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CORPORATE SOCIAL RESPONSIBILITY, GIFT EXCHANGE, RELATIONAL SKILLS AND CORPORATE PERFORMANCE

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Abstract

Based on results of the different fields of the game theoretic literature on strategic interactions and social dilemmas, gift exchange and procedural utility, we argue that corporate social responsibility and relational skills i) with other firms; ii) between employers and workers iii) among workers and iv) with stakeholders are associated to positive effects on productivity. We test our research hypothesis on a large representative sample of Italian firms including the universe of medium and large companies and accounting for 91.3 percent of domestic employees. We find that companies with higher relational skills report significantly higher value added per worker after controlling for relevant concurring factors. More specifically, the identified significant skill related components are: i) corporate policies considering strategic workers' wellbeing; ii) team working attitudes considered as priority soft skills when hiring workers; iii) initiatives in favour of the productive network operating in the same local area and iv) involvement of stakeholders in CSR projects.

Keywords: relational skills, corporate productivity, gift exchange, team working.

JEL numbers: L22, L25, L14, J53.

1. Introduction

The economic literature traditionally identifies the main drivers of corporate performance and competitive advantage in “hard factors” such as patents, innovation, sustainable competitive advantages on the supply side and consumer tastes on the demand side. We are much less accustomed to focus on the fact that competition is a “team race” where the quality of internal (among workers and between managers and workers) and external (with stakeholders and other companies along the product chain) relationships are crucial.

In our paper we contribute to bridge this gap by performing an empirical analysis on the effects of corporate social responsibility and relational skills on corporate performance. More specifically, we identify three types of relational skills: gift giving, team working and stakeholders involvement and participation. We consider their effects in four different actions: welfare provisions toward workers, team working as key soft skill in hiring decision strategies, support of projects in favour of local business and stakeholders involvement in corporate CSR projects.

Human relationships are a powerful factor, whose role on social and economic performance has been only partially explored in the literature. An indication of their potential positive effect comes from three different strands of the literature, the first related to social dilemmas in game theory, the second to the role of soft skills on productivity in the labor market, the third to the so called participatory utility theory (Frei and Stutzer, 2005 and 2006).

On the first strand game theory has a longstanding tradition and places strong emphasis on the importance of quality of human relationships when markets are

thin. In presence of asymmetric information, incomplete contracts and non overlapping competences, several game theoretic models – such as, for instance, the prisoner’s dilemma, the trust investment game (Berg et al. 1995), the traveller game (Basu 1994) and the stag hunt game (Skyrms, 2001) - outline social dilemmas where coordination failures and suboptimal Nash equilibria show how players’ low relational skills can lead to Pareto inferior outcomes. A common factor across these social dilemmas is that trust is a form of social risk as it corresponds to putting oneself in other hands without any legal protection.¹ As a consequence, the absence of interpersonal social capital (trust and trustworthiness) leads to lack (or abuse) of trust, failure of coordination and cooperation, thereby making impossible to put together non overlapping competences and experiences that can create teams and generate superadditive effects. On the opposite, strategies of “relational rationality”, going from the minimal form of cheap talks to the more engaging case of gift exchange (Akerlof, 1984, Bewley 1999), can overcome coordination failures bringing toward socially optimal equilibria. More specifically, in the gift exchange example illustrated by Akerlof (1984) a managerial “gift” (the first action of a manager creating benefits for workers, not motivated by a previous action from the latter deserving the benefit) can generate gratitude and trigger reciprocity that workers express under the form of higher productivity. More in general, we can define a gift any action of giving that goes beyond what expected based on legal obligations and corporate role tasks. The same gift exchange mechanisms repeated between workers at the same hierarchical level can create mechanisms of gratitude and reciprocity,²

¹ “Trust is the investor’s willingness to make herself vulnerable to others’ action” (Hong and Bohnet 2007). “An individual (let’s call her the trustor or investor) trusts if she voluntarily places resources at disposal of another party (the trustees) without any legal commitment from the latter” (Fehr 2009).

² The key factor creating the gift exchange effect is reciprocity (Falk and Fishbacher 2006; Rabin 1993) triggered by the gratitude for the gift received. According to the sociologist Gouldner (1960) reciprocity is “is no less universal and important an element of culture than the incest taboo”. The relevance of gift exchange mechanism has been confirmed in several field experiments (see among others Falk, 2007).

thereby producing strong relational links that become a deterrent that increases the cost of violating trust and makes cooperation a more likely and robust outcome of social dilemmas (Becchetti and Pace, 2012). These findings imply that the very general features of social dilemmas in the game theoretic literature apply also to corporate life since it is possible to identify potential social dilemmas, coordination failures and, on the opposite direction, high productivity potential of interpersonal social capital in the interactions i) among workers with heterogeneous skills and competences, ii) among the firm and their suppliers/subcontractors and iii) among the firm and its stakeholders. This is because (considering for instance case i)) companies typically participate to competitive races with their projects and strategies elaborated by a team of workers with non overlapping complementary skills (ie. lawyers, technology experts, economists, etc.) and therefore the creation of quality projects occurs under similar social dilemma conditions of the trust investment game.

On a different strand of the literature the growing attention of labor economics to relational skills is evident in recent contributions focusing on returns to “non-cognitive” skills that include social skills (Kuhn and Weinberger 2005; Heckman, Stixrud, and Urzua 2006; Lindqvist and Vestman 2011; Borghans, Ter Weel, and Weinberg 2014). The importance of relational factors is confirmed by Deming (2017) reporting that employers in the National Association of Colleges and Employers (NACE) regard “ability to work in a team” when hiring new college graduates as the top attribute coming before analytical/qualitative skills and problem solving (NACE, 2015). Further evidence on the importance of team work and collaboration as crucial worker skills is provided by Casner et al. (2006) and Jerald (2009).

A third strand of the literature related to our research hypotheses on the effect of relational skills on corporate performance concerns the value of participation. Following this approach Frei and Stutzer (2005 and 2006) show that individual preferences are not only affected by outcomes but also by circumstances of actions related to those outcomes. More specifically, they show that individuals tend to

support a given choice when they are involved and participate to the decision process, while they are against the same choice if not involved.

In our paper we wonder whether theoretical findings from the three literature fields described above find correspondence empirically in a significant nexus between relational skills and corporate performance. Following a related strand of empirical research Edmans (2011) shows that employee satisfaction is positively correlated with shareholder returns and the stock market does not fully value intangibles, while Lins et al. (2017) show that firms with higher level of CSR intensity earned higher stock returns during the 2007-2008 financial crisis and interpret CSR as a proxy of trust between companies and their stakeholders. Within this literature our contribution tests different research hypotheses on the nexus between corporate relational skills and performance using the Multiscopo survey of Italian firms which collects information on the universe of Italian companies with 250 employees and above, plus a large representative sample of companies between 3 and 249 employees. An added value of our approach lies therefore in testing the effect of specific relational skills on a large and representative sample of small and medium sized firms and on the Universe of Italian medium and large firms. More specifically, we test the effect of the following four relational skills related to the three above described strands of the literature: i) considering workers' wellbeing as strategic; ii) regarding team working attitudes as priority soft skills when hiring workers; iii) taking initiatives in favour of the productive network operating in the same local area and iv) involving stakeholders in CSR projects.

Our main findings show that each of the four relational skills contributes independently and significantly to net value added per worker of Italian firms after controlling for a set of relevant concurring factors. A synthetic representation of the four variables in a principal component analysis allows us to use instrumental variables and test more specifically the causality link between relational skills and corporate performance. Our tests show that the selected instrument is relevant and valid and that the instrumented variable is positive and significant thereby not

rejecting the hypothesis that the observed significant association between corporate relational skills and performance hides a direct causality nexus between the two variables.

In terms of economic significance our estimates show that the gift exchange effect accounts for 4,000-6,000 extra euros of value added per worker, care for team building skills considered strategic when hiring workers for 1,500-2,000 extra euros, supporting initiatives for local business considered as strategic for 2,000-3,000 extra euros and involving stakeholders in the implementation of CSR projects for 11,000-13,000 extra euros. Overall, the sum of the independent effects of the four relational skills, generates a premium of around 21,000 extra euros per worker.

The paper is divided into five sections. The second section outlines our research hypotheses. The third section describes our database. The fourth and fifth sections present descriptive and econometric findings. The sixth section concludes.

2. Research hypothesis and theoretical framework

Game theoretic models assume that life is made of social dilemmas where individuals have non overlapping competences and complementary roles and therefore can gain from cooperating. Unfortunately cooperation requires interpersonal social capital since it originates from an act of trust that is risky. In a framework of asymmetric information and incomplete contracts the interplay of individual rationality among purely self-regarding individuals ends up creating (when their preferences are common knowledge) Nash equilibria that are suboptimal and dominated by cooperative equilibria. In order to achieve the latter relational skills and “social rationality”, (capacity to combine gift, reciprocity, cooperation and interpersonal trust) different from “individual rationality” (maximising individual payoff under purely self-regarding preferences) are required.

On the other side, the labor market literature finds that higher relational skills

increase workers' productivity and wage and therefore positively contribute to corporate performance.

The literature of social dilemmas therefore predicts a positive causal relationship from relational skills to players payoffs that match corporate productivity when the game is played by workers within a company or by different companies trying to cooperate in some activities (ie. export, marketing, research consortia). More specifically, the internal coordination game concerns the development of corporate strategies and projects that require information exchange and cooperation among workers with different (ie. marketing, finance, environmental, technological, legal) non overlapping competences. The external coordination game relates to relationships with other companies in order to create alliances for public goods (ie. export services, marketing consortia, research and development).

Based on these considerations we expect that companies with workers with higher relational skills are more likely to overcome internal social dilemmas in team work within the company and external social dilemmas in horizontal and vertical cross-corporate cooperation along the value chain. These effects have the power of increasing corporate productivity and performance

H01: relational team working skills across workers and between companies contribute to improve corporate productivity

A second channel through which relational skills can be developed is the gift exchange mechanism. In the Akerlof (1984) model the gift (an unexpected wage increase provided by the employer, unrelated to employees' positive actions) triggers reciprocity increasing effort and productivity of workers.

In a similar way the literature in evolutionary game theory shows that coordination failures in multiplayer prisoner's dilemmas can be solved by the action of pivotal players committing to a socially optimal strategy and accepting the risk of not being reciprocated (Stewart and Plotkin, 2013). Their commitment however signals to the

other players that they can be relied on and creates conditions for making cooperative equilibrium a focal point where other players find optimal to converge. In our empirical analysis we identify companies with a specific corporate relational skill variable that relates to these mechanisms - that is, companies where improving workers wellbeing, equal opportunities, parenthood and work-life balance has been a corporate policy in the last three years corresponding to the company strategic mission - and test whether this corporate relational skill triggers a gift exchange mechanism (where workers reciprocate the gift in terms of higher productivity), thereby producing a significant effect on corporate productivity.

H02: strategic attention to workers wellbeing is a gift exchange mechanism that contributes to improve corporate performance

With their concept of participatory utility Frei and Stutzer (2005) argue that individuals have preferences not only for outcomes and quantity of consumed goods but also for the pattern of actions and interactions leading to the outcome. More specifically, they argue that individuals can switch from opposing to supporting exactly the same decision if they are involved and participate to the process leading to that decision. Based on the participatory utility concept we argue that stakeholders involvement in corporate social responsibility strategies can significantly improve the attitude of stakeholders toward the company thereby producing positive effects on its performance.

H03: stakeholder involvement and participation can contribute positively to corporate performance

3. The database

Our data source is the permanent Census of companies carried out by the Italian National Statistical Institute (ISTAT) between May and October 2019. The survey involved around 24.0 percent of Italian companies, corresponding to a sample of about 280,000 companies with 3 or more employees, of which more than half active in the North, 21.4 percent in the Center and 26.0 percent in the South. Sample companies employ 76.7 percent of the total workforce and 91.3 percent of total Italian employees. According to the Census, the three-year 2016-2018 period of our data was characterized by a marked employment recovery, with acquisition of new human resources involving 52.2 percent of micro and 77.3 percent of small businesses. Permanent hiring increased for 70.1 percent of companies and especially in the South of Italy where the use of permanent contracts for new workers (72.3 percent) was higher than that of other geographical areas: North-west 71.2 percent, Center 69.4 percent, North-East 67.0 percent. During the same period 77.1 percent of sample companies undertook actions aimed to social sustainability and 74 percent aimed to improve workers' well-being. Equal opportunities, parenting and work-family reconciliation, healthcare and social assistance were the preferred actions.

4. The selection of relational skill variables

The Multiscopo database contains several variables measuring corporate care for relationships with stakeholders.

A first group of variables concerns the relationship between employers and workers and, more specifically, corporate measures aimed to enhance workers' wellbeing. In particular, within this group we use a unit dummy picking up companies where improving workers wellbeing, equal opportunities, parenthood and work-life balance has been a corporate policy considered as a strategic mission in the last three

years. This variable is the best proxy available in the Multiscopo survey capturing employer's care for workers and, potentially, a proxy of the first input in the gift exchange mechanism.

We then select a second variable capturing relational skills of workers. More specifically, we introduce in the econometric specifications that follow a dummy taking value one if the firm has considered as top priority team working attitudes when hiring its workers in the last three years.

A third selected variable relates to the corporate relational skills with the local business environment. The variable is a dummy taking value one for companies supporting or taking initiatives in favour of the local business in the area in which the company operates and considering this activity as part of their strategic mission.

A fourth variable takes value one if the company has financed CSR projects and initiatives involving stakeholders in planning and implementing the same initiatives. The CSR initiatives considered in the Multiscopo survey include five possible options (reduction of environmental impact of corporate activities, improvement of workers wellbeing, initiatives of collective interest outside the company, initiatives for the local business environment, increase in safety within the company or in the area where the company operates).

Summary descriptive findings on the variables used in the econometric analysis that follows are provided in Table 2 (while variable legend in Table 1). The average 2018 value added per employee is 47,729 euros, sample companies have on average 38.49 workers and are 21.6 year old. Only 9.38 percent of the companies have competitors outside the UE, while 62.5 percent have invested in digitalisation in the last three years, 66 percent are family owned, 2 percent have realized a foreign direct investment and 65 percent have used external financing sources in 2018.

About our four relational skill variables 43.8 percent of sample companies declare that workers wellbeing is for them strategic, while 54.3 percent consider team working a key priority when hiring workers. Only 9.5 percent of sample companies

support projects in favour of the local business considering this action strategic, while 5.8 percent involve stakeholders in the definition of their CSR projects. The geographical distribution of the four relational skill variables is presented in Figures 1.A-1.D. North-East regions and Emilia Romagna have the highest values for the worker wellbeing mission, the team working variable and the stakeholder mission variable. The North-South gap in the regional pattern of these variables is consistent with evidence in the literature on the lower social capital (and of its interpersonal component made of trust and trustworthiness) in the Italian Mezzogiorno (Nannicini and Leonardi, 2008 and Guiso, 2008). Our descriptive findings show that the lower level of trust and trustworthiness in the South observed in the literature finds correspondence in a lower propensity of companies located in this area to rely on relational skill variables.

5. Econometric specification

In order to test our research hypothesis on the impact of relational variables on corporate productivity we estimate the following specification

$$\text{Local Business not Strategic} + \alpha_5 \text{ CSR Involving Stakeholder} + \alpha_6 \text{ CSR not Involving Stakeholder} + \alpha_7 \text{ Medium} + \alpha_8 \text{ Large} + \alpha_9 \text{ Ag}$$

(1)

where the dependent variable is value added per employee ($VA/employee$). The first group of six regressors is related to the corporate relational variables described in section 3. More specifically, the variable *Worker Wellbeing Mission* is a (0/1) dummy taking value one if the firm declares that its policy of improving workers wellbeing, equal opportunities, parenthood and work-life balance pursued in the last three years is part of its strategic mission. The variable *Team Working Priority* takes value one (and zero otherwise) if the firm declares that team working soft skills have been

top priority when hiring workers in the last three years (2016-2018). The variable *Initiative for Local Business Strategic* takes value one (and zero otherwise) when the firm declares that it has taken or supported initiatives for the local business in the last three years (2016-2018) by considering them part of its strategic mission, while the variable *Initiative for Local Business not Strategic* takes value one (and zero otherwise) for companies taking or supporting as well these initiatives but considering them as not strategic. The omitted benchmark here is represented by companies not taking or supporting these initiatives. Last, our fourth key variable is *CSR Involving Stakeholders* and takes value one for companies involving stakeholders when financing CSR projects, where listed initiatives consider five possible options (reduction of environmental impact of corporate activities, improvement of workers wellbeing, initiative of collective interest outside the company, initiatives for the local business environment, increase in safety within the company or in the area where the company operates), while *CSR not Involving Stakeholders* is a variable taking value one for companies financing such initiatives without stakeholder involvement and the omitted benchmark is that of companies not financing CSR initiatives.

Other control variables include two dummies picking up respectively medium (50-249 employees) and large (250 or more employees) firms, with small firms being the omitted benchmark,³ the distance in years from firm year of birth (*Age*) plus a set of (0/1) dummies respectively measuring whether the firm has invested in digitalisation technology (*TechInvest*) in the last three years, its main competitors are located outside the EU (*non EU competitor*), the company is family owned (*Family_Owned*), has realised foreign direct investment in the last three years (FDI) and whether it has used sources of external finance (*External Finance*) in 2018. 111 (minus one) Italian province dummies and 97 (minus one) (NACE2) industry dummies are included in the estimate. All specifications have been estimated with heteroskedasticity robust standard errors

³ The alternative use of the number of worker variable does not change our main findings. Results are omitted for reasons of space and available upon request.

5.1 Econometric findings

In the estimated specifications whose findings are presented in Table 3 we gradually introduce our main corporate relational skill variables up to the fully augmented specification in column 4. The effects of the selected relational variables are all positive and significant. Companies for whom improving workers wellbeing, equal opportunities, parenthood and work-life balance has been a strategic corporate policy in the last three years earn on average between 4,000 and 6,000 higher value added per worker after controlling for all concurring factors (the estimated effect corresponds to a total additional value added of around 250,000 and 2,500,000 for companies with 50 employees and 500 employees respectively). By considering the average value added per worker in the sample the impact amounts to slightly more than a 10 percent increase on sample mean values. If this significant correlation is interpreted in terms of causality our findings are consistent with the gift exchange hypothesis (*hypothesis 2*): companies take costly decisions that improve wellbeing of their workers and this finds correspondence, *coeteris paribus*, in a productivity response of the workforce that increases value added per worker.

The choice of considering team working a strategic soft skill when hiring workers is associated with an around 1,500/2,000 higher value added per worker. This finding is consistent with hypothesis 1 arguing that workers with team working skills produce superior outcomes in social dilemmas and strategic interactions with colleagues within the firm.

Considering support for initiatives of local business strategic involves a positive effect between 2,000/3,000 euros of net value added per worker, while involving stakeholders in CSR projects adds between 11,000/13,000 euros to our dependent variable. This last finding is consistent with the idea that stakeholders involvement and participation can have positive effect on corporate performance (*hypothesis 3*).

Among controls we find that size plays a relevant role since medium and large firms earn on average 5,000/9,000 euros more than small firms, while each additional year of firm activity is associated on average to between 200 and 300 additional euros of value added per worker. This last finding presumably captures a positive effect of corporate experience. Among other controls investment in digitalization technology is associated to around 8,000 additional euros of value added per worker. Competition in global markets matters since companies having competitors outside EU borders have a 13,000/14,000 higher value added per worker. Family owned companies register on average around 7,000 euro lower value added per worker, foreign direct investment is associated with around 12,000/15,000 higher net value added per worker, while access to external finance with around 1,000/4,000 lower net added value per worker according to the different considered specifications, presumably due to the adverse effects of debt service on corporate economic performance and also a selection effect since less productive companies have extended need of external finance.

6. Robustness checks

We perform again our estimates by replacing in two different estimates the 111 NACE2 dummies with the 272 NACE3 and 615 NACE4 dummies respectively in order to capture finer industry specific fixed effect components affecting value added per worker. Our findings on relational variables are extremely stable in significance and magnitude (Tables A.1.1 and A1.2 in Appendix). In a further robustness check we introduce survey weights as additional controls considering alternatively NACE2, NACE3 and NACE4 industry controls. As is well known their use to weight individual observations in the estimates is likely to bias standard errors, while their introduction as additional controls takes them into account in our findings without introducing further biases (Tables A.2.1-2.3). Our main findings are again robust to

this change in specification.

As is well known the significant association between corporate relational skills and performance can be affected by endogeneity, hiding beyond our predicted direct causality link an inverse causality link (companies with higher value added have more resources to finance relational activities, especially if we refer to three of our relational variables excluding the team work skill variable) or a spurious correlation where a third omitted driver causes both relational skills and value added per worker. In order to tackle this point we perform instrumental variable estimates. In order to do so and to reduce the number of required exclusion restrictions, we use principal component analysis considering an extended set of CSR variables. The first two principal components, accounting jointly for 40 percent of the observed variance, are used to replace relational skills variables in (1) (Table 4). The second principal component accounting for 16 percent of the observed variance is the most interesting for us since it is positively correlated with all our four relational skill variables (56 percent with the workers' wellbeing variable, 13.5 percent with the team work variable, 60 percent with the support for local business environment variable and 17 percent for the stakeholder involvement variable). The geographical distribution of the second principal component intensity shows once again that corporate relational skills are higher in the North of the country (Figure 2).

Estimate findings indicate that the second principal component contributes positively and significantly to value added per worker while the first principal component is not significant (Table 5).

We therefore instrument the selected second principal component capturing corporate relational skills with the difference between the national average of the relational principal component and its average at province/Nace 2 level of the considered firm (*Local Relational Gap*). The instrument therefore captures the local/industry specific corporate relational gap vis-à-vis the national average. Our first stage results show that the instrument is relevant (it is negatively and significantly correlated with the instrumented regressor) and not weak (Table 5). We

reasonably assume that it is as well valid since we expect that the local/industry gap of the relational principal component does not directly affect value added per worker of the observed company (and especially so in an estimate where we control for province and industry effects). Second stage findings confirm the hypothesis that the instrumented variable contributes positively and significantly to value added per worker.

We finally perform a falsification test on our IV estimates using a standard approach considering that if the instrument affects the second stage dependent variable only through the instrumented variable (a necessary condition for validity) then its direct impact in the second stage regression should be not significant in the subsample where the instrumented variable has zero or very low value. We therefore estimate the non IV regression adding the instrument as control for subsamples of very young firm (where relational skills should still not be strong) (Table 6). We find that the effect of the instrument on value added per worker is not significant when added in the subsample estimates (Table 6, column 4) thereby supporting the hypothesis that it affect the dependent variable only through high relational skill values.

7. Conclusions

The role of relational skills in corporate performance has been only partially explored in the literature. Among theories on the economic value of relationships that can be applied to corporate life we consider in our paper gift exchange, procedural utility and trust investment game-like models showing that team working skills can play a crucial role in overcoming the Pareto dominated and inefficient coordination failures and social dilemmas typical of these games.

Based on these theories we formulate three research hypotheses on the significant role of distinct forms of relational skills on corporate performance and test them empirically on a large sample of Italian companies including the Universe of medium

and large firms of the country.

Our findings do not reject our research hypotheses showing that value added per worker is significantly higher for companies that, in the previous years have i) considered strategic wellbeing of workers in terms of equal opportunities, parenthood and work-life balance, ii) regarded team working as crucial skill when hiring workers, iii) performed initiatives in favour of the productive network operating in the same local area, iv) involved stakeholders in their CSR policies.

In order to see whether there is a causality nexus beyond the observed significant correlations we extract a principal component correlated with the four significant variables that we define as corporate relational skill and instrument it with the difference between the average national level of the same variable and the province/NACE2 variable average of the respondent. We show that the instrument is relevant, valid and the instrumented variable has significant effect on value added per worker. Our falsification test find support for the instrument validity assumption. Empirical findings of the paper therefore do not reject the hypotheses that: i) gift exchange mechanisms work; ii) team working skills contribute significantly to corporate productivity, consistently with predictions of corporate trust investment games, and iii) involvement of stakeholders in CSR projects provide as well a significant impact consistently with predictions from the procedural utility theory.

Our findings have relevant policy implications. Corporate culture should not just focus on know-how and technologies but also on “know-how-with”, intended as the corporate art of creating good internal and external relationships and investing in team working and relational skills. This is because corporate tasks, activities and actions inside and outside the firms are not played by isolated workers but crucially depend on the complex interplay among different actors. In these interaction what matters is not just hard skills and competence but also, and crucially, mechanisms of giving, trust, reciprocity and quality of participatory processes as emphasized by the theoretical underpinnings of our research hypotheses.

Policy implications of our paper include the importance of teaching soft relational

skills at school and university, the relevance of pursuing team building activities within companies and that of creating good relationships with stakeholders and the local productive environment.

Limits of our cross-sectional database indicate directions for future research since it would be interesting to evaluate the dynamic impact of relational skills and whether similar effects can be found in different countries and periods.

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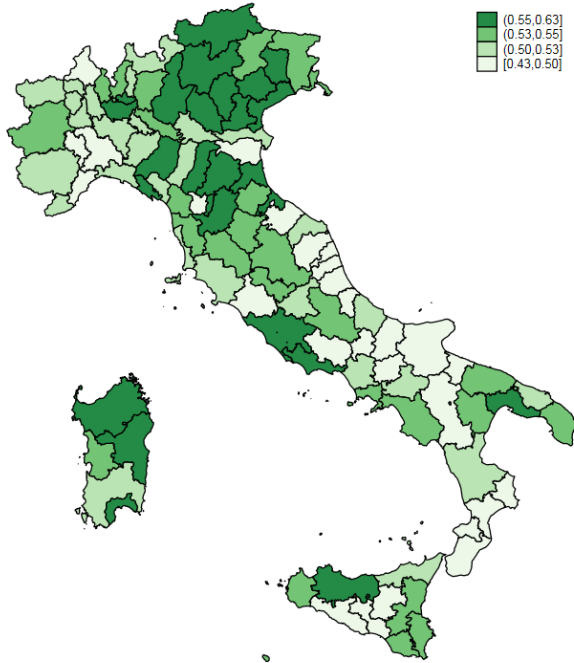
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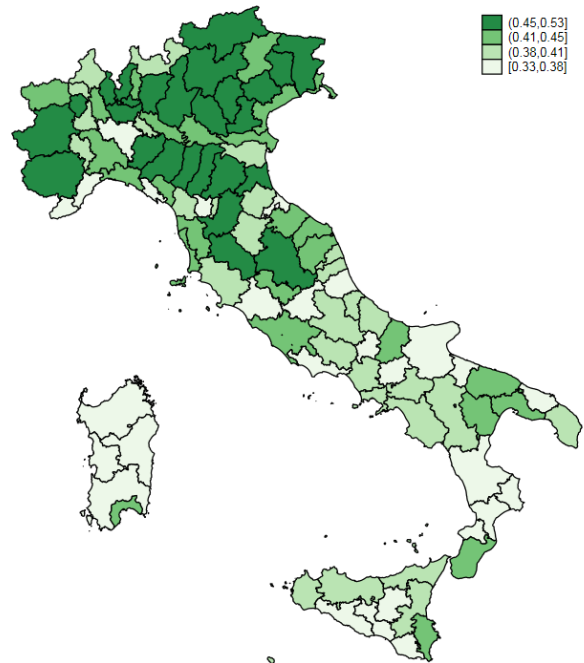
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Figures

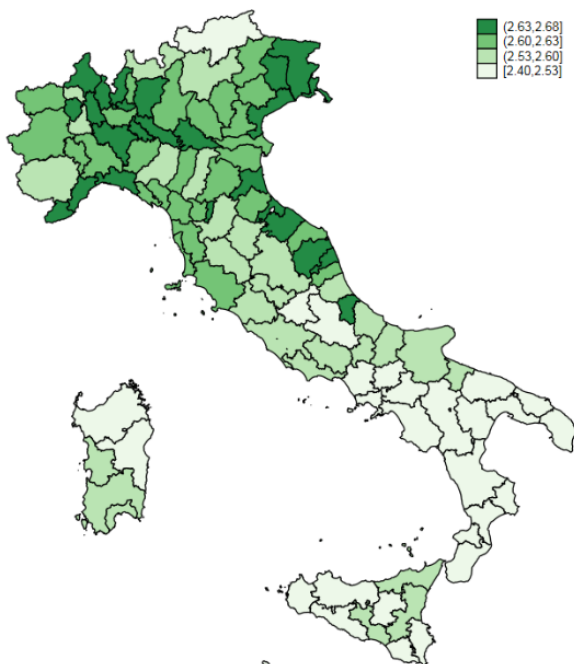
Figures 1.1-1.4 Geographical distribution of the four corporate relational skill variables



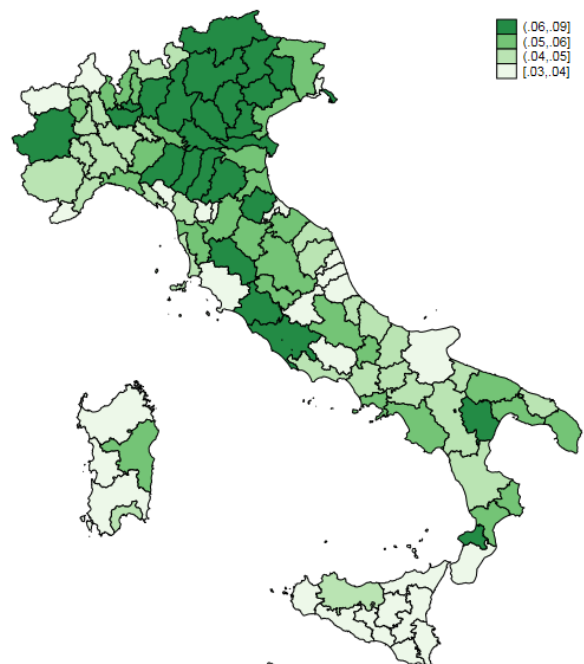
1.1 Team Working Priority



1.2 Workers Wellbeing Mission

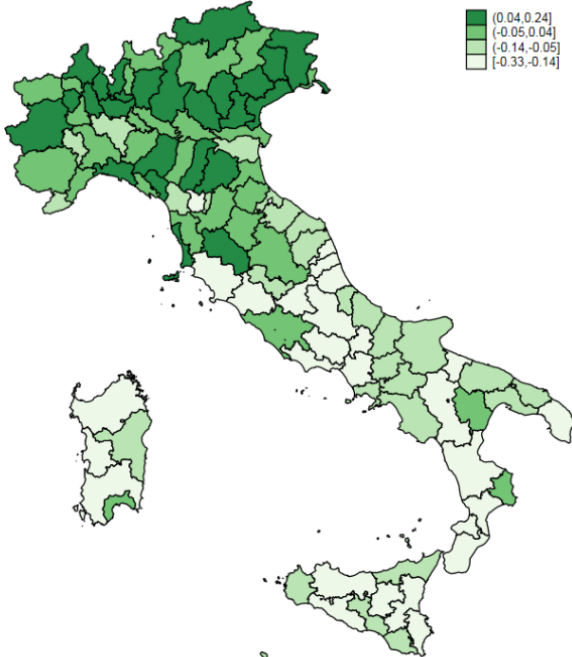


1.3 Initiative for local business strategic



1.4 CSR Involving Stakeholders

Figure 2 Geographical distribution of the relational skill principal component



Legend: percent of companies for which the variable applies in the given Italian province

Tables

Table 1. Variable legend

Relational Skills

Worker Wellbeing Mission	(0/1) dummy taking value one if the firm declares that its policy of improving workers wellbeing, equal opportunities, parenthood, and work-life balance pursued in the last three years is part of its strategic mission.
Team Working Priority	(0/1) dummy taking value one if the firm declares that team working soft skills have been top priority when hiring workers in the last three years (2016-2018).
Initiative for Local Business Strategic	(0/1) dummy taking value one if the firm declares that it has taken or supported initiatives for the local business in the last three years (2016-2018) by considering them part of its strategic mission.
Initiative for Local Business not Strategic	(0/1) dummy taking value one if the firm declares that it has taken or supported initiatives for the local business in the last three years (2016-2018) by not considering them part of its strategic mission.
CSR Involving Stakeholders	(0/1) dummy taking value one if the firm declares that involves stakeholders when financing CSR projects, where listed initiatives consider five possible options (reduction of environmental impact of corporate activities, improvement of workers wellbeing, initiative of collective interest outside the company, initiatives for the local business environment, increase in safety within the company or in the area where the company operates).
CSR not Involving Stakeholders	(0/1) dummy taking value one if the firm declares that finances CSR initiatives without stakeholder involvement.
Support to Worker Families	(0/1) dummy taking value one if the company provided specific extra economic provisions in the 2016-2018 three-year period to support worker's family.
Extended Parental Leave	(0/1) dummy=1 if in the 2016-2018 three-year period the company supported parenthood and work-family reconciliation through an extension of the duration of parental leave.

Limited Extended Parental Leave (0/1) dummy=1 if the Company Is planning for the 2019-2021 three-year period the company to support parenthood and work-family reconciliation through an extension of the duration of parental leave but only for severe reasons.

Dependent Variable and Controls

Value Added/Worker Firms' value added per worker at the end of the year 2018 (millions of euros).

Size Average Number of employees in the years 2016-2018.

Medium Size (0/1) dummy taking value one if the average number of employees in the year 2016-2018 has been higher than 50 and lower than 500.

Large Size (0/1) dummy taking value one if the average number of employees in the year 2016-2018 has been 500 or above.

Eu Competitor (0/1) dummy taking value one if in the year 2018 the company's main competitors were located in European countries.

Non EU Competitor (0/1) dummy taking value one if in the year 2018 the company's main competitors were located outside the EU.

Age Firm age

Tech Investment (0/1) dummy taking value one if the firm declares has invested in digitalisation technology.

Family Owned (0/1) dummy taking value one if the company was family held at 31 December 2018.

Delocalize (0/1) dummy taking value one if the firm declares that in the year 2018 carried out at least part of its production activity abroad (relocation) through agreements or contracts for relocation.

External Finance (0/1) dummy taking value one if the company had external financing sources at the end of the year 2018.

Coeffin A final weight attached to each sample unit which indicates how many units of the population are represented, respectively, by each unit in the sample.

Table 2. Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min	Max
<i><u>Relational skills</u></i>					
Worker Wellbeing Mission	140518	0.439	0.496	0	1
Team Working Priority	135872	0.543	0.498	0	1
Initiative for Local Business Strategic	196983	0.095	0.293	0	1
Initiative for Local Business not Strategic	196983	0.217	0.412	0	1
CSR_Involving Stakeholders	166924	0.058	0.234	0	1
CSR_not Involving Stakeholders	166924	0.123	0.328	0	1
Support to Worker Families	140518	0.156	0.363	0	1
Extended Parental Leave	140518	0.232	0.423	0	1
Limited Extended Parental Leave	140518	0.421	0.494	0	1
<i><u>Dependent Variable and Controls</u></i>					
*Value added/ worker	195796	47729.19	89704.7	-5415981	1.23e+07
*Size	196983	38.5	448.37	2.5	48375.65
Medium Size	196983	0.1	0.3	0	1
Large Size	196983	0.017	0.129	0	1
Eu competitor	196983	0.989	0.105	0	1
Non Eu competitor	196983	0.094	0.291	0	1
Age	196983	21.61	14.9	0	187
Tech Investment	151061	0.6252	0.4841	0	1
Family Own	196983	0.662	0.473	0	1
Delocalize	151061	0.011	0.106	0	1
External Finance	196981	0.615	0.491	0	1

**Average value for the extreme 10 observations.*

Table 3. Econometric findings

Variable	(1)	(2)	(3)	(4)
Worker Wellbeing Mission	5,733.504*** (481.285)	5,441.047*** (586.028)	5,076.368*** (640.777)	4,553.423*** (630.305)
Team Working Priority		1,708.089*** (529.845)	1,713.909*** (529.807)	1,559.047*** (528.647)
Initiative for Local Business Strategic			3,582.647*** (1,060.863)	2,411.447** (1,057.330)
Initiative for Local Business not Strategic			1,960.032** (785.571)	1,097.307 (786.590)
CSR Involving Stakeholders				12,422.973*** (1,439.068)
CSR not Involving Stakeholders				5,780.147*** (813.996)
Medium Size	9,533.211*** (837.196)	8,685.143*** (922.405)	8,556.369*** (919.464)	7,947.000*** (914.692)
Large Size	7,903.934*** (2,559.915)	6,510.632** (2,731.178)	6,073.536** (2,720.428)	4,542.904* (2,750.965)
Age	230.976*** (17.178)	280.676*** (20.742)	279.893*** (20.764)	273.430*** (20.769)
Non Eu competitor	11,153.376*** (1,110.705)	11,988.207*** (1,293.537)	11,987.407*** (1,291.708)	11,613.744*** (1,290.324)
Tech Investment	6,532.247*** (482.331)	6,366.974*** (604.341)	6,164.610*** (600.238)	5,664.564*** (612.389)
Family Own	-6,914.241*** (509.085)	-7,577.174*** (606.695)	-7,612.740*** (609.383)	-7,705.010*** (611.238)
Delocalize	15,466.653*** (3,254.721)	14,253.292*** (3,408.965)	14,070.762*** (3,411.513)	13,081.569*** (3,396.511)
External finance	-2,412.730*** (522.285)	-3,672.428*** (642.622)	-3,721.048*** (639.869)	-3,996.672*** (642.097)
Province dummies	Yes	Yes	Yes	Yes
NACE2 dummies	Yes	Yes	Yes	Yes
Constant	2536888.792 (2182452.003)	2537665.168 (2183384.573)	2535554.882 (2183555.433)	2528676.920 (2182466.670)
Observations	109,524	85,084	85,084	85,084
R-squared	0.113	0.115	0.115	0.116

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*

Table 4. Principal component analysis and extraction of the relational component*Panel A. Eigenvalue and proportion of variance explained by each component*

COMPONENT	Eigenvalue	Difference	Proportion	Cumulative
First principal component	212.228	.630765	0.2358	0.2358
Second principal component	149.151	.384738	0.1657	0.4015
Third principal component	110.677	.0907432	0.1230	0.5245
Fourth principal component	101.603	.077401	0.1129	0.6374
Fifth principal component	.938631	.186359	0.1043	0.7417
Sixth principal component	.752271	.0708361	0.0836	0.8253
Seventh principal component	.681435	.0350413	0.0757	0.9010
Eighth principal component	.646394	.40172	0.0718	0.9728
Ninth principal component	.244674	.	0.0272	10.000

Panel B. Correlation of relational variables with the first two principal components

Principal components (eigenvectors)	Component 1	Component 2
Worker Wellbeing Mission	0.0951	0.5593
Team Working Priority Initiative for Local Business Strategic	0.0646	0.1347
Initiative for Local Business not Strategic	0.1234	0.5955
CSR Involving Stakeholders	0.0564	-0.5178
CSR not Involving Stakeholders	0.0812	0.1707
Support to Worker Families	0.0196	0.0372
Extended Parental Leave	0.5764	-0.0843
Limited Extended Parental Leave	0.6216	-0.0820
	0.4927	-0.0430

Table 5. Relational skills and value added per worker – IV estimates

Variable	Base non IV	First Stage IV	Second stage IV
Local relational gap		-1.002*** (0.004)	
Second principal component	2,228.677*** -439.493		4,102.321*** -564.156
First principal component	240.761 -163.030	-0.011*** (0.003)	264.106 -187.864
Medium Size	8,723.541*** -635.228	0.117*** (0.011)	8,426.022*** -924.896
Large Size	6,363.789** (2,620.459)	0.299*** (0.026)	5,618.766** (2,716.188)
Age	279.629*** -23.509	0.000 (0.000)	278.813*** -20.881
Non EU Competitor	12,081.935*** (1,588.600)	0.043*** (0.012)	11,951.779*** (1,290.578)
Tech Investment	6,444.451*** -766.383	0.088*** (0.008)	6,218.980*** -615.543
Family Own	-7,603.955*** (1,671.017)	-0.024*** (0.008)	-7,511.845*** -608.289
Delocalize	14,040.536*** (2,019.034)	0.107*** (0.034)	13,711.602*** (3,408.065)
External finance	-3,627.426*** -511.881	0.035*** (0.008)	-3,734.907*** -647.784
Province dummies	Yes	Yes	Yes
NACE2 dummies	Yes	Yes	Yes
Constant	2539172.759** -1.204.825.637	-0.043 (0.411)	2.537.064.149 -2.182.218.700
Observations	85,084	85,569	85,084
R-squared	0.114	0.275	0.114

Local relational gap: difference between the national average of the relational principal component and its average at province/Nace 2 level of the considered firm.

*Robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$*

Table 6 Relational skills and value added per worker – IV estimates for age <5 years

Variable	Base non IV	First Stage IV	Second Stage IV	Falsification
Local relational gap		-1.006*** (0.012)		-2,680.751 (1,959.553)
Second principal component	2,906.498*** (715.167)		4,933.864** (2,015.654)	2,269.904*** (487.156)
First principal component	-275.177 (484.955)	-0.020*** (0.007)	-234.596 (408.935)	-290.348 (489.921)
Medium Size	4,385.256*** (1,340.152)	0.061** (0.030)	4,229.081 (2,781.683)	4,411.670*** (1,337.830)
Large Size	6,831.724** (3,386.646)	0.215** (0.094)	6,180.464 (5,645.630)	6,742.651** (3,373.657)
Age	361.989 (484.812)	-0.008 (0.008)	357.543 (860.865)	335.352 (469.449)
Non EU Competitor	12,606.994* (6,429.733)	0.049 (0.037)	12,496.069** (5,590.028)	12,625.867* (6,442.026)
Tech Investment	4,655.069*** (800.105)	0.078*** (0.020)	4,426.568*** (1,184.855)	4,630.476*** (800.303)
Family Own	-4,161.643** (1,772.294)	-0.031 (0.020)	-4,039.472** (1,886.839)	-4,122.629** (1,757.394)
Delocalize	10,097.869 (11,709.202)	0.195* (0.112)	9,449.614 (8,691.600)	9,998.449 (11,741.393)
External Finance	654.049 (1,179.409)	0.040** (0.019)	494.101 (2,084.449)	604.378 (1,167.045)
Province Dummies	yes	yes	yes	yes
NACE2 Dummies	yes	yes	yes	yes
Constant	116,728.781*** (40,668.635)	-0.516** (0.213)	22,464.373*** (3,312.651)	116,040.029*** (40,618.494)
Observations	12,006	12,228	12,006	12,006
R-squared	0.046	0.269	0.046	0.046

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*

Appendix (not for publication) Robustness checks

Table A.1.1 Base estimates with Nace 3 controls

Variable				
Worker Wellbeing Mission	5,573.634*** -470.442	5,334.094*** -574.876	4,995.256*** -625.712	4,511.059*** -617.226
Team Working Priority		1,870.128*** -517.984	1,876.935*** -518.122	1,733.613*** -515.754
Initiative for Local Business Strategic			3,421.771*** (1,022.627)	2,339.230** (1,015.190)
Initiative for Local Business not Strategic			1,929.371*** -711.488	1,128.147 -712.498
CSR Involving Stakeholders				11,427.343*** (1,444.734)
CSR not Involving Stakeholders				5,537.453*** -816.285
Medium Size	9,561.288*** -861.058	8,852.535*** -945.321	8,734.761*** -942.632	8,179.322*** -937.573
Large Size	9,577.620*** (2,326.812)	8,533.629*** (2,516.736)	8,120.071*** (2,517.637)	6,705.398*** (2,542.851)
Age	209.708*** -17.378	256.085*** -20.574	255.554*** -20.584	249.956*** -20.575
Non Eu competitor	9,981.273*** (1,031.467)	10,593.011*** (1,190.057)	10,587.152*** (1,190.018)	10,245.791*** (1,191.716)
Tech Investment	6,506.571*** -474.943	6,237.254*** -589.685	6,040.205*** -585.006	5,574.609*** -596.778
Family Own	-6,621.074*** -500.828	-7,222.997*** -591.852	-7,260.530*** -593.668	-7,354.716*** -596.067
Delocalize	14,823.855*** (3,242.013)	13,459.433*** (3,394.183)	13,279.795*** (3,396.949)	12,383.948*** (3,382.169)
External finance	-2,843.491*** -491.519	-4,117.952*** -593.515	-4,161.146*** -592.047	-4,413.145*** -593.663
Province dummies	Yes	Yes	Yes	Yes
NACE3 dummies	Yes	Yes	Yes	Yes
Constant	3136508.205 (2646455.937)	3138830.134 (2647860.132)	3136857.930 (2647982.333)	3130876.577 (2646661.340)
Observations	109,524	85,084	85,084	85,084
R-squared	0.136	0.140	0.141	0.142

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*

Table A.1.2 Base estimates with Nace 4 controls

Variable				
Worker Wellbeing Mission	5,242.275*** -463.741	5,050.554*** -566.743	4,719.911*** -619.401	4,265.337*** -610.942
Team Working Priority		1,874.666*** -516.696	1,881.246*** -516.813	1,745.681*** -514.450
Initiative for Local Business Strategic			3,322.109*** (1,011.878)	2,298.343** (1,004.310)
Initiative for Local Business not Strategic			1,855.869*** -711.130	1,098.528 -712.268
CSR Involving Stakeholders				10,860.214*** (1,449.614)
CSR not Involving Stakeholders				5,224.744*** -807.749
Medium Size	9,405.234*** -857.313	8,748.856*** -943.285	8,634.328*** -940.634	8,102.874*** -935.987
Large Size	9,529.831*** (2,325.130)	8,575.318*** (2,514.978)	8,173.358*** (2,515.251)	6,830.328*** (2,540.764)
Age	191.150*** -17.938	232.311*** -21.194	231.912*** -21.203	227.156*** -21.197
Non Eu competitor	9,745.047*** (1,030.203)	10,357.848*** (1,184.922)	10,350.020*** (1,184.935)	10,019.610*** (1,186.609)
Tech Investment	6,088.696*** -472.770	5,784.237*** -586.013	5,595.115*** -581.367	5,160.849*** -593.362
Family Own	-6,197.128*** -499.917	-6,810.804*** -590.850	-6,846.911*** -592.510	-6,944.580*** -595.219
Delocalize	14,264.126*** (3,272.736)	13,145.472*** (3,426.963)	12,972.532*** (3,429.692)	12,127.150*** (3,415.345)
External finance	-2,772.950*** -492.024	-4,036.856*** -593.561	-4,078.971*** -592.161	-4,313.615*** -593.741
Province dummies	Yes	Yes	Yes	Yes
NACE4 dummies	Yes	Yes	Yes	Yes
Constant	3137883.826 (2649965.684)	3140545.869 (2652434.496)	3138644.462 (2652556.491)	3132942.392 (2651290.457)
Observations	109,524	85,084	85,084	85,084
R-squared	0.146	0.151	0.151	0.152

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*

Table A.2.1 Base estimates with survey weights added as controls – NACE2 industry dummies

Variable				
Worker Wellbeing Mission	2,956.331*** -629.755	3,247.628*** -757.348	3,095.010*** -851.042	2,821.652*** -811.519
Team Working Priority		1,494.971** -760.981	1,490.299* -763.015	1,396.755* -757.528
Initiative for Local Business Strategic			1,138.945 (1,027.193)	324.202 (1,049.647)
Initiative for Local Business not Strategic			382.500 (1,086.813)	-215.979 (1,003.275)
CSR Involving Stakeholders				11,045.717*** (3,088.813)
CSR not Involving Stakeholders				4,148.724*** -830.029
Medium Size	14,358.314*** (1,003.547)	13,045.532*** (1,139.446)	13,002.629*** (1,131.501)	12,339.281*** (1,158.127)
Large Size	13,761.353*** (2,683.179)	11,614.661*** (2,930.117)	11,483.907*** (2,911.556)	9,984.265*** (2,967.308)
Age	207.125*** -60.883	287.365*** -85.544	287.175*** -85.540	283.834*** -85.748
Non Eu competitor	12,370.110*** (2,088.837)	11,865.603*** (1,813.525)	11,868.519*** (1,813.013)	11,483.241*** (1,814.662)
Tech Investment	4,739.731*** -605.312	4,530.315*** -729.009	4,479.314*** -739.879	4,079.666*** -736.296
Family Own	-4,446.140*** -748.633	-5,661.634*** -915.617	-5,670.270*** -920.258	-5,709.591*** -917.460
Delocalize	9,745.944 (6,285.537)	9,766.433 (7,443.341)	9,718.554 (7,437.571)	8,425.199 (7,417.763)
External finance	-822.470 -768.116	-1,894.320** -928.831	-1,905.085** -931.739	-2,089.698** -940.538
Province dummies	Yes	Yes	Yes	Yes
NACE2 dummies	Yes	Yes	Yes	Yes
Constant	2531965.184 (2183443.266)	2531473.873 (2183900.095)	2530900.772 (2184011.570)	2524295.645 (2183131.325)
Observations	109,524	85,084	85,084	85,084
R-squared	0.128	0.131	0.131	0.132

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*

Table A.2. 2 Base estimates with survey weights added as controls – NACE3 industry dummies

Variable				
Worker Wellbeing Mission	2,940.369*** (566.968)	3,267.081*** (662.087)	3,108.518*** (716.191)	2,855.505*** (697.718)
Team Working Priority		1,849.532*** (692.375)	1,844.541*** (693.235)	1,756.165** (690.652)
Initiative for Local Business Strategic			926.236 (985.683)	153.557 (990.651)
Initiative for Local Business not Strategic			90.883 (986.866)	-465.804 (949.086)
CSR Involving Stakeholders				10,430.500*** (2,413.945)
CSR not Involving Stakeholders				3,961.606*** (807.498)
Medium Size	14,119.418*** (996.228)	12,994.626*** (1,108.779)	12,966.608*** (1,100.817)	12,361.526*** (1,121.377)
Large Size	15,144.884*** (2,449.772)	13,520.580*** (2,666.359)	13,428.899*** (2,649.918)	12,033.789*** (2,684.739)
Age	184.917*** (53.659)	252.943*** (70.270)	252.761*** (70.187)	249.819*** (70.298)
Non Eu competitor	11,083.388*** (1,851.916)	10,611.870*** (1,783.179)	10,615.256*** (1,782.511)	10,250.412*** (1,784.617)
Tech Investment	4,945.336*** (665.455)	4,682.570*** (783.450)	4,652.125*** (803.279)	4,272.414*** (804.356)
Family Own	-4,342.765*** (719.966)	-5,414.407*** (878.772)	-5,419.787*** (882.734)	-5,460.720*** (881.998)
Delocalize	9,907.175* (5,870.696)	9,869.280 (6,711.757)	9,841.341 (6,707.024)	8,606.140 (6,698.368)
External finance	-1,065.044 (712.849)	-2,332.065*** (825.212)	-2,339.219*** (827.591)	-2,506.257*** (832.091)
Province dummies	Yes	Yes	Yes	Yes
NACE3 dummies	Yes	Yes	Yes	Yes
Constant	3129683.082. (2648048.005)	3131532.411 (2648750.730)	3131223.015 (264887.964)	3125322.984 (2647741.202)
Observations	109,524	85,084	85,084	85,084
R-squared	0.150	0.158	0.158	0.160

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*

Table A.2. 3 Base estimates with survey weights added as controls – NACE 4 industry dummies

Variable				
Worker Wellbeing Mission	2,757.750*** (556.920)	3,162.614*** (641.705)	2,948.308*** (690.482)	2,715.237*** (670.305)
Team Working Priority		1,705.291** (670.085)	1,697.756** (671.004)	1,620.041** (668.650)
Initiative for Local Business Strategic			980.568 (982.076)	258.902 (988.598)
Initiative for Local Business not Strategic			-200.810 (978.555)	-714.983 (940.500)
CSR Involving Stakeholders				9,807.645*** (2,416.491)
CSR not Involving Stakeholders				3,565.167*** (784.616)
Medium Size	13,721.037*** (997.473)	12,650.755*** (1,110.220)	12,628.083*** (1,102.410)	12,059.192*** (1,124.211)
Large Size	14,644.904*** (2,465.550)	13,077.480*** (2,680.416)	12,997.818*** (2,664.572)	11,689.277** (2,700.744)
Age	176.223*** (53.993)	233.432*** (70.874)	233.133*** (70.752)	230.826*** (70.848)
Non EU competitor	10,858.954*** (1,869.050)	10,568.795*** (1,769.824)	10,572.343*** (1,769.165)	10,221.849*** (1,775.235)
Tech Investment	4,587.612*** (663.418)	4,255.212*** (775.329)	4,237.411*** (794.300)	3,891.462*** (795.671)
Family Own	-4,095.672*** (710.461)	-5,178.214*** (860.318)	-5,179.766*** (864.574)	-5,221.649*** (863.954)
Delocalize	9,287.296 (5,912.480)	9,377.880 (6,806.559)	9,364.527 (6,800.828)	8,212.614 (6,787.887)
External finance	-783.608 (704.997)	-2,048.986** (810.747)	-2,054.786** (813.402)	-2,208.938*** (818.422)
Province dummies	Yes	Yes	Yes	Yes
NACE4 dummies	Yes	Yes	Yes	Yes
Constant	3130377.496 (2651401.681)	3132302.529 (2653049.793)	3132133.688 (2653238.815)	3126583.888 (2652163.582)
Observations	109,524	85,084	85,084	85,084
R-squared	0.163	0.172	0.172	0.173

*Robust standard errors in parentheses. *** p<0.01. ** p<0.05. * p<0.1*