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Which Firms Leave Multi-Stakeholder Initiatives? An Analysis of Delistings from the United Nations Global Compact

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Abstract:

This study analyzes which firms leave multi-stakeholder initiatives for corporate social responsibility. Based on an analysis of all active and delisted business participants from the United Nations Global Compact between 2000 and 2015 (n=15,853), we find that small and medium-sized enterprises are more likely to leave than larger and publicly-traded firms; that early adopters are less likely to leave than late adopters; and that the presence of a local network in a country reduces the likelihood of leaving. Based on these findings, we discuss theoretical implications related to MSIs' output legitimacy, the nature of organizational platforms supporting norm entrepreneurs within MSIs, and the occurrence of legitimacy spillover effects in local networks.

Keywords: multi-stakeholder initiatives, corporate social responsibility, UN Global Compact, delisting, legitimacy

INTRODUCTION

Multi-stakeholder initiatives (MSIs) are increasingly seen as a means of addressing social and environmental problems in areas such as human and labor rights, deforestation, and climate change. MSIs reflect voluntary predefined rules that seek to guide, assess, verify and communicate firms' social and environmental performance (de Bakker et al. 2019; Jastram & Klingenberg 2018; Fransen & Kolk 2007). Although these initiatives differ in terms of their aims and underlying mechanisms, they all rest on a collaborative approach towards (global) governance (Rasche 2012). Within MSIs the authority for designing and enforcing relevant rules is shared between different interest groups, which, as a whole, cross the state/non-state and profit/non-profit-boundaries (Fransen 2012). While certification MSIs audit participating firms against a set of predefined rules (e.g., the Forest Stewardship Council), principle-based initiatives offer a set of foundational values that firms can sign up to without any monitoring or certification (e.g., the Equator Principles).

When looking at the MSI literature, existing studies have helped us to understand why firms join MSIs (Bartley 2007), how these initiatives become institutionalized (Gulbrandsen 2014), what influences their perceived legitimacy (Mena & Palazzo 2012), and whether or not MSIs have an impact on the issues they are claiming to address (Berliner & Prakash 2015). Yet, surprisingly little analysis has been devoted to what sort of firms leave MSIs in general and principle-based MSIs in particular (for an exception see Knudsen 2011). To address this shortcoming in the literature, this article *studies the characteristics of those firms that leave principle-based MSIs,* either because they failed to meet the minimum requirements of participation or because they voluntarily withdrew.

Our study rests on an analysis of all active and delisted business participants from one principle-based MSI, the United Nations Global Compact (UNGC), between 2000 and 2015 (n=15,853). We excluded some participants from this universe: (1) all firms that joined the initiative between 1 January 2013 and 31 December 2015, as firms that joined during these years cannot be delisted due to the UNGC's policy (UN Global Compact 2017) and (2) firms which cannot count as delisted because they do not exist anymore, have undergone a merger or acquisition or were consolidated under the parent company. This yielded a final sample size of 11,499. Firms leave the UNGC (and hence are considered delisted) because they are either forced to do so after failure to submit a mandatory annual Communication on Progress (COP) report or because they decide to voluntarily withdraw from the initiative. We selected the UNGC for three reasons. First, it is the world's largest MSI in terms of the overall number of business participants that joined the initiative (more than 15,800 as of December 2015). Second, it is also the initiative with the highest number of delisted firms (more than 7,000 as of December 2015). Finally, the UNGC is a global initiative with participants from more than 163 countries and not restricted to any particular sector or firm size. While our results cannot be generalized to all types of MSIs (e.g., certification initiatives that delist because of failed audits), the analysis enhances our knowledge about what sort of firms become uninterested in principle-based initiatives that have a similar institutional design like the UNGC (e.g., the Principles for Responsible Investment or the Equator Principles).

We find three main effects: (1) corporate size and ownership status influence whether participants leave (i.e. smaller and privately held firms are more likely to be delisted); (2) the time of joining affects delistings (i.e. early adopters face a lower likelihood of being delisted); and (3) the presence of local network structures in the

context of a MSI impacts delistings (i.e. the existence of such networks ties participants closer to the initiative and hence limits the likelihood of firms leaving, while the number of participants in a network does not seem to have an effect). Based on these findings, we make three main theoretical contributions. These contributions address shortcomings in the current literature on principle-based MSIs and thereby show why, and in which ways, our analysis is important for future theory development.

First, analyzing delistings allows us to extend our knowledge on the output legitimacy of relevant initiatives. Output legitimacy refers to whether MSIs are effective in addressing the issues they claim to address, while input legitimacy mainly deals with the question whether those which are being governed through an initiative are also involved in decision-making (Scharpf 2009). So far, the literature emphasizes (a) that principle-based MSIs suffer from lower levels of output legitimacy as they do not monitor participants (Mena & Palazzo 2012; Sethi & Schepers 2014) and (b) that mandatory reporting requirements can at least partly offset these low levels of output legitimacy (Hamid & Johner 2010). Our results extend this discussion by highlighting that enhancing output legitimacy via reporting requirements is unlikely to work in the case of those MSIs that allow firms of different sizes to join. Delisting firms for non-reporting only enhances output legitimacy if participants perceive it as a credible threat. However, since the credibility of such a threat depends on the expected reputational losses in the case of delisting (among other things) and since such reputational losses are asymmetrically distributed among larger and smaller firms, future theory development needs to consider the size of participating firms much more when thinking about how to strengthen output legitimacy.

Second, an analysis of delistings can help to address the lack of longitudinal analysis of principle-based MSIs. Although initiatives like the UN Global Compact (Rasche et al. 2013) and the Principles for Responsible Investment (Gond & Piani 2013) have been studied frequently, research usually does not differentiate the behavior of early and late adopters. Our results respond to this shortcoming. Our results confirm that Finnemore and Sikkink's (1998) norm cascade model holds in the context of principle-based MSIs – i.e. early adopters show higher levels of commitment than late adopters. Our analysis further shows that these dynamics even hold in situations in which the organizational platforms that enable the work of norm entrepreneurs are weakly defined.

Finally, an analysis of delistings is important because it allows better insights into the effects of MSIs' local networks – i.e., local clusters that are set up to engage participants in specific national contexts (Whelan 2010). While research has looked at factors explaining cross-country differences in local network participation (Abdelzaher et al. 2019), what remains unclear to date is whether such networks influence participant behavior (and if so in which ways). Based on our results, we suggest that the presence of a local network in a country decreases the likelihood that participants leave, because at least some firms can reap positive legitimacy spillover effects by remaining part of the network. Leaving the UNGC (and hence the local network) would imply that firms lose the perceived association with a similar class of local organizations that are organized under the legitimate UN umbrella. We thus complement Haack et al.'s (2014) claim that MSIs need to be understood as arenas in which legitimacy spillover effects exist.

Our analysis proceeds by briefly reviewing relevant parts of the literature on MSIs in general and the UNGC in particular. We then develop hypotheses, which predict what makes delisting more/less likely in the context of the UNGC. Next, we explain what data

we used, how we measured relevant variables, what statistical analyses we conducted, and how we checked the robustness of our results. The subsequent section presents the results of our analysis. We then outline theoretical implications of our results and show how far our findings extend existing scholarly insights. We close by outlining policy recommendations for MSIs in general and the UNGC in particular.

MULTI-STAKEHOLDER INITIATIVES

What Are Multi-stakeholder Initiatives?

MSIs reflect voluntary initiatives, which involve public and private as well as profit and non-profit actors (Fransen & Kolk 2007; Mena & Palazzo 2012). Based on multi-stakeholder processes, MSIs define, implement and enforce rules that direct firms' social and environmental behavior in selected areas. Even though participation in MSIs is voluntary, firms are expected to comply with the underlying rules once they have signed up. The literature distinguishes three types of MSIs in the field of CSR (see e.g. Gilbert et al. 2011): (1) principle-based MSIs – i.e. initiatives that define broad principles of engagement without any monitoring and certification (e.g., the UN Global Compact); (2) certification MSIs – i.e. initiatives that outline criteria for certifying factories along global supply chains (e.g., Social Accountability 8000); and (3) reporting MSIs – i.e. initiatives that outline frameworks for disclosing non-financial information (e.g., the Global Reporting Initiative). Our study focuses on what sort of firms leave principle-based MSIs using the example of the UNGC.

The interdisciplinary academic discourse on MSIs has focused on different topics (see also de Bakker et al. 2019 for a review). First, a number of studies have looked at the "production" of MSIs. These studies have highlighted the political nature of standard-

setting processes (Moog et al. 2015), the lack of inclusiveness of standard making and governance (Boström 2006), and the role of input legitimacy (Glasbergen 2013). Second, studies have looked at the "institutionalization" of MSIs, focusing, for instance, on how different actors influence patterns of diffusion (Gulbrandsen 2014), the effects of competition between MSIs on market creation processes (Reinecke et al. 2012), and isomorphism among standard adopters (Manning & von Hagen 2010). This stream of literature has also discussed possible benefits of adoption that drive institutionalization processes (Amer 2018). Finally, some studies have looked at the (lack of) impact of MSIs. Scholars have examined whether MSIs have any effect on the practices of participants (Clark & Kozar 2011), while other studies have more directly researched MSIs' impact on the problems they are claiming to address (Oosterveer et al. 2014).

Depending on the type of MSI, participants can leave such initiatives in different ways: (1) Principle-based MSIs usually demand a mandatory annual disclosure of implementation progress from participants; non-reporting participants are delisted (e.g., the Principles for Responsible Investment require an annual disclosure of participants' progress vis-à-vis their principles); (2) certification MSIs delist participants that fail to reach certain performance standards during audits; and (3) all types of MSIs allow that firms decide to voluntarily withdraw (e.g., Volkswagen left the UNGC after discussions around the manipulation of diesel engines started in September 2015).

The UN Global Compact

Launched in 2000, the UNGC offers businesses the opportunity to voluntarily align their business practices with ten principles in four issue areas (i.e. human rights, labor rights,

environmental protection, anti-corruption). The ten principles are not tied towards a particular sector, region or type of corporation; rather, they are supposed to be universally valid (Kell 2013). While the UNGC primarily aims at enlisting businesses in support of the ten principles, non-business actors (e.g., NGOs) can also join the initiative. The UNGC has created rather low entry barriers. Corporations wishing to join have to send a Letter of Commitment to the UN Secretary-General. Firms also need to provide some basic information via an online application form (e.g., size of business, country). To support the contextualization of the ten principles and to embed national communities for interaction, the UNGC has supported the creation of local networks. Such networks reflect "clusters of participants who come together voluntarily to advance the Global Compact and its Principles at the local level […] by providing on-the-ground support and capacity-building tied to distinct cultural, economic and linguistic needs" (Whelan 2010, p. 318). So far, such networks have been established in over 80 countries. UNGC participants can, but do not have to, join these networks.

The UNGC does not monitor whether participants live up to their commitment. Rather, all business participants have to submit an annual Communication on Progress (COP) report, a light form of self-regulation, in order to remain listed as "active". The COP is considered to be a public document (available via the UNGC's website) and its main purpose is to inform all stakeholders about a company's efforts in support of the ten principles (Hamid & Johner 2010). The content of COP reports is not verified by the UNGC. COP reports are not standardized and only need to meet certain minimum requirements. They need to include: (a) a statement by the chief executive expressing continued support, (b) a description of practical actions in support of the four issue areas (i.e. human rights, labor, environment, and anti-corruption), and (c) a measurement of

outcomes (UN Global Compact 2017). If a participant does not address one or more of the four issue areas, it needs to explain the omission.

Whenever a firm submits a COP, which does not meet the basic requirements, it is given a one-off, 12-month "grace period." During this period, the participant is offered support and guidance to come up with an adequate COP. Participants, which do not submit a COP on time, are not immediately delisted. Rather, they are first designated "non-communicating." If a non-communicating participant does not submit a valid COP report within another 12 months of becoming non-communicating, it is finally delisted from the UNGC (UN Global Compact 2017). Hence, it can take up to 36 months to delist a participant (initial 12 months of non-disclosure, plus 12 months grace period, plus 12 months non-communicating status). Other principle-based MSIs have adopted similar mechanisms and grace periods (e.g., the Equator Principles). All delisted companies are displayed on the UNGC website. Our analysis assumes that the decision to leave the UNGC is a deliberate one, either because the firm does not want to (or cannot) produce the COP. Prior to being delisted, participants receive a number of warnings from the UNGC.

Despite the public nature of delistings and their high relevance for the UNGC, surprisingly little research has focused on what sorts of firms leave the initiative and why they do so. Knudsen's (2011) early analysis of delistings provided some valuable insights. She found that participants operating in countries with stronger domestic governance institutions were less likely to delist. Further, she found that participants from Eastern Europe and Africa have a higher likelihood of being delisted, while firms from the oil and gas sector were less likely to be delisted. Although these results give important initial directions, they also need to be treated with care, as the underlying dataset included only

227 firms that were delisted during the first six months of 2008. As we are working with a dataset of the full population (i.e. all active and delisted participants from 2000-2015), we complement the findings of Knudsen's (2011) study.

HYPOTHESES DEVELOPMENT

Developing hypotheses, which predict what makes delisting more/less likely in the context of the UNGC, emphasizes two phenomena in particular. First, MSIs can be seen as voluntary clubs that act as signaling mechanisms. Prakash and Potoski (2007, p. 778) argue that "club standards are signals to members' stakeholders regarding what the voluntary club wants members to accomplish." Some of our hypotheses highlight the UNGC's role as such a signaling mechanism, for instance to investors (Amer 2018). But, we also suggest that the UNGC's role as a signaling mechanism is not equally important to all types of companies, which, in turn, influences delistings.

Second, some of our hypotheses highlight that firms can reap reputational gains by joining MSIs. Whether or not a participant can obtain reputational gains depends on a number of factors that are likely to impact upon delistings (Berliner & Prakash 2014; Prakash & Potoski 2007), for instance whether a firm's stakeholders actually demand MSI participation. If participants can secure reputational gains, this is likely to positively impact their perceived legitimacy in the eyes of relevant stakeholders. The role of legitimacy is important in the context of the UNGC, because 77% of all participants joined the initiative in the hope that this would increase trust in the company and boost social acceptance (UN Global Compact, 2011). Similarly, Arevalo et al.'s (2013, p. 11) study of the UNGC found that firms were motivated "by the perceived opportunity to achieve image gains."

Corporate Size

We can expect that the size of corporate participants effects their ability and willingness to remain part of the UNGC. Larger firms are more often exposed to reputational risks and get more critical attention from stakeholders than smaller firms do (Kostova & Zaheer 1999; Prakash & Potoksi 2007). The more visible a company is to relevant stakeholders, the higher its potential reputational risk (e.g., in case of NGO activism; see also Brown & Knudsen 2012). Larger firms thus have more incentives to comply with the UNGC's COP policy, as they are more likely to face adverse reputational effects when being delisted, especially since delistings are publicly communicated. Also, larger firms are better able to use the "UN label", for instance when interacting with NGOs (who target larger firms more often than they do smaller ones; Sigwatch 2016).

Even though firms can get access to social legitimacy through other means (e.g., by participating in other MSIs or by being listed on indices like the FTSE4Good), the UNGC is an attractive initiative due to its association with the UN system. Despite constant critique of its decisions and structures, the UN is a highly trusted organization because it its viewed as a universal and inclusive organization (Torgler 2008). The Edelman (2017, p. Q11-620) *Trust Barometer* finds that the UN enjoys much higher levels of trust around the world than other international organizations (e.g., the International Monetary Fund) and supranational entities (e.g., the European Union).

Larger firms are also more likely to possess the required resources that are necessary to design a COP report (Brammer & Pavelin 2006). When signing up to the UNGC corporations have to undergo some degree of change that requires financial as

well as non-financial resources (Rasche et al. 2013). Firms have to collect and analyze relevant data and also write up the annual COP report. Companies with limited resources will face difficulties in developing and submitting such a report and hence can be expected to face a higher likelihood of being delisted. SMEs have on average fewer resources available to manage their commitment to CSR (McWilliams & Siegel 2001), and hence should face a higher likelihood of being delisted. The degree of required organizational change also depends on the extant CSR engagement of a participant. Companies, which were already engaged in CSR reporting prior to their commitment to the UNGC, can submit these reports as a COP. This is due to the flexible COP policy of the UNGC. As CSR reporting is particularly widespread among larger corporations, but still not significantly developed among smaller firms (KPMG 2015), we can expect that SMEs face a higher likelihood of being delisted, as smaller firms would have to create a new reporting infrastructure from scratch. All of the above leads us to hypothesize:

Hypothesis 1a: SMEs are more likely to be delisted from the UNGC than larger companies.

We can expect that the hypothesized effects of organization size on a firm's ability and willingness to submit a COP report are particularly strong for well-known global firms given their assumed greater vulnerability to targeting by critical NGOs and the mainstream media. Hence, we include an analysis of the delisting status of the *Financial Times* (FT) Global 500 firms. These companies are ranked by market capitalization. FT 500 firms usually have significant resources devoted to CSR and have a well-developed CSR infrastructure (e.g., dedicated departments; Baumann-Pauly et al. 2013). Also, FT 500 firms are disproportionally exposed to reputational risk and hence remain the main

target of NGO campaigning (Sigwatch 2016). Hence, we can posit that the magnitude of the use of social legitimacy and its criticality are both high for these types of firms. We, therefore, hypothesize:

Hypothesis 1b: FT 500 firms are less likely than other participants to be delisted from the UNGC.

Ownership Status

We expect that participants' ownership status affects the likelihood of being delisted. In particular, we believe that publicly traded firms will behave differently than privately held firms. Publicly traded firms have a high dependence on investors, who increasingly recognize the importance of CSR issues for assessing the risks and opportunities related to their portfolio (Eccles & Klimenko 2019). Publicly traded firms are particularly visible and hence it is rather easy for investors to judge non-compliance. The extent to which an organization complies with relevant external demands depends to some degree on whether its actions or outputs are visible and can be assessed by others (Pfeffer & Salancik 1978, p. 44). Such visibility matters in the context of the UNGC. Prior research has shown that publicly traded companies that fail to submit a COP report are penalized by financial markets with an average cumulative abnormal return of -1.6% over a period of 5 trading days (Amer 2018). Investors seem to be aware of delistings and are prepared to punish non-communicating companies (e.g., because of higher perceived risk levels). This is not surprising, as the status of COP reports is available to investors via the *Bloomberg Professional* service, which is one of the most widely used platforms for financial professionals worldwide.

In the case of publicly traded companies, investors' control of a critical resource impacts participants' actions (David et al. 2007). The larger institutional investors can have a particular influence on companies' attitude towards UNGC commitment. Over 2,300 institutional investors have signed up to the Principles for Responsible Investment (PRI) thereby promising to integrate CSR-related concerns into their investment decisions. The PRI emerged as a spin-off initiative from the UNGC and holds close ties with the UN system. It can thus be expected that at least some PRI investors monitor the COP status of publicly traded UNGC participants (Coulmont & Berthelot 2015; Gond & Piani 2013). This exposes publicly traded firms to higher degrees of risk in the event of being delisted. Further, prior research has found that publicly traded firms, which engage in CSR activities, benefit from insurance-like effects if negative events occur (Shiu & Yang 2017) and also decreased costs of equity capital (Dhaliwal et al. 2011). However, such effects only exist if firms can credibly signal their CSR commitment to investors (e.g., through COP reporting). Delisting from the UNGC would undercut such signaling effects.

The role of investors needs to be considered together with the ability to regulate corporate behavior (Drees & Heugens 2013). Both private and public regulators of financial markets have emphasized the need to report on non-financial issues. In fact, KPMG's survey of the regulation of non-financial reporting emphasizes that many market regulators by now expect publicly traded firms to annually report on their social and environmental performance (relevant requirements exist, for example, in the EU, China and Singapore; KPMG et al. 2016). Publicly traded firms often have to produce the information, which is required for the COP report, because of existing financial

regulations. Hence, they do not need to invest additional resources when preparing the mandatory COP report. All of these insights lead us to hypothesize:

Hypothesis 2: Publicly traded firms are less likely than other firms to be delisted from the UNGC.

Early and Late Adopters

The existing literature suggests that early adopters are usually more committed to promoting new norms because of their high degrees of ideational commitment (Finnemore & Sikkink 1998) or their anticipated efficiency gains (Tolbert & Zucker 1983). By contrast, late adopters are primarily driven by isomorphism and conformity, which can enable decoupling behavior (Bromley & Powell 2012). Although such behavior of early and late adopters seems logical, we hypothesize that it is less relevant in the case of the UNGC. There are two reasons for this. First, one assumption of the literature is that early adopters base their actions on organizational platforms that help to promote the underlying norms. While the UNGC reflects such a platform, it was also in many ways a "historic experiment in learning and action" (Kell & Levin 2003, p. 176, see also Ruggie 2002). Early adopters faced high levels of uncertainty around (a) what exactly was expected from them and (b) which capabilities were needed to meet the UNGC's emerging requirements. The initiative changed many of its engagement opportunities in the early days (e.g., the COP policy was adjusted multiple times and new fora for learning and dialogue emerged; Rasche & Kell 2010). We can therefore expect that early adopters lacked knowledge about what exactly the UNGC was, whether it was of potential value to them, and whether their organization could meet the emerging

requirements specified by the organizational platform. Hence, the organizational platform, which early adopters faced, was only weakly defined.

Second, early adopter behavior is also likely to be influenced by the availability of alternative legitimacy sources. In the case of the UNGC, it is reasonable to assume that early adopters had comparatively fewer alternative sources of legitimacy and hence were more easily attracted by the initiative, even if the Compact did not fully fit their needs. At the time of its launch (in 2000), few competing principle-based MSIs were around. The World Business Council for Sustainable Development already existed, but it enjoyed rather low levels of legitimacy due to its closed-club mentality. Many principle-based MSIs with a sector or issue focus only emerged after the launch of the UNGC – for instance, the Responsible Business Alliance was inaugurated in 2004. By contrast, late adopters could chose (a) among a greater variety of principle-based MSIs and (b) often had the opportunity to join principle-based MSIs that specialized on CSR issues in their respective sector or addressed issues of high salience for their operations. We can thus expect that late adopters had to decide more deliberately for the UNGC (and against other MSIs), while at least some early adopters can be expected to have signed up to the UNGC for a lack of anything better (Baccaro & Mele 2011). We therefore hypothesize that:

> *Hypothesis 3: Early adopters are more likely than late adopters to be delisted from the UNGC.*

UNGC Local Networks

Delisting behavior cannot be seen in isolation of the national context in which participating firms are embedded. We suggest that the level of delistings is also influenced

by the degree to which the UNGC can influence participants "on the ground." This emphasizes the role of the UNGC's local networks, which were set up as a way to guide and impact participants in their respective national contexts (Abdelzaher et al. 2019). Local networks only exist in selected countries. In those countries where such networks exist, the global UNGC Office in New York can focus its influence attempts on only one target (i.e. the local network focal point) and hence influence participants more easily through this national intermediary. The main function of local networks is to influence participants' behavior and to make sure that firms submit their required COP (Whelan 2010). Many networks support their participants in creating COP reports. For instance, the 2014 Local Networks Report states that "local networks received in-depth training and guidance to support their participants with issues related to reporting and fulfilling their COP […] requirements." (UN Global Compact 2014, p. 14). We can therefore expect that the UNGC can better influence participants to submit COP reports in countries where local network structures exist. We thus hypothesize:

> *Hypothesis 4a: The delisting rate for firms originating from countries where local networks exist is lower than for firms originating from countries without such networks.*

It is necessary to acknowledge differences between local networks. Prior research has suggested that the level of engagement with a particular local network is dependent upon the number of network participants (Rasche 2012). As UNGC participants are *not* forced to join the local network in their respective country, we can expect networks with a high rate of participation to also show higher levels of activity (e.g., because firms have a basic interest in participation when they join such a network). Also, local networks with

more participants are likely to have access to more resources (e.g., because they utilize in-kind donations by participants) which in turn can impact the level of activity. We can therefore expect that network strength (i.e. the share of firms in a country deciding to engage in a local network) influences whether participants see value in such networks and, by extension, in the UNGC as a whole (see also Helmchen 2010). If participants perceive local networks as active and valuable, they should be more interested in avoiding delisting. We therefore also hypothesize:

> *Hypothesis 4b: The delisting rate for firms originating from countries where local networks attract a high share of participants is lower than for firms originating from countries where local networks attract a low share of participants.*

METHODOLOGY

Dataset

Our analysis is based on the complete dataset of the UNGC's active and delisted business participants as of 31 December 2015 (n=15,853). The Global Compact Office in New York provided the dataset. We excluded participants, which joined between 1 January 2013 and 31 December 2015, as due to the UNGC's COP policy, firms that joined during these years cannot be delisted (UN Global Compact 2017). Thus, a firm that joined on 1 January 2013 cannot be delisted before 1 January 2016 due to the current submission deadlines and available grace periods. Our analysis therefore includes all participants that joined the UNGC before 1 January 2013, and that were either labeled "active" or "delisted" by 31 December 2015. From this universe, we excluded firms which left the UNGC for the following reasons: merger or acquisition (n=60), organization does not exist anymore (n=194), consolidation of commitment under the parent company (n=45),

and other reasons (n=17). This results in a final sample size of 11,499 firms (i.e. all firms that joined before 1 January 2013 and that were mentioned as "active" or that were "delisted" due to non-reporting or voluntary withdrawal).

Overall, the UNGC delisted 7,017 firms until December 2015. Of these, the vast majority were expelled for failure to submit a COP (84.81%), while only a minority was delisted because of requested withdrawal (11.33%) or other reasons (3.86%). Our analysis does not further differentiate between delisting due to non-reporting and delisting due to voluntary withdrawal. In the case of the UNGC, expulsion is not analytically different from withdrawal. Firms, which leave because they fail to submit a COP report, are not interested in submitting such a report and hence make the deliberate decision to leave. We can assume such deliberate intention because the requirements for creating a COP are minimal and firms receive multiple warnings prior to being expelled (see above). Expulsion and requesting withdrawal would only be analytically different if participants actually wanted to stay in the UNGC but were forced out of the initiative (e.g., because the submitted document would not meet certain criteria).

Our dataset does not include non-business participants (e.g., NGOs). These organizations have different reporting requirement (the so-called "Communication on Engagement" policy). Furthermore, the delisting of non-business participants only started in October 2016 and hence limited data are available at this stage.

Variables

As the aim of this study is to find systematic patterns of firms being delisted from the UNGC, our dependent variable is whether a firm is delisted or not from the UNGC. We

create a dummy variable where 1 indicates that a firm was delisted and 0 that a firm is still active. Given our final sample size (n=11,499), we include firms that are listed as active (n=4,798) and firms that were forced to leave the UNGC through failure to submit a COP report or that requested withdrawal (n=6,701) into our dataset.

The independent variables are defined according to our generated hypotheses. For H1a, we measure the size of a firm according to the official recommendation by the EU (EU 2003/361/EC) where microenterprises are firms with less than 10 employees, SMEs with less than 250 employees, and corporations are firms with 250 or more employees. We recoded the number of employees into a dummy variable where 1 reflects micro-enterprises and SMEs and 0 larger firms. Such a classification is in line with prior empirical work on SMEs (Berliner & Prakash 2012, p. 158). For H1b, we used the information of whether a firm is enlisted in the FT500 index. Again, we created a dummy variable with 1 reflecting "FT500 enlisted" (UNGC participant is listed in the *Financial Times Global 500* as of December 2015).

For hypothesis H2, which assumes that publicly traded firms are less likely to be delisted from the UNGC, we collected the publicly traded status of a firm and created again a dummy variable where 1 means "publicly traded" and 0 "private company, subsidiary, or state-owned company."

To test hypothesis H3, which assumes that early adopters are more likely to be delisted, we analyzed the time at which firms joined the UNGC. To distinguish early and late adopters, we chose 2008 as a cut-off year, as the UNGC had gained a robust membership base until then (6,207 participants until the end of 2008). The UNGC started out with 50 firms in 2000 and grew especially in 2006, 2007 and 2008 (as participants from China and India started to join). Again, we created a dummy variable where 1

reflects “early adopters” and 0 “late adopters.” We also acknowledged that a possible early adopter effect has to be distinguished from an exposure effect.[1] Considering the exposure effect is relevant in this case, because if any UNGC participant faces an identical probability of leaving in any given year, early adopters will have departed in greater numbers because they were exposed to the initiative for a longer time. We addressed this problem through a survival analysis that is taking the time to being delisted into account. For that, we used a time variable called duration calculated for delisted firms by subtracting the join year from the delisting year and for active firms by subtracting the join year from 2015. The failure event is the dummy delisted.

To test hypothesis H4a, which concerns the relationship of local networks to the likelihood of being delisted, we collected data on whether local networks in the respective countries exist. This data was retrieved from the UNGC website. If a local network existed, we differentiated between a weak and a strong network to address hypothesis H4b. We classified all local networks in which more than 70% of country participants are organized as strong networks. This threshold was chosen, as most networks above this threshold showed a high level of activity and participant engagement (UN Global Compact 2015). The resulting variable describing the existence and strength of a local network in a particular country was then coded as 0 = “no network or no information available”; 1 = “weak network defined as less than 70% of country participants are organized in the network”; and 2 = “strong network defined as at least 70% of country participants are organized in the network.” We then split this variable into three dummy variables one capturing all firms with no network, the second all firms with a weak network, and the last one including all firms with a strong local network. We include

dummy variables for countries, industry sectors, and whether a country is an OECD member as control variables.

Models

To test our hypotheses, we employ a multilevel mixed-effects generalized linear model (MMGLM) where our dependent variable is whether a firm is delisted or active. There is a self-selection bias with regard to who signs up to the UNGC – that is, it can be assumed that only firms anticipating a benefit from joining will participate. Hence, the participating firms in the UNGC (or any other MSI) will not be representative of all firms. Still, we do not correct such a self-selection bias, as we take all firms that joined the UNGC as the population of interest to investigate which characteristics are related to being active or being delisted.

We then control for contextual effects such as shared environments by employing a multilevel mixed-effects generalized linear model. The UNGC database has a nested structure with two levels: country and firms. In such a sample, the individual firm observations are generally not independent as firms within one country are subject to national legislation and other national factors (Hox 2002). The estimated model looks as follows:

$$D_{ij} = \beta_{0j} + \beta'_1 X_{ij} + \beta'_2 C_{ij} + \varepsilon_{ij} \qquad (1)$$
$$\beta_{0j} = \beta_0 + \beta_3 O_0 + \vartheta_{0j} \text{ (country level)}$$

where D_{ij} is the measure of whether firm i in country j is delisted or active. β_{0j} is the average outcome in country j which is equal to the sum of the population average (β_0), the country specific effect (υ_{0j}) and the effect of being an OECD member (O_0). X_{ij}

captures all independent variables relevant for testing the hypotheses and C_{ij} comprises dummies for the industry sectors. ε_i is the individual error-term. The composite model looks as follows:

$$\boldsymbol{D_{ij}} = \underbrace{\boldsymbol{\beta_0} + \boldsymbol{\beta'_1 X_{ij}} + \boldsymbol{\beta'_2 C_{ij}} + \boldsymbol{\beta_3 O}}_{\text{fixed effects}} + \underbrace{\boldsymbol{\vartheta_{0j}} + \boldsymbol{\varepsilon_{ij}}}_{\text{random effects}} \quad (2)$$

When it comes to hypothesis H3 (early versus late adopters), we employ a survival analysis to disentangle a potential early versus late adopter effect from a mere exposure effect. If the probability of leaving the UN Global Compact is the same in any given year, early adopters are delisted in greater numbers only because of their longer exposure to the UNGC. Employing a multilevel mixed-effects parametric survival model (MESTREG) enables us to disentangle a mere exposure effect from joining the UNGC before 2008 or thereafter while still accounting for the nested structure of the data with the two levels country and firms.

$$\boldsymbol{h_{ij}(t)} = \boldsymbol{h_0(t)}\ \boldsymbol{exp}(\boldsymbol{\beta_0} + \boldsymbol{\beta'_1 X_{ij}} + \boldsymbol{\beta'_2 C_{ij}} + \boldsymbol{\beta_3 O} + \boldsymbol{\vartheta_{0j}} + \boldsymbol{\varepsilon_{ij}}) \quad (3)$$

Where $\boldsymbol{h_{ij}(t)}$ is the hazard function, $\boldsymbol{h_0(t)}$ is the baseline hazard function, and t is the time to a failure event. The other denotation remain as described above.

FINDINGS

Descriptive Statistics

The overall descriptive statistics and the Pearson correlations are presented in Table 1. 58.27% of the 11,499 firms are delisted. We take a first glance at Hypotheses H1 to H4 by inspecting the descriptive statistics with the final sample of 11,499 firms. In Table 2, we present the descriptive statistics by listing status of a firm. Hypothesis H1a suggests that SMEs are more likely to be delisted than larger firms. In total, 7,035 SMEs were listed in the UNGC whereof 70.01% were delisted between 2000 and 2013. For larger firms, only 40.77% were delisted over the same period of time. Hence, the share of SMEs delisted is much larger than the one of participants with more than 250 employees – supporting H1a. Hypothesis H1b suggests that FT500 firms are less likely to be delisted from the UNGC than other participants. This hypothesis is supported. Out of all UNGC participants, 187 firms were listed in the FT500. Only 4 of these 187 firms were delisted, while the delisting rate of non-FT500 firms is at 59.19% (6,693 of 11,307 firms). H2 predicts that publicly traded firms are less likely than other firms to be delisted from the UNGC. We find support for this hypothesis, as publicly traded firms have a lower share of delisted firms (23.03%) than firms with other ownership structures (62.26%).

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Put Tables 1 & 2 About Here

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Hypothesis H3 suggests that late adopters are less likely to be delisted than early adopters. We find that 67.87% of the early adopters are delisted, while later adopters face

a lower delisting rate (47.62%). Hence, this hypothesis seems to be supported at first glance (however, see discussion below when taking the exposure effect into account).

Hypothesis H4a suggests that the delisting rate for firms originating from countries where local networks exist is lower than for firms originating from countries without such networks. This hypothesis was supported, as the delisting rate for firms originating from countries without a local network is much higher (74.85%) than for firms originating from countries with either strong or weak local networks (see below). Hypothesis H4b predicts that firms originating from countries with strong local networks (i.e. networks where a high number of country participants are organized) face a lower likelihood of being delisted. This hypothesis is not supported. The delisting rate for firms from countries with weak networks (51.52%) is even lower than for firms from countries with strong networks (57.91%).

Regression Results

Table 3 presents the multilevel mixed-effects generalized linear model (MMGLM). We estimated two models where we added the duration of membership in the second model (Table 3, Column 2). The regression analyses produce similar results for all hypotheses but H4 which concerns the influence of local networks. For the interpretation of the estimates, we focus on the second model.

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Put Table 3 & Figure 1 About Here

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Also when controlling for all other variables that are hypothesized to be associated with being delisted or not, the descriptive results are largely confirmed. For example, SMEs have a higher likelihood of being delisted compared to larger firms (Odds Ratio OR=3.504, $p \leq .001$), meaning that the likelihood of being delisted is 3.504 times higher compared to the likelihood of a larger firm being delisted. Hypotheses H1b and H2 are also confirmed (Table 3). Firms with the following characteristics have a lower likelihood of being delisted: being listed in the FT 500 and being publicly traded. Thus, hypotheses H1a, H1b and H2 are supported.

At first glance, H3 (early adopters are more likely to be delisted) seems to be supported by the regression results presented in Table 3 (OR=2.928, $p \leq .001$). However, once we separate a potential exposure effect from an early versus late adopter effect by employing survival analyses regression, the results reverse and we find that early adopters are less likely to be delisted than late adopters (Table 3, Column 3). This is visually depicted in Figure 1 with the survival estimates, where we find the survival rates of early adopters above the curve for late adopters. The divergence between the descriptive statistics and the multilevel regression results (Table 3, Column 1 and 2) as well as the survival analysis results can be explained by the exposure effect. The longer exposure of 15 years of potential membership of early adopters to the UNGC leads to a higher likelihood of being delisted compared to the relatively short exposure of seven years of potential membership for late adopters. Once the exposure effect is taken into account, we find early adopters are less likely to be delisted than late adopters (OR=0.537, $p \leq .001$). Hence, H3 is not supported.

For the effect of local network strength on the likelihood of being delisted (H4b), firms in countries with weak local networks are less likely to be delisted (OR=0.540,

$p \leq .001$), but firms in countries with strong local networks are 2.870 times more likely to be delisted than are firms in countries with weak networks. Countries explain 8.65% of the variance of being delisted (ICC Intra Class Correlation coefficient). H4b is therefore not supported.

DISCUSSION AND IMPLICATIONS

Theoretical Implications

Output Legitimacy of Principle-based MSIs. Principle-based MSIs are often criticized for having low levels of output legitimacy, mostly because such initiatives do not have monitoring mechanisms (Garsten & Jacobsson 2011; Sethi & Schepers 2014). Others have argued that mandatory reporting requirements (such as the UNGC's COP policy) can at least partly offset such low levels of output legitimacy (Amer 2018; Hamid & Johner 2010). This argument rests on the assumption that MSIs which can articulate a credible threat that non-reporting participants will be removed from the initiative, can increase their output legitimacy. Our results put such claims into perspective. The impact of a delisting threat on MSIs' output legitimacy is contingent upon participants' size and ownership status as well as their status as an early or late adopter. Reporting requirements do not necessarily reflect credible threats and only support output legitimacy vis-à-vis selected groups of participants. Our analysis shows that the credibility of the threat to remove non-reporting participants depends most of all on participants' expected reputational losses. The ability of principle-based MSIs to increase their output legitimacy via reporting requirements is therefore limited in the case of inclusive

initiatives (like the UNGC), because in such initiatives the reputational gains of participation are asymmetrically distributed between larger and smaller firms.

Future theoretical discussions of principle-based MSIs' output legitimacy (Kaan & Liese 2012) have to follow a more fine-grained assessment, for instance by distinguishing between inclusive and less inclusive initiatives. The output legitimacy of inclusive initiatives is likely to suffer as long as mandatory reporting is the only available enforcement mechanism because the reputational loss associated with non-reporting is not equally relevant to all participants. By contrast, less inclusive principle-based MSIs (e.g., initiatives that target specific types of participants, like the Equator Principles targeting larger banks) should be able to strengthen their output legitimacy via the introduction of reporting requirements, as long as the threat of removal remains credible vis-à-vis the primary target group.

Early Adopters and Organizational Platforms. So far, there is little longitudinal analysis of principle-based MSIs (mostly due to a lack of relevant data; for an exception see Haack et al. 2012). Our analysis shows that early adopters are less likely to be delisted and hence show higher levels of commitment. This result confirms existing theoretical work that predicts more commitment among early adopters, while late adopters are primarily motivated by isomorphism and conformity (Finnemore & Sikkink 1998; Tolbert & Zucker 1983). Our results therefore highlight the importance of seeing early UNGC adopters as norm entrepreneurs – that is, firms who hold strong beliefs about the underlying norms and highlight their importance and appropriateness by joining early. What is interesting about our results is the role of organizational platforms that are supposed to support the behavior of norm entrepreneurs.

Finnemore & Sikkink (1998, p. 899-900) saw such platforms as an important prerequisite for norms to emerge and institutionalize. As discussed above, the UNGC acted as such a platform; however the initiative provided a weakly defined and rather unstable platform in the early days. Our results can therefore be interpreted in the following way: norm entrepreneurs show high levels of commitment to a principle-based MSI even in those cases where relevant organizational platforms are still weakly defined. Why, then, are norm entrepreneurs attracted by platforms that seem to be under development? One reason is their rather high level of ideational commitment (Payne 2001) to the norms that the MSI promotes. This commitment may compensate perceived weaknesses of the underlying platform, or it may even lead to a situation in which norm entrepreneurs value the rather non-specified character of a platform (because it enables experimentation and reframing within existing standards of "appropriateness"; March & Olsen 1998).

However, our results also point to the relevance of another factor. Organizational platforms do not exist in isolation; they are often embedded into larger organizational structures (Gest et al. 2013). Although the UNGC was still emerging as a platform for the work of norm entrepreneurs, the initiative has benefitted from the relative stability provided by the UN system (Kell 2013). Hence, the broader organizational context in which the platform was embedded and supported by selected state actors, provided enough continuity to enable the work of norm entrepreneurs and to prevent them from leaving the initiative. This implies that early adopter commitment may be less shaped by the comprehensiveness and sophistication of organizational platforms but rather by their very existence and supporting organizational environment. As many principle-based MSIs have emerged out of existing organizations (e.g. the Principles for Responsible

Banking emerged out of UNEP), there is a need to further study the relationship between the platforms that these initiatives themselves provide and their embeddedness into permanent organizational environments with well-defined agendas.

Local Networks and Legitimacy Spillovers. Given that numerous MSIs have adopted a nested network structure (i.e. local networks that are embedded in a larger global network; Overdevest & Zeitlin 2014), it is important to consider whether and how these local networks influence the MSI as a whole. Our analysis shows that the mere existence of local networks influences the delisting rate, while the strength of a network (measured by the number of active participants) does not seem to affect delistings significantly. One factor that can explain the relatively lower delisting rate for firms originating from a country with a local network is the existence of positive legitimacy spillover effects within MSIs (see e.g. Haack et al. 2014). Prior research has argued that "similarity" acts as a heuristic that allows outsiders to construct legitimacy transfers based on established categories (Kostova & Zaheer 1999). Being part of a local network acts as such an established cognitive category in that such networks unite firms that are similar in terms of their support for the UNGC. Outside audiences thus confer legitimacy to UNGC participants based on whether they can typify them into a category of organizations that share a common feature (Bitektine 2011). In other words, similarity in organizational features (e.g., being part of a UNGC local network) can help outsiders to confer legitimacy to an organization (e.g., a firm participating in the UNGC) that is otherwise hard to judge.

Leaving the UNGC would imply losing access to the local network and hence the perceived association with a similar class of organizations. Although participants in local networks are likely to differ in terms of their size and sector, they are all similar in terms

of being perceived as working towards goals that are organized under the UN umbrella. As the UN enjoys high levels of legitimacy, we can expect that outsiders will confer legitimacy to organizations that they can typify into a recognized cognitive category (i.e. "UNGC local networks members"). We believe that such positive legitimacy spillovers are tied to local networks, as these networks are the "face" of the UNGC on the local level and hence more known to local audiences (e.g., local government agencies and NGOs; see Helmchen 2010 and Whelan 2010). These results are also relevant beyond the UNGC. They show that MSIs, which set up local networks, may be better able to keep participants tied towards the initiative.

Policy Recommendations

Principle-based MSIs. Our study shows that policy makers have to find ways to protect the legitimacy of principle-based MSIs. High delisting rates, as in the case of the UNGC, are likely to damage the legitimacy of an initiative. The legitimacy of an MSI is hard to judge from the outside and by non-experts. Hence, evaluators will rely on heuristics. Publicly available information on delistings acts as such a heuristic and thus influences MSIs' perceived legitimacy. In case of a high delisting rate, firms with a strong CSR profile will find it harder to credibly signal their performance through an MSI. As a result, companies with a stronger CSR profile may shy away from participation. For policy makers this implies that (a) it is important to sufficiently differentiate MSI participants within an initiative (e.g., through different participation tiers) and (b) they should consider how to adjust entry barriers. We suggest increasing entry barriers to a level that ensures that participants have a basic willingness to engage in the initiative and the necessary

resources to do so. This could be done in different ways, for instance by increasing reporting requirements (see below) or by asking for a sign-up fee.

Our results show also that inclusive principle-based MSIs face a challenge as they cannot easily establish a credible threat vis-à-vis SMEs. However, we should not conclude from this that relevant initiatives should ignore smaller firms. Prior literature has emphasized that SMEs are vital when it comes to addressing political CSR problems (Wickert 2016), for instance because they are part of global supply chains and are therefore connected to regulatory gaps (which MSIs typically aim to address). Principle-based MSIs have to find ways to connect reporting requirements to threats that are perceived as credible in the eyes of SMEs. Since SMEs often have higher levels of dependencies towards their local community (Spence 2016), the reputational loss for such firms would be higher if MSIs manage to communicate the delisting decision to relevant local actors (e.g., local NGOs, business associations, municipalities). Given that many initiatives have created local network structures, such communication should, in principle, be possible. MSIs' current approach – to communicate delistings globally (e.g., via their website) and through professional services (like Bloomberg) – is unlikely to influence SME behavior. Further, MSIs have to contextualize their assistance to SMEs better. SMEs work at different levels of maturity when it comes to CSR and hence they also require different levels of assistance (e.g., in preparing reports and tailored guidance materials; see also Wickert 2016, p. 813).

UN Global Compact. One key recommendation would be to make COP reporting a *condition* for entering the UNGC, instead of making it an outcome of participation. Our results suggest that a large number of firms do not seem to be interested in aligning their business practices and strategies with the UNGC's ten principles. Hence, those who argue

that some firms misuse the initiative for “blue-washing” (Berliner & Prakash 2015) may indeed have a point. Making the submission of a COP report a precondition for participation would slightly increase entry barriers (see above) and also offer a baseline from which to judge future implementation progress. The COP report could then outline how the ten principles are addressed at the time of joining, and what plans exist for the future. Such a policy change would also ensure that new participants have gained some experience with reporting.

Our results also suggest that the UNGC currently has no mechanism in place that allows deviant companies to be punished. The UNGC assumes that delisted firms are punished through the public nature of delistings – that is, all expelled firms are listed on a “name and shame” board on the initiative’s website (Hamid & Johner 2010). Our findings suggest that this mechanism is likely to influence larger publicly traded firms, while it does not show much effect on SMEs. As the exit option is not costly for SMEs, there are incentives for these firms to free ride (i.e. join the initiative for three years without any reporting). We thus recommend requiring asset-specific investments from all new participants. Such investments create sunk costs and hence make the exit option more costly (Prakash & Potoski 2007). For instance, such investments can be required by making participation in UNGC local networks mandatory for all participants. This would require firms to participate in and contribute to collective action activities. Because such collective action activities are only accessible by network members, participants’ investment in them would be hard to regain.

CONCLUSION AND FUTURE RESEARCH

Given the growing attention to principle-based MSIs and their relevance for addressing social and environmental problems, it is crucial to better understand what types of firms are affected by this mode of private regulation. Our results show that firm size, ownership structure, join year, and the existence of local networks influence whether firms decide to leave MSIs. We do not claim that our findings hold for all types of MSIs. Our research is based on an in-depth investigation of the UNGC – the largest *principle-based* MSI over the last two decades. Our results are likely to be applicable in the context of other principle-based initiatives, such as, but not limited to: the Principles of Responsible Investment and the Equator Principles. Although these initiatives differ in some respects, they also share some features (e.g., they require annual implementation reports and delist non-compliant participants).

We see different avenues for future research. First, we need more empirical evidence as to why certain types of firms decide to leave principle-based MSIs in general and the UNGC in particular. While our study provides evidence that certain firms decide to leave, we cannot say anything about the underlying reasons for this decision. Asking why firms accept to be delisted seems important, because, as indicated above, at least in the context of the UNGC, participants seem to agree to the delisting and do not attempt to work against it. Looking at the recent literature on the UNGC (see e.g., Jastram & Klingenberg 2018; Schembera 2018), a number of reasons seem possible but have not been studied empirically so far. For instance, firms' expectations regarding the private benefits of participation may not have been met. Also, as the field of MSIs continues to grow, firms may look for initiatives that better fit their individual industry-based needs,

while the UNGC remains a broad umbrella initiative that serves almost all industries. Further, companies may go through internal change processes (e.g., change in leadership or budget) resulting in a lower prioritization of UNGC participation. While the rationale behind delistings can be explored quantitatively as well as qualitatively, we believe that a qualitative multi-case-study research design (Stewart 2012) could help to gather first insights which could then be further tested through quantitative studies.

Second, future research also needs to clarify the role of regulatory intermediaries (Abbott et al. 2017) in the context of principle-based MSIs. Our results show that publicly listed firms are less likely to leave MSIs. One reason for such behavior is the strong influence of investors who see delisting as increasing their own risk. Understood in this way, investors assume the role of indirect monitors that facilitate implementation and prevent delisting. Future research needs to gain deeper insights into whether other stakeholders than investors allow MSIs to indirectly influence participants. For instance, it is likely that governmental actors can play a similar role in those national contexts where public procurement decisions are impacted, among other things, by firms' participation in MSIs.

ENDNOTES

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[1] We thank Reviewer #3 for pointing this out.

TABLES

Table 1. Descriptive statistics and correlations (dependent and independent variables)

#	Variable	Mean	SD	Min	Max	1	2	3	4	5	6	7	8
1	Delisted	0.58	0.49	0	1	1							
2	SME	0.60	0.49	0	1	0.29***	1						
3	FT500	0.02	0.13	0	1	-0.15***	-0.16***	1					
4	Publicly traded	0.10	0.30	0	1	-0.24***	-0.36***	0.38***	1				
5	Early adopter	0.53	0.50	0	1	0.21***	-0.12***	0.07***	0.06***	1			
6	Local network: none	0.12	0.32	0	1	0.12***	-0.02***	-0.03***	-0.04***	0.10***	1		
7	Local network: weak	0.26	0.44	0	1	-0.08***	0.00	0.05***	0.06***	0.01	-0.22***	1	
8	Local network: strong	0.62	0.48	0	1	-0.01	0.02*	-0.02*	-0.02*	-0.08***	-0.47***	-0.76***	1

Note: $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$;

Table 2. Testing hypotheses with descriptive statistics

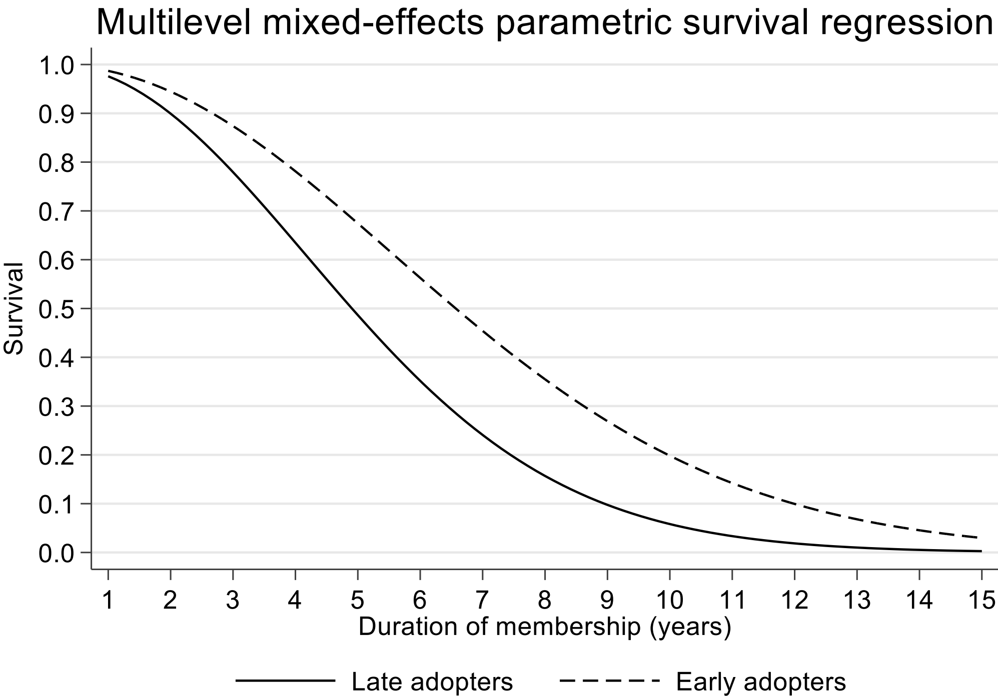
Hypothesis	Variable		Total	Listed	Delisted
H1a	SMEs	n	7,035	2,064	4,819
		(%)	(100%)	(29.99%)	(70.01%)
	MNEs	n	4,780	2,734	1,882
		(%)	(100%)	(59.23%)	(40.77%)
H1b	FT500	n	187	183	4
		(%)	(100%)	(97.86%)	(2.14%)
	Other	n	11,307	4,614	6,693
		(%)	(100%)	(40.81%)	(59.19%)
H2	Publicly traded firms	n	1,168	899	269
		(%)	(100%)	(76.97%)	(23.03%)
	Other	n	10,331	3,899	6,432
		(%)	(100%)	(37.74%)	(62.26%)
H3	Early adopters	n	6,048	1,943	4,105
		(%)	(100%)	(32.13%)	(67.87%)
	Late adopters	n	5,451	2,855	2,596
		(%)	(100%)	(52.38%)	(47.62%)
H4a/b	No network/ no information	n	1,368	344	1,024
		(%)	(100%)	(25.15%)	(74.85%)
	Weak network	n	2,970	1,440	1,530
		(%)	(100%)	(48.48%)	(51.52%)
	Strong network	n	7,161	3,014	34,147
		(%)	(100%)	(42.09%)	(57.91%)
Total		**n**	**11,499**	**4,798**	**6,701**
		(%)	**(100%)**	**(41.73%)**	**(58.27%)**

Table 3. MMGLM and MESTREG regression estimates of H1 to H4 on being delisted from the UNGC

Variables	(1) Delisted Odds ratios	(2) Delisted Odds ratios	(3) Delisted Hazard ratios
Hypothesis H1a/b			
SMEs	3.472***	3.469***	2.313***
	(0.292)	(0.292)	(0.163)
MNEs	*ref.*	*ref.*	*ref.*
FT 500	0.058***	0.058***	0.050***
	(0.021)	(0.021)	(0.018)
Other firms	*ref.*	*ref.*	*ref.*
Hypothesis H2			
Publicly traded firms	0.343***	0.343***	0.354***
	(0.052)	(0.052)	(0.047)
Other firms	*ref.*	*ref.*	*ref.*
Hypothesis H3			
Early adopters	2.928***	2.940***	0.537***
	(0.285)	(0.286)	(0.040)
Late adopters	*ref.*	*ref.*	*ref.*
Hypothesis H4a/b			
no network/ no information	*ref.*	*ref.*	*ref.*
local network exists	.419***		
	(0.067)		
weak network		0.327***	0.662***
		(0.048)	(0.064)
strong network		0.450***	0.716***
		(0.067)	(0.069)
log likelihood	-6,366	-6,361	-17,916
ICC	8.65%	8.65%	12.62%
n Groups	141	141	141
N	11,497	11,497	11,499

Note: * if $p < 0.05$, ** if $p < 0.01$, *** if $p < 0.001$. Odds ratios/ Hazard ratios are presented, robust standard errors in parentheses. The dependent variable is the dummy delisted, the controls include dummies of industry sectors on the firm level and a dummy for OECD on the country level. MESTREG carried out Weibull distribution.

Figure 1: MESTREG survival regression results for early and late adopters



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