The interplay of corporate social responsibility and corporate political activity in emerging markets: the role of strategic flexibility in non-market strategies

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Abstract

Corporate social responsibility and corporate political activities are complementary and the coordinated management of corporate social responsibility and corporate political activities may lead to better firm performance. However, corporate social responsibility and corporate political activities should be aligned carefully to utilize this complementarity. Strategic flexibility, which is the ability of a firm to adapt to changes in the external environment and make necessary organizational modifications quickly, can help firms to align their corporate social responsibility and corporate political activities. This paper empirically investigates the political dimension and the interactive dimension which describes interactions between corporate social responsibility and corporate political activities together with strategic flexibility and their effects on firm performance through a study of 142 firms in Turkey using moderated multiple regression methods. The results show that, while the political dimension had an inverted U-shaped effect on firm performance, indicating that only a moderate level of corporate political activities may improve financial performance, the interactive dimension had positive but limited implications for performance. Finally it was found strategic flexibility plays a positive moderating role on the relationships between the interactive dimension and firm performance. It is concluded that complementarity between corporate social responsibility and corporate political activities which may result in better performance is contingent on strategic flexibility.

1. Introduction

Corporate social responsibility and corporate political activities were considered as separate practices with no linkage whatsoever (Ahammad, Tarba, Frynas, & Scola, 2017; Anastasiadis, 2014; Frynas, Child, & Tarba, 2017; Mellahi, Frynas, Sun, & Siegel, 2016). However, a new stream of non-market research suggests that the interaction between corporate social responsibility and corporate political activities leads to better economic performance because of their complementary nature (Anastasiadis, Moon, & Humphreys, 2018; Boddewyn & Buckley, 2017; den Hond, Rehbein, de Bakker, & Lankveld, 2014; Fooks et al., 2013; Liedong, Rajwani, & Mellahi, 2017; Rodrigo, Duran, & Arenas, 2016; Singer, 2013). Frynas et al. (2017) who articulate the need for an integration of corporate social responsibility and corporate political activities in non-market studies state that "the lack of integration of the political and social domains of non-market strategy research manifests itself *inter alia* in the failure to understand the substitution effects between company political and social strategies" (p. 560). Yet, the non-market strategy literature is mainly silent about which mechanisms (e.g. strategic flexibility) firms can use to exploit the complementary effects of corporate social responsibility and corporate political activities (Ahammad et al., 2017; Liedong et al., 2017; Mellahi et al., 2016; Sirmon, Hitt, Ireland, & Gilbert, 2011).

This study extends the scope of non-market strategy research regarding the interplay between corporate social responsibility and corporate political activities by addressing the following research questions: (1) does corporate social responsibility and corporate political activities interaction lead to better economic performance by firms, and (2) does strategic flexibility as a moderating mechanism enable firms to utilize the complementary effects of both corporate social responsibility and corporate political activities to gain superior performance?

The study contributes to the existing non-market strategy literature in at least three ways. First, this study shows whether a direct economic gain can be generated through integrated social and political practices of firms. Furthermore, this article empirically examines if overemphasis on political activities may result in negative financial consequences (e.g. resulting from corruption and immoral practices, too much dependence on political power, an endemic rent-seeking behavior, and a damaged corporate reputation) (Doh, Lawton, & Rajwani, 2012; Ozdora-Aksak & Atakan-Duman, 2016; Rajwani & Liedong, 2015). Therefore, this study offers a unique insight to the performance impact of corporate social responsibility-corporate political activities alignment by exploring the role and performance effects of corporate political activities concurrently.

Second, this research extends previous non-market strategy-performance research from a static to a more dynamic view by exploring the moderating effects of strategic flexibility in the same study. Frynas and Yamahaki (2016) have pointed to the necessity of multi-theory approach in the non-market research. In particular, a combination of institutional theory and resource-dependency theory can be used to explore how "the firm's dependence on certain actors and critical resources changes" (Ahammad et al., 2017, p. 634) as a consequence of the volatile environmental context and how the ability of firms to pursue those resources and private benefits in non-market activities is constrained or boosted by social and political actors, and legal structures. Although the non-market strategy alignment of a firm is influenced by institutional forces, this alignment may also be subject to the capability of a firm to reconfigure, renew or alter its resource-base when critical resources used for social practices need to be deployed for political activities or vice versa (Oliver & Holzinger, 2008; Sirmon et al., 2011). Therefore, through an integrated framework, this study applies dynamic capabilities theory in tandem with institutional and resource-dependency theories to provide valuable insights on the corporate social responsibility-corporate political activities alignment and interaction and their performance effects.

As the final contribution, this study provides evidence about the effects of corporate political activities and corporate social responsibility-corporate political activities interaction on economic performance by using emerging market data (e.g. Turkey) which is rare in the academic literature (Liedong et al., 2017; Ozdora-Aksak & Atakan-Duman, 2016; Rodrigo et al., 2016). In volatile market conditions and a weak institutional environment where resource dependency on government and political connections is high (Ahammad et al., 2017), firms may need to develop unique capabilities (e.g. strategic flexibility) to increase the effectiveness of non-market strategy combinations on economic performance. From this perspective, Turkey provides an ideal context for examining the performance implications of corporate social responsibility-corporate political activities interactions, in particular to the contextual efficacy of emerging market firms. Thus, the study also investigates the effectiveness of strategic flexibility as a moderating mechanism on the alignment of corporate social responsibility and corporate political activities efforts of the Turkish firms.

2. Literature Review and Hypotheses Development

Corporate social responsibility refers to "corporate actions that appear to advance some social good that allows a firm to enhance organizational performance, regardless of motive, [and] corporate political activity deals with corporate attempts to manage political institutions and/or influence political actors in ways favorable to the firm" (Mellahi et al., 2016, p. 144). Despite their unique contents, corporate social responsibility and corporate political activities play complementary roles (Boddewyn & Buckley, 2017; den Hond, Rehbein, de Bakker, & Lankveld, 2014; Liedong et al., 2017). However, they should be aligned since misalignments between social and political practices may result in unfavorable outcomes (Anastasiadis et al., 2018; den Hond et al., 2014; Lock & Seele, 2016; Singer, 2013). As such, while the positive effect of corporate social responsibility practices on financial performance can have diminishing returns in the case of excessive philanthropic activities (Gao & Hafsi, 2017; Wang & Qian, 2011), corporate political activities including too many political and bureaucratic connections can lead to a corrupt image which may have negative financial consequences (Doh et al., 2012; Rajwani & Liedong, 2015). Therefore, alignment of corporate social responsibility and corporate political activities is necessary for firms to maintain their strategic fit and offer appropriate responses to institutional and societal demands in different contexts (den Hond et al., 2014; Eweje & Wu, 2010; Kostka & Zhou, 2013; Yang & Wu, 2016).

The impact of corporate social responsibility on firm performance has been investigated in the literature and the positive association is largely established (e.g. Surroca, Tribó, & Waddock, 2010; Waddock & Graves, 1997; Zhao & Murrell, 2016). Yet, the impact of corporate political activities on future performance is still controversial, lacks empirical studies and needs further investigation (den Hond et al., 2014; Frynas et al., 2017; Henisz & Zelner, 2010). Okhmatovskiy (2010), who highlights the potential zero and/or negative effects of too much political embeddedness on firm performance, explains this situation through lack of sustainable strategies of firms resulting from their political tie success trap. For such reasons, the effect of corporate political activities on firm performance may be different from that of corporate social responsibility activities.

In performing socially responsible and corporate political practices simultaneously, firms may need to use their limited financial, human, relational, physical, and organizational resources in different combinations (Frynas et al., 2017; Oliver & Holzinger, 2008; Rehbein & Schuler, 2015). Obviously, this situation necessitates a firm-level capability for the allocation and shift of different resources from one organizational repository to another in a quick and smooth manner (Nadkarni & Herrmann, 2010). In this sense, as a dynamic resource management mechanism strategic flexibility, which helps firms to perform strategic options that are subject to extensions of resource bases and/or creation of new resource bundles, has emerged as a crucial organizational requirement in order for actors to thrive in complex business environments (Brozovic, 2016; Zhou & Wu, 2010). Therefore, strategic flexibility, which is constituted by planning and decision making flexibility (Grewal & Tansuhaj, 2001; Nadkarni & Herrmann, 2010), resource flexibility and coordination flexibility (Sanchez, 1995; Wei, Yi, & Guo, 2014; Zhou & Wu, 2010) should moderate effects of the interactive dimension of corporate social responsibility and corporate political activities.

Based on the theory and discussions above, this research establishes a framework shown in Figure 1.

Figure 1.

Referring to the first hypothesis (H_1), we argue that when corporate social responsibility and corporate political activities are conducted simultaneously, an excessive amount of corporate political activities may result in a decline in performance by either inhibiting the positive effects of corporate social responsibility or leading to inefficiencies in firms. Regarding the second hypothesis (H_2), we suggest that the simultaneous conduct of both corporate social responsibility and corporate political activities may create better performance effects than that of single effects of corporate social responsibility and corporate political activities as a result of the interaction effects between them. For the third hypothesis (H_3), we argue that the interaction effects of corporate social responsibility and corporate political activities can be subject to a balancing or tuning mechanism that is strategic flexibility. The establishment of the hypotheses is detailed below.

2.1. The Corporate Political Activity Dimension and Firm Performance

The political activity dimension denotes the share of corporate political activities in total non-market strategy (namely, corporate social responsibility plus corporate political activities). In other words, it indicates the overemphasis on corporate political practices at the expense of positive effects emerging from social responsibility activities and firm performance. Indeed, when corporate political activities are too high, its positive effects can be reduced for several reasons. First, especially in emerging countries, the transition of political power from one administration to the other can be too fast and a new administration may create difficulties for firms that are associated with the previous administration (Henisz & Zelner, 2010). Second, firms which engage in corporate political activities including corrupt and illegal actions to compete effectively in the marketplace have generally developed political and/or relationship-based capabilities which do not always work (Bonardi, Holburn, & Vanden Bergh, 2006; Iriyama, Kishore, & Talukdar, 2016). In addition, they may not be portable across jurisdictions and may have more uncertain outcomes than competitive and sustainable capabilities such as technological, knowledge-based or reputational (Ahuja & Yayavaram, 2011; Rindova, Williamson, & Petkova, 2010; Yayavaram & Chen, 2015).

Third, a high level of corporate political activities may constrain the managerial autonomy and efficiency of a firm by increasing the firm's dependency on political factors and government in corporate governance and creating liabilities and obligations to its disadvantage (Ahuja & Yayavaram, 2011; Dentchev, van Balen, & Haezendonck, 2015; Okhmatovskiy, 2010; Rajwani & Liedong, 2015). As a result of an excessive level of political embeddedness, politicians and government officials may assert granted rights to intervene in a firm's management or even exert power over the owners or top managers of the firm to take strategic and managerial decisions according to their interests or political agenda (Okhmatovskiy, 2010). Last, excessive political actions and over embeddedness may also create unfavorable impressions about the firm in the minds of stakeholders and tarnish the corporate reputation which is critical to financial performance and long-term competitiveness (Aqueveque, Rodrigo, & Duran, 2018; den Hond et al., 2014; Lock & Seele, 2016). According to Liedong et al. (2017), "for firms that do both corporate political activities and corporate social responsibility, there seems to be an eroding effect of the former on the latter" (p. 624). Hence, this study suggests that only a moderate level of corporate political activity may help firms gain several advantages in the business environment and also reduce the risk of inhibiting the positive effects of corporate social responsibility and influencing firm's performance negatively. Therefore, it is hypothesized:

H_1: Within the context of simultaneous conduct of corporate social responsibility-corporate political activities, an excessive amount of corporate political activities has an inverted U-shaped (curvilinear) effect on firm performance.

2.2. The Interactive Dimension and Firm Performance

Central to the interactive dimension are the beneficial effects of corporate social responsibility to weaken the negative outcomes of corporate political activities (Aqueveque et al., 2018; Boddewyn & Buckley, 2017; Frynas et al., 2017; Lock & Seele, 2016; Ozdora-Aksak & Atakan-Duman, 2016; Scherer & Palazzo, 2011). The mechanism underlying this interaction is that "corporate social responsibility may serve as a buffer to the potentially risky effects of corporate political activities" (Mellahi et al., 2016, p. 158). In the emerging market context, Rodrigo et al. (2016) found that nurtured corporate social responsibility activities strengthened the political connections which in turn led to improved financial performance. In this case, corporate social responsibility-corporate political activities complementarity helped firms strengthen their legitimacy and facilitate the inflow of scarce and government controlled resources. Similarly, the study by Gao and Hafsi (2017) revealed that firms depending more on government support were more likely to donate to maintain their political legitimacy and continue to benefit from the government. Fooks et al. (2013) suggest that public and voter resistance can be reduced through the reputation effects of corporate social responsibility which creates "a situation that makes it easy for politicians to accept and incorporate firms' viewpoints into salient policies" (Liedong et al., 2015, p. 418).

As an example, Boddewyn and Buckley (2017) examined how several US casino companies combined corporate social responsibility and corporate political activities extensively. These took the form of mixed philanthropy (e.g. donating money to Independence Day fireworks, offering perks and totes to local residents, and sponsoring a hockey team in the region) and lobbying (e.g. promising a huge resort and making upfront payment to the winning city). These activities helped gain approval from the local officers and voters in the community and the result was the building of the first casino in Massachusetts. Accordingly, as the firm seeks to align its non-market activities, corporate social responsibility practices may become subordinate to corporate political activities to achieve their strategic goals and a causality between corporate social responsibility and corporate political activities emerges (den Hond et al., 2014; Frynas et al., 2017; Mellahi et al., 2016). Den Hond et al. (2014) suggest that corporate social responsibility is a relational activity that can produce information and contacts resulting in favorable impressions in the minds of stakeholders which improve corporate reputation and thus weaken the unfavorable effects of corporate political activities. The authors highlight the importance of simultaneous management of corporate social responsibility and corporate political activities to enhance a firm's corporate reputation which is one of the most well-known strategic intangible assets for financial performance and sustained advantage. In this case, the benevolent dimension of corporate social responsibility and policy ability/skill dimension of corporate political activities complement each other to create a desirable "corporate profile" (Liedong et al., 2015). Therefore, interaction of these two non-market strategies may lead to superior firm performance as a result of strong synergy in markets as well as in political circles. Thus, the study hypothesizes:

H_2: The interactive dimension of corporate social responsibility and corporate political activities produces positive stronger effects on firm performance than the separate performance effects of both corporate social responsibility and corporate political activities.

2.3. The Moderating Effects of Strategic Flexibility

Strategic flexibility, which is defined as "a firm's ability to reconfigure resources, activities, and strategies quickly in response to environmental demands" (Brozovic, 2016, p. 5) can be achieved through strategic planning and decision making flexibility (Grewal & Tansuhaj, 2001; Nadkarni & Herrmann, 2010), resource flexibility and coordination flexibility (Matthyssens, Pauwels, & Vandenbempt, 2005; Zhou & Wu, 2010). Strategic planning and decision making flexibility is defined as a firm's capability to manage micro and macro environmental risks through flexible strategic plans and quick decision making (Grewal & Tansuhaj, 2001; Nadkarni & Herrmann, 2010). Resource flexibility refers to "the capabilities to accumulate flexible resources with multiple uses", and coordination flexibility refers to "the capabilities to create new resource combinations through an internal coordination process" (Wei et al., 2014, p. 835). Strategic flexibility may influence corporate social responsibility-corporate political activities performance of a firm in different ways.

For example, in the case of becoming aware of a sudden risk of a negative public image as a result of political embeddedness to obtain some government contracts, a firm may need to make a quick decision to revise and realign its non-market strategy choice towards more philanthropic practices. In this regard, strategic planning and decision making flexibility enhances the amount of corporate social responsibility and political activity specific information that firms can use in determining the choice of appropriate and efficient combinations of corporate social responsibility and corporate political activity strategies. Moreover, corporate social responsibility and corporate political activity combinations require the use of different types of resource bundles (Hillman & Hitt, 1999; Shirodkar, Konara, & McGuire, 2017; Shirodkar & Mohr, 2015). While firms may use their "intellectual capital embedded in highly skilled workers, reputation and relationships to other businesses" (Shirodkar & Mohr, 2015, p. 818) to follow a "constituency building strategy" (Hillman & Hitt, 1999) or a "pro-active communication strategy" (Ahammad et al., 2017), they may use their financial resources and unskilled workers to conduct a philanthropic activity or a social campaign.

Given resource scarcity, where current resources of firms are strongly attached to the specified targets, it is difficult for firms to employ them for other courses of action (Wei et al., 2014). In this situation, firms with high resource flexibility can use other resources more easily for new purposes and the time along with the cost spent for switching one resource to another may decrease (Matthyssens et al., 2005; Wei et al., 2014). For example, a firm that seeks to modify "its production methods to mitigate its environmental footprint or its sourcing methods to exclude inputs that fail to meet certain human rights and/or environmental conditions" (Rehbein & Schuler, 2015, p. 796) may be constrained by the lack of financial resources, appropriate technological capabilities, or highly-skilled employees. As a result, it may need to commit additional resources or change existing investment in exchange for future development of searching and processing new technologies, enlarging political networks to obtain funds or priority licenses from the government and embarking on a broader level of skilled manager and employee recruitment. Therefore, resource flexibility may play a bridging role between corporate social responsibility and corporate political activities in relation to their resource allocations, creation of new resource bundles, and maneuvering for resource deployments.

Strategic flexibility also serves as an "organizing principle for structuring and coordinating various resources and functional units" (Zander & Kogut, 1995, p. 79). In dynamic environments, firms may need to break routine inertia that obliges firms to follow standard non-market practices, and change the hierarchical organizational structure where knowledge transfer across departments is limited and less space is left for managers and employees to use their autonomy and creativity in problem solving (Gilbert, 2005; Zhou & Wu, 2010). A high level of coordination flexibility may enable firms to build, transfer and integrate new market and business environment knowledge rapidly by relaxing routine and structural inertia which helps firms break down their knowledge and institutionalized technological processes and explore new strategic alternatives (Gilbert, 2005; Wei et al., 2014).

When firms develop planning and decision making flexibility and coordination flexibility (Grewal & Tansuhaj, 2001), they use organic skills such as social networks and managerial political ties (Fernandez-Perez, Verdu-Jover, & Benitez-Amado, 2013; Liedong et al., 2017) and IT-based skills (Kamasak, Yavuz, & Altuntas, 2016; Ray, Xue, & Barney, 2013) in order to exploit all internal and external knowledge sources. Supported by coordination flexibility, planning and decision making flexibility enables firms to assimilate better the relevant information and knowledge, to scan, monitor and anticipate political and social movements thoroughly, and to make higher quality non-market decisions in a timely manner. For example, firms with higher flexibility of coordination, planning and decision making may obtain strategic information about current political and social atmosphere before their rivals. This strategic information may be related to the hidden political agenda of the recent administration, the results of a secret opinion poll, an infrastructure or a superstructure need of a backward region mentioned by the firm's local distributor (e.g. a school or a hospital), and a precautionary signal about a new trend or concern of the public (e.g. opposition to early marriages and child brides, provision of education for Syrian and Iraqi refugees in Turkey). When firms possess this strategic information, they can develop sound forecasts and scenarios guiding to the optimal strategic corporate social responsibility-corporate political activity combinations beforehand, and implement the best practice non-market strategy quickly. Coupled with such flexible mechanisms, firms are more likely to purposefully create, extend or modify their resource-base to conduct successful non-market strategies that lead to superior firm performance in dynamic environments. Thus, it is suggested that:

H_3: Strategic flexibility positively moderates the relationship between the interactive corporate social responsibility-corporate political activities dimension and firm performance, such that corporate social responsibility and corporate political activities are associated with better performance in firms with a high level of strategic flexibility.

3. Context

Turkey has been designated as a big emerging market which features some unique characteristics in terms of its institutional and social contexts that differentiate it from other countries. In Turkey, a high rate of dynamism and financial volatility along with weak institutional infrastructure create a chaotic and complex business environment (Cavusgil, Ghauri, & Akcal, 2013; Sandikci & Ger, 2007). In addition, the tension between the conservative and to some extent Islamist government and the secularists that triggers the political clashes has never eased. Although the private sector has been growing rapidly in recent years, the government and politics still play a major role in some pivotal industries such as banking, transport, and communications in the country (Kamasak, 2017). The regulatory framework is always subject to change to provide special privileges to a number of business groups that are closely associated with the parties in power. Also, several unethical and illegal practices are tolerated by firms and local and government institutions, and bribery in different forms is not totally welcomed but is considered as a norm in society. This weak institutional framework “determines strategic choices of firms such as resource access mechanisms” (Shirodkar et al., 2017, p. 591) and most firms in the country struggled to conduct their business operations by establishing strict political ties and relations with the government and officials.

Since political forces are highly influential in the country, resource dependencies on the government are quite strong and excessive bureaucracy, frequent changes in regulations and red tape increase the level of this dependency (Cavusgil et al., 2013). Under these conditions, in order to achieve superior performance, firms may develop several strategies such as supporting the recent or potential administration financially or by lobbying efforts, engaging in corrupt political activities to create informal ties with the politicians and legitimizing their unethical behavior through social and philanthropic practices (Gao & Hafsi, 2017). Firms may also change board composition and appoint a new CEO or recruit someone who has nepotistic relations with the politicians (Ozbilgin, 2011). Furthermore, they may invest in a state owned enterprise or another politically embedded company which is on the edge of declaring bankruptcy. Complex and dynamic environments supported with weak institutional frameworks determining the firms’ dependence on certain actors and resources (Jamali & Neville, 2011; Kamasak et al., 2016) may compel firms to reconfigure, renew or alter their resource mix of corporate social responsibility-corporate political activities in response to market conditions (Hadani & Coombes, 2015). Jamali and Karam (2018) highlight the distinctive elements of non-market activities in emerging markets and point to “the importance of exploring the context-dependence" of non-market research. Corporate social responsibility-corporate political activities interaction and complementarity may emerge in different forms in emerging markets and it is worthwhile investigating firms as this may yield significant new insights about the issue.

4. Methods

4.1. Sample and Data Collection

A self-administrated questionnaire was used to collect data. The firms of Istanbul Stock Exchange which were from a broad scope of industries and different regions of Turkey constituted the sample of this study. Istanbul Stock Exchange consists of 408 listed firms in December 2016 (Capital Markets Board of Turkey, 2017). Given the lack of sufficient datasets in Turkey, the database designed for multiple research purposes was among the best available and relevant samples that could be found in the country. Besides, the broad industry and geographical coverage may reduce system error caused by economic and cultural differences in different regions.

A pilot test was conducted with 43 top or senior managers from 15 firms to assess clarity and relevance of the questionnaire. Based on the feedback from the respondents, necessary modifications were made. The initial factor analysis revealed that 5 questions related to reporting of research results, conducting PR advertising in the media, holding press conferences on policy issues, approaching representatives of foreign parent's home government to support programs, and forming coalitions with non-governmental organizations from the original scale of corporate political activities (Hillman, 2003; Hillman & Wan, 2005) were not understood thoroughly by the respondents, thus they were dropped from the scale for better construct validity.

The top or senior managers (e.g. CEO, general manager, managing director, assistant general manager, marketing and finance group directors) who deal with non-market strategy decisions and have adequate knowledge to assess the firm's resource base and performance issues were chosen as the key informants in this study (Homburg, Klarmann, Reimann, & Schilke, 2012; Liedong et al., 2017; Shirodkar & Mohr, 2015). Because the unit of analysis in this study is at the firm level, a single informant was used. A total of 408 firms' senior executives were approached and 142 useable questionnaires were obtained yielding a response rate of 34.8%. Primary business activities of the participant firms were banking and finance, tourism, automotive, telecommunications, oil and petrochemicals, logistics and transportation, drugs, computer and software, textile and apparels, retail, construction, and food (see Table 1). The number of full-time employees ranged from 97 to 25,382. The mean number of employees was 346.38. Whilst the number of years in business ranged from 6 to 82, the mean number of years in business was 33.59.

Table 1.

In order to test non response bias, the means of early and late respondents on two key demographic variables (firm size and firm age) were compared statistically via independent samples *t*-test. The comparison of early and late respondents did not reveal a significant difference on firm size ($t = 5.163$, $p = 0.297$) and firm age ($t = 7.699$, $p = 0.214$), therefore non-response bias was not considered as a serious issue in the research.

4.2. Measures

The questionnaire consisted of a total number of 45 questions including 2 questions for demographics. The items of the questionnaire and their theoretical sources are described below. Responses to the items were recorded on a 5-point Likert-type scale.

Corporate social responsibility (CSR): To measure corporate social activities, 12 items were taken from Turker's (2009) corporate social responsibility measurement scale. Turker's scale was developed in Turkey based on the cultural context of the Turkish business environment and its reliability was tested and validated.

Corporate political activity (CPA): Having dropped 5 items from the original questionnaire, firms' political activities were measured by 13 items that were adopted from Hillman (2003) and Hillman and Wan's (2005) studies.

Strategic flexibility (SF): Strategic flexibility was measured by the combination of planning and decision making flexibility, and resource and coordination flexibility. In total, 10 items were used. Whilst 4 items for planning and decision making flexibility were taken from Grewal and Tansuhaj (2001), 6 items for resource and coordination flexibility were adopted from Wei et al. (2014) and Zhou and Wu (2010).

The interactive dimension of corporate social responsibility and corporate political activities: Corporate social responsibility and corporate political activities were multiplied to measure the interactive dimension (ID). The formula is as follows: Interactive dimension

$$= (CSR \text{ X } CPA)$$

Performance: Firm performance was measured by 1 item: return on assets (ROA). Respondents were asked to indicate their firms' return on assets compared to competitors for the previous three year period (2013–2015) in order to "proximate a notion of sustained performance and to mitigate against temporal fluctuations" (Galbreath & Galvin, 2008, p. 113).

In this study, subjective measures were employed instead of objective measures. The study was conducted on the listed companies in Istanbul Stock Exchange and all financial figures including return on assets were available for the researchers. However, since the items in the questionnaire included some sensitive issues (especially, the items to measure corporate political practices), the participants have either been reluctant to answer some questions or have shown a tendency to provide misleading data in the pilot study. This situation led to a necessity to use an online survey which prevented the researchers from recognizing the participant firms and pair the data collected through questionnaire with the financial data that were available in the Istanbul Stock Exchange database. Since it was impossible to use the objective measures, the performance of the firms was measured according to the answers of the top managers rather than using the absolute values of return on assets. The question that was asked to assess the firms' economic performance was shown in Table 2. Return of assets is used as a key ratio to measure a firm's economic performance and should be familiar with most of the top managers (Goll & Rasheed, 2004; Imai, 2006; Okhmatovskiy, 2010; Waddock & Graves, 1997; Zhao & Murrell, 2016.

Control variables: Firm age, firm size, risk, industry and environmental effects were controlled in this study. Firm age and firm size were recognized as determinants of social and financial performance because the longer a firm exists and the larger it is, the more resources it has (Wei et al., 2014). Moreover, smaller firms may not exhibit as many overt socially responsible behaviors or political activities as do larger firms (Surroca et al., 2010; Waddock & Graves, 1997). These variables were measured by calculating the natural logarithms of the number of employees and the number of years since a firm was established (Waddock & Graves, 1997; Zhao & Murrell, 2016).

Additionally, risk tolerance influences the firms' attitude toward its non-market practices that may require costly investments (e.g. recycling or waste reduction efforts, pollution control equipment, and green buildings), philanthropic activities, donations to parties or spending money for lobbying efforts etc. (Boubakri, Mansi, & Saffar, 2013; Waddock & Graves, 1997). Boubakri et al. (2013) who associate management's risk tolerance with the debt ratio of a firm find that firms with greater debt engaged less in non-market activities. Therefore, as a proxy for management's risk tolerance, the firm's debt beta value (the ratio of debt to total assets) which indicates systematic risk of debt or the firm's ability to meet its debt obligations was used. Given a lack of objective data, the senior managers were asked questions such as "our firm's debt beta value (the ratio of debt to total assets) indicates a high systemic risk for our social and political practices" and the answers were anchored by a 5-point Likert scale. The specific nature of this study focuses on a wide range of industries, so depending on its characteristics, an industry may or may not experience significant problems leading to performance variation in a given social arena (Waddock & Graves, 1997). Besides, Goll and Rasheed (2004) state that "the performance consequences of socially responsible or political corporate behavior are likely to vary significantly across environments" (p. 45). Hence, while industry effects were systematically controlled by 5 items that were adopted from Porter's (1980) five forces framework, environmental effects were controlled by 2 items that were taken from the environmental dynamism scale of Jansen, Vera and Crossan (2009).

4.3. Reliability and Validity

Factor analysis is used to assess convergent validity. An exploratory factor analysis with VARIMAX rotation which yields six factors resulted to the theoretically expected factor solutions. Two items from the corporate political activities measures: "advocacy advertising in the media (e.g. a particular issue position)" and "mobilizing grassroots political programs" with loading levels of 0.47 and 0.42 respectively, were dropped to gain highest possible reliability. The items that were loaded into their stipulated constructs constituted six factors: corporate social responsibility, corporate political activities, strategic flexibility, industry structure forces, environmental dynamism, and firm performance. The reliability analyses show that all constructs possess satisfactory Cronbach's alpha values: corporate social responsibility (α= 0.849), corporate political activities (α= 0.861), strategic flexibility (α= 0.823), industry structure forces (α= 0.836), environmental dynamism (α= 0.885), and firm performance (α= 0.874).

Apart from the item loadings and Cronbach's alpha values, convergent validity was assessed by the third criterion: average variance extracted (AVE) for each construct should be larger than 0.50 (Chin, Marcolin, & Newstead, 2003). As reported in Table 2 and Table 3, item loadings, average variance extracted scores, and alpha values of all constructs were at the satisfactory ranges. Therefore, reliability and convergence validity were supported in this data set.

Table 2.

In order to assess discriminant validity and evaluate the measures, the criterion that the square root of average variance extracted for each construct should be larger than its correlations with all other constructs was used (Chin et al., 2003). The means, standard deviations, square root of average variance extracted of each construct, and correlation coefficients of all the variables used to test the hypotheses are presented in Table 3. Although some significant inter-correlations between the independent variables were observed, none of the correlation coefficients was above the level considered to be serious, which is generally accepted as 0.80 or higher (Hair et al., 2009). Iacobucci, Schneider, Popovich and Bakamitsos (2017) suggest that "mean centering clarifies regression coefficients (that is good) without altering the overall R^2 (that is also good) and helps researchers alleviate both micro and macro multicollinearity" (p. 403). Thus, before the analysis, all the variables were mean centered to minimize the threat of multicollinearity. Moreover, variance inflation factors (VIF) were also below the score recommended as problematic, which is 3 (Kothari, 2015). Accordingly, moderate levels of correlations among the independent variables do not seem to create multicollinearity problem.

Table 3.

Additionally, as shown in Table 3, the square root of average variance extracted for each construct was larger than its correlations with all other constructs. Therefore, the discriminant validity criterion was addressed.

4.4. Assessing Common Method Bias

In order to examine the existence of common method bias, Harman's single-factor test was conducted. Six factors were drawn out and the largest factor explained 19.73% of the total variance. Therefore, no single factor has explained the majority of the total variance leading to the conclusion of the inexistence of common method bias. Additionally, a confirmatory factor analysis (CFA) was conducted to compare the fit indexes of a multi-factor model and a single overall latent factor model in which all items designed for the questionnaire were loaded (Anderson & Gerbing, 1988).

Results showed that the absolute fit indexes for the proposed multi-factor model which ranged from adequate to excellent ($\chi^2 = 157.396$, $p < 0.05$; comparative fit index [CFI] = 0.936; goodness of fit index [GFI] = 0.967; route mean square error of approximation [RMSEA] = 0.054; non-normed fit index [NNFI] = 0.927) were superior to the one-factor model ($\chi^2 = 174.359$, $p < 0.05$; [CFI] = 0.754; [GFI] = 0.812; [RMSEA] = 0.079; [NNFI] = 0.745), indicating that no serious threat of common method bias exists in the research. Finally, the value of another comparative index, Akaike's information criterion (AIC; Hu & Bentler, 1999) was better (that is, smaller) for our multi-factor model than for the single-factor model ($AIC_{multi\text{-}factor} = 1{,}128.35$; $AIC_{single\text{-}factor} = 2{,}076.28$). These results indicate that our multi-factor model provided a better fit to the data than did its plausible rival specifications.

5. Analysis and Results

A seven-step hierarchical analysis was conducted. The results of regression analyses are given in Table 4. In model 1, just the control variables, including firm age, firm size, risk, industry structure factors and environmental dynamism were entered and a significant share of the variance in firm performance (Adjusted $R^2 = 0.142$; $F= 2.637$, $p< 0.001$) was observed. In model 2 and model 3, corporate social responsibility and corporate political activities were added respectively and significant relationships between corporate social responsibility ($\beta = 0.338$, $p< 0.001$) and corporate political activities ($\beta = 0.166$, $p< 0.001$) and firm performance were found. In model 4, the square of the corporate political activities dimension was entered. The findings revealed that while the coefficient of the corporate political activities dimension was positively significant ($\beta = 0.157$, $p< 0.01$), the square of the corporate political activities dimension was significantly negative ($\beta = -0.184$, $p< 0.05$). These results indicate that the corporate political activities dimension had an inverted U-shaped effect on firm performance (Haans, Pieters, & He, 2016; Zhou & Wu, 2010), in support of H_1.

Table 4.

In model 5, the interactive dimension was added and a significant positive effect ($\beta = 0.237$, $p< 0.05$) on performance was found. However, the contribution of corporate social responsibility and corporate political activities interaction on firm performance was very limited, only 1.9% ($\Delta R^2 = 0.019$; $F= 3.356$, $p< 0.001$) and did not provide a greater contribution to firm performance than the single effects of corporate social responsibility, 9.5% ($\Delta R^2 = 0.095$; $F= 3.005$, $p< 0.001$) and corporate political activities 2.6% ($\Delta R^2 = 0.026$; $F= 3.184$, $p< 0.001$). Therefore, H_2 is just partially supported. In model 6, strategic flexibility was added and a significant association with performance ($\beta = 0.211$, $p< 0.01$) was observed.

Finally, in model 7, the moderating role of strategic flexibility on the effects of interactive dimension was assessed through entering all the relevant interactions. The results found that strategic flexibility related positively to the interactive dimension ($\beta = 0.396$, $p < 0.05$). Also, with a strong moderation effect of strategic flexibility, the contribution of the two-way interaction of strategic flexibility and the interactive dimension to explain the performance variation was the greatest, 13.3% ($\Delta R^2 = 0.133$; $F = 4.154$, $p < 0.001$). Thus, H_3 was supported. These findings show that the limited contribution of the corporate social responsibility and corporate political activities interaction that was found in H_2 has turned out to a more significant contribution with the effects of strategic flexibility in H_3. An optimum alignment level of corporate social responsibility and corporate political activities (e.g. much less corporate political activities and more corporate social responsibility activities) that was balanced by strategic flexibility rather than the maximum conduct of both corporate social responsibility and corporate political activities provided the greatest contribution to firm performance. Thus, as long as the level of corporate social responsibility and corporate political activities conduct was aligned through strategic flexibility, the greatest contribution from corporate social responsibility and corporate political activities interaction to performance was achieved.

In order to gain more insight into the interaction effects and elaborate the moderating role of strategic flexibility, Aiken and West's (1991) procedure was followed. Strategic flexibility variable was split into two groups — low (one standard deviation below the mean) and high (one standard deviation above the mean) — and the effect of corporate social responsibility and corporate political activities interaction on firm performance was estimated (Zhou & Wu, 2010). Specifically, simple slope tests were conducted and the relationships were plotted in Figure 2.

Figure 2.

As Figure 1 shows, the effect of the interactive dimension increases more rapidly when the level of strategic flexibility shifts from low to high (the slope increases). This indicates that strategic flexibility moderates the relationship between corporate social responsibility-corporate political activities interaction and firm performance and strengthens the effects of the interactive dimension.

6. Discussion

This study investigates the separate effects of corporate political activities and the complementary effects of corporate social responsibility and corporate political activities on firms' economic performance. Additionally, the role of strategic flexibility to utilize the corporate social responsibility and corporate political activities complementarity was explored.

The findings relating to the first hypothesis indicate that the political dimension has an inverted U-shaped effect on firm performance and show that overemphasis on political practices in total non-market activities can lead firms to negative performance consequences. This finding may be explained through the potential risks that firms can face especially in emerging markets and Turkey is not an exception. Gao and Hafsi (2017) suggest that "getting support from the government through building ties with the government is not cost free" (p. 199). As a recent example from Turkey, large firms that had high political embeddedness could not make their own large scale investment decisions and assign CEOs or other top managers without the consent of the executives of the administration (Soyaltin, 2017). Moreover, firms were compelled to allow some people who have a political orientation with the existing administration to sit on the firms' board of directors and this situation not only led firms to operate with managerial inefficiency but some of them even lost their autonomy. As another example, many politically connected and dependent firms that were enjoying privileged government practices in Turkey had severe difficulties or even declared bankruptcy after 2001 when the new administration with a completely different political ideology and an overweening ambition for retaliation came to power. Afterwards, the new administration changed the bureaucracy radically and settled down to create its own capital through the firms that have close relations with it (Onis, 2009). In a similar vein, the ones that are politically connected to the recent administration and termed as "the advocates of administration" carry the risk of "suffering from discrimination and even expropriation and sabotage upon a sudden loss of the power bases" (Siegel, 2007, p. 625) and generating a corrupt firm image among stakeholders (den Hond et al., 2014). Therefore, this study finds that a moderate level of corporate political activities benefits firm performance and the confirmation of the first hypothesis may be explained by the arguments above.

The second hypothesis (H_2) examined the interactive effects of corporate social responsibility and corporate political activities on firm performance. The results show that corporate social responsibility-corporate political activity interaction is associated with firm performance, but its contribution to firm performance is rather limited and relatively less than corporate social responsibility and corporate political activities contribute individually. According to these findings, corporate social responsibility and corporate political activities seem complementary and can create synergic effects on firm performance but given the contribution of these effects that were lower than expected, corporate social responsibility-corporate political activities complementarity may not emerge spontaneously. Although the findings suggest that firm performance relies on a holistic problem-solving approach that embraces both corporate social responsibility and corporate political activities, the optimum point to leverage the corporate social responsibility and corporate political activities complementarity that leads firm to superior performance may not necessarily be the point where corporate social responsibility is equal to corporate political activities. Hence, firms should appropriately balance and align corporate social responsibility and corporate political activities instead of setting them at the highest combined levels. Whichever reason causes a relatively lower performance contribution of the interactive dimension than the individual performance contributions of corporate social responsibility and corporate political activities, one thing is clear that leveraging superior performance through non-market practices is a matter of strategy formulation and requires the delicate alignment of both corporate social responsibility and corporate political activities strategically as stated by den Hond et al. (2014).

The last hypothesis (H_3) confirms that strategic flexibility plays a positive moderating role on the relationships between the interactive dimension and firm performance. Accordingly, strategic flexibility promotes the flexible use and coordination of resources and quick planning and decision making about how corporate social responsibility and corporate political activities should be aligned. It thereby enables firms to create suitable corporate social responsibility-corporate political activity combinations, leverage corporate social responsibility-corporate political activities complementarity and perform integrated non-market strategy execution wisely to achieve superior performance (Zhou & Wu, 2010). In this sense, strategic flexibility makes a positive impact of corporate social responsibility-corporate political activities interaction on firm performance by shifting or optimizing the use of other resources. Since the focus in this research moves from a static resource endowment view to a dynamic management view, the findings may also extend the current understanding of the resource scarcity assumption.

This study has a number of practical implications. First of all, managers should pay special attention to the ways to manage corporate political activities, negative consequences of political dependence, corruption and corporate social responsibility activities in emerging markets.

Although firms may benefit from ties to the government, the cost of political embeddedness may exceed benefits. Considering the context-dependence of non-market activities (Jamali & Carroll, 2017), several practices can be conducted. However, the involvement of government officials in firms' boards should be avoided because government officials may abuse firms' resources for their political concerns. Corporate political activities, corruption, and corporate social responsibility activities are generally intertwined in emerging markets (Luo, 2006). Thus, while aligning corporate social responsibility and corporate political activities, corporate social responsibility must address ethical practices in dealing with political parties and in curtailing corruption. As empirically confirmed in this study, strategic flexibility enables firms to reorganize and recombine their resource base according to the type of specific resource required for their non-market activities. In parallel to this requirement, firms should have flatter organizational structures that can lead to quick decision making and they should improve communication between their internal units and external society to identify dynamic changes in markets. Finally, emerging market peculiarities and idiosyncrasies (Jamali & Carroll, 2017) can create complicated and inexplicable business environments where the mechanisms of strategic flexibility may not always work (Kamasak, Yozgat, & Yavuz, 2017). Therefore, strategic flexibility should not be considered as a universal, one-size-fits-all solution in every emerging market context.

7. Limitations and Future Research Directions

This study has some limitations. First, the sample is limited to a Turkish business database. Hence, the reliability of the findings should be subject to further testing and refinement across multiple settings, industries and countries through longitudinal studies where possible. The study was conducted in a developing country and therefore presents an opportunity for future research within the comparison of developed and developing country context. Second, a limited number of financial variables (return on assets) to measure performance were used in this research. Yet, firm performance can be a reflection of non-financial figures including job satisfaction, fulfilment of strategic goals or duration of partnerships as well as financial figures or a combination of both. Although the main prescription of strategic management considers financial figures as the main performance indicator, putting non-financial measurement constructs aside may have resulted in some deficiencies in evaluating firm performance. Lastly, the context-specific nature of firm-level corporate social responsibility and corporate political activities compelled the researcher to establish the hypotheses on the way of testing their interactive and relative importance on firm performance in quite a broad way. Corporate social responsibility and corporate political activities were used as general constructs to hypothesize the non-market strategy-performance relationship but their sub categories were omitted at this level of analysis. The question of "which or what kind of corporate social responsibility and corporate political activities and/or combinations generate better performance?" may be answered in future research.

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Figure 1. Conceptual model

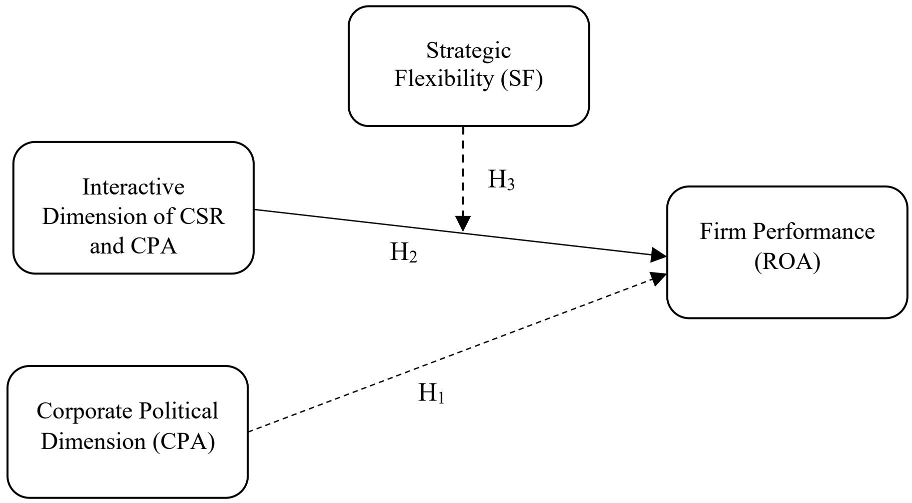

Table 1. Business activities of the firms

Business activity	*Frequency*	*Percentage*
Automotive	16	11.2
Banking & Finance	14	9.8
Computer & Software	5	3.5
Construction	12	8.2
Drugs	8	5.6
Food	15	10.5
Logistics & Transportation	9	6.4
Oil & Petrochemicals	11	7.8
Retail	18	12.7
Telecommunications	3	2.1
Textile & Apparels	20	14.2
Tourism	6	4.4
Other	5	3.6
Total	142	100.0

Table 2. Items of the questionnaire, factor loadings and Cronbach alpha coefficients

Variables	Items	Loadings	Alpha
Corporate Social Responsibility– CSR (Turker, 2009)	*How important have the following activities been for your organization to conduct your corporate social responsibility practices? (1: Not at all important – 5: Very important)*		
	Participating in activities which aim to protect and improve the quality of the natural environment.	0.928	
	Contributing to campaigns and projects that promote the well-being of the society.	0.903	
	Supporting nongovernmental organizations working in problematic areas.	0.874	
	Making investment to create a better life for future generations.	0.863	
	Implementing special programs to minimize the firm's negative impact on the natural environment.	0.819	0.849
	Encouraging your employees to participate in voluntarily activities.	0.795	
	Implementing flexible policies to provide a good work & life balance for your employees.	0.771	
	Considering customer satisfaction in your company.	0.762	
	Respecting consumer rights beyond the legal requirements.	0.748	
	Complying with legal regulations completely and promptly.	0.733	
	Paying your taxes on a regular and continuing basis.	0.682	
	Emphasizing the importance of your social responsibilities to the society.	0.655	
Corporate Political Activities– CPA (Hillman, 2003; Hillman & Wan, 2005)	*How important have the following activities been for your organization to conduct your corporate political activities? (1: Not at all important – 5: Very important)*		
	Contacting and initiating discussions with government officials by members of the company.	0.943	
	Appointing politicians on your company's board of directors.	0.906	
	Initiating economic/political education programs.	0.885	
	Providing financial contributions to candidates or parties.	0.879	
	Developing and supporting good connections with officials in regulatory organizations such as tax bureaus, state banks and commercial administration bureaus.	0.836	0.861
	Contacting and initiating discussions with government officials by external professionals.	0.815	
	Joining business advisory groups to government and regulatory bodies (such as standard setting committees).	0.778	
	Providing paid travel or benefits to elected officials or civil servants.	0.764	
	Engaging in lobbying activities.	0.746	
	Inviting and paying elected officials, politicians, or civil servants to speak at your organization (e.g. during inauguration ceremonies or as chief guests).	0.712	
	Company members serving in a political position at the local, state or country level.	0.664	
	Advocacy advertising in the media (e.g. a particular issue position).	0.472*	
	Mobilizing grassroots political programs.	0.418*	
Strategic Flexibility– SF (Grewal & Tansuhaj, 2001; Wei et al., 2014; Zhou & Wu, 2010)	*To what extent do you disagree/agree with the following statements? (1: Strongly disagree – 5: Strongly agree)*		
	We have a quick decision making process in the firm.	0.949	
	The costs of switching from one use of our major resources to an alternative use are low.	0.881	
	Our strategy reflects a high level of flexibility in managing political, economic, and financial risks.	0.870	
	The time required to switch to an alternative resource use is short.	0.837	
	Internal units often collaborate with each other to find a new use for internal resources.	0.829	0.823
	Our strategy emphasizes exploiting new opportunities arising from environmental variability.	0.804	
	The firm often finds new resources and/or new combinations of resources.	0.786	
	The difficulty of switching from one use of our major resources to an alternative use is low (R).	0.757	
	Our strategy emphasizes versatility and empowerment in allocating human resources.	0.716	
	The firm often finds new resources through communication between units.	0.664	
Industry Structure Forces (Porter, 1980)	The number of competitors vying for customers in our industry is *(1: Very low – 5: Very high)*	0.916	
	How easy is it for new firms to enter and compete in your industry *(1: Very easy – 5: Very difficult)*	0.897	
	What level of bargaining power (e.g. ability to negotiate lower prices) do you have over your suppliers *(1: Very weak – 5: Very strong)*	0.825	0.836
	What level of bargaining power (e.g. ability to negotiate lower prices) do customers have over your firm *(1: Very weak – 5: Very strong)*	0.804	
	To what degree is your industry threatened by substitute products/services *(1: No threat – 5: Extreme threat)*	0.786	
Environmental Dynamism (Jansen, Vera, & Crossan, 2009	*To what extent do you disagree/agree with the following statements? (1: Strongly disagree – 5: Strongly agree)*		
	In our local market, changes are taking place continuously.	0.962	0.885
	Environmental changes (e.g. economic, political, social and technological) in our local market are intense.	0.947	
Firm Performance (Okhmatovskiy, 2010)	*In the last three years, relative to close competitors, our firm has achieved: (1: A lower ratio of ROA, 3: About an equal ratio of ROA, up to 5: A higher ratio of ROA)*		
	Return on assets (ROA).	0.909	0.874

*Dropped item

Kaiser-Meyer-Olkin Sampling Adequacy	0.865
Barttlet's Test of Approx. Chi-Square Sphercity	9843.419***

***P< 0.001

Table 3. Correlations between variables

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	VIF
1. Firm age (log)	3.51	0.97	n/a											1.136
2. Firm size (log)	5.84	2.41	0.13**	n/a										1.209
3. Risk	1.29	0.74	–0.06*	0.04	n/a									1.074
4. Industry structure forces	3.64	1.08	0.05	–0.02	0.03	(0.878)								1.395
5. Environmental dynamism	3.98	0.53	–0.02	0.01	0.12***	0.18**	(0.915)							1.283
6. Corporate social responsibility (CSR)	4.07	0.49	0.15***	0.22***	–0.14**	0.05	0.19**	(0.889)						1.184
7. Corporate political activity (CPA)	3.76	0.68	0.14**	0.26**	0.23***	0.14***	0.21***	0.25**	(0.902)					1.368
8. Interactive dimension (ID)	0.23	0.26	0.13**	0.16**	–0.09	–0.03	0.15*	0.29***	0.24***	0.02	(0.832)			1.197
9. Strategic flexibility (SF)	3.42	0.42	0.08	–0.01	0.04	0.18**	0.27***	0.22**	0.15**	0.19***	0.25**	(0.848)		1.212
10. Firm performance	3.71	0.67	0.13**	0.19*	0.11**	–0.04	0.14***	0.36***	0.27***	0.25**	0.18*	0.21***	(0.861)	1.166

n/a: this item is not adaptive to analysis.
Diagonal value: square root of the AVE for the constructs #4, 5, 6, 7, 8, 9, 10
Non-diagonal value: correlation
*p<0.05; **p<0.01; *** p<0.001 (two tailed)

Table 4. The results of regression analyses

Variables	*Firm performance (ROA)*						
	Model 1	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*
1. Firm age (log)	0.132**	0.126***	0.127**	0.094	0.095	0.087	0.076
2. Firm size (log)	0.154**	0.138***	0.132**	0.119*	0.124**	0.092	0.128**
3. Risk	0.136*	0.143**	0.118*	0.115**	0.106*	0.126**	0.093
4. Industry structure forces	–0.069	–0.075	–0.084	–0.086	–0.093	–0.055	–0.071
5. Environmental dynamism	0.128**	0.119*	0.125*	0.111**	0.097	0.137*	0.104**
6. Corporate social responsibility (CSR)		0.338***	0.323***	0.319***	0.303*	0.253***	0.218***
7. Corporate political activity (CPA)			0.166***	0.157**	0.134***	0.116***	0.124***
8. Squared CPA				–0.184*		–0.142**	–0.282**
9. Interactive dimension (CSR X CPA)					0.237*	0.222***	0.253***
10. Strategic flexibility (SF)						0.211**	0.199***
11. SF X (CSR X CPA)							0.396*
R^2	0.154	0.249	0.274	0.293	0.315	0.406	0.537
Adjusted R^2	0.142	0.237	0.263	0.279	0.298	0.391	0.524
ΔR^2 *(adjusted)*	–	0.095	0.026	0.016	0.019	0.093	0.133
F -value	2.637***	3.005***	3.184***	3.217***	3.356***	3.995***	4.154***

N= 142
*p<0.05; **p<0.01; *** p<0.001 (two tailed)

Figure 2. The moderating role of strategic flexibility on the effect of the interactive dimension on firm performance