their entire region through prosocial activities is praiseworthy and well-received in the region (Haidt & Graham, 2007). Local people will see CSR, which is generally assumed to prioritize the common good over private interests, as an appropriate behavior of firms. Therefore, in a region with stronger cooperative social connectedness, the institutional pressure of regional political conservatism is formed in a way that better facilitates CSR.

Cooperative social connectedness relies on the same mechanisms as interfirm social connectedness, the formation of norms, and information sharing but has different implications for regional society. Without strong cooperative social connectedness, the prevalence of regional political conservatism by itself would neither solidify the positive perception of prosocial activities nor make local people act on their political beliefs. Although ideologies are held individually, they require a collective endorsement to be truly effective in influencing the individuals' behaviors (Major, 1994; Thornton et al., 2012). Strong collectivity is particularly important when the group of individuals is dispersed in a large area such as a county or a state (Albanese & van Fleet, 1985).

As local people engage more in social interactions in which community orientation is highlighted, they confirm widely shared interests in the betterment of their region and begin to promote prosocial behaviors more actively. Normative pressure will then develop in the region to

praise those firms that bear the extra costs for the wellbeing of society and publicly shame those that threaten it. Since conservatives tend to give harsher punishments to those who undermine the integrity of their communities, punishment – such as boycotts and political petitions – can be very effective (Carroll et al., 1987). The enhanced information sharing through frequent interactions will keep local people well-informed about which firms are involved in ethical or unethical behaviors (Jones et al., 1997). As explained earlier, the institutional pressure of regional political conservatism for CSR affects local firms through key decision-makers of those firms who – as local people themselves – bring in regional values (Palmer et al., 1986; Porter, 1998). Even when the decision-makers do not resonate with conservatism, firms react to the institutional pressure during the process they attend to the beliefs and values of local stakeholders (Husted, Jamali, et al., 2016; Murphy & Shleifer, 2004).

In short, I argue that cooperative social connectedness creates situational cues that trigger community orientation of regional political conservatism. The institutional pressure of regional political conservatism is shaped to endorse CSR and enhanced by the key mechanisms of cooperative social connectedness.

Hypothesis 3-(a): The stronger cooperative social connectedness is in a region, the weaker the negative relationship between regional political conservatism and firm-level CSR (doing good) will be.

Hypothesis 3-(b): The stronger cooperative social connectedness is in a region, the weaker the negative relationship between regional political conservatism and firm-level CSR (avoiding bad) will be.

2.4 METHOD

2.4.1 **Research Setting and Sample**

Since previous studies have established that US counties provide meaningful boundaries regarding sociopolitical environments (Jha & Cox, 2015; Lee & Lounsbury, 2015; Piazza & Perretti, 2020), I selected US counties as a regional level to analyze. The extant literature on regional influence usually identifies the location of firms according to the location of their headquarters (Marquis et al., 2013; Tilcsik & Marquis, 2013) because key decision-makers such as executives tend to live near headquarters (Marquis et al., 2007; Porter, 1998), and CSR is primarily initiated and conducted around headquarters (Husted, Jamali, et al., 2016). I follow the same approach. I compiled a dataset of the S&P 500 firms for the years 2000 to 2016. To avoid selection bias, all firms listed in the S&P 500 at least once during that period were included. The initial sample contained 9,495 observations. I collected data on CSR from MSCI ESG KLD Stats (Attig et al., 2016; Ioannou & Serafeim, 2015) and financial data from Compustat. Since my main variables of interest are at the county level, I replaced the missing values of research and development (R&D) intensity and leverage – which caused a significant loss of the sample – with the industry mean (Bharadwaj et al., 1999).

I combined the data with three different county-level data from the US Census Bureau: the County Business Pattern (CBP), the demographic structure, and personal income. The CBP was used to collect data on social connectedness. As for regional political conservatism, I collected county-level presidential election results in keeping with previous studies (Di Giuli & Kostovetsky, 2014; Rubin, 2008). Since county-level data was not easy to obtain, I acquired the data from diverse sources: the School of Public Affairs at American University (2000), CNN

(2004), and the Guardian (2008, 2012, and 2016). After the data was merged, 718 firms and 8,467 observations remained in my database.

2.4.2 Dependent Variable: CSR

I based my measure of *CSR* on the KLD database. Designed for institutional investors in 1991, KLD offers annual CSR data for US firms. KLD obtains relevant data from a variety of sources. It reviews annual reports, company websites, CSR reports, media, and other stakeholder-related data sources. KLD identifies strengths and concerns regarding CSR-related policies and activities in seven main categories: community, corporate governance, diversity, employee relations, environment, human rights, and products (MSCI, 2016). In evaluating each component of strengths and concerns, KLD gives a value of 1 to a firm if the firm meets its assessment criteria; the value is otherwise 0. Following previous studies (Doh et al., 2010; Ioannou & Serafeim, 2015; Kim et al., 2018), I created two measures that correspond to the "doing good" and "avoiding bad" dimensions of *CSR* by summing up KLD strengths and concerns, respectively. For the latter dimension, I reverse-coded the values so that firms that better prevented their involvement in wrongdoings had higher values.

2.4.3 Independent Variable: Regional Political Conservatism

To measure *regional political conservatism*, I used the county-level presidential election results as a proxy. The two major political parties in the US – the Republican Party and the Democratic Party – are associated with political conservatism and liberalism, respectively. Party identification is known to represent the "most stable and influential political predisposition in the belief system of ordinary citizens" (Goren et al., 2009, p. 805). Some studies have verified that the distinction between both political ideologies has remained strong in the US regarding parties'

different positions (McCarty et al., 2006), the US Congress (Hetherington, 2009), and public opinion polls (Jost, 2006). In the literature, regional voting patterns during presidential elections are used to measure regional political views (Di Giuli & Kostovetsky, 2014; Rubin, 2008). In countries such as the US that have established a strong representative democracy, the political system is designed to allow the ideological preferences of the electorate to be reflected in their voting patterns (Urbinati, 2006).

Regional political conservatism was the vote share (%) received by the Republican Party minus that received by the Democratic Party. Because presidential elections happen every 4 years in the US, I followed the interpolation technique of previous studies to generate the expected values for the missing years (Hilary & Hui, 2009) and assumed a linear relationship over the adjacent years. As a sensitivity check, I tested the vote share of the Republican Party itself instead of the relative vote share that included data on the Democratic Party's vote share. The results remained largely consistent.

2.4.4 Moderators: Cooperative and Interfirm Social Connectedness

My study focused on the structural dimension of social capital and measured two different types of social connectedness by examining the density of relevant social associations in US counties. The importance of the structural dimension is widely recognized in the literature. Participation in local social associations has a strong relationship with community involvement and attachment (Liu & Besser, 2003) and builds foundations for other types of social capital, such as social trust and norms (Putnam, 2000). Many studies have used social connectedness as an independent construct rather than just a single dimension of social capital (Steenbeek & Hipp, 2011; Wickes et al., 2017). Laursen et al. (2012) argue that the structural dimension is the most suitable for empirical analysis as it is relatively easy to measure the construct accurately. In

measuring social connectedness, many studies look at the actual frequency of interactions or participation in social associations. However, since such data was not available for a large sample of firms, I used the density of associations as a proxy (Shideler & Kraybill, 2009). In regions with more social associations, local actors have more opportunities to build close social connections, which in turn lead to the formation of more social associations (Rupasingha et al., 2006).

I obtained the data from the CBP of the US Census Bureau. This database provides subnational economic data at different levels of society. Following previous studies (Jha & Cox, 2015; Kim et al., 2006), I measured social connectedness at the county level. CBP provides a comprehensive list of establishments at the county level, classified by the North American Cartographic Information Society (NACIS) codes. An establishment refers to an operating entity or physical location where business, services, and industrial operations are performed (Office of Management and Budget, 2017). I calculated the number of establishments whose codes matched relevant social associations for two types of social connectedness. It is worth noting that despite the annually available data, all previous studies rely on the secondary data of the Northeast Regional Center for Rural Development (NRCRD). The problem is that NRCRD collects the CBP data with significantly large intervals (4 to 7 years) by using the interpolation technique to fill the gaps. In contrast, I collected yearly data for the years 2000 to 2016 without losing any information.

I measured two types of regional social connectedness by calculating the number of relevant social associations per 100,000 people in each county. Referring to Putnam's (1993) research, Rupasingha and his colleagues (2006) devised this method for the structural dimension of social capital. Recent studies in various disciplines have employed this method (Chetty et al.,

2014; Jha & Cox, 2015). While previous studies examined the overall social connectedness of a county as a single construct in their model, the purpose of my study is to challenge this homogeneous view and to distinguish more instrumental and cooperative social connectedness (Knack & Keefer, 1997). I thus split social associations.

As suggested by Rupasingha et al. (2006), I included religious and civic organizations, bowling centers, golf clubs, and recreational sports centers for the measure of *cooperative social connectedness*. My measure for *interfirm social connectedness* was based on the number of business associations. Business associations are key platforms for the associational life of firms (Campbell, 2007). According to the NAICS, business associations are comprised of establishments that are primarily engaged in promoting the business interests of their members. These establishments may conduct activities such as researching new products and services, developing market statistics, and lobbying public officials (Office of Management and Budget, 2017). As a robustness check, I created variables standardized by the total number of establishments. The results remained largely consistent.

2.4.5 Control Variables.

My model accounts for some other factors that may affect CSR. I included *firm size* to control the influence of visibility (Meyer & Höllerer, 2016). *Firm size* was the logarithm of the number of employees. Second, I controlled for *financial performance* to consider a firm's capacity to invest in CSR (Adams & Hardwick, 1998). *Financial performance* was the log-transformed and lagged net income. Third, *leverage* was added to the model for the same reason (Brammer et al., 2009). *Leverage* was measured by the debt-to-asset ratio. Fourth, I controlled for *cash holdings*, assuming that firms can divert firm values more flexibly when they hold more cash (Flammer, 2015). The measure for *cash holdings* was the ratio of cash to total assets. Fifth,

R&D intensity was included in the model because it can lead to better CSR through product and process innovation (Padgett & Galan, 2010). I measured *R&D intensity* using the R&D expense to asset ratio. As county-level controls, I included *per capita income, county population,* and *demographic structure (race and sex),* which account for the economic and social environments of counties. *Per capita income* and *county population* were log-transformed. *Demographic structure (sex)* was measured as the percentage of the female population. *Demographic structure (race)* was based on Simpson's diversity index, which assigns 1 to infinite diversity and 0 to an absence of diversity (Simpson, 1949). Lastly, industry and year dummies were added.

2.4.6 Analysis

I used the hierarchical linear model (HLM) to test my hypotheses because my observations had a nested structure with multiple levels, and errors were thus correlated within clusters (Snijders & Bosker, 1999). Using both the county-level and firm-level variables simultaneously also makes HLM more desirable for my analysis (Meyers et al., 2013). HLM has been used more widely in recent years for management research (Lee & Lounsbury, 2015). My model included three levels: individual observations (level 1), firms (level 2), and counties (level 3). The maximum likelihood method was used to generate the estimates.

For the regression assumptions, I conducted several different tests. First, the Breusch-Pagan test rejected the null hypothesis [Var(u) = 0], meaning that there were random effects or that there was heterogeneity between the firms. The likelihood-ratio test of the variance of the firm-level residuals also supported the same results. Second, according to the Wooldridge test results, I obtained coefficients that reflected the autoregressive structure of the within-firm errors. Third, as the modified Wald test indicated the groupwise heteroskedasticity, I used robust standard errors. Lastly, the Hausman test showed that certain estimators had systematic

differences when the random-effects model was applied. To remedy this issue, I centered variables by using the group means (Meyers et al., 2013).

2.5 RESULTS

I present the descriptive statistics and correlation matrix in Table 1. My sample included 171 counties and 718 firms, constituting 8,467 observations in total. Significant correlation coefficients are bolded in Table 1. I also checked the variance inflation factors in a reduced regression model. All values were below 10, which suggested that multicollinearity was not a serious problem. In Tables 2 and 3, I show the results of the HLM models on *CSR – Doing Good* and *Avoiding Bad*, respectively. Starting from a baseline model using only control variables, I added the independent variable and the moderator in a stepwise fashion.

In Models 1 and 6, I included all the control variables. *Firm size* had a positive impact on *CSR – doing good* (0.666, $p < 0.001$) but a negative impact on *CSR – avoiding bad* (-0.994, $p < 0.001$). Since larger firms receive more attention from the public, they may feel stronger pressure to make social contributions (Meyer & Höllerer, 2016). However, due to the size, it might be harder for large firms to effectively apply the codes of ethics to all internal units and facilities (Wickert et al., 2016). *Financial performance* had a positive effect only on *CSR – avoiding bad* (1.382, $p < 0.01$). This indicates that firms with slack resources refrain from engaging in opportunistic behaviors (Baucus & Near, 1991) but do not necessarily divert their resources to social causes. At the county level, *per capita income* had a negative and significant relationship with *CSR – doing good* (-2.228, $p < 0.05$). A possible explanation for this result is that when a region is making economic progress, firms are pressured to focus more on economic responsibilities to make the best out of the momentum (Lanis & Richardson, 2011).

Table 2.1 Descriptive Statistics and Correlation Matrix

Variable	Mean	Std.	1	2	3	4	5	6
1. CSR – Doing Good	2.83	3.44	1.00					
2. CSR – Avoiding Bad	-2.40	2.56	**-0.44**	1.00				
3. Regional Political Conservatism	-23.09	28.40	**-0.12**	**-0.02**	1.00			
4. Interfirm Social Connectedness	6.33	6.00	0.02	**-0.03**	**-0.32**	1.00		
5. Cooperative Social Connectedness	74.23	22.30	-0.02	-0.01	**0.17**	**0.28**	1.00	
6. Firm Size	2.83	1.30	**0.36**	**-0.32**	**-0.04**	0.02	**0.10**	1.00
7. Financial Performance	9.66	0.13	**0.34**	**-0.26**	**-0.13**	**0.03**	**-0.03**	**0.44**
8. Leverage	0.24	0.17	**-0.10**	**0.02**	-0.02	**0.03**	0.02	**-0.08**
9. Cash Holdings	8.92	9.33	-0.02	**0.11**	**-0.08**	**-0.09**	**-0.17**	**-0.13**
10. R&D Intensity	0.93	0.89	**0.07**	**0.06**	**-0.03**	**-0.10**	**-0.19**	**-0.16**
11. Per Capita Income	10.83	0.37	**0.04**	**0.13**	**-0.51**	**0.32**	**-0.03**	**0.04**
12. County Population	13.80	1.03	**0.05**	**-0.06**	**-0.35**	**-0.12**	**-0.66**	0.00
13. Demographic Structure (Race)	0.41	0.13	**0.09**	0.01	**-0.67**	**0.09**	**-0.26**	**0.05**
14. Demographic Structure (Sex)	51.09	1.03	0.00	-0.02	**-0.32**	**0.20**	**0.42**	**0.12**
Variable	7	8	9	10	11	12	13	14
7. Financial Performance	1.00							
8. Leverage	**-0.10**	1.00						
9. Cash Holdings	**-0.09**	**-0.22**	1.00					
10. R&D Intensity	**-0.05**	**-0.19**	**0.45**	1.00				
11. Per Capita Income	**0.19**	**0.03**	**0.11**	**0.04**	1.00			
12. County Population	**0.07**	0.01	**0.07**	**0.04**	**0.17**	1.00		
13. Demographic Structure (Race)	**0.15**	**0.04**	**0.05**	-0.01	**0.29**	**0.42**	1.00	
14. Demographic Structure (Sex)	**0.05**	**0.05**	**-0.15**	**-0.20**	**0.12**	**-0.07**	**0.23**	1.00

Estimates are in bold when significant ($p < 0.05$)

In Models 2 and 7, I examined Hypothesis 1-(a) and (b), which predicted an overall negative relationship between *regional political conservatism* and *CSR – doing good* and *avoiding bad*, and found no support for both hypotheses. As explained below, these insignificant results were attributed to the fact that the impact of *regional political conservatism* on *CSR* can be either positive or negative depending on the strength of *interfirm* and *cooperative social connectedness*. In other words, the commonly perceived negative relationship is not as consistent as described in the literature: it may be observed in some regions but could completely disappear

Table 2.2 Hierarchical Linear Models on CSR – Doing Good (2000 - 2016)

	Model 1	Model 2	Model 3	Model 4	Model 5
RPC: Regional Political Conservatism		-0.004	-0.004	-0.004	-0.004
		(0.011)	(0.011)	(0.011)	(0.011)
ISC: Interfirm Social Connectedness			0.073		0.073
			(0.064)		(0.066)
RPC x ISC			-0.025 **		-0.027 **
			(0.009)		(0.009)
CSC: Cooperative Social Connectedness				0.008	0.010
				(0.012)	(0.012)
RPC x CSC				0.000	0.001
				(0.002)	(0.002)
Firm Size	0.666 ***	0.667 ***	0.668 ***	0.666 ***	0.667 ***
	(0.170)	(0.169)	(0.168)	(0.169)	(0.168)
Financial Performance	-0.763	-0.766	-0.791	-0.761	-0.783
	(0.637)	(0.638)	(0.640)	(0.638)	(0.642)
Leverage	-0.060	-0.065	-0.080	-0.080	-0.103
	(0.324)	(0.320)	(0.322)	(0.322)	(0.324)
Cash Holdings	0.003	0.003	0.004	0.003	0.004
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
R&D Intensity	0.089	0.089	0.089	0.088	0.087
	(0.170)	(0.169)	(0.170)	(0.170)	(0.170)
Per Capita Income	-2.228 *	-2.217 *	-2.138 *	-2.283 *	-2.211 *
	(0.924)	(0.940)	(0.940)	(0.953)	(0.947)
County Population	0.708	0.669	0.835	0.829	1.046
	(0.592)	(0.585)	(0.601)	(0.640)	(0.658)
Demographic Structure (Race)	-1.718	-1.746	-1.369	-1.746	-1.344
	(3.129)	(3.156)	(3.144)	(3.124)	(3.107)
Demographic Structure (Sex)	-0.149	-0.166	-0.175	-0.180	-0.193
	(0.199)	(0.205)	(0.204)	(0.203)	(0.202)
Constant	0.715 †	0.748 †	0.863 *	0.742 †	0.861 *
	(0.410)	(0.434)	(0.436)	(0.433)	(0.431)
Year & Industry Dummies	Yes	Yes	Yes	Yes	Yes
Number of Firms	718	718	718	718	718
Number of Counties	171	171	171	171	171
Number of Observations	8,467	8,467	8,467	8,467	8,467
Log Likelihood	-18581.56	-18581.35	-18571.48	-18580.76	-18570.16

† p<0.1; * p<0.05; ** p<0.01; *** p<0.001
Robust standard errors in the parentheses

Table 2.3 Hierarchical Linear Models on CSR – Avoiding Bad (2000 - 2016)

	Model 6	Model 7	Model 8	Model 9	Model 10
RPC: Regional Political Conservatism		-0.003	-0.002	-0.003	-0.002
		(0.009)	(0.009)	(0.009)	(0.009)
ISC: Interfirm Social Connectedness			-0.043		-0.043
			(0.038)		(0.039)
RPC x ISC			0.001		-0.001
			(0.006)		(0.006)
CSC: Cooperative Social Connectedness				-0.003	-0.003
				(0.007)	(0.007)
RPC x CSC				0.004 **	0.004 **
				(0.001)	(0.001)
Firm Size	-0.994 ***	-0.993 ***	-0.993 ***	-0.998 ***	-0.997 ***
	(0.111)	(0.110)	(0.111)	(0.111)	(0.111)
Financial Performance	1.382 **	1.380 **	1.384 **	1.391 **	1.394 **
	(0.529)	(0.530)	(0.531)	(0.528)	(0.528)
Leverage	-0.170	-0.174	-0.171	-0.193	-0.192
	(0.240)	(0.240)	(0.240)	(0.239)	(0.240)
Cash Holdings	-0.003	-0.003	-0.003	-0.003	-0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
R&D Intensity	0.015	0.014	0.010	0.009	0.003
	(0.162)	(0.162)	(0.163)	(0.162)	(0.164)
Per Capita Income	-0.179	-0.172	-0.194	-0.087	-0.107
	(0.764)	(0.779)	(0.768)	(0.746)	(0.737)
County Population	-0.146	-0.171	-0.283	-0.189	-0.297
	(0.503)	(0.465)	(0.492)	(0.474)	(0.504)
Demographic Structure (Race)	-0.886	-0.904	-0.493	-1.166	-0.654
	(2.701)	(2.709)	(2.795)	(2.658)	(2.738)
Demographic Structure (Sex)	0.078	0.066	0.067	0.067	0.066
	(0.144)	(0.152)	(0.151)	(0.156)	(0.155)
Constant	-3.092 ***	-3.071 ***	-3.048 ***	-3.085 ***	-3.049 ***
	(0.416)	(0.420)	(0.426)	(0.411)	(0.416)
Year & Industry Dummies	Yes	Yes	Yes	Yes	Yes
Number of Firms	718	718	718	718	718
Number of Counties	171	171	171	171	171
Number of Observations	8,467	8,467	8,467	8,467	8,467
Log Likelihood	-15715.86	-15715.68	-15714.19	-15708.01	-15706.34

† p<0.1; * p<0.05; ** p<0.01; *** p<0.001
Robust standard errors in the parentheses

or even become positive in some others.

Models 3 and 8 tested whether *interfirm social connectedness* had a negative moderating effect on the relationship between *regional political conservatism* and *CSR – doing good* and *avoiding bad*. I observed a negative and significant moderating effect only from the model on *CSR – doing good* (-0.025, $p < 0.01$), supporting Hypothesis 2-(a) but not Hypothesis 2-(b). In a region with stronger interfirm social connectedness, free-market orientation is better derived from regional political conservatism and enables firms to collectively reduce the extra costs for social contributions. This coordination, however, does not extend to colluding in wrongdoings. This pattern might be observed because although wrongdoings can be easy solutions to fulfilling economic responsibilities, they have a negative spillover effect on other firms (Zavyalova et al., 2012). Furthermore, despite its support for the minimum intervention of external rules, free-market capitalism assumes market players' compliance with the basic rules that guarantee fair competition (Turner, 2008). Irresponsible collusions may not be accepted at the collective level.

Models 4 and 9 investigated the moderating effect of *cooperative social connectedness* on the relationship between *regional political conservatism* and *CSR – doing good* and *avoiding bad*. I found a positive and significant moderating effect only from the model on *CSR – avoiding bad* (0.004, $p < 0.01$), supporting Hypothesis 3-(b) but not Hypothesis 3-(a). In a region with stronger cooperative social connectedness, the community orientation of regional political conservatism is mainly elicited and spread over the region. These results, however, show that the enhanced community orientation manifests itself in a way that controls firm behaviors that threaten the common good rather than promoting bearing extra costs for social contributions. This is consistent with the general tendency of conservatives to inflict harsher punishments on those who impair the integrity of their communities (Carroll et al., 1987). These results also

imply that even when community spirit is boosted, the idea that the role of firms is limited to economic responsibilities largely persists among conservatives (Walters, 1977).

Figure 2.1 The Moderating Effect of Regional Social Connectedness on the Relationship between Regional Political Conservatism and CSR

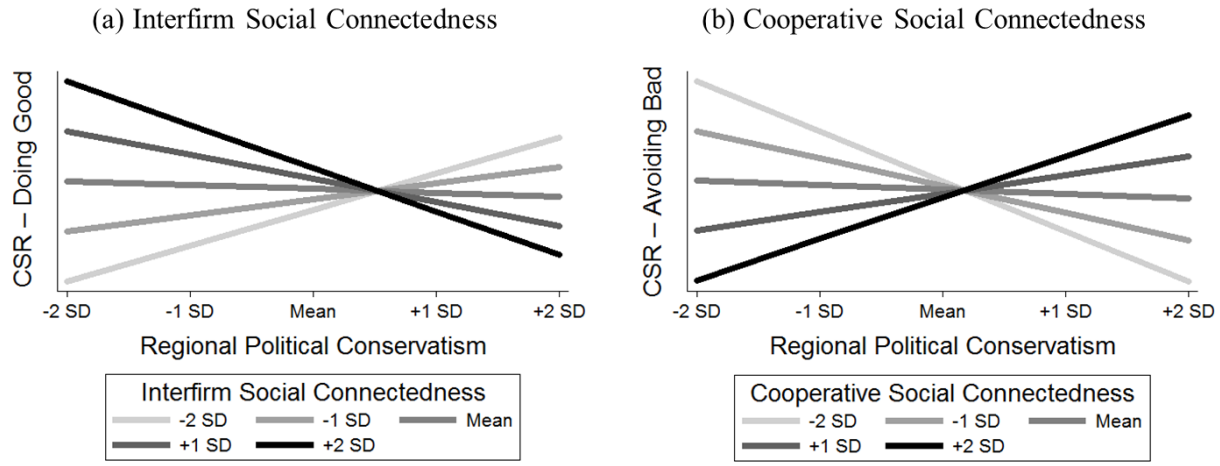


Figure 1 displays the moderating effects of two types of *regional social connectedness* on the relationship between *regional political conservatism* and *CSR*. The darker lines represent the regions with stronger social connectedness. The directional changes of the slopes indicate that the impact of *regional social connectedness* can turn positive or negative depending on the strengths of *interfirm* and *cooperative social connectedness* in a region. Lastly, I present consistent findings of the moderating effects of social connectedness in the full models: Models 5 and 10.

2.6 DISCUSSION

I aimed to advance social capital theory by demonstrating the role of regional social connectedness in deriving and reinforcing institutional pressure from a shared belief system of regional society. By integrating social capital theory (Putnam, 1993) with the logic of appropriateness perspective (March & Olson, 2004), I explain how two different sides of

political conservatism – the free-market and community orientations – are triggered by interfirm and cooperative social connectedness, respectively. The institutional pressure of regional political conservatism is formed in a way that either limits or facilitates CSR. Separating the doing-good and avoiding-bad dimensions of CSR, my results suggest that the institutional pressure targets only certain parts of prosocial behaviors. The free-market orientation of regional political conservatism leads firms to collectively reduce their engagement in doing-good activities whereas the community orientation enables local people to better control the opportunistic behaviors of firms that would threaten the wellbeing of regional society. My findings make contributions to several different bodies of literature.

2.6.1 Social Capital Theory

I further develop social capital theory by illustrating how regional social connectedness makes contradictory influences on firm behavior. Social capital theory has paid excessive attention to the positive influence of social capital on society (Kwon & Adler, 2014; Portes, 1998). In organization research, by assuming that some positive values are inherent in social capital, most studies focused on what type of benefits regional social capital offer to firms, including entrepreneurship (Kwon et al., 2013), innovation (Laursen et al., 2012), and CSR (Hasan et al., 2017; Jha & Cox, 2015). While this assumption might be true for certain forms of social capital, such as social trust and generalized reciprocity, studies have repeatedly called for more research on the negative impacts of regional social capital (Kwon & Adler, 2014; Portes, 1998). The inconsistent findings regarding the effect of social connectedness (Hasan et al., 2017; Jha & Cox, 2015; Knack, 2002) imply that there is an overlooked process through which the differing effects of social connectedness can be explained.

To fill this gap, I challenged the homogeneous view on social connectedness and demonstrated that two types of regional social connectedness create contrary institutional pressures in a region. I advance the idea that the impact of social capital is determined by the actual contents transmitted through social interactions (Portes, 1998; Putzel, 1997). Although it might be true that regional social capital overall contributes to the betterment of regional societies (Putnam, 2000), coordinated action can have many different implications for society depending on the purpose of the coordination. Future research may therefore start paying more attention to the context in which regional social capital is formed so as to better predict the effect of regional social capital, instead of simply assuming better social coordination as a positive contributor for society on its own.

In addition, my study suggests that regional social capital might have more varied roles in a regional institutional field than currently recognized in the literature through its interaction with other regional institutions for which collectivity matters. Previous studies analyzed regional social capital isolated from other regional institutions as their focus was on the direct influence of regional social capital on firm behaviors (Jha & Cox, 2015; Kwon et al., 2013; Laursen et al., 2012). In contrast, I investigated how regional social connectedness triggers the latent effects of another regional institution. I connected regional social capital's function of facilitating a collective action (Ostrom & Ahn, 2009) with the collective process of a shared belief system (Ansari et al., 2013; Thornton et al., 2012). Given that the collective identity and mobilization of local actors are in general key elements of regional institutional processes (Berrone et al., 2016; Holmes et al., 2013), I believe that regional social capital is intertwined with many other regional institutions, amplifying or reducing their influence on firms. My illustration of the triggering role

of regional social capital is an essential step in unveiling the complex ways in which regional social capital influences the behavior of local actors.

2.6.2 Regional Political Ideology and CSR

Next, I contribute to the research on the relationship between regional political ideology and CSR. Political ideology has drawn much attention over the past decade, but most studies have concentrated on the impact of personal or organizational ideologies (Chin et al., 2013; Gupta et al., 2017; Gupta et al., 2021) with only a few exceptions (Di Giuli & Kostovetsky, 2014; Lee & Lounsbury, 2015; Rubin, 2008). Regional processes of political ideology are still significantly understudied although political ideology has often been used to demarcate regional boundaries, as different regions have highly different political beliefs in many countries (McCarty et al., 2006). The lack of attention to regional processes is problematic because the causal mechanism determining how political ideology affects firms is distinct at the regional and firm levels. For example, while personal power is important for the materialization of individual ideologies in an organization (Chin et al., 2013), collective identity and mobilization capacity are essential for a shared belief to effectively manifest itself at the macro level (Thornton et al., 2012). Therefore, more research on regional processes will be essential to fully understand the influence of political ideology on CSR.

A contribution I make in this regard is my distinction of the doing-good and avoiding-bad dimensions of CSR. As indicated by recent studies (Ioannou & Serafeim, 2015), separating the two dimensions allow the detection of a more nuanced relationship between regional political conservatism and CSR. Additionally, as the extant literature relies on the classification of political liberalism and conservatism, little is known about the internal complexity of these ideologies (Feldman & Johnston, 2014). The narrow focus on the dichotomous view has

impeded us from utilizing more sophisticated models advanced in other disciplines (Haidt & Graham, 2007; Skitka & Tetlock, 1993), often simply portraying political conservatism as a barrier to social welfare (Berrone et al., 2016). My study advances the current literature by illustrating a "framing contest" (Kaplan, 2008) wherein two sides of regional political conservatism are simultaneously derived and generate conflicting institutional pressures for CSR. It is shown here that social coordination is particularly important because individual actors face uncertainty about which behavioral guidelines other actors will follow (Friedkin, 2001). My study is one of the first steps towards answering Feldman and Johnston's (2014) call for more research on complex value structures of political ideology.

2.6.3 Logic of Appropriateness

Lastly, my study contributes to the logic of appropriateness perspective by giving shape to the key role of collectives in the mechanism of appropriateness. The influence of collectives on individual decision-making is an implicit assumption of the perspective (Sending, 2002). The decision-making is not made in a vacuum but is rather subject to "a social expectation of me." Nevertheless, previous studies have not sufficiently explained the role of collectives since they have focused more on how actors identify the appropriate rule of action itself than on how their compliance to the identified rule is reinforced or mitigated afterward (Weber et al., 2004). My study fills this gap by integrating social capital theory, which indicates that the individually perceived appropriate rule will not be automatically converted into real action, being subject to a collective action problem (Ostrom & Ahn, 2009). For such conversion to occur, the actors may pass through a phase in which they validate their sense of appropriateness (Friedkin, 2001) and confirm other actors' compliance to the given appropriate rule (Ostrom & Ahn, 2009).

2.6.4 Limitations and Future Research

My study has some limitations that represent opportunities for future research. Because the macro-level process was the focus of my study, I used regional political ideology to examine the influence of political ideology on CSR. Regional political ideology likely has a significant association with individual ideologies in each firm. Nevertheless, individual workers could promote their personal ideologies during the process wherein regional political ideology penetrates firms (Chin et al., 2013). Exploring this potential interaction between regional and individual political ideologies will shed further light on the causal mechanism of ideological impacts on CSR.

Additionally, although social connectedness builds the foundations for other forms of social capital such as reciprocity, trust, and norms (Putnam et al., 1994; Rupasingha et al., 2006), these forms could have their own implications for regional political ideology (Knack, 2002). For instance, whereas the influence of social connectedness depends on the actual contents transmitted through social interactions, generalized reciprocity may consistently lead to positive changes in society due to its inherently positive values. Future research may examine whether the cognitive dimension of social capital presents significantly different patterns in the way it reinforces ideological influences on CSR.

Another limitation is concerned with the fact that I used the headquarter's location to identify the regional society a firm is embedded in. This approach admittedly results in a loss of information about non-headquarter locations of firms. Nevertheless, such an approach is widely accepted in the literature because key decision-makers of firms are very likely to live near their headquarters (Palmer et al., 1986; Porter, 1998) and also because firms are heavily influenced by local stakeholders of their headquarter location (Husted, Jamali, et al., 2016; Marquis et al.,

2013). Empirically, numerous studies have established the substantial influence of headquarter locations on CSR (Di Giuli & Kostovetsky, 2014; Husted, Jamali, et al., 2016; Rubin, 2008; Tilcsik & Marquis, 2013). If feasible, however, future research might attempt to collect the data on all the regions each firm is operating. By giving different weights to these regions based on resource dependence, I can draw a more accurate picture of regional influences on CSR. Unfortunately, no database yet exists that provides such information for a large sample like mine.

2.6.5 Conclusion

Regional social capital is generally seen as a desirable feature of society probably because of "our sociological bias to see good things emerging out of sociability" (Portes, 1998, p. 15). However, once I acknowledge that social coordination is not intended to be a value-laden construct but rather a mechanism that materializes shared interests and values, knowing which other regional institutions are assisted by regional social capital in activating their influence on local actors becomes important. This trigger function describes how critical the role of regional social capital can be in the complex web of institutions that constitute a regional institutional field. I conclude by encouraging future research to further explore the diverse roles regional social capital plays in regional societies.

3 The Crisis in Local Newspapers and Corporate Wrongdoing: The Role of Regional Social Connectedness

3.1 ABSTRACT

Drawing on institutional anomie theory, I examine how the crisis in local newspapers has induced corporate wrongdoings in US states. I argue that since local newspapers are the primary source of accountability journalism in regional societies, their decline leads to an anomic state that facilitates the prevalence of corporate wrongdoing. I also investigate whether institutional complementarity helps overcome the anomic state: due to functional similarity, regional social connectedness compensates for the scarcity of local newspapers. Conducting a panel analysis of 50 US states for the period from 2007-2015, I present three key findings. First, states facing a higher scarcity of local newspapers have a larger scale of corporate wrongdoing. Second, that tendency diminishes when the states have sufficient regional social connectedness. However, the moderating effect of regional social connectedness is observed only from corporate wrongdoing with high visibility to the public.

Keywords:

Corporate wrongdoing; institutional anomie theory; journalism crisis; regional influence: social capital

3.2 INTRODUCTION

Referred to as "democracy's detectives," local newspapers have long functioned as watchdogs for regional societies since the early 1900s (Hamilton, 2016, p. 316). The watchdog function of media, or accountability journalism, has protected citizens from unfair, corrupt, or harmful behavior of powerful local actors (Adsera et al., 2003; Brunetti & Weder, 2003). Accountability journalism mainly refers to investigative reporting that scrutinizes cases kept secret deliberately from the public (Hamilton, 2016) but more broadly encompasses the general watchdog function embedded in daily activities of local journalists (Anderson et al., 2016). Adapting to the new digital environment, local newspapers conduct the watchdog role not only by publishing traditional periodicals but also by producing online news content (Hindman, 2011; Lewis et al., 2010; Radcliffe et al., 2017; Waldman, 2011). However, during the past decade, numerous local newspapers have closed, and the size of the remaining newsrooms has become notably smaller (Abernathy, 2016). The decline in the number of local newspapers points to a tremendous negative impact on accountability journalism and a subsequent increase in opportunistic behaviors that threaten the wellbeing of society.

Would such a loss in a policing entity lead local firms to engage more in corporate wrongdoing, or "any action considered illegitimate from an ethical, regulatory, or legal standpoint (Harris & Bromiley, 2007, p. 351)?" Organization studies have explored the relationship between media and firms in various contexts, including strategic choices (Bednar et al., 2013), market entries (Kulchina, 2014), and executive compensation (Kang and Kim 2017). As to the watchdog role of media, the majority of studies have analyzed the impact of individual news reports on the ethical behavior of firms (Aharonson & Bort, 2015; Dyck et al., 2008; Jia et al., 2016; Miller, 2006; Zyglidopoulos et al., 2012). For instance, analyzing the S&P 500 US

firms, Zyglidopoulos et al. (2012) find that firms mentioned more often by major US newspapers behave in a more socially responsible way. The research on individual news reports is of much value in that it unveils the micro-foundation for the watchdog role of media.

What is largely missing, however, is the discussion on more macro-level changes in local media structure like the growing scarcity of local newspapers (El Ghoul et al., 2019; Gao et al., 2020). The research on local media structure is significant because the structure represents an important institutional feature of regional societies, which explains homogeneous behavioral patterns of local firms (Marquis et al., 2013). More specifically, the scarcity or abundance of local newspapers reflects the overall strength of accountability journalism in each regional society because the collectivity of local newspapers constitutes a key policing mechanism in local governance (Gao et al., 2020; Hamilton, 2016). This perspective, therefore, examines whether despite the idiosyncrasies of individual news reports regarding the depth of analysis, originality, and biased reporting (Barnett, 2014; Miller, 2006) local newspapers collectively help to control the egregious behavior of firms.

To theoretically ground my study, I draw on institutional anomie theory (IAT) that explains the prevalence of crimes as a result of anomie (Messner & Rosenfeld, 2009). An anomic state indicates an institutional imbalance of power characterized by the dominance of economic values over more traditional values of noneconomic institutions, such as family, polity, and education (Groß et al., 2018). In such a state, local actors rely more on illegitimate means for success if doing so satisfies economic rationality. I identify local newspapers as noneconomic institutions: their watchdog function (i.e., accountability journalism) has traditionally controlled corporate wrongdoings (Hamilton, 2016), thus helping to ensure institutional balance. I argue that the closure of local newspapers brings about an anomic state where weakened accountability

journalism gives way to the dominance of economic rationality that justifies corporate wrongdoing. Accordingly, I predict that a higher scarcity of local newspapers in a regional society results in a larger scale of corporate wrongdoing.

IAT and institutional theory of organization studies share a commonality in that they both draw attention to the tension between conflicting institutional pressures (Greenwood et al., 2011; Kraatz & Block, 2008). However, while institutional theory usually describes the tension as an obstacle to deal with (Luo et al., 2017; Pache & Santos, 2010; Raaijmakers et al., 2015) IAT sheds light on the positive side of the tension. IAT provides a particularly useful framework for the research on the "checks-and-balances" between conflicting local institutions and the impact of their balance (or imbalance) on a regional society and its members (Messner et al., 2008).

I advance my model by proposing and testing institutional complementarity between local newspapers and regional social connectedness. Regional social connectedness indicates the dense interlocking network of relationships between local people, characterizing a social structure of regional societies (Onyx & Bullen, 2000, p. 24; Putnam, 1993). For instance, those societies with strong social connectedness feature high levels of associational life (e.g., participation in leisure groups, public discourse, and churches) through which individual relationships are built and reinforced (Liu et al., 1998). Such societies have stronger informal surveillance (Warner & Rountree, 1997) because regional social connectedness facilitates information sharing (Adler & Kwon, 2002; Coleman, 1988; Ostrom & Ahn, 2009). I explain that due to functional similarity, regional social connectedness partially compensates for the decline of local newspapers in a way that reduces the loss of accountability journalism. I test if a regional society with stronger regional social connectedness experiences the impact of local newspaper scarcity on corporate wrongdoing to a lesser extent.

I conduct a panel analysis on a sample of 50 US states for the period from 2007-2015. US states provide interesting research contexts as their local newspapers have gone through a significant journalism crisis from the mid-2000s (Abernathy, 2016, 2018). My results demonstrate the importance of preserving local newspapers in maintaining the policing mechanism of regional societies. It also shows that although regional social connectedness compensates for the scarcity of local newspapers, the critical role of local newspapers cannot be completely fulfilled by them.

My study makes contributions to several different bodies of literature. First, while prior studies focus on major national news outlets, I show that local newspapers deserve more attention regarding the watchdog role of media. Analyzing the changes in local media structure is as significant as the mainstream research on individual news reports (El Ghoul et al., 2019; Gao et al., 2020). This macro-level perspective allows us to have a more comprehensive view of media influence as it incorporates the preventive impact on those firms not directly covered by news reports. In a similar vein, I contribute to the research on corporate wrongdoing by delineating macro-level processes (Palmer et al., 2016). Corporate wrongdoing is contingent upon the region-level ethical infrastructure where multiple control systems (i.e., local newspapers and regional social connectedness) facilitate the enforcement of the wellbeing of a regional society (Tenbrunsel et al., 2003). I assert that this ethical infrastructure exemplifies a particular type of institutional complementarity which is based on a functional similarity between local institutions (Crouch et al., 2005). Lastly, I advance IAT by identifying local newspapers as key noneconomic institutions. Although IAT's interest in individual crimes has led it to focus on family, religion, education, and polity, different types of key noneconomic institutions emerge when IAT is applied to different contexts like corporate wrongdoing.

3.3 RESEARCH CONTEXT AND THEORETICAL DEVELOPMENT

3.3.1 The Emergence of News Deserts and Weakened Accountability Journalism

In the United States, as hundreds of dailies and weeklies vanished during the last decade, many regional societies are at risk of becoming "news deserts (Abernathy, 2016, p. 7)." According to industry reports, more than one in five local newspapers closed between 2004 and 2018, leaving half of US counties with only one newspaper that is often not enough to cover its entire area (Abernathy, 2018). Many of the survivors are even "ghost newspapers (Abernathy, 2018, p. 25):" the quality, quantity, and scope of news content diminished to the point that local newspapers have lost the ability to cover their areas comprehensively (Keane, 2018). More than a hundred daily newspapers have turned into weekly or nondaily delivery because they cannot bear the high cost of publishing daily print editions (Abernathy, 2016).

The growth of the Internet has had a tremendous impact on local newspapers (Fitzgerald, 2009). Its influence, however, manifested itself as qualitative changes in the way local newspapers operated (e.g., business models) rather than a significant substitution of independent online media for local newspapers. As to watchdog reports, local newspapers have remained the key sources of information both online and offline. In fact, most local newspapers have quickly adapted to the new digital environment by introducing their websites where they reproduce the content of more traditional periodicals (Lewis et al., 2010). In a study of over 400 journalists from local newspapers, nearly 85 percent of the respondents stated that they used Internet-based tools to deliver their news (Radcliffe et al., 2017). The majority of online news, especially "more meaningful stories," are still produced by local newspapers (Hindman, 2011; Radcliffe et al., 2017, p. 33; Waldman, 2011). Although there are purely internet-based newspapers, these often

lack the resources required to gather and edit news on the scale of local newspapers (Baker, 2007; Pew Research Center, 2010). Journalistic activities of local people also rarely make significant contributions to investigative reporting but only to soft stories like local life and culture (Paulussen & D'heer, 2013).

The problem is that the transition to the Internet threatens the financial stability of local newspapers. The customized online advertisements and the more accessible, and yet mostly free, online news caused the steady decline of revenue of local newspapers. The public attention given to an article grounded on a laborious investigation is not always proportional to the time and resources invested in its production. Due to such uncertainty, accountability reporting is seen as "a luxury" in the new environment and often the first to be abolished in many local newspapers experiencing financial distress (Waldman, 2011, p. 53; Walton, 2010). The lack of reporters and resources in newsrooms leads to a gradual shift from traditional accountability journalism toward stories that attract more public attention and website clicks (Rubado & Jennings, 2020).

The situation has deteriorated further as the growth of the Internet is coupled with ownership changes. Since 2009, major ownership changes took place where, by 2018, a third of US newspapers were owned by only 25 companies, including companies managed by investment groups (Abernathy, 2018). The new owners are different from the traditional publishers in that they tend to prioritize a profit-oriented model over the civic role of journalism. The newly emerging focus on profit-margin expectations and short-term stock market concerns – promoted by big media conglomerates – expedites the decline of the watchdog function (Abernathy, 2016). Reporters still want to "be able to devote more time to longer, more in-depth pieces" regularly but have "neither the time nor the staff to do so." (Waldman, 2011, p. 47). More importantly,

investment companies not only dismiss journalists to meet an annual goal of profit margins but also trade or close newspapers more easily under their diversified portfolio (Abernathy, 2016).

These environmental changes have caused the steady closure of local newspapers, which in turn significantly weakens the accountability journalism of regional societies (Gao et al., 2020; Schulhofer-Wohl & Garrido, 2013). Seemingly, online news articles have gradually replaced traditional periodicals. However, since local newspapers are the main producers of online news content, their closure has a tremendous negative impact on the quantity and quality of online news content, and more specifically watchdog reporting. Furthermore, the lack of advanced telecommunications in rural areas renders the delivery of online news inefficient (Federal Communications Commission, 2016), impeding the reliance on online news platforms from being a solution (Lenz, 2018; Waldman, 2011).

The weakened watchdog role of local newspapers makes regional societies vulnerable. Previous studies have found that the decline of accountability journalism reduces political knowledge and engagement of local people (Hayes & Lawless, 2018), and in turn, political competition in elections (Rubado & Jennings, 2020). When poorly informed, regional societies lose their ability to hold powerful political actors accountable (Snyder Jr. & Strömberg, 2010). However, little is known about how local firms respond to changes in the local media structure. I now turn to IAT (Messner & Rosenfeld, 1994) as a theoretical lens to hypothesize how the loss of local newspapers as an enforcement mechanism impacts corporate wrongdoing.

3.3.2 Institutional Anomie Theory and Corporate Wrongdoing

Messner and Rosenfeld's (1994) IAT is a macro theory of criminology. It explains the occurrence of crimes by looking at the sociocultural characteristics of regional societies rather

than the individual traits of criminals. IAT is grounded on Merton's (1957) classical anomie theory that attributes a deviant behavior to anomie – an imbalance between a cultural emphasis on economic success and structural support for legitimate means to achieve it (Groß et al., 2018; Messner & Rosenfeld, 2009). Merton (1957) argued that the emphasis on material wealth in American culture resulted in pervasive criminal activities, especially due to the substitution of technically expedient means for normatively approved ones. The varying degrees of anomie across regional societies account for regional differences in crime rates.

IAT extends the classical anomie theory by giving shape to the role of diverse noneconomic institutions – family, religion, education, and polity – that provide an "institutional balance of power," restraining economic influence (Messner & Rosenfeld, 2009; Messner et al., 2008, p. 168). An institution is broadly defined in IAT as not only stable sets of norms and values but also groups and organizations that entail the former to regulate the behavior of social entities (Messner & Rosenfeld, 1994). IAT highlights the distinctive functions of noneconomic institutions because they help to prevent an uncontrolled dominance of economy. For instance, the polity serves as the rule maker in the market and protects citizens and properties. Family and education socialize people by teaching them social norms and values.

In an anomic state, however, an institutional imbalance of power appears. Economic values take the highest priority, and noneconomic institutions become subservient to them (Messner & Rosenfeld, 2009). Such an environment is characterized by the prevalence of an efficiency norm in the selection of means to achieve goals (Messner et al., 2008). Local actors adopt the "by any means necessary" orientation, demoralizing the means of action (Groß et al., 2018, p. 337). The dominance of economic values manifests itself in a way where the efficiency norm penetrates noneconomic institutions and devalues traditional functions of the institutions

(Messner & Rosenfeld, 2009). Regional societies facing this imbalance of power lose their ability to instill other social norms that prevent local actors from being dictated by the efficiency norm (Chamlin & Cochran, 1995). Therefore, local actors justify their unethical behaviors, and crime rates increase in the society.

My study applies IAT to organizational behavior. I use the term corporate wrongdoing – any illegitimate action from an ethical, regulatory, or legal standpoint – in exploring the opportunistic changes of firm behavior (Harris & Bromiley, 2007). Given that the corporate wrongdoing literature acknowledges the contextual dependence of the scope of corporate wrongdoing (Barnett, 2014; Greve et al., 2010; Palmer, 2012), I rely on the regulatory and legal standards of the government to empirically identify what is validated as corporate wrongdoing. This conservative approach allows me to conduct a more comparable and generalizable analysis: both governmental and non-governmental agents make constant efforts to update the standards to label wrongful actions that threaten the general public (Palmer, 2012). A wide range of misconducts is labeled as corporate wrongdoing, including fraud, bribery, tax evasion, discrimination, and violations of product safety, environment, trade, and consumer regulations (Harris & Bromiley, 2007).

Prior studies have taken different approaches in explaining the determinants of corporate wrongdoing (Vaughan, 1999). The majority has focused on organizational factors, such as performance expectations (Mishina et al., 2010), corporate governance (Kassinis & Vafeas, 2002), organizational culture (Liu, 2016), and international diversification (Strike et al., 2006a). However, relatively little attention has been devoted to macro-level determinants (Gabbioneta et al., 2013; Palmer et al., 2016), such as regulatory (Kedia & Rajgopal, 2011; Prechel & Hou, 2016) and industrial environments (Baucus & Near, 1991; Yiu et al., 2014). Filling this gap, my

study explores the role of local (noneconomic) institutions that collectively establish a regional ethical infrastructure – featuring unique sets of communication, surveillance, and sanctioning systems – facing individual firms in the society (Tenbrunsel et al., 2003).

3.3.3 The Growing Scarcity of Local Newspapers and Anomie

I argue that the steady closure of local newspapers leads to the decline of accountability journalism at the regional level: a sign of anomie that fosters corporate wrongdoing. I frame local newspapers as key noneconomic institutions that help to maintain the institutional balance of power. As democracy's detectives, local newspapers have been the core elements that constitute and maintain accountability journalism of regional societies (Hamilton, 2016). While capitalist values often entice firms into profitable behaviors regardless of their ethicality, the threat of accountability journalism leads them to choose more legitimate means for success (Aharonson & Bort, 2015; Weaver, Trevino, et al., 1999).

However, I argue that the broader contextual change associated with accountability journalism results in an imbalance of the institutional configuration. Most specifically, as financial stress closed numerous local newspapers regional societies lost their primary agents to maintain strong accountability journalism. Alongside disappearing newspapers, those that managed to survive reduced investigative reporting due to its substantial costs (Hamilton, 2016). They prioritized more breaking and entertaining news to attract public attention and thus advertising dollars (Mensing & Greer, 2006; Rubado & Jennings, 2020). New owners, particularly investment companies, expedited these changes by "penetrating" economic values into the local newspaper industry (Abernathy, 2016; Messner & Rosenfeld, 2009, p. 216). Therefore, the closure of local newspapers in a regional society led not only to the loss of the

watchdogs themselves but also to more latent and severe damage to accountability journalism over the entire region.

In such an anomic state, the watchdog function is no longer effective in curbing corporate wrongdoing. Since the probability that a firm's egregious action remains concealed increases, involvement in corporate wrongdoing becomes a more attractive means for success (Borden, 2007; Dyck et al., 2008). Accountability journalism often initiates a reform of flawed laws or regulations by providing "the first rough draft of legislation (Cordell, 2009; De Burgh, 2008, p. 3)," as in the case of the Sarbanes-Oxley Act (Borden, 2007). The absence of accountability journalism thus decreases the legal risks to firms. Social sanctions get weaker as well because accountability journalism not only diffuses the details of corporate wrongdoings through a wider audience but also arouses the ire of the public (Stapenhurst, 2000). The public mood often results in social sanctions, such as a boycott, a condemnation from industry peers, and a harsher penalty reflecting public resentment (Dyck et al., 2008; Stapenhurst, 2000). However, in the absence of strong accountability journalism, local firms become less sensitive to reputational costs (El Ghoul et al., 2019).

In short, the scarcity of local newspapers leads to the loss of accountability journalism. This loss then creates an anomic state where the dominance of the "by any means necessary" orientation facilitates corporate wrongdoings (Groß et al., 2018, p. 337).

Hypothesis 1: The more scarce local newspapers are in regional society, the higher the scale of corporate wrongdoing in that society.

3.3.4 Institutional Complementarity: Watchdog Role of Regional Social Connectedness

I advance my model by investigating the role of institutional complementarity in maintaining the enforcement mechanism of regional societies. Firms usually face multiple institutions characterized by a certain arrangement at the regional level (Kraatz & Block, 2008; Thornton et al., 2012). Institutional complementarity occurs when the components of an institutional arrangement compensate for each other's deficiencies so the whole achieve certain efficiencies that might not be observed otherwise (Crouch et al., 2005). When an institutional void emerges and threatens the stability of regional society, institutional complementarity comes into play (Boddewyn & Doh, 2011). The incompleteness of an institution, therefore, creates a key condition for complementarity (Zenger et al., 2000).

I suggest that the growing scarcity of local newspapers gives rise to a complementary role of another local institution. A regional society is composed of formal and informal institutions that establish a regional ethical infrastructure to control the opportunistic behavior of its members (Sampson, 1986; Tenbrunsel et al., 2003). While formal institutions include laws, written rules, and regulations as well as organizations that are designed for a particular function, informal institutions refer to social connectedness; and unwritten norms, beliefs, and culture accruing to such connectedness (Prell et al., 2010; Yamamura, 2009). As formally organized entities that provide a regional society with a surveillance system, local newspapers act as key formal institutions in the ethical infrastructure (Tenbrunsel et al., 2003). However, when the number of local newspapers decreases, an informal institution with similar functions, regional social connectedness, may appear to fill the institutional void.

Regional social connectedness refers to a "dense interlocking network of relationships between individuals and groups" within a regional society (Onyx & Bullen, 2000, p. 24). Often

used interchangeably with social ties (Balkundi & Harrison, 2006) and social networks (Putnam, 1993), social connectedness embrace informal, face-to-face interaction or membership in civic associations or social clubs (Adler & Kwon, 2002). Regional social connectedness, therefore, reflects the social cohesion of the broader regional society. The notion of regional social connectedness has developed as the structural dimension of social capital (Nahapiet & Ghoshal, 1998). In many disciplines, particularly criminology, regional social connectedness has been established as an independent construct in theoretical models (Steenbeek & Hipp, 2011; Wickes et al., 2017).

A key function of regional social connectedness is facilitating information sharing. More frequent interactions improve the capability of a regional society to efficiently transmit information across its members (Coleman, 1988; Ostrom & Ahn, 2009; Reagans & McEvily, 2003). For instance, college students easily learn about job opportunities when they interact with lots of possible informants in different settings, such as church services, voluntary works, and sports games. The stronger social connectedness is in regional society, the more likely the members are to gain access to valuable and reliable information (Koka & Prescott, 2002; Kwon et al., 2013). Such information covers diverse aspects of the society, including the roles and trustworthiness of regional constituents (Ostrom & Ahn, 2009) as well as community affairs and possible solutions for issues (Dyer & Nobeoka, 2000; Uzzi, 1997). Information sharing has a trickle-down effect: those who do not build many individual ties themselves benefit from it too (Adler & Kwon, 2002).

I argue that, because of functional similarity, regional social connectedness compensate for the scarcity of local newspapers in ways that buffers the loss of accountability journalism. Regional societies with strong social connectedness establish informal surveillance from which

local newspapers can benefit. Informal surveillance refers to the casual but active observation of neighborhoods engaged by local people during daily activities (Kubrin & Wo, 2016; Warner et al., 2010). Frequent interactions naturally lead local people to be aware of each other's behaviors (Ostrom & Ahn, 2009). Regarding corporate wrongdoing, since key stakeholders of local firms, such as customers, investors, and suppliers, generally reside in the same region, a regional society is bound to have some key observers of local firms (Porter, 1998). Regional societies with strong social ties are more likely to detect and expose corporate wrongdoings and quickly spread the news amongst members. As local citizens themselves, local journalists also take part in this information network (Lewis et al., 2010; Mitchell et al., 2019; Nielsen, 2015; Robinson, 2014).

This informal surveillance and the accumulated information on community affairs become important assets for local newspapers having difficulty in covering their local areas on their own. As to accountability reporting, local people are not as effective as formally trained professional journalists (Paulussen & D'heer, 2013): therefore, the informal channel remains only supplementary in many cases (Singer, 2010). Nonetheless, with strong information-flow capacity, local people would effectively assist local newspapers to improve the comprehensiveness of regional news coverage (Lewis et al., 2010). For instance, while local journalists experience physical limitations in attending all public hearings and critical events (Waldman, 2011), they can collect the information from relevant experts and participants. By utilizing bridging networks among regional constituents, local journalists can get in contact with those key informants and acquire sensitive information more easily (Lewis et al., 2014). Also, local newspapers can use local people as stringers or volunteers for soft news such as sports and culture so that they save resources for watchdog reports (Paulussen & D'heer, 2013). As local people partially compensate

for the shortage of local journalists in a regional society with strong social connectedness, the closure of local newspapers would not result in as significant losses of accountability journalism as it would in other regions.

In sum, regional social connectedness provides informal surveillance that local newspapers can rely on when having difficulty in covering their region. This buffers the effect of local newspaper scarcity on accountability journalism. Consequently, corporate wrongdoing would not occur as much as it would otherwise.

Hypothesis 2: The stronger regional social connectedness a regional society has, the less pronounced the positive relationship is between local newspaper scarcity and the scale of corporate wrongdoing.

3.3.5 Two Types of Corporate Wrongdoing

I further develop my model by examining whether the moderating effect of regional social connectedness differs by two types of corporate wrongdoing – internal and external (Amatulli et al., 2018; Farooq et al., 2017; Skudiene & Auruskeviciene, 2012; Tang et al., 2012). This classification is grounded on how visible each type of corporate wrongdoing is to the public (Amatulli et al., 2018; Hawn & Ioannou, 2016; Tang et al., 2012). Internal corporate wrongdoing refers to illegitimate actions associated with internal stakeholders and systems, such as employee relations and corporate governance. External corporate wrongdoing indicates illegitimate actions related to external stakeholders and operations, including customers, local communities, and the natural environment (Farooq et al., 2017; Skudiene & Auruskeviciene, 2012). Due to their proximity to the general public, external corporate wrongdoings (e.g., products made of toxic

materials or plants causing air pollution) are more visible than internal corporate wrongdoings (e.g., employee discrimination or accounting fraud).

Due to the varying degrees of visibility, I predict that regional social connectedness complements the lack of local newspapers for external corporate wrongdoings effectively, but not for internal ones. The surveillance function of regional social connectedness relies on informal interactions and activities among local people (Ostrom & Ahn, 2009). Such an informal control lacks authority, organized efforts, and expertise (King and Lenox 2000; Warner and Rountree 1997), compared to formal systems like local newspapers characterized by written rules, clear allocation of resources, and explicit incentives (Prell et al., 2010). This limitation might not come to the fore when it comes to external corporate wrongdoing which has a high chance of being exposed to the public. The information about corporate wrongdoing will be easily gathered by local people and spread through regional social connectedness.

On the other hand, internal corporate wrongdoing requires more organized efforts to be uncovered due to its low visibility. Firms maintain the secrecy of their internal operations when needed (Hannah et al., 2015; James et al., 2013). This leads to information asymmetry between the firms and their stakeholders, especially regarding illegitimate actions that firms try not to disclose to the public (Kulkarni, 2000). Therefore, systematic efforts of accountability journalists, who mobilize resources for a long period and have expertise in digging up scandals, are essential (Hamilton, 2016). Due to the lack of formality, regional social connectedness may hardly invest as many resources in the scrutiny of individual cases, and not be able to collect as much sensitive information without the support of media (Paulussen & D'heer, 2013). Hence, the buffering effect of regional social connectedness on the weakened accountability journalism will only apply to corporate wrongdoing that is readily observable to the public.

Hypothesis 3: The stronger regional social connectedness a regional society has, the less pronounced is the positive relationship between local newspaper scarcity and the scale of external corporate wrongdoing.

3.4 METHOD

3.4.1 Sample and Data Collection

I compiled panel data composed of the 50 US states over the years 2007 to 2015. Previous studies have identified US states as valid units of regional analysis in the United States (Chamlin & Cochran, 1995; Schoepfer & Piquero, 2006). I began by collecting the data on accountability journalism from the yearbooks of Editor & Publisher. This data was merged with a number of different data for other variables. Violation Tracker of Good Jobs First was the primary source of data on corporate wrongdoing. County Business Patterns (CBP) of the US Census Bureau provided data on regional social connectedness. Regarding controls, I collected data on GDP per capita from Federal Reserve Economic Data of the Federal Reserve Bank of St. Louis, land size data from the US Census Bureau, industry structure data from the Bureau of Economic Analysis. I acquired crime prevalence data from Crime Data Explorer of the Federal Bureau of Investigation and liability system data from the Lawsuit Climate Surveys of the U.S. Chamber Institute for Legal Reform. Lastly, I used Digital Nation Data Explorer of the National Telecommunications and Information Administration to obtain data on the internet use of each state. After an outlier was detected, the final sample consisted of 50 US states and 449 observations.

3.4.2 Dependent Variable: Scale of Corporate Wrongdoing

To measure *the scale of corporate wrongdoing*, I aggregated all official penalties imposed on local firms in a given state and year. I divided the values by the total number of establishments in each state to standardize the variable. I obtained the relevant data from Good Jobs First, a non-profit research center that has provided public officials and the public with different types of databases associated with corporate and government accountability since 1998. Violation Tracker is the first wide-ranging database on corporate wrongdoing, based on public records from more than 40 public agencies, such as the Department of Justice, the Environmental Protection Agency, and the Department of Labor. The database covers a broad range of issues: price-fixing, bribery, tax evasion, consumer protection, environment, employee relations, discrimination, health, safety, etc.

Good Jobs First utilizes different sources and methods to collect the violation data, including agency reports, data scraping, official press releases, and the Freedom of Information Act requests. Violation Tracker uses revised penalty amounts rather than those initially proposed in order to take into consideration reductions in penalties after negotiation as well as regulators' voluntary adjustment of penalties. Violation Tracker includes criminal and civil cases brought by regulatory agencies and the Department of Justice while excluding cases against individual executives except for the cases where their firm is also a defendant. Penalty amounts below $5,000 and without monetary penalties are eliminated. When the costs of supplementary projects that follow the settlement of cases are officially stated, the costs are included.

My use of the state-level aggregate measure for corporate wrongdoing had advantages over the common firm-level measure. Individual records of the Violation Tracker were facility-level. The same company appeared multiple times during a given year in my data because

different branches and offices of a company were involved in incidents occurring in different locations. To analyze my model at the facility or firm level, it was required to collect all supplementary information about individual facilities, including key financial information. Since such data is unavailable country-wide, previous studies have mostly relied on the location of headquarters when analyzing the influence of local institutions on firms (Di Giuli & Kostovetsky, 2014; Jha & Cox, 2015). However, the headquarter-based measure results in a significant loss of information about heterogeneous behaviors of individual facilities. Because the aggregate measure does not suffer from this limitation, I was able to incorporate more detailed information about the geographical distribution of corporate wrongdoings and a more comprehensive range of firms located in each state.

To test Hypothesis 3, I split the overall scale of corporate wrongdoing into two categories: internal and external. I drew on Tang et al.'s (2012) classification which differentiated between internal and external corporate social responsibility (CSR) on the basis of how visible CSR practices were to the public. Since corporate wrongdoing is often referred to as corporate social irresponsibility, I believe the same classification applies to my context. Following Tang et al. (2012), I defined issues related to employee relations, diversity, and corporate governance as internal corporate wrongdoing. External corporate wrongdoing included environmental and product-specific issues. When it comes to external corporate wrongdoing, some product-specific issues apply only to certain industries (e.g., food labeling violation and drug or medical equipment safety violation). I also tested the model on a more conservative measure based on product issues that were relevant to all industries (e.g., consumer protection violation and price-fixing).

3.4.3 Independent Variable: Local Newspaper Scarcity

I used a reverse-coded density of local newspapers to measure *local newspaper scarcity*. I first calculated the density of local newspapers by dividing the number of both dailies and weeklies in each state by the total number of establishments. Because of the downward trend of density, I reverse-coded the values so that a higher value of the measure indicated a more severe decline of accountability journalism in each state. This allows me to show more intuitive results. The data was acquired from the yearbooks of Editor & Publisher. Since its first issue in 1907, Editor & Publisher has been established as an authoritative monthly magazine about the North American newspaper industry. It covers all aspects of the industry such as business, newsroom, advertising, circulation, and network. Editor & Publisher publishes yearbooks that contain data on most daily and weekly newspapers in the United States, including the location of the newspapers. The yearbooks have been widely used in both journalism and management research (Dunaway & Stein, 2013; Seamans & Zhu, 2014). Due to unavailable data, I interpolated the missing data for the year 2011, assuming a linear relationship over the adjacent years (Hilary & Hui, 2009).

It should be noted that my measure does not incorporate online-only newspapers. The practical reason is that nationwide historical data on online-only newspapers is not available. A more fundamental reason is that local newspapers in my sample are the main producers of online news articles. Almost all newspapers already launched online news platforms such as websites before 2007 and provided news both online and offline. Furthermore, not to speak of their marginal presence, online-only newspapers do not provide a significant contribution to accountability journalism compared to local newspapers (Hindman, 2011; Waldman, 2011). The majority of online news originates in the work of local newspapers especially analytical ones

(Radcliffe et al., 2017). For instance, in an analysis of week-long news content in Baltimore, the Pew Research Center found that 95 percent of the stories – including those on new media – came from the work of traditional media, most notably the Baltimore Sun which accounted for 48% alone (Pew Research Center, 2010). Nevertheless, I conducted an additional analysis of online-only newspapers as Editors & Publishers provided data for the years of 2013 and 2015.

3.4.5 Moderator: Regional Social Connectedness

As for *regional social connectedness*, I referred to Rupasingha, Goetz, and Freshwater's (2006) method and created a proxy measure by utilizing data on social associations. I calculated the density of social associations by adding up the number of particular social associations in each state: religious, political, professional, business, labor, and civic organizations; bowling centers; golf clubs; and recreational sports centers. Consistent with other measures, I standardized the variable by dividing it by the total number of establishments. I obtained a comprehensive list of establishments from the CBP of the US Census Bureau. The establishments are classified by the North American Industry Classification System (NAICS) so I can distinguish between private firms, public agencies, and other social associations. Also, acknowledging the heterogeneity between social associations, I conducted an additional analysis where I split the associations into two groups.

The rationale behind this proxy is that the more social associations in regional society, the more regional constituents engage in social activities (Liu & Besser, 2003; Liu et al., 1998; Rupasingha et al., 2006). Associational life is regarded as the core component of social capital (Piscitelli & Perrella, 2017; Putnam, 2000). Social associations represent social relations and interactions themselves (Prell et al., 2010; Putnam, 1993). An alternative way to measure the

structural dimension of regional social capital is to survey actual interactions between local people and participation in social associations. However, since obtaining such data for the entire country over my nine-year time frame was infeasible, I opted for the proxy measure. Recent studies in different disciplines have used Rupasingha et al.'s (2006) method (Chetty et al., 2014; Jha & Cox, 2015).

It should be noted that I improved their original measure for *regional social connectedness*. When acquiring the CBP data on the density of social associations, all previous studies have relied on the secondary data created by the Northeast Regional Center for Rural Development (NRCRD). The problem is that NRCRD collects the CBP data with notably large intervals that range from four to seven years, despite the annually available data. Previous studies have filled the gaps by simply employing the interpolation technique rather than collecting the annual data by themselves. My data, on the other hand, is obtained directly from the annual CBP data and thus represents the real trends more thoroughly.

3.4.6 Controls

We controlled for other factors that might affect the scale of corporate wrongdoing. *GDP per capita* was included to take into account the economic situation of each state. *Land size* (square miles) was also controlled because it might affect the visibility of corporate activities and local journalists' ability to cover the area. These two variables were both log-transformed. *High impact industry* measured the percentage of high-impact industries in each state's GDP. When a state has a higher percentage of industries that inherently have a high risk of undesirable incidents, the state may have a larger scale of corporate wrongdoing. Identifying high-impact industries, I referred to Jackson and Apostolakou (2010). *Internet use rate* was the rate of

internet users against the state population. States with more internet users may have more grass-roots support for informal surveillance. *Crime prevalence* indicated the number of violent and property crimes divided by the state population. The more prevalent crimes are in a state, the more alert local people or authorities might be to corporate wrongdoings as well. Such alertness discourages firms to engage in corporate wrongdoings. I also included *liability system strength* to account for the relative strength of US states' legal systems perceived by business people. My measure was the liability systems score acquired from the Lawsuit Climate Survey. As for *internet use rate* and *liability system strength*, the data had some gaps every one or two years. I used the interpolation technique to generate the missing data, assuming a linear trend between adjacent years. Lastly, I included the year fixed effects.

3.4.7 Model Selection

I used a random-effects model with robust standard errors to test my hypotheses (Call et al., 2015; Paolella & Durand, 2016). A series of tests were conducted to determine the best model for my analysis. First, I ruled out the pooled model because the Breusch and Pagan test confirmed the presence of random effects. The group entities of my panel data were not identical enough to be completely pooled into a single population (Bell & Jones, 2015). Second, the Hausman test suggested I opt for a random-effects model. Since the between effect was not significantly biasing an estimate of the within effect, the random-effects model was preferred because of its more efficient and generalizable estimates (Bell et al., 2019). Due to the possible issue of "high variance (Clark & Linzer, 2015, p. 402)," a fixed-effects model was basically not desirable given the relatively short period of observation and somewhat sluggish covariates in my data. Clark and Linzer's (2015) specific standards for model selection further justified my use of the random-effects model. Lastly, the modified Wald test and the Wooldridge test

indicated heteroskedasticity and autocorrelation respectively. These violations of the regression assumptions kept the estimators unbiased but affected their efficiency. To control errors not identically distributed across US states and correlated within each state, I used cluster-robust standard errors (Hoechle, 2007).

3.5 RESULTS

Table 1 presents the descriptive statistics and correlation matrix. Significant correlation coefficients are bolded. I checked the variance inflation factors to check multicollinearity. All values were below ten, confirming that multicollinearity was not a serious issue in my sample. I display the results of the random-effects model on the scale of corporate wrongdoing in Table 2. The table begins with a baseline model including controls only and adds the independent variable and the moderator in a stepwise fashion.

In Model 1, *GDP per capita* was positive and significant (1.164, $p<0.01$). States with economic prosperity may give firms some relaxation from the pressure for ethicality to utilize the momentum for growth. Another possibility is that firms in those states can afford to tolerate legal or social sanctions more. *Land size* had no significant effect across all models. *High impact industry* was not significant in Model 1 but positive and significant in the full model – Model 3 (0.032, $p<0.001$). Industry structures matter because certain industries are inherently more exposed to the risk of corporate wrongdoing. *Internet use rate* had a significant negative impact (-3.852, $p<0.05$), indicating that firms in states with a strong online presence are more cautious of their behaviors due to widespread informal surveillance. *Crime prevalence* only had a limited negative effect in the full model (-0.026, $p<0.1$). States riddled with crimes may have strong law

Table 3.1 Descriptive Statistics and Correlation Matrix

Variables	Mean	Std	1	2	3	4	5	6	7	8	9
1. Scale of Corporate Wrongdoing	4.85	1.05	1.00								
2. Local Newspaper Scarcity	41.16	8.55	0.08	1.00							
3. Regional Social Connectedness	6.01	0.31	-0.01	**-0.52**	1.00						
4. GDP Per Capita	-3.03	0.20	**0.12**	0.00	**-0.21**	1.00					
5. Land Size	10.66	1.16	0.06	**-0.17**	-0.02	-0.09	1.00				
6. High Impact Industry - GDP%	38.14	8.53	**0.10**	**-0.47**	**0.42**	**-0.09**	**0.55**	1.00			
7. Internet Use Rate	0.71	0.06	-0.02	-0.04	**-0.22**	**0.50**	-0.06	**-0.15**	1.00		
8. Crime Prevalence	32.10	7.36	-0.05	**0.34**	-0.02	**-0.29**	**0.21**	**0.10**	**-0.51**	1.00	
9. Liability System Strength	61.56	7.50	**-0.13**	**-0.19**	**-0.12**	**0.39**	**-0.10**	**-0.11**	**0.49**	**-0.29**	1.00

N: 450.
Estimates are in bold when significant ($p < 0.05$).
Mean VIF: 2.18 (All values < 4.0).

enforcement and alert citizens, which makes firms careful of their behaviors in turn. *Liability system strength* had a negative and strong effect only on *the scale of internal corporate wrongdoing* (-0.025, $p<0.05$). In line with the main findings discussed later, this result indicates that the control of internal corporate wrongdoing has more to do with legal sanctions whereas external corporate wrongdoing is restrained more effectively by social sanctions.

In Model 2, *local newspaper scarcity* was positive and significant (0.027, $p<0.01$), supporting Hypothesis 1. Since local newspapers are the main sources of accountability journalism in each state, the states without sufficient local newspapers, mostly due to the journalism crisis, experience anomie (Messner et al., 2008). Because of an institutional imbalance of power, firms are freer from the investigation of local newspapers and engage more in corporate wrongdoings. *Regional social connectedness* did not have a significant direct effect. Model 3, however, demonstrates that the effect of *local newspaper scarcity* is weakened by *regional social connectedness* (-0.128, $p<0.01$), supporting Hypothesis 2. States with strong regional social connectedness have stronger informal surveillance that fills the institutional void by functioning as a watchdog itself and informs journalists about corporate wrongdoings. Journalists, therefore, suffer less from the resource constraints associated with accountability journalism. The enhanced norm for social sanctions in those states also minimizes the impact of the decline of accountability journalism by maintaining the perceived costs of corporate wrongdoing. The moderating effect of *regional social connectedness* is plotted in Figure 1. The darker line indicates a higher value of *regional social connectedness*. The figure illustrates that the stronger regional social connectedness in regional society, the weaker the positive relationship between local newspaper scarcity and the scale of corporate wrongdoing.

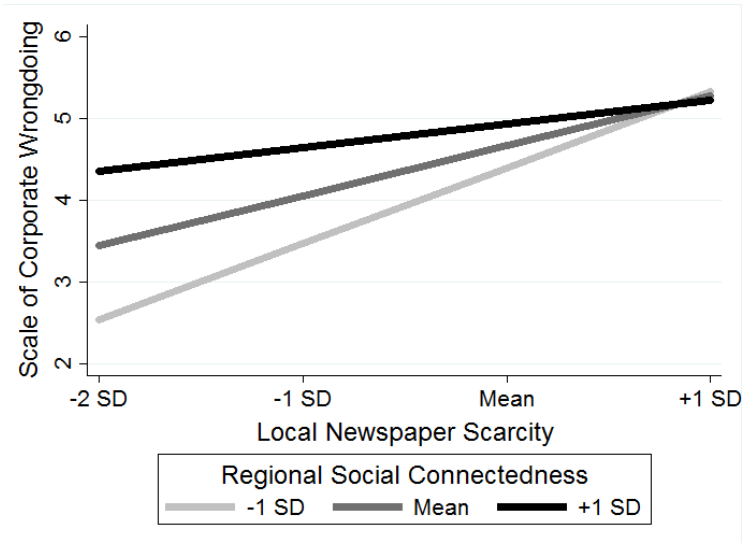
Table 3.2 Random Effects Models on the Scale of Corporate Wrongdoing in US States

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Types of Wrongdoings	Overall	Overall	Overall	Internal	Internal	External	External	External[1]
Local Newspaper Scarcity: LNS		0.027**	0.062***	0.015***	0.030*	0.026*	0.071***	0.076***
		(0.009)	(0.014)	(0.004)	(0.015)	(0.012)	(0.019)	(0.020)
Regional Social Connectedness: RSC		-0.031	0.861*	0.022	0.397	0.094	1.251*	0.973*
		(0.335)	(0.383)	(0.255)	(0.482)	(0.518)	(0.507)	(0.489)
LNS x RSC			-0.128**		-0.053		-0.166**	-0.146*
			(0.043)		(0.048)		(0.054)	(0.058)
GDP Per Capita	1.164**	1.060**	1.271***	0.558	0.671†	1.356*	1.629**	1.554**
	(0.412)	(0.391)	(0.318)	(0.357)	(0.344)	(0.619)	(0.578)	(0.502)
Land Size	0.007	0.005	-0.002	0.037	0.034	-0.092	-0.104	-0.075
	(0.068)	(0.065)	(0.063)	(0.063)	(0.061)	(0.121)	(0.122)	(0.104)
High Impact Industry - GDP%	0.013	0.027**	0.032***	-0.002	0.000	0.053***	0.059***	0.067***
	(0.009)	(0.010)	(0.008)	(0.009)	(0.009)	(0.015)	(0.014)	(0.013)
Internet Use Rate	-3.852*	-4.423**	-3.983**	-3.005**	-2.906**	-2.947	-2.412	0.343
	(1.503)	(1.489)	(1.376)	(1.105)	(1.119)	(2.164)	(2.096)	(1.928)
Crime Prevalence	-0.006	-0.020	-0.026†	-0.021†	-0.023†	-0.004	-0.010	-0.008
	(0.013)	(0.014)	(0.013)	(0.012)	(0.012)	(0.018)	(0.017)	(0.017)
Liability System Strength	-0.010	-0.004	-0.004	-0.025*	-0.025*	0.018	0.019	-0.004
	(0.013)	(0.012)	(0.010)	(0.012)	(0.011)	(0.016)	(0.015)	(0.015)
Constant	10.862***	10.464***	10.846***	9.593***	9.889***	6.957*	7.343**	5.930*
	(2.011)	(1.845)	(1.637)	(1.668)	(1.642)	(2.742)	(2.562)	(2.310)
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R-squared	0.135	0.135	0.170	0.219	0.242	0.154	0.178	0.180
Wald Chi[2]	69.88	72.29	97.53	135.69	142.96	66.69	90.41	95.32
N of Observations	450	450	450	450	450	450	450	450
N of States	50	50	50	50	50	50	50	50

† p<0.1; * p<0.05; ** p<0.01; *** p<0.001

[1]A conservative measure for external corporate wrongdoing that includes product issues that apply to all industries.

Figure 3.1 The Interaction Effect of Local Newspaper Scarcity and Regional Social Connectedness on Scale of Corporate Wrongdoing



Model 4-8 tested the model on two different types of corporate wrongdoing. *Local newspaper scarcity* had a positive and significant effect on *the scale of internal* (0.015, $p<0.001$) and *external corporate wrongdoing* (0.026, $p<0.05$) in Model 4 and 6 respectively. *Regional social connectedness* did not have a direct effect in both models. The moderating effect of regional social connectedness, however, was negative and significant only for *the scale of external corporate wrongdoing* in Model 7 (-0.166, $p<0.01$). This significant effect was observed from the model with a more conservative measure for external corporate wrongdoing as well (-0.146, $p<0.05$). These results lend support to Hypothesis 3. Regional social connectedness compensates for the lack of local newspapers and assists local newspapers to sustain accountability journalism (Nielsen, 2015), but the complementary function has limitations. Since external corporate wrongdoing is generally more exposed to the public, regional social connectedness provides local newspapers with a useful source of information. Nevertheless, as far as internal corporate wrongdoing is concerned, the information asymmetry between firms and stakeholders makes it difficult for regional social connectedness to observe internal actions that firms keep secret

(Kulkarni, 2000). Due to the lack of formal structures and incentives, regional social connectedness is not expected to invest as many resources into the investigation of individual wrongdoing cases as accountability reporters of local newspapers. Therefore, regional social connectedness does not offer local newspapers a supplementary source of information.

3.5.1 Additional Analysis

I conducted additional analyses to extend our understanding of the phenomenon. First, I tested my model using an adjusted measure for *local newspaper scarcity*. I made a measure grounded on dailies while the original measure included both dailies and weeklies. An emerging trend was that local newspapers gradually transformed themselves from dailies to weeklies when facing financial distress (Abernathy, 2016). There was a possibility that local newspapers already started limiting their contribution to accountability journalism by that time (Nielsen, 2015). If weeklies and online news platforms were as effective as dailies, this adjusted variable was unlikely to be significant. Models 9-11 in Table 3 present the results of the random-effects model with the alternative variable. Consistent with the main findings, the moderating effect of *regional social connectedness* was observed only from models with *overall* (-0.615, $p<0.01$) and *external corporate wrongdoings* (-0.719, $p<0.05$).

Next, I analyzed two separate sub-measures for *regional social connectedness*. Knack and Keefer (1997) distinguish two different types of social associations that have contradictory norms and thus have different implications for societal wellbeing. Grounded on social capital theory, Putnam-type (P-type) associations include those that facilitate cooperative orientation (Putnam, 1993). Following the logic of collective action, Olson-type (O-type) associations

Table 3.3 Additional Analyses

	LNS: Daily Only			RST: Putnam-type			RST: Olsen-type		
	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17
Types of Wrongdoings	Overall	Internal	External	Overall	Internal	External	Overall	Internal	External
Local Newspaper Scarcity: LNS	0.055	0.103†	-0.036	0.064***	0.033*	0.071***	0.039*	0.014	0.047*
	(0.085)	(0.059)	(0.138)	(0.013)	(0.014)	(0.019)	(0.018)	(0.010)	(0.022)
Regional Social Connectedness: RSC	0.128	0.241	0.209	0.773*	0.421	1.048*	0.662	-0.136	1.453*
	(0.254)	(0.300)	(0.457)	(0.327)	(0.414)	(0.470)	(0.571)	(0.546)	(0.607)
LNS x RSC	-0.615**	-0.384†	-0.719*	-0.123**	-0.056	-0.155**	-0.051	0.001	-0.086
	(0.209)	(0.225)	(0.301)	(0.037)	(0.042)	(0.050)	(0.068)	(0.048)	(0.083)
GDP Per Capita	1.262**	0.658*	1.659*	1.288***	0.698*	1.633**	1.019**	0.568	1.207*
	(0.446)	(0.301)	(0.746)	(0.322)	(0.342)	(0.596)	(0.374)	(0.358)	(0.551)
Land Size	-0.025	0.018	-0.117	-0.007	0.035	-0.114	0.027	0.026	-0.044
	(0.062)	(0.060)	(0.119)	(0.063)	(0.060)	(0.122)	(0.068)	(0.067)	(0.107)
High Impact Industry - GDP%	0.019†	-0.002	0.037†	0.033***	-0.000	0.061***	0.025*	-0.000	0.048**
	(0.011)	(0.009)	(0.020)	(0.008)	(0.009)	(0.013)	(0.010)	(0.009)	(0.014)
Internet Use Rate	-3.806**	-2.815*	-2.227	-3.923**	-2.836*	-2.395	-4.820**	-2.963**	-3.943†
	(1.368)	(1.147)	(2.082)	(1.358)	(1.129)	(2.079)	(1.580)	(1.086)	(2.290)
Crime Prevalence	-0.006	-0.016	0.014	-0.026*	-0.024*	-0.011	-0.017	-0.022†	0.005
	(0.014)	(0.011)	(0.019)	(0.013)	(0.012)	(0.017)	(0.012)	(0.012)	(0.017)
Liability System Strength	-0.010	-0.028**	0.013	-0.005	-0.025*	0.018	-0.002	-0.025*	0.024†
	(0.010)	(0.010)	(0.014)	(0.011)	(0.011)	(0.015)	(0.011)	(0.011)	(0.014)
Constant	11.090***	9.914***	7.841**	10.906***	9.941***	7.444**	10.224***	9.726***	6.181*
	(1.723)	(1.550)	(2.785)	(1.628)	(1.637)	(2.540)	(1.873)	(1.695)	(2.786)
R-squared	0.154	0.249	0.166	0.171	0.244	0.178	0.150	0.217	0.173
N of Observations	450	450	450	450	450	450	100	100	100
N of States	50	50	50	50	50	50	50	50	50

† p<0.1; * p<0.05; ** p<0.01; *** p<0.001

indicate those that are built around rent-seeking orientation (Olson, 1971). Since rent-seeking orientation restricts information sharing in the collectivity of social connections (Owen-Smith & Powell, 2004), the former is expected to have stronger information sharing in general. Accountability journalism, in particular, has more to do with community wellbeing than the specific interests of associations: therefore, O-type associations would offer very limited or no benefit to local newspapers. To test this model, I split the list of social associations for the original measure into P-type (civic and religious associations; bowling centers; golf clubs; and recreational sports centers) and O-type regional social connectedness (business, political, labor, and professional associations), following Rupasingha et al. (2006), Models 12-18 in Table 3 demonstrate the results. As predicted, only *Putnam-type regional social connectedness* had a significant and negative moderating effect for the models with *the scale of overall* (-0.123, $p<0.01$) and *external corporate wrongdoing* (-0.155, $p<0.01$) as dependent variables.

Lastly, I tested the moderating effect of online-only newspapers. Although local newspapers were the primary sources of online news content (Hindman, 2011; Radcliffe et al., 2017; Waldman, 2011), there were online newspapers that were purely web-based and thus independent from local newspapers in my sample (e.g., *Gant News* and *Tucson Sentinel*). Despite their small size, their presence could have weakened the main effect of local newspaper scarcity significantly. Unfortunately, there was no nationwide historical data on online-only newspapers, but Editors & Publishers collected the data in 2013 and 2015. I conducted a random-effects model creating a variable *online-only newspapers* based on the number of online-only newspapers in each state. The moderating effect of *online-only newspapers* was not significant, meaning that the scarcity of local newspapers was not compensated for by online-only newspapers. The results are available upon request.

3.6 DISCUSSION

The closure of local newspapers over the past decade has raised public concern (Hamilton, 2016). However, because the rapid decline is a relatively new and ongoing issue – though it has become a global phenomenon – its impact on society has seldom been investigated (Gao et al., 2020). Given that firms are seen as the most powerful, and yet opportunistic, actors in the current capitalist world (Chandler & Mazlish, 2005), the research on how they exploit this new circumstance is warranted. I set out to test the impact of local newspaper scarcity on corporate wrongdoing at the regional level. I also investigated whether regional societies managed to buffer the negative impact by relying on an alternative source of surveillance: regional social connectedness.

Drawing on IAT, I began by arguing that the scarcity of local newspapers leads to an anomic state as it weakens accountability journalism of regional society. As the theory postulates, firms then depend more on illegitimate means of success as long as doing so adheres to economic rationality (Messner & Rosenfeld, 2009). My macro-level analysis of 50 US states found that a more severe scarcity of local newspapers resulted in a larger scale of corporate wrongdoing. However, it also found that such a relationship was largely removed when a state had strong social connectedness. Regional social connectedness compensated for the decline of local newspapers by assisting accountability journalism with their informal surveillance. Nevertheless, this complementary effect of regional social connectedness was effective only for corporate wrongdoings that were readily observable from outside of firms. These findings make contributions to different bodies of literature.

3.6.1 Media

My study advances the research on the relationship between media and firms by shedding light on the macro-level governance role of local newspapers (El Ghoul et al., 2019; Gao et al., 2020). In analyzing the watchdog role of media, previous studies have focused on individual news reports and their impact on the behavior of firms (Aharonson & Bort, 2015; Dyck et al., 2008; Jia et al., 2016; Kang & Kim, 2017; Zyglidopoulos et al., 2012). While some studies point out boundary conditions, such as biased reporting and limited public attention (Barnett, 2014; Miller, 2006), the majority provide strong empirical support for the argument that individual news reports facilitate responsible behaviors of firms.

However, regardless of how influential individual news reports are, the journalism crisis has posed a threat to the presence of local newspapers that are the primary sources of those reports (Abernathy, 2016, 2018). Even if individual news reports are still powerful, inadequate media coverage would result in a limited number of news reports and, ultimately, a significant loss of accountability journalism. Although very insightful, previous studies have limitations in that they do not incorporate this critical change in the media environment. The research on individual news reports, therefore, is not sufficient on its own to make a fair assessment of the watchdog role of media. My study shows that the macro-level approach is essential to gain a comprehensive understanding of the phenomenon.

The significance of the macro-level approach also lies in the fact that it covers the impact of local newspapers not only on firms that are covered in news reports but also on those that are not. Local newspapers have a preventive effect on the latter group as the strength of accountability journalism determines the perceived costs of opportunistic behaviors (Dyck et al., 2008). Micro-level studies do not give much attention to this aspect because they are primarily

interested in the direct social sanction initiated by news reports. Also, the preventive effect would rather weaken the statistical significance of their findings. The indirect preventive effect, nonetheless, is important from the perspective of regional societies that want to minimize the overall scale of corporate wrongdoing (Borden, 2007).

Additionally, my analysis of geographical areas allows us to see the key role of local newspapers in maintaining accountability journalism. Prior studies on individual news reports usually rely on data from major national news outlets, such as the *Wall Street Journal*, *Financial Times,* and *Forbes* (Kang & Kim, 2017; Zyglidopoulos et al., 2012). This practical methodological choice has led the studies to omit local newspapers from their analysis despite the fact that local newspapers are still primary sources of information on local affairs (Napoli & Mahone, 2019). I show that local newspapers deserve more attention because they lay the foundations for accountability journalism of regional societies.

3.6.2 Corporate Wrongdoing

In a similar vein, I contribute to the literature on corporate wrongdoing by improving our understanding of institutional determinants for corporate wrongdoing (Gabbioneta et al., 2013). Palmer et al. (2016) point out that the literature has not paid sufficient attention to macro-level social contexts, such as regulatory settings (Prechel & Hou, 2016), and industry groups (Baucus & Near, 1991; Gabbioneta et al., 2013). By introducing the concept of regional ethical infrastructure, I explain that corporate wrongdoing is contingent upon the complex interplay of local institutions that collectively establish an effective control mechanism (Tenbrunsel et al., 2003). More specifically, the surveillance system of a regional society, which affects the expectancy of rewards and punishments, is vulnerable to the journalism crisis but protected by

regional social connectedness. By simultaneously examining local institutions with functional similarity (Kraatz & Block, 2008), we can better understand what impact changes in a local institution have on a community.

From a methodological point of view, my study demonstrates the value of regional analysis. Whereas the most common firm-level analysis limits my attention to the direct effects of individual motivation and punishments on culpable firms, my analysis examines the indirect deterrence effects on observing firms as well (Yiu et al., 2014). Therefore, by conducting a regional analysis, I can incorporate the behavior of small and private firms as well as large firms that most studies have focused on (Barnett, 2014).

3.6.3 Institutional Anomie

We make a contribution to IAT by introducing local newspapers as key noneconomic institutions. Although the incorporation of noneconomic institutions was the core advancement of IAT compared to the classical anomie theory, previous studies have identified a fairly limited number of noneconomic institutions (Messner et al., 2019): family, polity, education, and religion (Bjerregaard & Cochran, 2008; Weld & Roche, 2017). A possible reason is that IAT is mainly built around crimes committed by individuals. Traditional functions of those institutions are particularly important when instilling morality into individual citizens. However, as far as organizational wrongdoings are concerned, local newspapers emerge as key noneconomic institutions. Their watchdog function maintains the institutional balance of power by suppressing the urge for corporate wrongdoing, which is fostered by a strong efficiency norm (Messner & Rosenfeld, 2009).

This recognition of local newspapers is timely and relevant because the recent decline of local newspapers offers an interesting context for testing IAT. The lack of longitudinal studies on dynamic contexts has been a limitation of IAT (Messner et al., 2019). Many studies rely on a cross-sectional analysis of different regions (Bjerregaard & Cochran, 2008; Hughes et al., 2015; Schoepfer & Piquero, 2006). I instead designed a longitudinal analysis based on contextual changes detected in the US newspaper industry over the past decade. As a longitudinal analysis is more useful in establishing a causal relationship, my study enhances the empirical ground for IAT (Frees, 2004).

Additionally, I discuss how IAT can extend its integration with organization studies. IAT sheds light on the positive function of institutional complexity, or a situation where firms face conflicting institutional pressures (Greenwood et al., 2011; Kraatz & Block, 2008). The mainstream research of institutional complexity has treated complexity as an undesirable phenomenon to deal with by theorizing how firms get through the dilemma (Luo et al., 2017; Pache & Santos, 2010; Raaijmakers et al., 2015). Although a handful of studies have suggested the positive function of institutional complexity, the discussion is centered on how individual firms utilize the conflicting institutions in a way that generates strategic benefits (McPherson & Sauder, 2013; Perkmann et al., 2019). On the other hand, IAT provides a framework to associate institutional complexity with the checks and balances between coexistent institutions that help to sustain the wellbeing of different societal units (Messner et al., 2008). Given that numerous cases of tension between economic and noneconomic institutions have already been identified in the literature on institutional complexity (Greenwood et al., 2010; Lee & Lounsbury, 2015), IAT will be readily integrated into the literature and give us novel insights on the cases from a different perspective.

3.6.4 Institutional Complementarity

Lastly, my study extends the research on institutional complementarity by illustrating how a similarity-based complementarity appears. The regional ethical infrastructure suggests a particular case where formal and informal institutions establish a complementary relationship (Zenger et al., 2000). Due to the similar surveillance function, local newspapers and regional social connectedness are bound together to sustain the social control system for regions. By identifying a common denominator of local institutions, which is linked to their independent functions but elicits a superior outcome of regional society, I can define and evaluate a complementarity between coexistent institutions. The current literature has not given sufficient attention to a complementarity based on similarity because the ones composed of seemingly contradictory or completely independent institutions are deemed more "interesting" (Crouch et al., 2005).

A similarity-based complementarity becomes particularly important when one of the institutional components declines and reveals the vulnerability of a regional society (Boddewyn & Doh, 2011). The loss of power can be compensated for by another institution that offers similar benefits to the society. While many studies examine the relative importance of formal and informal institutions in keeping the wellbeing of society (Sampson, 1986; Williamson & Kerekes, 2011; Yamamura, 2009) little is known about how these institutions fill each other's void. My study demonstrates that a local institution can rely on another institution to sustain the effectiveness of its particular function. It also shows the limitation of the similarity-based complementarity by explaining how regional social connectedness is effective only for external corporate wrongdoing. Evaluating this limit caused by functional *dissimilarity* between

complementary institutions is essential regarding the research on a similarity-based complementarity.

3.6.5 Limitations and Future Research

Despite the aforementioned contributions, my study has limitations that point to future research opportunities. Future research can benefit from employing perception-based data on corporate wrongdoing. My measure has advantages in that it uses proven instances of corporate wrongdoing with quantified records, which makes comparisons and reproduction of results readily available. Nevertheless, perception-based data has its own advantages because it covers illegitimate behaviors that are not legally punishable. Future research may examine whether the perceived prevalence of corporate wrongdoing reacts in the same way as the penalty-based measure. Scholars can also further dissect the causal mechanism by adding the perceived risk of corporate wrongdoing as a mediator. Additionally, while my study focuses on the scarcity of local newspapers, future research may further investigate the detailed process of the loss of accountability journalism. More specifically, it would examine whether the way local newspapers move to and manage their online news platforms delays or accelerates the loss of accountability journalism. The platforms vary by different features such as their designs, access to news articles, costs, linkages to other local newspapers, and citizen participation. These specifics may affect how much of the watchdog function is transmitted and preserved in the online platforms.

3.6.6 Conclusion

It is a common belief that local newspapers have an important role in keeping powerful actors accountable. However, little is known about what would exactly happen and how

devastating it can be when the decline of local newspapers threatens the watchdog function of regional societies. I have demonstrated that the scarcity of local newspapers incurs significant damage to regional societies by fostering corporate wrongdoings. Fortunately, an informal mechanism helps to solve this issue to some extent, but it has turned out to be only a partial solution. My study points to the need for societal efforts to preserve the watchdog function of local newspapers because, as an executive editor of Willington News Journal once highlighted, they "can do it better than anybody else (Walton, 2010, p. 23)."

4 Social Connectedness Matters: The Influence of Regional Social Capital on Unemployment Rates during the COVID-19 Crisis

4.1 ABSTRACT

Drawing on social capital theory, I investigate the influence of regional social connectedness on local organizations' responses to disasters. In the context of the ongoing coronavirus pandemic (COVID-19) I examine how regional social connectedness strengthens or weakens the effect of the growing number of confirmed cases of COVID-19 on unemployment rates in a particular region. I argue that local organizations react to the spread of COVID-19 in the region in which they operate by relying more on layoffs. I predict, however, that such behavior is affected by two types of regional social connectedness (cooperative and instrumental) that establish heterogeneous norms and behavioral prescriptions for local organizations. My panel analysis of 3,077 counties in the United States shows that while cooperative social connectedness weakens the relationship between the spread of COVID-19 and unemployment rates, instrumental social connectedness strengthens it. I further discuss theoretical contributions to social capital theory and organization studies.

Keywords:

Disaster; regional influence; social capital; unemployment

4.2 INTRODUCTION

Regional social capital builds and maintains a thriving regional society (Putnam, 2000). Embedded in social relations in various forms, such as connectedness, norms, and trust, regional social capital facilitates the coordination of local actors for the common good (Fukuyama, 1995; Ostrom & Ahn, 2009; Putnam, 1993). Social scientists have examined different aspects of society to which regional social capital contributes, including economic performance (Westlund & Adam, 2010), political development (Paxton, 2002), and public health (Kawachi et al., 1999; Mellor & Milyo, 2005). In organization studies, as regional influences on organizations have gained more attention over the last decade (Arenas et al., 2020; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013), some studies began to investigate the effects of regional social capital in different contexts, such as entrepreneurship (Kwon et al., 2013), innovation(Laursen et al., 2012), and corporate social responsibility (Hasan et al., 2017; Jha & Cox, 2015).

Nevertheless, regional social capital remains significantly understudied (Payne et al., 2010) as organization studies thus far have primarily focused on the micro-level process of social capital through which a focal actor benefits from its own connections with other resourceful actors (Kwon & Adler, 2014; Kwon et al., 2013). The lack of attention to the macro-level process – best defined as the way that regional social capital creates similar behavioral patterns among those sharing its geographical boundaries – represents an important gap: the micro perspective alone cannot explain the neighborhood effects of social capital (Wilson, 1987). By spreading certain norms and values in a shared area, the accumulation of social capital influences not only those that directly engage in social exchanges but also regionally adjacent actors. The idea that social capital has unique implications for different levels of society has been widely accepted in many disciplines (Paxton, 2002), but only a handful of organization studies have

explored this area of inquiry. This is surprising given that macro-level institutional processes and their effects on organizations have been popular subjects among organizational theorists (Granovetter, 1985; Scott, 1995). To fully understand the impacts of social capital on organizations, it is essential to examine how the accumulation of social capital creates discernable institutional pressures at the regional level.

Disasters represent particular contexts where such macro-level processes of social capital have a substantial implication for organizations. During a disaster, local organizations often face a dilemma. On the one hand, they need to reduce their operations and labor force to sustain their financial stability; on the other hand, they are pressured to avoid mass layoffs to protect the livelihood of local people (Greenwood et al., 2010). Under the circumstances, the socially accepted behavior becomes unclear and the behavior of other organizations becomes harder to predict. Social institutions like regional social capital play a critical role in reducing uncertainty about those issues by facilitating the coordination of regional actors (Ostrom & Ahn, 2009). Recent studies illustrate the significant role of collectivity regarding community resilience during a disaster (Rao & Greve, 2018; Shepherd & Williams, 2014). However, only limited attention has been paid to the role of regional social capital during disasters (Aldrich, 2012; Aldrich & Meyer, 2014), especially as regards its influence on local organizations' disaster responses (Rao & Greve, 2018; Tilcsik & Marquis, 2013; Williams & Shepherd, 2016).

To fill this gap in the literature, I investigate how regional social capital affects local organizations' decisions on lay-offs during a disaster as manifested in the unemployment rates of regional societies. I focus on the structural dimension of social capital which is generally referred to as regional social connectedness. This dimension represents a dense interlocking network of local people that facilitates shared beliefs and coordinated actions (Boix & Posner, 1998;

Fukuyama, 1995; Putnam, 1993). I address two types of regional social connectedness in partciular on the basis of Knack and Keefer's (1997) proposition that social connectedness can develop in a way that activates either the *cooperative* (Putnam, 1993) or *instrumental* (Olson, 1971) orientation of local people. Cooperative social connectedness is reflected in social associations that mainly promote general community spirit and common goods (e.g., religious groups and civic associations) whereas instrumental social connectedness is illustrated by social associations whose memberships feature group interests and material incentives (e.g., trade and political associations). Both types of social connectedness share the same mechanical function of deriving a coordinated action from local actors that would otherwise follow their own line of conduct. However, the particular actions deriving from these two types of regional social connectedness differ significantly from one another (Putzel, 1997). I predict that when a disaster begins to interrupt business operations and impose financial stress, cooperative and instrumental social connectedness provide contradictory institutional pressures regarding local organizations' decisions on lay-offs.

My analysis contributes to social capital theory by answering the call for distinguishing different types of regional social capital (Kwon & Adler, 2014). Despite the valuable insights gleaned in previous studies, the heterogeneous nature of regional social capital has been substantially understudied in the extant literature. To date, the heterogeneity has mostly been analyzed in a way that establishes which forms of regional social capital (e.g., connectedness, norms, and trust) elicit positive outcomes for society and which do not (Hasan et al., 2017; Jha & Cox, 2015; Kwon et al., 2016). I show instead that each of these forms can have heterogeneous components on their own, generating contradictory impacts on organizations (Kwon et al., 2013). Regional social connectedness merits special attention because social connections are formed for

many different purposes in society. The fact that previous studies have presented inconsistent findings as to whether regional social connectedness positively contributes to society (Hasan et al., 2017; Jha & Cox, 2015; Knack, 2002) points to the omission of internal heterogeneity that made the overall impact of regional social connectedness fluctuate in their analyses. I thus challenge the dominant assumptions in the literature concerning the homogeneity of regional social connectedness.

I conducted a panel analysis of US counties to examine the role of the cooperative and instrumental types of regional social connectedness in the recent COVID-19 crisis. I first test the relationship between the spread of the disease and unemployment rates to establish that as socially embedded actors, local organizations are affected by regional environmental changes. I then investigate whether cooperative and instrumental social connectedness moderate that relationship differently as they guide local organizations' decisions on layoffs in contradictory ways.

4.3 THEORETICAL BACKGROUND

4.3.1 Social Capital and Disaster

The definition of social capital varies between micro- and macro-level studies (Adler & Kwon, 2002). While the former conceptualize social capital as a type of instrumental resource growing in an individual's dyadic relationships, the latter perceives it as a public good with a trickledown effect in the entire community and discusses its role in promoting common goods (Kwon et al., 2013). Putnam (1993, p. 167) defines regional social capital as "those features of social organization, such as trust, norms, and networks that can improve the efficiency of society

by facilitating coordinated actions." Similarly, Fukuyama (1995, p. 10) refers to it as "the ability of people to work together for common purposes in groups and organizations."

Social capital is a multifaceted concept that can materialize in different forms; including social connectedness, social norms, generalized reciprocity, and social trust (Coleman, 1988; Onyx & Bullen, 2000; Putnam, 1993). As social capital research usually examines particular elements of social capital depending on research purposes (Collins et al., 2017; Israel et al., 2001; Kwon et al., 2013; Laursen et al., 2012), my study focuses on the regional social connectedness that constitutes the structural dimension of social capital at the macro-level (Nahapiet & Ghoshal, 1998). Often referred to as social ties (Aldrich, 2012) and social/civic networks (Baldassarri & Diani, 2007; Putnam, 1993), regional social connectedness indicates a "dense interlocking network of relationships" in a particular geographical boundary (Onyx & Bullen, 2000, p. 24). Many studies focus solely on this structural dimension (Collins et al., 2017; Sampson & Graif, 2009; Wickes et al., 2013) since it lays foundations for other elements of social capital (Coleman, 1988) and also because, empirically, more accurate measures are available for this dimension than for others (Laursen et al., 2012).

The key mechanism through which regional social connectedness facilitates the coordination of regional actors is twofold. Frequent interpersonal interactions through social connectedness are crucial for a norm to develop as individual actors tend to adjust and validate their behaviors and attitudes through observation (Aldrich, 2012; Friedkin, 2001). A shared sense of what is appropriate under a particular circumstance emerges through constant interactions shared between regional actors. Social associations play a vital role as vessels for these interactions and "instill in their members habits of cooperation" (Putnam, 1993, pp. 89-90). Strong social connectedness also facilitates information sharing in a region in a way that

enhances mutual accountability (Sparrowe et al., 2001). Since regional actors observe each other through frequent interactions, information about which actors violate social norms is spread efficiently in a regional network (Aldrich, 2012; Wu, 2008). Knowing that the threat of collective sanctions such as an exclusion from a social network and public shaming would deter deviant behaviors, individual actors become more confident in others' compliance to social norms and so more actively participate in coordination themselves (Jones et al., 1997; O'Mahony & Lakhani, 2011; Ostrom & Ahn, 2009).

Organization studies have examined the influence of regional social capital on local organizations in different contexts. For example, after analyzing metropolitan regions in the United States, Kwon et al. (2013) found that regional social capital facilitates the entrepreneurial activities of local people. Laursen et al. (2012) examined manufacturing firms from 21 different regions in Italy and discovered that firms located in regions with more regional social capital show a higher propensity for innovation. Other studies found that at the US county-level, regional social capital drives organizations in both the private and public sectors to behave in a socially responsible way (Hasan et al., 2017; Jha & Cox, 2015; Li et al., 2018).

While these studies make meaningful contributions by providing empirical evidence on the effect of regional social capital on organizational behavior, the macro-level process of social capital remains yet significantly understudied. More research on different types and effects of regional social capital is required as prior research is centered on the positive effects of regional social capital (Kwon & Adler, 2014). Some studies have suggested that while the common mechanical function of facilitating coordination remains more or less the same, the actual impact of social capital on society could vary depending on what types of values and norms are discussed and promoted through social interactions in a given region (Owen-Smith & Powell,

2004; Portes, 1998; Putzel, 1997). Regarding regional social connectedness, individual connections between local actors are formed and maintained for diverse reasons; meaning that the overall social connectedness at the regional level is likely to have heterogeneous characteristics and implications for their regions. Nevertheless, while earlier studies make comparisons between different forms of regional social capital, including connectedness, trust, and norms (Hasan et al., 2017; Jha & Cox, 2015), the heterogeneous dimensions of regional social connectedness itself have hardly been discussed (Kwon et al., 2013). Analyzing different types and effects of regional social connectedness is thus critical: not only does it challenge the currently positive description of social capital in organization studies, but it also challenges the pervasive treatment of regional social connectedness as a homogeneous concept.

Disasters represent particular contexts where the diverging effects of different types of social connectedness can be critical. During a disaster, local organizations often face a dilemma caused by the conflict between the measures to ease their financial stress and their obligation to the general welfare of their regional societies. Major disruptions pressure local organizations financially to reduce employment and employee benefits, but the organizations are expected not to do so due to the tremendous impact of such measures on the livelihood of local citizens (Greenwood et al., 2010). Under these circumstances, social capital in a given community has a crucial role in organizations' decision making as it enhances the odds that their choices will be found socially acceptable. The significance of collectivity during a disaster was recently acknowledged in organization studies (Rao & Greve, 2018; Shepherd & Williams, 2014), but regional social connectedness has hardly been explored (Tilcsik & Marquis, 2013). In contrast, social capital theory has associated regional social connectedness with community resilience during a disaster (Aldrich & Meyer, 2014), but the role of local organizations was largely

overlooked in the analysis. This disjunction between the two bodies of literature forms a significant gap: even if local organizations have the capacity to help overcome a disaster (Aldrich, 2012; Rao & Greve, 2018; Shepherd & Williams, 2014; Williams & Shepherd, 2016), using this capacity is subject to broader social forces due to the social embeddedness of local organizations (Granovetter, 1985).

I investigate how two different types of regional social connectedness – cooperative and instrumental – result in opposing impacts on unemployment rates during the ongoing COVID-19 pandemic as they affect local organizations' decisions on layoffs.

4.3.2 The Coronavirus Pandemic in the United States

The COVID-19 pandemic has globally inflicted the most unprecedented damage on public health and the economy since the 1918 Spanish flu. The disease spread at an alarming rate following its emergence in December 2019, resulting in 83,652 cases and 2,858 deaths in 52 countries by the end of February 2020 (World Health Organization, 2020). The World Health Organization declared COVID-19 a pandemic in March, urging countries to take urgent and aggressive action to prevent widespread losses to the extent possible.

The first confirmed case of COVID-19 in the United States was detected on January 20, 2020. By the end of the year, over 19 million cases and 337,000 deaths had been reported in the country. The United States was far less prepared to address the pandemic than many other countries due to the passive stance of the Trump administration over disease control and pandemic issues (Rutledge, 2020). Whereas President Barack Obama established the pandemic response office in the National Security Council in 2016, President Donald Trump disbanded the office and lost many relevant pandemic experts in the executive branch of government within the

year preceding the outbreak of COVID-19 (Shesgreen, 2020). The Trump administration also repeatedly downplayed the threat of the disease in the media and devalued proven measures for disease control, such as social distancing and lockdowns, during the first few months of the pandemic (Rutledge, 2020). This passive reaction, however, makes the United States an ideal context for my research because I can observe local organizations' reactions to the disaster in one of the least obstructed environments. The largely unmediated spread of COVID-19 throughout the entire country created a large-scale natural experiment that enables us to compare a large number of regions through their varying pandemic responses. The vast amount of public attention devoted to the pandemic has also resulted in thorough data collection conducted by the US government. As a result, the COVID-19 pandemic offers a unique opportunity to study the effect of social connectedness on regional responses to a disaster.

While the impact of the pandemic on public health was the foremost concern, the abrupt increase in unemployment also posed a serious threat to social stability during the first wave of COVID-19 (Maani & Galea, 2020). The national average unemployment rate went up from 3.5% in January to 14.8% in April, remained above 10% until July, and came down to 6.7% by November (Bureau of Labor Statistics, 2021). Increases in the unemployment rates varied significantly by region. Between January and July, the unemployment rate rose by approximately 20% in some counties while remaining the same in over 200 counties. An unemployment rate above 10% indicated that more than 15 million people were out of work among the labor force and that their dependents thus had limited access to immediate and long-term necessities and medical care. Unemployment has been strongly associated with health threats including heart disease, stroke, and depressive symptoms, particularly for low-skilled workers and those already in poverty (Maani & Galea, 2020). Given the tremendous negative impacts of unemployment on

society, revealing the determinants for unemployment rates during a disaster will be a timely and relevant subject of inquiry.

4.3.3 Social Embeddedness and Regional Influence during a Disaster

Local organizations are susceptible to regional environmental changes because their actions are embedded in "ongoing systems of social relations" (Granovetter, 1985, p. 487; Weber & King, 2014). Organizations rely on local stakeholders for essential resources, such as finances and workforce (Marquis et al., 2007; Porter, 1998), and seek social legitimacy for their operations (Husted, Montiel, et al., 2016; Scott, 1995). Although globalization has weakened the meaning of geographical boundaries, the literature has consistently found evidence for substantial regional influences on local organizations (Marquis & Battilana, 2009) in various contexts including philanthropy (Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013), environmental management (Lee & Lounsbury, 2015), market entry (Vedula et al., 2019), entrepreneurship (Dutta, 2017; Shepherd & Williams, 2014; Williams & Shepherd, 2016) and efficiency (Gao et al., 2020).

A disaster brings about a critical environmental change since it jeopardizes the operation of local organizations in various ways. Direct damage is inflicted when a natural disaster, like an earthquake or a flood, physically destroys facilities and blocks energy supply (Dahlhamer & Tierney, 1998; Oh et al., 2013). An indirect but nonetheless profound damage is caused by shrunk market activities that impose unexpected financial distress (Baade et al., 2007). Consumer spending plummets, and business plans and contracts break. The government may provide temporary aid, but the primary attention of the government and society is generally diverted toward social safety and reconstruction along with undesirable market measures, such as

tax increases and limited subsidies (Freeman, 2004). When a disaster is a long-term event, like COVID-19, its impact can be exacerbated by market activities, and local organizations face social pressure to reduce their operations for the sake of the common good (Gostin & Wiley, 2020).

Increasing regional unemployment represents a key consequence of these limited operations during a disaster as local organizations start discharging employees to maintain their financial stability. Due to high labor costs, layoffs are a common practice among local organizations that undergo financial distress (Datta et al., 2010). The intensity of this local response depends on how severely a given region experiences the disaster. Disaster severity refers to "the extent of damage or impact when a disaster occurs in communities" (Oh et al., 2013, p. 100). For example, while the cost of property losses represents the severity in case of a conflagration, the number of infected people is a good indicator for a contagious disease like COVID-19. Different regions face varying degrees of disaster severity due to their geographical profiles (Kahn, 2005) and heterogeneous regional institutions that determine disaster readiness and resilience (Cutter et al., 2014; Kankanamge et al., 2020; Rao & Greve, 2018; Shepherd & Williams, 2014). In the case of a contagious disease, the severity of the disaster as represented by the incidence of infections directly correlates with workforce layoffs due to the large-scale economic impacts of a market crash and the widespread anxiety that socially restricts business activity. This in turn leads to increase unemployment in the region. Grounded in this logic, I suggest the first hypothesis.

Hypothesis 1: The wider the spread of COVID-19 in a given US county, the higher the unemployment rate of that county.

4.3.4 Contrary Effects of Regional Social Connectedness

Although the unfavorable market conditions flowing from a widespread disaster create substantial economic pressure in favor of discharging employees, local organizations simultaneously experience a conflicting social demand for not doing so. Unemployment has a tremendous negative impact on the livelihood of local people, posing a threat to public health (Burgard et al., 2007; Roelfs et al., 2011). As socially embedded actors, local organizations are pressured to protect social stability by avoiding mass layoffs (Greenwood et al., 2010; Kim et al., 2020). Layoffs can result in social criticism and a significant loss of legitimacy especially when the damages inflicted on regional society are getting public attention (Schulz & Johann, 2018; The New York Times, 1996). Local organizations' response to the spread of COVID-19 is therefore an outcome of finding an appropriate balance between these conflicting pressures regarding their execution of layoffs.

When an actor has two contradictory behavioral choices (Greenwood et al., 2011; Kraatz & Block, 2008), social contexts have critical impacts on their choice of action (March & Olsen, 2004; Weber et al., 2004). Local organizations gauge their choices and lean towards the decision they perceive as more socially acceptable than the alternatives. The more regional actors support a particular behavioral choice, the more weight is placed on that choice (Pache & Santos, 2010). This social approval factor can be strong enough to overrule individual judgments grounded in economic rationality (Arora et al., 2012). I argue that regional social connectedness acts as a key mechanism for this social influence as it determines the way local actors interact with each other and coordinate their behavioral choices (Putnam, 1993). Local organizations are influenced by two types of regional social connectedness – cooperative and instrumental – which separately develop in a given region (Knack & Keefer, 1997). Because of the heterogeneous values and

norms promoted by each type of social connectedness (Owen-Smith & Powell, 2004; Putzel, 1997), local organizations' responses to disasters are affected significantly by which type of social connectedness is stronger in their region.

Cooperative social connectedness grows when local people engage in social interactions that facilitate public-spiritedness and solidarity (Putnam, 1993). Through these interactions, the sense of personal identification with the geographical region grows stronger, and regional actors become more conscious of the common good (Portes, 1998). This social connectedness is thus characterized by a shared understanding of cooperation and a perceived obligation to contribute resources for the benefit of all (Knack & Keefer, 1997; Pedder & McIntyre, 2006). Various types of social associations represent cooperative social connectedness, such as religious groups, volunteer groups, and recreational clubs that solidify social bonds (Putnam, 2000; Rupasingha et al., 2006). The enhanced solidarity of a region penetrates organizations and affects their decision-making since key stakeholders, such as employees, customers, and investors, primarily reside in the regions where these organizations operate (Marquis et al., 2007; Porter, 1998). Managers that share regional socio-cultural values themselves bring them into their decision-making process. This compliance with regional values even applies to organizations that do not personally agree with this enhanced solidarity, as they still have to align their decisions to a significant extent with the expectations of local stakeholders (Rubin, 2008).

In a region with stronger cooperative social connectedness, local organizations are likely to respond to the growing severity of a disaster in a way that reflects a sense of public-spiritedness. Key decision-makers in these organizations would be more conscious of the negative implications that mass layoffs have for individuals and for their regional societies. The presence of stronger cooperative social connectedness indicates not only that a stronger

solidarity norm is prevalent in the region (Friedkin, 2001; Putnam, 1993), but also that any deviant behavior (i.e., unfair layoffs) will be detected more easily because of the enhanced information sharing that follows from this solidarity (Aldrich, 2012; Wu, 2008). Local organizations tend to be wary of the collective sanctions that could follow mass layoffs, such as public shaming and boycotts (McDonnell & King, 2013; O'Mahony & Lakhani, 2011; Ostrom & Ahn, 2009). In the context of a contagious disease like COVID-19, discharging some employees is inevitable in many cases, but these local organizations will still strive to avoid it unless it is essential for their survival. The wider spread of the disease will thus not increase the regional unemployment rate as much as it would in regions lacking cooperative social connectedness.

Hypothesis 2: The stronger cooperative social connectedness in a county, the weaker the positive relationship between the spread of COVID-19 and the unemployment rate of the county.

Instrumental social connectedness develops when local people engage in social interactions based on their shared private interests (Olson, 1982). Various groups of local actors create distributional coalitions to transfer resources from other parts of society to themselves (Knack & Keefer, 1997). A range of social associations, including trade unions, political groups, and professional associations, reflect the formation of instrumental social connectedness (Knack & Keefer, 1997; Rupasingha et al., 2006). A key implication of strong instrumental social connectedness is that local people become accustomed to prioritizing the prosperity of their own groups over that of the broader regional society. Whereas cooperative social connectedness strengthens regional solidarity, instrumental social connectedness spreads the norm of rational calculation and legitimizes the pursuit of personal benefits (Portes, 1998). Similar to what can be observed in the case of cooperative social connectedness, the heightened rent-seeking orientation

permeates local organizations through key stakeholders that help build instrumental social connectedness in a region.

When a region is characterized by strong instrumental social connectedness, local organizations' responses to the growing severity of a disaster reveal their prioritization of private interests over the benefit to all citizens in the region. Due to the firmly established social approval dynamic of rent-seeking behaviors, local organizations tend to be less concerned about the implications of their actions for their regional societies. They instead put more weight on improving their financial stability without taking into account the possible abrupt increase in unemployment and its critical impact on social stability. Strong instrumental social connectedness assures these organizations that such behavior is aligned with the shared norm of pursuing private interests and thus other organizations will also demonstrate similar behavioral patterns (Friedkin, 2001; Portes, 1998). This reduces the risk of standing out as a socially irresponsible organization (Jones et al., 1997; Sparrowe et al., 2001). The deviants that are against layoffs and thus negatively impact the reputation of neighboring organizations can be easily tracked down and face the threat of social sanctions, such as an exclusion from the network and reduced contracts (Das & Teng, 2002). Under these circumstances, local organizations would not hesitate to discharge employees even if it is not vitally necessary for their survival, but rather with the intention of improving their financial status. Amid COVID-19, a wider spread of the contagious disease will therefore induce a more sensitive reaction from local organizations, increasing the unemployment rate of a region more than can be gleaned in regions where strong instrumental social connectedness is not a factor.

Hypothesis 3: The stronger instrumental social connectedness in a county, the stronger the positive relationship between the spread of COVID-19 and the unemployment rate of the county.

4.4 METHOD

4.4.1 Sample and Data Collection

I complied panel data of US counties in 50 states over the period from February to July 2020.[1] This time frame covers the early stages of the pandemic during which the daily number of confirmed COVID-19 cases continued to increase from nine to over 4 million, and the unemployment rates remained aberrantly high with the national average above 10% (Bureau of Labor Statistics, 2021) equal to the highest rate recorded during the Great Recession of 2007-2009 (Bureau of Labor Statistics, 2012). Since late July 2020, despite the overall staggering economic condition, a significant portion of local organizations began to re-operate (Ipsos, 2020) in reaction to policy changes such as the revocation of stay-at-home orders in most states and the introduction of mandatory facial masks.

I gathered the unemployment data from the U.S. Bureau of Labor Statistics, the COVID-19 data from USAFacts, and the regional social connectedness data from the U.S. Census Bureau's County Business Patterns. A series of control variables were obtained from various organizations. I collected the data on GDP per capita and education from the U.S. Bureau of Economic Analysis and the U.S. Department of Agriculture respectively. I obtained the demographic data related to population density, age, gender, and race from the U.S. Census

[1] My sample includes counties in 48 states and county equivalents in Louisiana and Alaska, but we collectively call them "counties" for the sake of brevity.

Bureau and the data on the state governor's political affiliation from the Henry J. Kaiser Family Foundation. I referred to USA Today to investigate the enforcement of the lockdown order. Finally, the data on business assistance and unemployment compensation was acquired from the Peter G. Peterson Foundation. It is worth noting that some control variables and regional social connectedness were grounded on data gathered in 2018 or 2019 as they are the most recent years available. Since these variables are more or less time-invariant within two years, I assume them to be valid proxies for the demographic and institutional characteristics of counties. Data sources and the operationalization of variables are summarized in Table 1. Excluding counties with missing data, the final sample comprised 3,077 counties and 18,462 observations. This covers approximately 95% of the total number of US counties.

4.4.2 Dependent Variable: Unemployment Rate

My measure for *unemployment rate* was the number of unemployed people as a percentage of the labor force. For my purpose, "unemployed" refers to people who have no employment during a relevant period but are nonetheless available for work. A person who is waiting to go back to a job from which they have been temporarily laid off is included in this definition. "Employed", in contrast, refers to those who work at least one hour whether they run their own business or work for other organizations. This group also includes those who have jobs or businesses but are temporarily not working for personal reasons (e.g., vacation, illness, and parental leave). The labor force is the combination of the employed and the unemployed. The U.S. Bureau of Labor Statistics is a unit of the U.S. Department of Labor and a fact-finding agency that covers labor economics and statistics. It operates the Local Area Unemployment Statistics program that produces monthly labor force data at different geographical levels of

society. County-level data is collected from public surveys and unemployment insurance systems. The data is widely used by state and local governments for planning and budgetary purposes.

4.4.3 Independent Variable: Spread of COVID-19

I measured *spread of COVID-19* by calculating the total number of confirmed COVID-19 cases per 1,000 citizens in a region. The number of confirmed cases reflects not only how severely the pandemic has penetrated each region but also how seriously local people would perceive the severity of the disaster as it has consistently been the key index appearing in the news media. USAFacts is a non-profit organization that offers various types of data on public affairs, such as health, immigration, trade, and education. It collects the county-level data from the Centers for Disease Control and Prevention and other local-level public agencies, such as Alabama Public Health and the Florida Department of Health.

4.4.4 Moderator: Regional Social Connectedness

Drawing on Rupasingha et al. (2006), I created two proxy measures for *cooperative* and *instrumental social connectedness* by calculating the density of relevant social associations. A higher number of social associations in a region indicate more active engagement of local people in social activities (Li et al., 2018; Liu & Besser, 2003; Rupasingha et al., 2006). Since local people build their networks through these social activities, the density of social associations reflects the level of connectedness between local people in a region. When it comes to *cooperative social connectedness*, the measure is the number of social associations that generally reflect cooperative orientation per ten thousand people; such as civic and religious organizations, bowling centers, golf clubs, and recreational sports centers (Putnam, 1993). As for *instrumental social connectedness*, the measure is the number of social associations that are mainly

characterized by their rent-seeking orientation, including business, political, labor, and professional associations, per ten thousand people (Olson, 1971).

I acquired a comprehensive list of organizations established in each county from the U.S. Census Bureau's County Business Patterns. As a federal public agency, the U.S. Census Bureau produces data about the American people and the economy. County Business Patterns summarizes regional industrial structures grounded on the North American Industry Classification System, which allows us to identify particular types of social associations. Recent studies in different disciplines have employed this data for their own social capital variables (Chetty et al., 2014; Jha & Cox, 2015). It should be noted that I used 2018 data, as more recent data was not yet publicly available. I believe that this data is sufficient for my proxy measures because social capital is largely time-invariant in a short period of time like two years (Jha & Cox, 2015) and also because I focus on comparing regions with different degrees of social connectedness rather than on within-region variations.

4.4.5 Controls

Following prior studies (Chiang, 2008; Izraeli & Murphy, 2003), I controlled for economic and demographic factors that explain variations in *unemployment rate*. *GDP per capita* took into account the economic condition of counties. To consider the industry structure of counties, I added *non-manufacturing* by calculating the percentage of non-manufacturing industries. When it comes to demographic factors, *population density* was measured by the ratio of population to 1,000 square miles. *Age* and *gender* represent the percentage of the population over the age of 40 and that of the female population respectively. *Race* indicates the percentage

Table 4.1 Data Sources and Operationalization

Variable	Description	Year	Source
Unemployment Rate	The percentage of unemployed among the total labor force	2020	The Bureau of Labor Statistics
Spread of COVID-19	The number of confirmed COVID-19 cases per 1,000 citizens	2020	USAFacts
Cooperative Social Connectedness	The number of Putnam-type social associations per 10,000 citizens - Civic organizations, religious organizations, bowling centers, golf courses, and fitness and recreational sports centers	2018	The US Census Bureau – County Business Patterns
Instrumental Social Connectedness	The number of Olsen-type social associations per 10,000 citizens - Trade associations, labor unions, political organizations, and professional organizations		
GDP per capita	(Log-transformed) The county-level gross domestic products per capita	2018	The US Bureau of Economic Analysis
Non-manufacturing	The percentage of non-manufacturing industries	2018	The US Census Bureau – County Business Patterns
Population Density	(Log-transformed) The ratio of population to 1,000 square miles (land area)	2019	The US Census Bureau
Age	The percentage of the population over 40	2018	
Gender	The percentage of the female population		
Race	The percentage of black or African American population		
Education	The percentage of the population with postsecondary degrees	2018	The US Department of Agriculture
State Governor Ideology	The state governor's political affiliation: Republican = 1 / Democratic = 0	2020	The Henry J. Kaiser Family Foundation
Lockdown	The enforcement of a stay-at-home order: Yes = 1 / No = 0	2020	USA Today
Business Assistance	Public funding for business per 1,000 establishments in each state	2020	The Peter G. Peterson Foundation
Unemployment Compensation	Unemployment benefits per 1,000 citizens in each state		

of Black or African American people in a given population. *Education* was measured by the percentage of the population with postsecondary degrees.

My model also included variables related to political and policy environments specific to the COVID-19 crisis. *State governor ideology* indicates the political affiliation of state governors which might have significant implications for regional economic policies (Potrafke, 2018). I created a dummy variable that assigned a value of 1 to counties with Republican state governors and 0 to those with Democratic ones. *Lockdown* is another dummy variable associated with whether the stay-at-home order was in effect at the state level. I included two other variables, *business assistance* and *unemployment compensation*, that measured public funds spent for supporting local businesses and unemployed people as a result of COVID-19 in 2020. The former referred to the Paycheck Protection Program, the Emergency Injury Disaster Loans, and the Emergency Injury Disaster Loans Advances, while the latter was based on the Economic Impact Payments, the Federal Pandemic Unemployment Compensation, the Pandemic Emergency Unemployment Compensation, the Pandemic Unemployment Assistance, and other emergency funding. Since the county-level monthly data was unavailable, I included state-level data that tracked the accumulation of these expenses through to the end of November 2020. Lastly, I included region and month fixed effects.

4.4.6 Model Selection

I used the random-effects model that adopts the hybrid approach (Certo et al. 2017) after conducting a series of tests to determine the best model for my analysis. The Breusch-Pagan test rejected the null hypothesis [Var(u)=0], indicating the presence of random effects, or the heterogeneity between counties (Bell and Jones 2015). I ruled out the pooled model and selected

the random-effects model. The modified Wald test and the Wooldridge test implied heteroskedasticity and autocorrelation respectively. I used robust standard errors to take into account the errors not identically distributed across counties and correlated within each county (Hoechle 2007). Lastly, the Hausman test suggested that the between effect was systematically biasing an estimate of the within effect, but my key variables also included time-invariant variables; neither fixed- nor random-effects models were desirable. I thus applied the hybrid approach that captures within- and between-county variations at the same time (Certo et al., 2017; Ketokivi & McIntosh, 2017). I added the time-invariant mean of my key variables (between effects) as well as the mean-centered time-varying component of the variables (within effects), if applicable, so that any collinearity between them would be removed. The coefficient of the within-county component is theoretically identical to the estimates obtained from the fixed-effects model (Schunck & Perales, 2017). This hybrid approach has been recently utilized in leading management journals (Freeman et al., 2020; V. K. Gupta et al., 2020).

4.5 RESULTS

Table 2 presents the descriptive statistics and the correlation matrix with bolded significant correlation coefficients. I checked the variance inflation factors in a reduced regression model and confirmed that multicollinearity was not an issue in my data. My sample included 3,077 counties and 18,462 observations. Table 3 displays the results of the hybrid models with *unemployment rate* as the dependent variable. Beginning with a baseline model only with control variables, I added key variables in a stepwise fashion.

Model 1 includes all control variables. With respect to economic factors, *GDP per capita* had a negative relationship with *unemployment rate*, but the relationship was not strong (-0.148,

Table 4.2 Descriptive Statistics and Correlation Matrix

Variable	Mean	Std.	1	2	3	4	5	6
1. Unemployment Rate	8.07	4.33	1.00					
2. Spread of COVID-19	2.43	4.72	**0.17**	1.00				
3. Cooperative Social Connectedness	10.95	5.56	**-0.16**	**-0.07**	1.00			
4. Instrumental Social Connectedness	0.54	0.84	**0.11**	**0.04**	0.01	1.00		
5. GDP per capita	3.74	0.49	**-0.05**	**0.03**	**0.16**	**0.26**	1.00	
6. Non-manufacturing	67.19	5.85	**0.03**	**0.08**	**0.06**	**0.20**	**0.12**	1.00
7. Population Density	10.66	1.70	**0.20**	**0.17**	**-0.20**	**0.35**	**-0.02**	**0.29**
8. Age	51.25	6.12	**0.00**	**-0.17**	**0.24**	**-0.13**	**-0.18**	**-0.10**
9. Gender	49.92	2.14	0.05	**0.02**	**0.08**	**0.13**	**-0.03**	**0.17**
10. Race	8.84	14.03	**0.08**	**0.27**	**-0.08**	0.00	**-0.11**	**0.17**
11. Education	52.20	10.49	**-0.07**	**-0.06**	0.01	**0.34**	**0.38**	**0.25**
12. State Governor Ideology	1.58	0.49	**-0.11**	**0.03**	**-0.04**	**-0.11**	**-0.06**	**-0.04**
13. Lockdown	0.36	0.48	**0.37**	**-0.15**	**-0.06**	**0.06**	**-0.02**	**0.02**
14. Business Assistance	85.58	11.82	**0.12**	**0.12**	**-0.08**	**0.08**	**0.16**	**0.13**
15. Unemployment Compensation	1.70	0.39	**0.30**	**0.06**	**-0.12**	**0.16**	**0.05**	**0.07**

Variable	7	8	9	10	11	12	13	14
7. Population Density	1.00							
8. Age	**-0.30**	1.00						
9. Gender	**0.33**	**0.04**	1.00					
10. Race	**0.23**	**-0.18**	**0.13**	1.00				
11. Education	**0.24**	**-0.09**	**0.16**	**-0.21**	1.00			
12. State Governor Ideology	**-0.09**	**-0.13**	0.01	**0.12**	**-0.21**	1.00		
13. Lockdown	**0.13**	**0.05**	**0.02**	**-0.02**	**0.04**	**-0.37**	1.00	
14. Business Assistance	**0.22**	**-0.11**	**-0.05**	**0.12**	**0.03**	**-0.08**	**0.06**	1.00
15. Unemployment Compensation	**0.31**	**0.07**	**0.03**	**0.02**	**0.06**	**-0.42**	**0.23**	**0.48**

N: 18,462

Estimates are in bold when significant ($p < 0.05$).

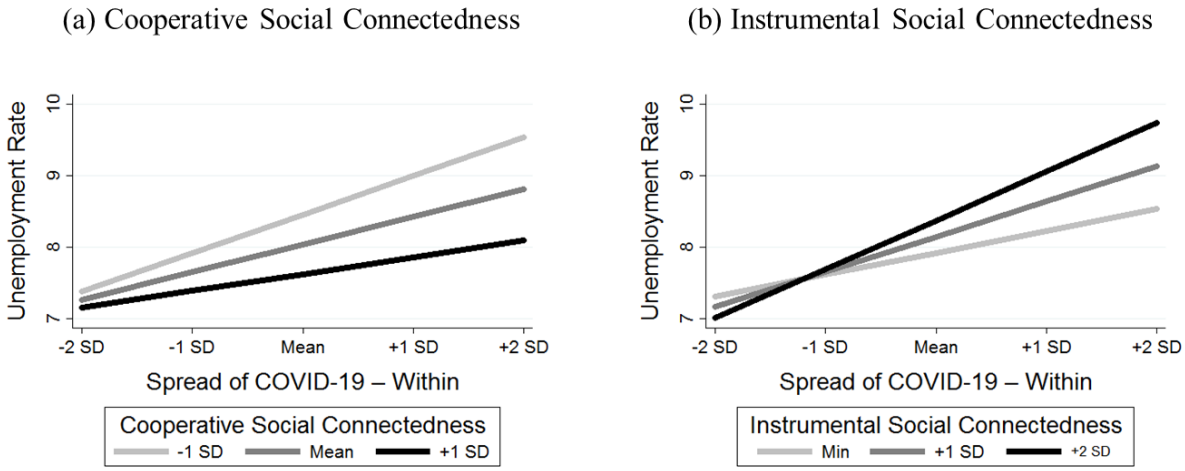
$p < 0.1$). *Non-manufacturing* had no significant impact. Regarding demographic factors, *population density* (0.409, $p < 0.001$), *age* (0.030, $p < 0.001$), and *race* (0.024, $p < 0.001$) had positive and significant associations with *unemployment rate*; whereas *education* had a negative and significant relationship (-0.054, $p < 0.001$). *Female* had a positive association with *unemployment rate*, but the association was only marginal (0.035, $p < 0.1$). The unemployment rate is higher when a region has a higher population density, larger older population, larger Black or African American population, more people without post-secondary education, and a larger female population. As for political and policy environments, *state governor ideology* had a positive and significant association (0.212, $p < 0.05$). Counties under the Republican-controlled

Table 4.3 Hybrid Models on Unemployment Rate in US Counties

DV: Unemployment Rate	Model 1	Model 2	Model 3	Model 4	Model 5
SCW: Spread of COVID-19 – within		0.112***	0.179***	0.079***	0.149***
		(0.008)	(0.017)	(0.008)	(0.016)
SCB: Spread of COVID-19 – between		0.008	0.144***	0.011	0.156***
		(0.017)	(0.038)	(0.021)	(0.041)
CSC: Cooperative Social Connectedness			-0.039***		-0.040***
			(0.010)		(0.010)
SCW x CSC			-0.007***		-0.007***
			(0.001)		(0.001)
SCB x CSC			-0.015***		-0.015***
			(0.003)		(0.003)
ISC: Instrumental Social Connectedness				0.280***	0.312***
				(0.057)	(0.056)
SCW x ISC				0.058***	0.059***
				(0.010)	(0.010)
SCB x ISC				-0.004	-0.008
				(0.018)	(0.017)
GDP per capita	-0.148†	-0.151†	0.001	-0.229*	-0.077
	(0.087)	(0.088)	(0.090)	(0.090)	(0.091)
Non-manufacturing	0.010	0.010	0.016†	0.007	0.013
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Population Density	0.409***	0.407***	0.354***	0.364***	0.307***
	(0.037)	(0.038)	(0.039)	(0.039)	(0.040)
Age	0.030***	0.030***	0.040***	0.030***	0.040***
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Gender	0.035†	0.035†	0.051**	0.035†	0.052**
	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)
Race	0.024***	0.024***	0.026***	0.023***	0.024***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Education	-0.054***	-0.053***	-0.053***	-0.056***	-0.056***
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
State Governor Ideology	0.212*	0.204*	0.123	0.200*	0.117
	(0.083)	(0.083)	(0.082)	(0.083)	(0.081)
Lockdown	0.065	0.038	0.033	0.034	0.029
	(0.064)	(0.063)	(0.063)	(0.062)	(0.062)
Business Assistance	-0.023***	-0.023***	-0.029***	-0.022***	-0.027***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Unemployment Compensation	2.111***	2.117***	2.099***	2.107***	2.086***
	(0.156)	(0.156)	(0.153)	(0.155)	(0.152)
Constant	-2.258†	-1.984†	-2.764*	-1.193	-1.965*
	(1.192)	(1.193)	(1.193)	(1.209)	(1.207)
Region Dummies	Yes	Yes	Yes	Yes	Yes
Month Dummies	Yes	Yes	Yes	Yes	Yes
R-squared	0.592	0.597	0.604	0.601	0.608
Number of Counties	3,077	3,077	3,077	3,077	3,077
Number of Observations	18,462	18,462	18,462	18,462	18,462

† p<0.1; * p<0.05; ** p<0.01; *** p<0.001

Figure 4.1 The Moderating Effects of Regional Social Connectedness on the Relationship between Spread of COVID-19 and Unemployment Rate



state governments tended to have higher rates of unemployment. *Lockdown* did not have any significant relationship. With regards to the pandemic-related policies, *business assistance* (-0.023, $p < 0.001$) and *unemployment compensation* (2.111, $p < 0.001$) had opposite relationships with *unemployment rates*.

In Model 2, I included *spread of COVID-19* and found that *spread of COVID-19 – within* had a positive and substantial impact on *unemployment rate* (0.112, $p < 0.001$). This supports Hypothesis 1 which predicted that the wider spread of the virus would result in a higher regional unemployment rate as this critical environmental change imposes financial stress on local organizations and results in layoffs. In Models 3 and 4, I tested the moderating effect of two types of regional social connectedness. Model 3 demonstrates that *cooperative social connectedness* had a negative and significant moderating impact (-0.007, $p < 0.001$) on the relationship between *spread of COVID-19 – within* and *unemployment rate*, supporting Hypothesis 2. In regions with stronger cooperative social connectedness, disaster severity increases the unemployment rate to a lesser extent than in regions with weaker cooperative social

connectedness. Model 4 presents a positive and significant moderating impact of *instrumental social connectedness* (0.058, $p < 0.001$) on the relationship between *spread of COVID-19 – within* and *unemployment rate*, supporting Hypothesis 3. When regions have stronger instrumental social connectedness, disaster severity more substantially increases the unemployment rate.

Figure 1 illustrates these moderating effects of the two types of regional social connectedness. The X-axis and the Y-axis represent *spread of COVID-19 – within* and *unemployment rate* respectively. The steeper slopes indicate that *unemployment rate* escalates faster in response to the increasing *spread of COVID-19*. When corresponding regions have higher values of regional social connectedness, the line is darker. In Figure 1-(a), the darker line has a lower slope, meaning that *cooperative social connectedness* has a negative moderating impact. In Figure 1-(b), in contrast, the darker line has a steeper slope, implying that *instrumental social connectedness* has a positive moderating effect.

4.5.1 The Effect of Regional Political Ideologies

In the United States, regional political ideology, represented by political liberalism and conservatism through a two-party system (Denzau & North, 2000), is known to significantly influence the value and belief systems of US citizens (Goren et al., 2009); creating distinguishable behavioral patterns across regions (Lee & Lounsbury, 2015; Rubin, 2008). I was curious as to whether cooperative and instrumental social connectedness were subject to the influence of regional ideologies and thus had varying effects on organizations by region or whether they rather played more persistent roles across the country. I conducted an additional analysis by creating two panels of counties based on their relative support for the two dominant

Table 4.4 Hybrid Models on Unemployment Rate in US Counties: Two Panels

DV: Unemployment Rate	Model 7	Model 8	Model 9	Model 10	Model 11
	Panel A: Liberal		Panel B: Conservative		
SCW: Spread of COVID-19 – within	0.190***	0.089***	0.084***	0.056***	0.098***
	(0.035)	(0.019)	(0.014)	(0.007)	(0.014)
SCB: Spread of COVID-19 – between	0.392***	0.134**	0.006	-0.051*	0.003**
	(0.077)	(0.050)	(0.044)	(0.020)	(0.001)
CSC: Cooperative Social Connectedness	0.034		-0.031***		-0.048***
	(0.049)		(0.009)		(0.009)
SCW x CSC	-0.009**		-0.002		-0.003**
	(0.003)		(0.001)		(0.001)
SCB x CSC	-0.034***		-0.006†		-0.006†
	(0.009)		(0.003)		(0.003)
ISC: Instrumental Social Connectedness		-0.257†		0.363***	
		(0.148)		(0.058)	
SCW x ISC		0.048***		0.024*	
		(0.012)		(0.009)	
SCB x ISC		0.004		-0.003	
		(0.028)		(0.017)	
GDP per capita	0.047	0.086	0.085	-0.121	0.088
	(0.332)	(0.366)	(0.091)	(0.090)	(0.091)
Non-manufacturing	0.054*	0.054†	0.004	-0.004	0.005
	(0.027)	(0.028)	(0.008)	(0.008)	(0.008)
Population Density	-0.015	0.060	0.598***	0.561***	0.561***
	(0.088)	(0.084)	(0.039)	(0.039)	(0.040)
Age	0.029	0.018	0.065***	0.058***	0.066***
	(0.019)	(0.019)	(0.008)	(0.008)	(0.008)
Gender	0.214***	0.211***	0.000	-0.011	0.003
	(0.058)	(0.054)	(0.019)	(0.018)	(0.019)
Race	-0.006	-0.012	0.010*	0.007	0.012**
	(0.010)	(0.010)	(0.004)	(0.004)	(0.004)
Education	-0.080***	-0.085***	-0.060***	-0.062***	-0.061***
	(0.014)	(0.014)	(0.005)	(0.005)	(0.005)
State Governor Ideology	0.276	0.290	0.029	0.090	0.007
	(0.207)	(0.201)	(0.085)	(0.083)	(0.084)
Lockdown	0.440**	0.437**	-0.091	-0.090	-0.088
	(0.148)	(0.147)	(0.067)	(0.066)	(0.067)
Business Assistance	-0.002	0.002	-0.027***	-0.023***	-0.028***
	(0.010)	(0.010)	(0.004)	(0.004)	(0.004)
Unemployment Compensation	1.270***	1.197***	2.348***	2.356***	2.302***
	(0.297)	(0.303)	(0.167)	(0.166)	(0.168)
Constant	-9.880***	-9.418**	-4.192**	-2.343†	-3.859**
	(2.929)	(3.033)	(1.285)	(1.288)	(1.276)
Region Dummies	Yes	Yes	Yes	Yes	Yes
Month Dummies	Yes	Yes	Yes	Yes	Yes
R-squared	0.682	0.677	0.615	0.616	0.616
Number of Counties	509	509	2,526	2,526	2,526
Number of Observations	3,054	3,054	15,156	15,156	15,156

† p<0.1; * p<0.05; ** p<0.01; *** p<0.001

political parties in the 2020 presidential election. Previous studies used voting patterns during presidential elections to establish those regions' political views (Berrone et al., 2016; Di Giuli & Kostovetsky, 2014; Rubin, 2008). As presented in Table 4, Panel A consists of counties in which vote shares were higher for the candidate affiliated with the Democratic Party whereas Panel B is composed of counties the populations of which voted more for the candidate associated with the Republican Party. Considering the specificity of presidential elections, I also created two panels based on the 2016 congressional election and confirmed that the results were largely consistent.

Models 8 and 10 present that the positive moderating effect of *instrumental social connectedness* on the relationship between *spread of COVID-19 – within* and *unemployment rate* was significant in both politically liberal (0.048, $p < 0.001$) and conservative regions (0.024, $p < 0.05$). Nevertheless, as displayed in Models 7 and 9, the negative moderating effect of

cooperative social connectedness was significant only in liberal regions (-0.009, $p < 0.01$). Since politically conservative regions tend to show strong support for values closely related to free-market capitalism and efficiency (Skitka & Tetlock, 1993; Walters, 1977), some social associations that are assumed to be linked with cooperative norms and community spirit may not promote such values. I noted, however, that religious organizations inherently convey prosocial values such as altruism, empathy (Saroglou et al., 2005), and generosity (La Barbera & Gürhan, 1997), which are well aligned with public-spiritedness. In Model 11, I tested the moderating effect of *cooperative social connectedness*, only including religious organizations, and found a negative and significant moderating effect (-0.003, $p < 0.01$). In conservative regions, cooperative social connectedness might be weakened, but religious organizations act as key agents that maintain it. These findings show the robust effects of cooperative and instrumental social connectedness across regions.

4.6 DISCUSSION

My study demonstrates that regional social connectedness matters during a disaster. It extends research on regional social capital and the role of organizations during a disaster by examining how two forms of regional social connectedness determine regional responses to a pandemic through their impacts on local organizations' decisions regarding layoffs. The COVID-19 pandemic created a unique opportunity for a natural experiment producing rich data that enabled my large-scale panel analysis of US counties. My focus on unemployment is of great importance as the abrupt increase in unemployment has been one of the direst consequences of the pandemic aside from the direct impacts on people's health. I found that an increase in the unemployment rate in response to a widespread of the contagious disease was smaller in regions with stronger cooperative social connectedness, but larger in those with stronger instrumental social connectedness. Both types of regional social connectedness facilitate coordinated actions among local actors, but their impacts on local organizations differ as a result of the heterogeneous norms and values they each promote. These findings contribute to different bodies of literature.

4.6.1 Social Capital

My study makes timely efforts to extend the growing body of literature that integrates social capital and regional influences on organizations. While regional social capital has received much attention in various disciplines, its linkage with organizational behaviors has thus far been understudied due to organization studies' narrow focus on the micro-level process of social capital (Kwon et al., 2013). Considering that the neighborhood effect of social capital constitutes one of the key theoretical underpinnings in social capital research (Wilson, 1987), the sparse attention devoted to macro-level processes makes it highly doubtful that organization studies

have fully utilized the highly advanced social capital research in other disciplines from which to derive novel insights. It is also worth noting that the recently growing attention to regional social capital coincides with the resurgent interests in regional influences on organizations (Lee & Lounsbury, 2015; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013). As much as globalization has generally turned my attention to geographically-independent concepts like institutional fields (Zietsma et al., 2017) and virtual platforms (Gulati et al., 2012), research on regional influences became more important as I recall that as socially embedded actors, organizations substantially affect and are affected by local events, communities, and institutions (Marquis & Battilana, 2009).

I specifically contribute to social capital theory by exploring two different types (cooperative and instrumental) of regional social connectedness. I thereby answer a recent call for research on more diverse types and effects of social capital (Kwon & Adler, 2014). While prior studies mainly compare different forms of social capital (e.g., social trust, norms, and connectedness), little is known about whether these forms have heterogeneity within themselves and thus whether they might have different effects on society (Kwon et al., 2013). This lack of attention to the internal heterogeneity of each form of social capital is attributable to the fact that social capital research has developed in a way that establishes which form of social capital was the most beneficial for society (Kwon & Adler, 2014; Portes, 1998). I argue, however, that the assumption of the homogeneity in each form of social capital has impeded us from understanding the real impact of social capital on society. Regional social connectedness, in particular, is likely to grow in multiple types because social bonds and connections are created for various reasons in our lives.

My study offers a novel insight into this field by suggesting that multiple forms of social connectedness can develop at the regional level, thereby spreading competing norms and values. Depending on what type of regional social connectedness grows stronger, different behavioral prescriptions may become dominant among regional actors; thus determining the region's response to a critical event. My findings might help to reconcile prior studies that occasionally presented inconsistent results as to whether social connectedness positively contributes to society (Hasan et al., 2017; Jha & Cox, 2015; Knack, 2002). I attribute the inconsistent findings to the omission of the internal heterogeneity of regional social connectedness in their analysis. Social capital is not homogeneous but shall be understood as a critical source for conflicting institutional pressures (Greenwood et al., 2011).

In this regard, I found that social capital is a combination of the common mechanical function of facilitating coordination and the specific content (e.g., norms and values) spreading through social interactions (Owen-Smith & Powell, 2004; Portes, 1998; Putzel, 1997). As discussed earlier, two key elements of the mechanical function are norm formation and enhanced information sharing. Cooperative and instrumental social connectedness both share the same mechanisms, but their implications for the behavior of local organizations are contradictory due to their heterogeneous orientations and behavioral prescriptions. This challenges the simplistic description of regional social connectedness that has long been assumed to have some types of positive impacts on regional societies (Kwon & Adler, 2014). The impact of regional social connectedness can be predicted accurately only when the context it forms is considered.

4.6.2 Disaster

As organization studies call for more applied research topics like grand challenges (van der Vegt et al., 2015), a line of inquiry associated with the role of organizations in disasters has gained more popularity and prominence in recent years. Prior research has explored how for-profit and non-profit organizations contribute to the resilience of regional societies through philanthropic endeavors and entrepreneurship activities (Ballesteros et al., 2017; Dutta, 2017; Rao & Greve, 2018; Shepherd & Williams, 2014; Tilcsik & Marquis, 2013) and why some regions better facilitate these supports (Dutta, 2017; Shepherd & Williams, 2014; Williams & Shepherd, 2016). What has been largely missing in the literature is a discussion on how local organizations may affect regional responses to a disaster. While most studies focus on the positive contributions of local organizations, for instance, the possible negative impacts of these organizations have been overlooked.

I inform the literature by highlighting the behavioral choices of local organizations regarding layoffs and their impact on regional unemployment rates. I shed light on how local organizations deal with the dilemma they face during a disaster. As regionally embedded actors, these organizations are pressured to protect social stability (Greenwood et al., 2010). However, they end up facing financial stress themselves during a large-scale disaster that significantly limits their philanthropic gestures (Tilcsik & Marquis, 2013). Drawing on social capital theory, I explain and empirically demonstrate that social environments play a vital role in helping local organizations navigate the situation and make behavioral decisions. Acknowledging this dilemma will allow us to raise interesting questions such as why organizations that are well-known for their prosocial activities sometimes reduce their social engagement during critical situations.

Another contribution to the literature is my explanation of the role of collectivity in a disaster. Some studies discuss the importance of collectivity. For example, Shepherd and Williams (2014) argue that strong community ties provide diverse benefits regarding identifying victims and coordinating supportive activities for local constituents. Tilcsik and Marquis (2013) find that local network cohesion increases corporate donations after a disaster. Since a disaster is a large-scale event that somehow affects and involves all regional actors, individual actors likely give particular attention to collective decision making. It is thus critical to further develop our understanding of the role of collectivity by incorporating advanced theories that offer a more sophisticated account for collectivity. Drawing on social capital theory, I illustrate two key mechanisms of collectivity, namely the formation of norms and enhanced information sharing, which facilitate a coordinated action and explain how these mechanisms are applied to regional responses to a disaster. My analysis of cooperative and instrumental social connectedness suggests that future research should consider a more complex approach to collectivity, especially regarding the multiplicity of collectivity in a region.

4.6.3 Limitation and Future Research

Notwithstanding these theoretical contributions, my study has some limitations that point to future research opportunities. While COVID-19 allowed me to compare a large number of regions and to observe monthly changes based on comprehensive data, other types of disasters need to be explored as well. For example, an important source of variations between disasters is their respective magnitude (Tilcsik & Marquis, 2013). If a disaster is small-scale and thus does not impose significant financial stress on local organizations, the implications of regional social connectedness might change. Since local organizations could afford to take the situation as a strategic opportunity, there is a chance that instrumental social connectedness may function in a

way that facilitates more prosocial activities that enhance both societal wellbeing and business performance rather than measures designed only for survival. Future research may identify the characteristics of disasters that affect the implications of regional social connectedness.

Additionally, future research may complement my study by conducting an organization-level analysis. My county-level analysis has its merits as it allows us to observe the behavior of not just corporations for which a substantial amount of data is available but also of small local businesses that are hardly covered by quantitative research due to a general lack of data. Macro-level changes in unemployment reflect behavioral changes in all these regional actors. Considering that the livelihood of citizens is heavily dependent on small local businesses as well, their omission from studies, especially in the context of disasters, is problematic. An organization-level analysis, however, offers its own valuable insights as it can investigate the interactions between macro-level environments and organization-specific factors, such as the leadership of top management teams, organizational history, and financial conditions.

4.6.4 Conclusion

Robert D. Putnam, in his famous book *Bowling Alone: The Collapse and Revival of American Community*, mentions that "of all the domains ... in none is the importance of social connectedness so well established as in the case of health and well-being" (Robert D. 2000, p. 326). My research elaborates on the vital role that social connectedness plays amid one of the most dreadful disasters in recent history. When a large-scale disaster like the COVID-19 pandemic occurs, the fate of regional societies relies heavily on local organizations that hold the most resources in modern society. Their behavioral decisions determine macro-economic outcomes that would leave long-lasting impacts on the wellbeing of citizens. My study, however,

shows that the decisions of local organizations are not made in a vacuum but are swayed substantially by the regional social connectedness established before a disaster. As Putnam notes "social connectedness matters to my lives in the most profound way" (2000, p. 326).

5 Conclusion

Regional influences on businesses' responsible behaviors have received growing attention from both organization and social responsibility research over the last decade, as the local character of social responsibility offers a unique research context for organizational theorists who are generally interested in regional influences on organizations (Aguilera et al., 2007; Gardberg & Fombrun, 2006; Marquis & Battilana, 2009; Marquis et al., 2007). This line of inquiry is still emerging, but it is now more widely acknowledged that regional societies constitute institutional fields concerning responsible behaviors. A distinctive body of literature is expected to grow further to explore more diverse facets of regional societies and offer more sophisticated explanations of the institutional dynamics that characterize regional institutional fields. My dissertation joins this literature by shedding light on novel dimensions of local environments and by proposing and testing complex models that incorporate interactions between regional institutions. Now that I have explained each essay's particular contributions, I will discuss how all three essays fit together to advance our understanding of regional influences on responsible behaviors.

5.1 SUMMARY OF ESSAYS

I begin by summarizing the three essays. The first essay challenges pervasive and simplistic views of regional political conservatism and illustrates that it can have contradictory impacts on CSR engagement. Whereas previous studies assume an automatic manifestation of ideology (Di Giuli & Kostovetsky, 2014; Lee & Lounsbury, 2015; Rubin, 2008), the first essay argues that regional ideology requires strong collectivity to convert individuals into those who base their behaviors on shared norms and interests (Thornton & Ocasio, 2008). Since regional

social connectedness facilitates the coordination of regional constituents, it helps activate the latent effects of regional political conservatism. More importantly, the essay shows that the social connectedness of firms is different from that of general local people which is grounded in the solidarity of regional society. They derive contrary institutional pressures from regional political conservatism because the social contexts where these two types of social connectedness develop are aligned with different aspects of conservative ideology: the free-market and community orientations. In regions with strong interfirm social connectedness, regional political conservatism impedes CSR engagement, as values related to free-market capitalism are mostly elicited from political ideology. Conversely, in regions with strong cooperative social connectedness, this relationship between regional political conservatism and CSR engagement turns positive because community spirit is mainly derived from conservative political ideology instead.

The second essay examines the influence of the journalism crisis on corporate wrongdoing and the role of regional social connectedness in filling this institutional void. The gradual decline of local newspapers has drawn significant attention amid the last decade in the United States, as local newspapers in particular have long functioned as watchdogs (Hamilton, 2016). While this macro-level change has posed a threat to the watchdog role of media itself, most organization studies have concentrated on the impact of individual news reports on focal firms (Aharonson & Bort, 2015; Jia et al., 2016; Zyglidopoulos et al., 2012). Applying institutional anomie theory to this context, the second essay finds that local newspaper scarcity facilitates corporate wrongdoing (Messner & Rosenfeld, 2009). It also presents, however, that regional social connectedness, by virtue of its functional similarity, compensates for the decline of local newspapers. This compensation is incomplete, meaning that regional social

connectedness mitigates the influence of local newspaper scarcity only for corporate wrongdoings occurring primarily outside firms but not so much for internal wrongdoing.

The third essay integrates social capital theory and disaster research in the context of the ongoing COVID-19 pandemic. Recent organization studies recognize the significant role of collectivity with respect to community resilience amid a disaster (Rao & Greve, 2018; Shepherd & Williams, 2014), but the current literature lacks an explanation of how regional social capital affects local organizations' responses to a disaster. This gap is significant because local organizations often face a dilemma during a disaster regarding their decisions on layoffs, and therefore pay more attention to what others would do to figure out socially acceptable behaviors. The essay first establishes the regional embeddedness of organizations by showing that the regional spread of COVID-19 increases the unemployment rate, as local organizations rely more on layoffs. The essay also finds, however, that this relationship between the spread of COVID-19 and unemployment rates is moderated by two different types of regional social connectedness (instrumental and cooperative) that spread rent-seeking and cooperative orientation respectively (Knack & Keefer, 1997). In regions with strong instrumental social connectedness, the positive impact of the spread of COVID-19 cases on unemployment rates is amplified; whereas the impact is mitigated in regions with strong cooperative social connectedness.

5.2 DISCUSSION

All of the essays contribute to distinctive bodies of literature. However, they altogether offer two valuable insights into social capital theory. The first two essays demonstrate that regional social connectedness has a complementary relationship with other regional institutions. While the first essay explains the *triggering* role of regional social connectedness in eliciting

certain values from regional political conservatism, the second essay shows that regional social connectedness *compensates* for the decline of local newspapers. Identifying different forms of institutional interactions is significant because it allows us to tease out the conditional effects of regional institutions. As occurred in my research on regional political conservatism, failing to take into account the web of intertwined institutions can lead to a simplistic and misleading analysis of the relationship between regional institutions and organizational behavior. We then observe only a partial picture at best of what really happens in regional institutional fields.

Some studies have made substantial contributions in this regard by exploring the conflicts between regional institutions that neutralize each other's effects on organizations (Greenwood et al., 2010; Lee & Lounsbury, 2015; Luo et al., 2017). Nevertheless, their specific focus on conflict has led to an omission of more diverse forms of interactions that make regional institutional fields unique and interesting (Crouch, 2010; Thornton et al., 2012). My illustration of the triggering role of regional social connectedness in the first essay indicates that the question of how collectivity empowers regional institutions deserves more attention in the literature, especially given that collectivity is one of the core characteristics that define geographical boundaries (Glynn, 2019; Putnam, 2000). Regional social capital is clearly one of the key concepts to be explored, as the function of collectivity is the central theme of social capital research (Adler & Kwon, 2002). A relevant field of research that could also benefit from this insight is the institutional logics perspective, which examines the belief systems shared among a group of actors (Thornton & Ocasio, 2008; Thornton et al., 2012). Future research may incorporate social capital theory and look to how regional social capital reinforces compliance with institutional logics. As collectivity empowers a shared belief system, social capital theory

can be integrated in a way that illuminates the power dynamics between competing logics (Hinings et al., 2017).

The compensatory relationship between regional institutions described in the second essay also represents an important aspect of regional institutional fields. Recognizing a regional society as an independent institutional field means that an "institutional infrastructure" is established by the society to govern its constituents' behavior in line with consistent values and orders (Hinings et al., 2017, p. 170; Zietsma et al., 2017). Investigating how multiple institutions that comprise a regional institutional field hold together to sustain the consistency of this system is key to understanding the dynamics of regional institutional fields. As regional social connectedness appeared to provide partial support to the declining watchdog function of local newspapers, different instances of the compensatory relationship between institutions have yet to be discovered at the regional level. While the second essay focuses on the ethical infrastructure, previous studies point to different kinds of institutional infrastructures wherein compensatory relationships might emerge. For example, the current literature suggests that regional social capital facilitates innovation and entrepreneurship (Kwon et al., 2013; Laursen et al., 2012). Future research could identify other institutions (e.g., policy environments) that, along with regional social capital, constitute an institutional infrastructure for innovative and entrepreneurial activities in which these institutions somehow complement each other. My dissertation offers by no means a comprehensive list of interactions between regional institutions, but takes a meaningful step to identify and theorize archetypal forms of interactions that characterize regional institutional fields.

Another key contribution of my dissertation is made for social capital theory. The first and third essays demonstrate that different types of regional social connectedness coexist in

regional societies. I began with differentiating between the social connectedness of firms and that of broader regional society in the first essay, and then compared cooperative and instrumental social connectedness in the third essay by drawing on Knack and Keefer's (1997) classification. Identifying different types of regional social connectedness has theoretical importance because it not only challenges simplistic assumptions on regional social capital, but also responds to the question of whether and how regional social capital has negative implications for society (Kwon & Adler, 2014). While the heterogeneity between different forms of regional social capital, such as social connectedness, trust, and norms, has been discussed in the literature (Hasan et al., 2017; Jha & Cox, 2015; Knack, 2002), these forms are usually treated as homogeneous concepts. The purpose of that comparison is also mostly limited to figuring out which forms of social capital make a positive contribution to society.

The first and third essays of my dissertation, on the other hand, point out the simplicity of this approach and show that heterogeneous types of regional social connectedness coexist in regional society and affect organizational behavior in contradictory ways. Failing to incorporate this multiplicity can result in inconsistent conclusions about the role of regional social connectedness in promoting common goods. Previous studies, in fact, have presented varying results as to whether regional social connectedness has positive or negative effects on society (Hasan et al., 2017; Jha & Cox, 2015; Knack, 2002). It is thus problematic to describe social capital as a value-laden factor that always makes positive contributions to society (Portes, 1998). Social capital might instead be discussed with a focus on its mechanical function of facilitating coordination (Putzel, 1997). The prediction of its impact on society needs to be grounded in actual norms and values transmitted through social interactions that develop a particular form of regional social capital. An important question for future research is whether this multiplicity is

shared by all different types of regional social capital or whether it is specific to social connectedness. There is a possibility that certain forms, such as generalized reciprocity, inherently possess only positive values for society insofar as they are more homogeneous than social connectedness.

In addition to these two theoretical contributions, my essays offer valuable insights concerning the methodology for research on regional influences. The first essay implements a multilevel analysis, employing the hierarchical linear model. The second and third essays conduct panel analyses of US states and counties by defining regions as a unit of analysis. Whether a study uses a multilevel or regional analysis shall be determined depending on the purpose of the study and the target population of interest. What is more important, however, might be to understand the differences between these two approaches. Multilevel modeling is expected to be better received in the literature because its focus remains on organizations and behavioral changes on the part of target organizations can be observed at a close distance. Nevertheless, the heavy reliance of the current literature on organization-level analyses has resulted in an omission of a significant portion of local organizations as their data is not as readily available as it is for publicly traded companies. This is highly problematic, considering the fact that publicly traded companies only account for less than one percent of all US firms and about one-third of employment in the non-farm business sector (Francis, 2007). This implies that we have observed only a part of regional influences on organizations and also that previous findings could be largely irrelevant to the majority of local organizations.

Regional analyses, therefore, have their own merits. Admittedly, we lose some information about the detailed behavioral changes of focal organizations as regional analyses utilize aggregate data to measure variables. Nevertheless, since the aggregate data captures

behavioral changes for all regional organizations, we can include previously overlooked small and private organizations into our analyses. If the purpose of a study is to investigate regional processes rather than to test a theoretical model generalizable to a much larger population of organizations, a regional-level analysis can derive a more accurate observation of reality from the data. My essays therefore demonstrate the usefulness of regional analyses.

Lastly, my essays contribute to the literature on responsible behaviors of business organizations. Since more research on regional influences began to be called for in the late 2000s (Aguilera et al., 2007; Gardberg & Fombrun, 2006), various aspects of regional institutional environments have been investigated. Nevertheless, regional influences on responsible behaviors are still understudied: previous studies either analyzed an isolated impact of a regional institution (Di Giuli & Kostovetsky, 2014; Jha & Cox, 2015; Rubin, 2008) or focused only on conflicting relationships between regional institutions (Greenwood et al., 2010; Lee & Lounsbury, 2015; Luo et al., 2017). We need to identify more diverse archetypical interactions among regional institutions whose impacts cannot be fully understood without taking other relevant institutions into account. Although I concentrate on regional social connectedness in explaining the trigger effect and compensatory impacts of an institution in relation to another, it is suspected that these forms of interactions are observable from different sets of regional institutions that collectively build an (ethical) institutional infrastructure of a regional society (Thornton et al., 2012). As it has been established that regional societies form key institutional fields regarding responsible behavior (Marquis et al., 2007; Marquis & Tilcsik, 2016; Tilcsik & Marquis, 2013), my discussion on the interactions between regional institutions and environmental changes will be a timely endeavor to advance this line of inquiry and to further open promising research opportunities.

5.3 CONCLUDING REMARKS

My dissertation set out to improve our understanding of regional influences on responsible behaviors of business organizations. It illustrates the importance of regional social connectedness in three different empirical settings, and proposes and tests more advanced models that illuminate how regional social connectedness and other regional factors jointly determine the responsible behavior of business organizations.

Although globalization has expanded opportunities for world travel and the Internet allows us to instantly communicate with someone on the other side of the planet, we all reside somewhere more local to which we feel a sense of belonging. We affect and are affected by regional societies through direct exchanges with neighbors and local businesses, or through indirect observations made of one another. So are business organizations. However broadly an organization' business stretches, most organizations, if not all, openly display their locations on their websites, thus revealing their geographical identity. As social entities, organizations are embedded in regional societies, and their behaviors are subject to the idiosyncratic influences of their local institutional environments. Social responsibility is undoubtedly one of the areas where we can observe this pattern the most vividly because "being socially responsible" is a social construct, and thus is evaluated by the regional societies to which organizations belong. It is irrefutable that the organizations' internal decision-making would have more substantial impacts on whether they choose to be responsible or not. Nevertheless, the research on regional influences will be an essential part of our endeavor to achieve a complete understanding of organizational behaviors as long as organizations continue to have geographical bases.

6 Reference

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