This is the pre-published version published in Journal of Business Ethics, available online at: http://dx.doi.org/10.1007/s10551-014-2268-7.

BEING GOOD WHEN BEING INTERNATIONAL IN AN EMERGING ECONOMY: THE CASE OF CHINA

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August 16, 2013

We thank three anonymous reviewers, Thomas Maak (the editor), Allan Chan (Guest editor), Ira Horowitz, the participants at the 4th World Business Ethics Forum in Hong Kong for their helpful comments. Tan gratefully acknowledge financial support from the Strategic Development Fund of the Hong Kong Baptist University, while Kong gratefully acknowledges funding from the National Natural Science Foundation of China (Project No.: 71173078; 70803013). The authors alone are responsible for the paper.

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ABSTRACT

The importance imposed on corporate social responsibility (CSR) is greater in developed economies than in emerging markets. The pressures from various stakeholder groups on the CSR are expected to have substantial spillover impact on companies domiciled in emerging economies that obtain revenues from companies in developed economies. Based on the data from 1,330 listed companies in China, the largest emerging economy in the world, this study provides evidence that the CSR performance of China firms is positively related to the degree of their internationalization, and such a positive association is less pronounced for state-owned enterprises. Our findings support the hypothesis that internationalized companies in emerging economies are motivated to improve their CSR practices to address concerns from their importers or outsourcers in developed economies.

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INTRODUCTION

Thanks to pressures from customers in developed countries, the United States and the United Kingdom in particular, internationalization has been playing an important role in promoting corporate social responsibility (CSR) in emerging markets. Until recently, existing studies and theories have mainly focused on how multinational enterprises (MNEs) based in developed economies manage their practices regarding both CSR and its darker twin, corporate social irresponsibility (CSiR) at home and in host countries (Lucas et al., 1992; Low and Yeats, 1993; Bansal and Roth, 2000; Christmann, 2004; Strike et al., 2006; Surroca et al., 2013). However, MNEs from developed economies do not necessarily adapt their CSR practices to the internationalization process in the same manner as do those in emerging economies. Since the CSR practices of internationalized enterprises based in emerging economies have been ignored in the literature, we make efforts in this study to fill the void.

MNEs gain overseas income either from exports of domestically produced goods or from outward foreign-direct-investment (FDI)–based production abroad, or both (Contractor, 2007), which exposes them to the impacts from foreign markets (Wiersema and Bowen, 2008). MNEs from emerging economies face different pressures from institutions and stakeholders in their host countries than do their counterparts in developed economies. Anecdotal evidence from the popular press, as per the following, shows that overseas customers are concerned with the CSR performance of their suppliers in emerging markets:

> *Apple Inc. Chief Executive Officer Tim Cook visited Foxcom Technology Group's newly built manufacturing facility for the iPhone in Zhengzhou, China, as the U.S. company seeks to improve working conditions…*[1]

[1]Lococo (2012).

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MNEs in emerging economies might thus be pressured to improve their CSR performance to address their foreign clients' concerns. Our study focuses on the significant outward internationalization of the enterprises in emerging economies, and attempts to answer the following question: how does the internationalization strategy of MNEs domiciled in emerging economies affect their CSR performance?

Specifically, we address our research question using a sample of MNEs in China, the largest emerging economy in the world. We examine the CSR performance of 1,330 Chinese MNEs in reaction to stakeholder pressures from the developed economies in which they conduct business. To do so, we invoke both institutional theory and a resource-based view to develop hypotheses regarding the effects of foreign stakeholder pressures on CSR practices of China MNEs.

The internationalization of an enterprise involves at least two countries (i.e., host and home countries). According to institutional theory, developed economies exercise higher standards on CSR practices than emerging markets. Importers or outsourcers in developed economies are motivated to be more aware of the CSR practices of their exporters and suppliers from emerging economies, which may affect their CSR image. Meanwhile, the resource-based view argues that reputation as an intangible resource can lead to sustained competitive advantage (Barney, 1991; Deephouse, 2000). Social responsibility has long been recognized as a critical and direct aspect of corporate reputation (Fombrun, 1996). Various groups of stakeholders in developed economies are concerned as to whether their local firms' suppliers in emerging economies are socially responsible. For example, Apple is accredited by the Fair Labor Association (FLA) and is committed to the Supplier Code of Conduct. Apple had been criticized by human rights organizations when poor working conditions at its main supplier, Foxconn, came to light. As a

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consequence, Apple urged Foxcom to improve working conditions there. When facing pressures from various stakeholders domestically, importers and outsourcers from developed economies will express their concerns to the enterprises in emerging economies with which they do business. Those enterprises in emerging economies might thus have to improve their CSR practices in order to maintain contracts and sustain business relationships.

Based on the regional revenue and CSR data of our sample China enterprises, our empirical results show that CSR performance is positively related to the level of a firm's internationalization, consistent with our conjecture that internationalization improves CSR performance of enterprises in China. Additionally, such positive association between the level of internationalization and CSR performance is weakened for state-owned enterprises. The reason is that state-owned firms in China enjoy great advantages in financing and government supports over their non-state-owned counterparts, which to some extent counteract the positive impact of pressures from overseas stakeholders.

Our research makes three unique contributions to the international business, institutional theory, and CSR literature. First, we develop a new framework that explains the effect of foreign stakeholder pressures on the CSR performance of internationalized firms in emerging economies. We integrate foreign stakeholders in our framework, rather than consider MNEs as unitary entities (Dowell et al., 2000; Christmann, 2004) or organizational structures (Surroca et al., 2013); our results clarify how internationalized firms in emerging economies respond to pressures from foreign stakeholders. Second, prior research indicates that differences in regulatory and social pressures between home and host countries explain the reallocation of CSiR activities to subsidiaries. This reallocation of responsibilities allows firms to be socially responsible and irresponsible simultaneously. We find that importers and outsourcers have a

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positive effect on CSR performance of internationalized firms in China, our exemplar of the emerging economies. Third, our study complements existing case-based research by providing robust evidence that CSR performance of internationalized firms in China, to some extent, is driven by foreign stakeholder pressures. Consequently, our analysis highlights the perverse consequences of substantial stakeholder pressures from developed economies, which benefit stakeholders in China, a quintessential emerging economy, where CSR is most needed.

HYPOTHESIS DEVELOPMENT

CSR refers to a company's policies, programs, and actions intended to improve the quality of life in society overall (Wood, 1991), as well as a company's efforts to foster positive relationships with key stakeholders such as employees, customers, and communities (Hillman and Keim, 2001).

Abundant international business research on the role of MNEs in society has emerged in recent years. International and institutional pressures have made it necessary for MNEs to take more seriously their CSR (Sharfman et al., 2004). Researchers have found that several initiatives on social issues, such as reasonable labor standards with respect to pay, working hours, child labor, and unionization, may protect the reputations of MNEs (Caves, 1996). Most studies and theories, however, focus only on how MNEs from developed nations manage CSR at home versus in host countries (Surroca et al., 2013) or how they undertake CSR versus CSiR (Lucas et al., 1992; Strike et al., 2006). Internationalized firms in emerging economies may face pressures not only from stakeholders at home but also from importers and outsourcers in developed countries, who are under domestic stakeholder pressures of their own.

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Institutional pressures, especially from stakeholders, induce managements to engage in CSR (Agle et al., 1999; Sharma and Henriques, 2005). Different stakeholders have different CSR expectations and assume different roles in influencing managements to engage in CSR. Aguilera et al. (2007) argue that stakeholders pressure managements to engage in CSR out of self-interest and relational concerns.

Stakeholders can be consumers (Christmannand and Taylor, 2006) or local communities (Marquis et al., 2007). Customers may influence management to engage in CSR through evaluations and purchasing behavior (Christmann and Taylor, 2006). Interest groups in local communities can influence managements to focus on social performance, through public statements (Greening and Gray, 1994). Better CSR performance improves the reputation of a corporation to consumers (Arora and Henderson, 2007). Consumers respond to CSR through favorable evaluations and increased loyalty to the firm’s products. Therefore, institutional pressure affects the extent and type of CSR. Better CSR performance could enable internationalized firms in emerging economies to attract more business from importers and outsourcers in developed economies, the domestic stakeholders of which put greater emphases on CSR.

On the other hand, the resource-based view argues that a company’s competitive advantage originates from company resources and capabilities that allow exploitation of opportunities (Barney, 1991). According to this view, reputation is a valuable intangible resource that can lead to sustained competitive advantage (Barney, 1991; Deephouse, 2000). A company’s CSR practices directly affect its reputation; thus, companies attempting to develop and preserve their reputation have strong incentives to improve their CSR image (Fombrun, 1996). Companies that import internationally or outsource abroad attract closer scrutiny due to their higher visibility, and hence they may devote greater effort to CSR to enhance their reputation. Socially irresponsible suppliers from emerging economies adversely affect the reputations of importers and outsourcers with which they do business. Consequently, importers and outsourcers in developed countries are concerned about the CSR performance of their suppliers in emerging economies.

Better CSR performance helps internationally diversified firms in emerging economies with outward FDI-based subsidiaries to develop better reputations and relationships with stakeholders in host countries, especially in Western countries, which place considerable emphasis on socially responsible behavior. These relationships may in turn provide firms in emerging economies with greater opportunity to expand their business in certain international contexts. We thus expect internationally diversified firms in emerging economies to have better CSR performance compared to firms that focus only on their domestic markets. This gives rise to our first hypothesis:

Hypothesis 1: In an emerging economy, CSR is positively related to an enterprise's level of international diversification.

State-owned firms (SOEs) experience *principal-principal* conflicts, in which the controlling shareholder expropriate minority shareholders to pursue their social goals or multiple tasks (Li and Qian, 2013; Young *et al*., 2008). Governments in emerging economies have a long history of encouraging state-controlled firms to sacrifice profits in order to shoulder social burdens, such as creating more jobs through taking on redundant workers, absorbing price distortions, and curtailing excessive executive compensation (Lin and Tan, 1999; Markoczy *et al*., 2013; Uhlenbruck and De Castro, 2000).

SOEs in China also benefit from the subsidies and protection from the local or central government (Li and Zhang, 2007). Since 1999, the Chinese government has been encouraging outward FDI by offering export tax rebates, foreign exchange assistance, and direct financial support (Luo et al., 2007). With such government support, SOEs can easily obtain contracts from overseas importers and outsourcers. The outward FDI-based subsidiaries of SOEs enjoy advantages regarding investment and resources. Unlike otherwise comparable privately owned firms, SOEs might thus be less likely to respond, or to a lesser extent, to pressures on CSR from importers and outsourcers in developed economies,. Therefore, we obtain our second hypothesis:

Hypothesis 2: The positive effect of internationalization on CSR performance is less pronounced for SOEs than for privately owned firms in China.

METHODS

Research Setting

We use China, the largest emerging economy in the world, as the setting to test our hypotheses. China is an ideal "research laboratory" (Peng, 2004) among all emerging economies, as evidenced by its strong economic development over the past several decades. China has been experiencing substantial growth in exports and imports. An increasing number of Chinese enterprises provide various types of products and services to customers around the world. More importantly, CSR has drawn increasing attention from the Chinese government and public. Since 2008, the China State-owned Assets Supervision and Administration Commission has taken a

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series of actions to urge SOEs to improve their CSR performance. Therefore, we believe that China provides an appropriate context in which to investigate the effect of foreign market pressures on CSR of internationalized firms in emerging economies in general.

Sample and Data

Our sample consists of companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange at the end of year 2007. We exclude (1) all financial and insurance companies, because of peculiarities in their balance sheets, (2) special treatment companies[2] and those with no positive sales revenues, and (3) companies that do not disclose revenue data by region in their annual reports. Financial data, corporate governance, and stock market information are retrieved from the China Stock Market and Accounting Research database. Our final sample consists of 1,330 firms.

CSR Measure

We use social responsibility ratings of China-listed enterprises as conducted by the Shanghai National Accounting Institute (SNAI) for their 2007 CSR practices, as our proxy for CSR performance. SNAI formulates CSR scores based on the SA8000 standard issued by Social Accountability International (SAI). SNAI groups 36 questions into eight categories: environment, energy saving, employees, employment and promotion, social problems, consumer satisfaction, other stakeholders, law, and business ethics. SNAI published CSR ratings for all China-listed firms at year-end 2008. The SNAI rating covers most dimensions of CSR discussed in the

[2]Since 1998, the Shanghai and Shenzhen Stock Exchanges have classified some listed firms as special treatment firms. A firm is labeled special treatment if there is an abnormality in its financial status, along with other factors that result in difficulty in judging company prospects.

literature (Li and Zhang, 2010). We present the full list of questions from the SNAI CSR index in Appendix 1.

Measure of Internationalization

We employ five measures widely used in the literature to proxy for degree of firm internationalization. In all measures, sales from Hong Kong, Macau, and Taiwan are classified as international revenues due to the institutional differences between these three regions and mainland China. The measures are defined as follows:

(1) *Internationalization* is a binary dummy variable that is equal to one if a company has revenues from foreign markets, zero otherwise.

(2) *Foreign Sales (%)* is measured as the ratio of a company's revenue from foreign markets relative to its total sales (Shrader et al., 2000). Foreign sales can come from exports, outward FDI-based production abroad, or both (Contractor, 2007). This measure determines the extent of exposure to foreign markets (Wiersema and Bowen, 2008).

(3) *Number of Sales Regions* is the number of regions or countries in which foreign revenues originate.

(4) *HI* is the Herfindahl index of internationalization, computed as $HI = 1 - \sum_{i=1}^{M} P_i^2$, where P_i is proportion of total sales attributed to specific country or region *i*.

(5) Entropy Index (*EI*) measures degree of internationalization, and is computed as $EI = \sum_{i=1}^{M} P_i \ln(1/P_i)$, where P_i is the proportion of sales attributed to specific country or region *i* (Hitt et al., 1997). *EI* accounts for both the number of countries in which a firm operates and the proportion of total sales in each country.

Higher *HI* or *EI* corresponds to higher level of internationalization.

Control Variables

We include in our regression model several control variables that may affect a company's CSR. Company size (*Size*), measured as the natural logarithm of the book value of total assets, has been found to be positively correlated with CSR (Stanwick and Stanwick, 1998; Johnson and Greening, 1999; Orlitzky and Benjamin, 2001; Muller and Kolk, 2010). We include *Slack*, defined as the ratio of managerial fees to sales income (Westphal and Zajac, 1995), to address the potential role of organizational slack (Tan and Peng, 2003). *Leverage*, defined as total liabilities divided by total equity, is included to control for the effect of debt. We also include the number of years the company has operated since its startup (*Age*) to control for corporate age and experience. We introduce the binary dummy variable, *SOE*, to indicate whether the majority shareholder of a firm is the state (*SOE* = 1) or a private shareholder (*SOE* = 0). We include return on assets (*ROA*) to account for the posited positive relationship between a company's financial performance and its CSR performance (Orlitzky and Benjamin, 2001). We control for the effect of a company's political connectedness on CSR by introducing the binary dummy variable *Political Connection*, or *PC*, to indicate whether a firm's CEO is a current or former government official (*PC* = 1) or is not (*PC* = 0). We include the binary dummy variable *Consumer Industry*, or *CI*, which indicates whether an enterprise operates in the following industries: consumer goods, health care, consumer services, telecommunications, or utilities, in which case *CI* = 1; otherwise, *CI* = 0. We include *Advertising Intensity* (*AI*), measured as sales expenses divided by total sales,[3] since advertising appears to be related to CSR (Fry et al., 1982). To control for economic development across different regions in China, we include provincial

[3] In China, most listed companies do not disclose their adverting expenses. However, given that advertising expenses are typically a stable proportion of sales expenses, we use the ratio of sales expenses to total sales as a proxy for advertising intensity.

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GDP, measured as the natural logarithm of GDP at the provincial level. Finally, we follow the industrial classification system commonly used in China to group our sample firms into 12 industries,[4] to control for possible industry effects.

EMPIRICAL RESULTS

Summary Statistics

Table 1 presents selected summary statistics for the CSR scores for our sample enterprises across several industries. The mean value of the CSR score for the full sample is 34.15, ranging from 20.46 to 41.22 across industries. Approximately 61 percent (813 out of 1,330) of sample firms are from the manufacturing industry, with a mean value of 36.5 in CSR performance. To put these scores in perspective, a perfect score would be 100. In 2011, Publix Super Markets Inc. led the United States with a CSR of 80.59.

Table 2 provides descriptive statistics for the other variables used in our analysis. On average, 40.2 percent of sample companies have foreign sales revenues (*Internationalization*) from 1.52 foreign regions (*Number of Regions*). Foreign sales account for 11.6 percent of firm total sales (*Foreign Sales* [*%*]). *HI* and *EI* have mean values of 0.123 and 0.2, respectively. Among the 1,330 sample firms, 59.7 percent are state-owned, 37.4 percent are from the consumer sector, and 38.3 percent are politically connected.

TABLES 1 and 2

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[4] China Securities Regulatory Commission issued the Industry Classification Guide of Listed Companies in April 2001, which categorizes companies into 12 industries.

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Regression Results

Relation between Internationalization and CSR

Table 3 reports the ordinary least squares (OLS) estimation results for the regressions of CSR on each of the five internationalization variables, along with all the control variables. Columns (1) through (5) present results of the five internationalization variables, respectively. All five internationalization variables are positive and significant, consistent with Hypothesis 1 that CSR performance is positively related to the international business of a firm. In terms of the variable *Internationalization*, firms with international businesses have CSR scores higher by 0.112 than those without international businesses. All models in Table 3 are significant, fit the data well, and demonstrate good explanatory power as evidenced by the *F* statistics and adjusted *R*-squares.

Among the control variables, *Size* and *Consumer Industry* are significantly positive, suggesting that larger firms and firms in consumer industries tend to implement better CSR practices. The variables *Leverage*, *LN(Age)*, and *Political Connection* are all significantly negative, which implies that firms with higher debt ratio, older age, or political connections, have inferior CSR performance. No other control variables are significant.

TABLE 3

Effect of SOE on Relation between Internationalization and CSR

We test Hypothesis 2 by regressing CSR on the interaction of internationalization and SOE, along with other control variables. Columns (1) through (5) in Table 4 report OLS estimates with the five internationalization variables, respectively. Coefficients on the interaction between

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internationalization measures and SOE are positive and significant in all but one regression. This suggests that the positive relation between the degree of internationalization and CSR performance is less pronounced for SOEs than for non-SOEs. These results support Hypothesis 2.

TABLE 4

Endogeneity Test

It is possible that firms with better CSR performance are more likely to expand their business abroad, and not vice versa. We address this endogeneity issue by employing the instrumental variable approach to re-estimate the regressions in Table 3. As our instrumental variable, we use *Distance to Harbor*, calculated as the logarithm of miles from the headquarters of a listed firm to the nearest harbor according to Google Maps. The variable *Distance to Harbor* is correlated with the internationalization of a firm but not correlated with CSR performance. With this valid instrumental variable, we use a two-stage least-squares model to check whether our results are driven by endogeneity bias. The results from the two-stage least-squares regressions are presented in Table 5. The coefficients on the internationalization measures are positive and significant in all five regressions, quite similar to those in Table 3. This lends credence to the suggestion that the positive relation between the degree of internationalization and CSR is not driven by endogeneity issues.

Effect on Individual CSR Components

The CSR index of the SNAI system was formulated based on 36 questions in eight categories. To provide a complete picture on the association between internationalization and CSR performance, we re-estimate the regressions in Table 3 using the individual components of the

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overall CSR scores as separate dependent variables. The results, reported in Table 6, show that the coefficients on the internationalization variables are significantly positive for environmental problems, energy savings, consumer problems, and other stakeholders.

TABLES 5 and 6

DISCUSSION

Our goal is to identify the effect of stakeholder pressures from developed economies on the CSR performance of internationalized firms in emerging economies, based on the case of China. We invoke institutional theory and the resource-based view to examine this issue and develop hypotheses on the effects of pressures from foreign stakeholders. We conjecture that importers and outsourcers from developed economies express their concerns about CSR to internationalized firms in emerging economies when pressured by domestic stakeholders, which in turn improves the CSR practices of internationalized firms in emerging economies.

Major Findings

Importers and outsourcers in developed economies are more visible and attract closer scrutiny than those in emerging economies. Importers and outsourcers are motivated to engage in CSR activities to increase their reputations with stakeholders. Socially irresponsible suppliers from emerging economies adversely affect the reputation of importers and outsourcers with whom they are associated in developed economies. Thus, importers and outsourcers care about the CSR performance of those suppliers. These concerns and pressures from firms in developed economies induce internationalized firms in emerging economies to improve their CSR performance, which helps them to maintain their contracts and obtain additional business opportunities abroad. Our results show that CSR performance of Chinese enterprises tends to increase with their level of international business. We employ several proxies for internationalization and obtained similar, significant results.

Our results also suggest that the positive relationship between internationalization and CSR is less pronounced for SOEs than for non-SOEs. The Chinese government has been encouraging outward FDI since 1999. Support from government provides SOEs with sufficient resources to expand abroad, to obtain contracts, and to maintain relationships with overseas customers. Thus, pressures from foreign importers or customers have less effect on the CSR performance of SOEs.

Contributions

This paper contributes to the international business, institutional theory, and CSR literature. Our results shed light on the contradictory findings in the international business literature concerning the effect of stakeholder pressure on CSR associated with growing internationalization of firms. Our analysis indicates that, based on the China experience, CSR performance of internationalized firms in emerging economies can be explained by pressures from importers and outsourcers in developed economies. Our findings are also consistent with Campbell et al. (2012), who contend that the institutional development of home and host countries is vital in understanding CSR performance.

This study also extends institutional theory and contributes to previous work on the implications of CSR for MNEs. Prior research indicates that differences in regulatory and social pressures between home and host countries explain the relocation of CSiR activities to subsidiaries of MNEs, thus allowing companies to be socially responsible and irresponsible at

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the same time. We find that importers and outsourcers in developed economies have positive effects on the CSR performance of internationalized enterprises in emerging economies.

This study also complements previous case-based research by providing robust evidence that the CSR performance of internationalized firms in China originates from stakeholder pressures from developed economies. Thus, our analysis highlights the perverse consequences of stakeholder pressure from developed economies, which benefits stakeholders in emerging economies where CSR is most needed.

Limitations and Future Research

This study has several limitations. SNAI provides only one year of CSR ratings. Therefore, only a static cross-sectional relationship between internationalization and CSR can be examined. Studying the dynamic relation between an internationalization strategy and CSR performance in emerging economies would be informative if a time-series CSR rating data set were available.

This study considers pressures from stakeholders in developed economies as a whole; that is, we do not differentiate among pressures from foreign customers, importers, or outsourcers. Anecdotal evidence suggests that different types of stakeholder groups affect the strength of these pressures. Therefore, future research could attempt to disentangle the differing effects of different stakeholder groups in developed economies on the CSR practices of internationalized firms in emerging markets.

CONCLUSION

In this study, we develop and test predictions about the effect of internationalization on the CSR performance of firms in emerging economies based on institutional theory and resource-based

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view. Internationalized firms from emerging economies face different pressures from institutions and stakeholders in host countries than do MNEs from developed economies. Better CSR performance not only helps internationalized firms in emerging economies maintain business contracts, but also provides additional business opportunities. Thus, internationalized firms in emerging economies are expected to improve their CSR performance in response to the concerns and pressures from their customers in developed economies.

We test our predictions using a sample of public firms in China with geographic segment revenues and CSR data available. The empirical results support our hypothesis that the CSR performance of firms in emerging economies increases with their degree of internationalization. This positive effect of internationalization on CSR is less pronounced for SOEs. Our results are robust to a broad set of robustness analyses. We hope that our research inspires future studies on CSR behavior of firms in emerging economies.

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This is the pre-published version published in Journal of Business Ethics,
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Appendix 1: CSR score rating criteria

This table reports the score rating criteria of our CSR measure. The score rating criteria are from the social responsibility ranking of Chinese firms by SNAI. The SNAI formulates CSR scores according to the SA8000 standard issued by the SAI.

1. Environmental problems: curbing polluted environment, recycling waste that are harmful to the environment, producing products that promote environmental protection, and using alternative methods to control pollution.
2. Energy savings: recycling old and waste materials, reducing energy consumption; continuously improving the energy saving properties of products, and promoting research on energy savings.
3. Employee problems: caring for the health and safety of employees, employee training, reemployment of laid-off employees, reasonable arrangement of working time and positions, establishment and enforcement of standards on overtime, no employment of child labor, and provision of employee benefits.
4. Employment and fair promotion: employment and promotion of minorities, females, handicapped persons, and veterans.
5. Social problems: donations to communities, education institutes, medical activities, arts, sports, and disaster areas as well as attention to public safety and opening company facilities to the public.
6. Consumer problems: on-time delivery, improvements in product quality, safe use of products, improved customer service, and attention to the interests of specific consumers.
7. Other stakeholders: respect to the interests of creditors, consideration on the interests of suppliers.
8. Abidance to law and business ethics: prevention of corruption, extortion, and bribery as well as operating faithfully and lawfully.

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Table 1 CSR Scores

Industry	Obs	Mean	SD	1 percentile	Q1	Median	Q3	99 percentile
Agriculture, forestry, livestock farming, fishery	31	32.15	14.14	5.40	22.70	36.70	42.40	61.70
Mining	27	41.22	14.12	17.30	30.10	38.90	47.90	76.90
Manufacturing	813	36.50	13.59	7.20	27.60	35.60	44.80	72.40
Utilities	54	35.86	13.71	6.10	26.90	34.35	46.00	81.00
Construction	32	32.87	10.21	8.80	26.95	34.70	40.40	50.00
Transportation	44	28.29	10.51	6.30	20.15	28.80	35.15	56.20
IT	83	28.67	11.53	2.30	20.10	28.20	34.30	63.20
Wholesale and retail trade	83	32.54	12.03	7.50	23.30	33.40	41.50	58.70
Real estate	47	27.74	10.91	2.30	18.00	30.20	35.70	47.20
Social Services	43	28.16	10.73	7.30	20.00	26.80	37.70	49.90
Communication and Cultural Industry	10	20.46	9.01	9.50	13.90	17.50	26.70	38.60
Comprehensive	63	25.38	11.58	1.50	16.30	22.50	32.60	53.30
Total	1330	34.15	13.49	6.10	24.60	33.80	42.70	71.10

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Table 2 Descriptive statistics of main variables

Variable	Obs	Mean	SD	1 percentile	Q1	Median	Q3	99 percentile
Internationalization dummy	1330	0.402	0.490	0	0	0	1	1
Foreign sales (%)	1330	0.116	0.213	0	0	0	0.135	0.957
Number of regions	1330	1.519	0.764	1	1	1	2	5
HI	1330	0.123	0.187	0	0	0	0.225	0.694
EI	1330	0.200	0.301	0	0	0	0.385	1.342
Size	1330	21.392	1.142	18.724	20.606	21.329	22.093	24.740
Leverage	1330	0.541	0.317	0.075	0.372	0.512	0.644	2.617
Advertisement expenses	1330	0.055	0.064	0.000	0.017	0.036	0.066	0.353
LN(Age)	1330	1.992	0.759	0.000	1.792	2.303	2.485	2.773
ROA	1330	0.044	0.078	-0.335	0.016	0.042	0.070	0.355
Slack	1330	0.035	0.102	-0.186	-0.014	0.014	0.064	0.426
GDP	1330	9.300	0.793	6.664	8.863	9.308	9.841	10.344
Consumer industry	1330	0.374	0.484	0	0	0	1	1
SOE	1330	0.597	0.491	0	0	1	1	1
Political connection	1330	0.383	0.486	0	0	0	1	1

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available online at: http://dx.doi.org/10.1007/s10551-014-2268-7.

Table 3 Regression of CSR on internationalization [a]

	(1)	(2)	(3)	(4)	(5)
Internationalization Dummy	0.112***				
	(4.89)				
Foreign Sales (%)		0.171***			
		(3.15)			
Number of Sales Regions			0.042***		
			(2.77)		
HI				0.242***	
				(4.00)	
EI					0.143***
					(3.75)
Size	0.111***	0.114***	0.112***	0.112***	0.112***
	(9.71)	(10.06)	(9.68)	(9.86)	(9.78)
Leverage	-0.245***	-0.247***	-0.248***	-0.244***	-0.245***
	(-6.13)	(-6.19)	(-6.17)	(-6.10)	(-6.12)
Advertisement expenses	0.255	0.247	0.226	0.249	0.245
	(1.48)	(1.46)	(1.33)	(1.47)	(1.44)
LN(Age)	-0.097***	-0.100***	-0.101***	-0.100***	-0.100***
	(-6.37)	(-6.57)	(-6.60)	(-6.54)	(-6.51)
ROA	0.172	0.152	0.147	0.154	0.152
	(0.90)	(0.81)	(0.77)	(0.81)	(0.80)
Slack	-0.109	-0.126	-0.114	-0.109	-0.109
	(-0.94)	(-1.08)	(-0.97)	(-0.94)	(-0.93)
Provincial development	-0.003	0.001	0.003	-0.002	-0.001
	(-0.18)	(0.05)	(0.19)	(-0.12)	(-0.07)
Consumer industry	0.043*	0.038*	0.041*	0.039*	0.040*
	(1.88)	(1.65)	(1.75)	(1.73)	(1.75)
SOE	0.026	0.030	0.026	0.027	0.027
	(1.07)	(1.22)	(1.09)	(1.10)	(1.10)
Political connection	-0.043*	-0.050**	-0.049**	-0.048**	-0.048**
	(-1.91)	(-2.18)	(-2.15)	(-2.12)	(-2.12)
_cons	1.380***	1.307***	1.306***	1.358***	1.363***
	(5.38)	(5.13)	(5.07)	(5.29)	(5.30)
N	1330	1330	1330	1330	1330
adj. R-sq	0.177	0.169	0.167	0.172	0.171
F	21.105	19.236	19.518	20.561	20.352

[a] Industry effects are controlled in the regression models.

* $p < .10$; ** $p < .05$; *** $p < .01$

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available online at: http://dx.doi.org/10.1007/s10551-014-2268-7.

Table 4 The effects of SOE on the relation between internationalization and CSR [a]

	(1)	(2)	(3)	(4)	(5)
Internationalization Dummy	0.158***				
	(4.56)				
SOE* Internationalization Dummy	-0.075*				
	(-1.69)				
Foreign Sales (%)		0.272***			
		(4.63)			
SOE* Foreign Sales (%)		-0.205*			
		(-1.95)			
Number of Sales Regions			0.069***		
			(3.29)		
SOE* Number of Sales Regions			-0.043		
			(-1.53)		
HI				0.378***	
				(4.58)	
SOE*HI				-0.229**	
				(-2.03)	
EI					0.221***
					(4.24)
SOE*EI					-0.131*
					(-1.85)
Size	0.110***	0.114***	0.111***	0.112***	0.112***
	(9.67)	(10.07)	(9.67)	(9.83)	(9.76)
Leverage	-0.240***	-0.245***	-0.244***	-0.240***	-0.241***
	(-5.97)	(-6.12)	(-6.06)	(-5.96)	(-5.99)
Advertisement expenses	0.268	0.258	0.237	0.259	0.255
	(1.55)	(1.52)	(1.39)	(1.52)	(1.50)
LN(Age)	-0.095***	-0.097***	-0.099***	-0.097***	-0.097***
	(-6.24)	(-6.40)	(-6.48)	(-6.38)	(-6.35)
ROA	0.175	0.154	0.150	0.158	0.156

	(0.91)	(0.82)	(0.79)	(0.83)	(0.81)
Slack	-0.104	-0.117	-0.107	-0.098	-0.097
	(-0.90)	(-1.00)	(-0.91)	(-0.84)	(-0.83)
Provincial development	-0.003	0.001	0.002	-0.002	-0.002
	(-0.25)	(0.07)	(0.12)	(-0.17)	(-0.13)
Consumer industry	0.042*	0.036	0.040*	0.038*	0.039*
	(1.83)	(1.57)	(1.71)	(1.67)	(1.70)
SOE	0.055*	0.054*	0.091*	0.055*	0.053*
	(1.75)	(1.94)	(1.80)	(1.88)	(1.80)
Political connection	-0.045**	-0.050**	-0.050**	-0.050**	-0.049**
	(-1.98)	(-2.20)	(-2.18)	(-2.20)	(-2.18)
_cons	1.372***	1.292***	1.274***	1.350***	1.356***
	(5.36)	(5.10)	(4.96)	(5.29)	(5.29)
N	1330	1330	1330	1330	1330
adj. R-sq	0.178	0.170	0.168	0.174	0.172
F	19.814	18.638	18.420	19.596	19.356

[a] Industry effects are controlled in the regression models.

* $p < .10$; ** $p < .05$; *** $p < .01$

Table 5 Endogeneity problem [a]
We use the distance from the headquarter of the listed firm to the nearest harbor as instrument variable to run the 2SLS.

	(1)	(2)	(3)	(4)	(5)
Internationalization measure =	Internationalization Dummy	Foreign sales (%)	Number of regions	HI	EI
Internationalization	0.112***	0.183***	0.044***	0.252***	0.150***
	(4.88)	(3.44)	(2.95)	(4.16)	(3.98)
Size	0.116***	0.116***	0.116***	0.116***	0.116***
	(11.19)	(11.14)	(11.12)	(11.16)	(11.15)
Leverage	-0.248***	-0.248***	-0.248***	-0.248***	-0.248***
	(-6.94)	(-6.91)	(-6.90)	(-6.92)	(-6.92)
Advertisement expenses	0.192	0.192	0.192	0.192	0.192
	(1.10)	(1.10)	(1.10)	(1.10)	(1.10)
LN(Age)	-0.107***	-0.107***	-0.107***	-0.107***	-0.107***
	(-6.68)	(-6.65)	(-6.64)	(-6.66)	(-6.66)
ROA	0.139	0.139	0.139	0.139	0.139
	(0.96)	(0.96)	(0.96)	(0.96)	(0.96)
Slack	-0.128	-0.128	-0.128	-0.128	-0.128
	(-1.11)	(-1.10)	(-1.10)	(-1.11)	(-1.10)
Provincial development	0.009	0.009	0.009	0.009	0.009
	(0.66)	(0.65)	(0.65)	(0.65)	(0.65)
Consumer industry	0.035	0.035	0.035	0.035	0.035
	(1.54)	(1.54)	(1.53)	(1.54)	(1.54)
SOE	0.027	0.027	0.027	0.027	0.027
	(1.10)	(1.10)	(1.10)	(1.10)	(1.10)
Political connection	-0.053**	-0.053**	-0.053**	-0.053**	-0.053**
	(-2.35)	(-2.34)	(-2.34)	(-2.35)	(-2.35)
_cons	1.242***	1.242***	1.242***	1.242***	1.242***
	(4.98)	(4.95)	(4.95)	(4.96)	(4.96)
N	1330	1330	1330	1330	1330
adj. R-sq	0.177	0.170	0.168	0.173	0.172
F	26.982	25.665	25.327	26.267	26.102

[a] Industry effects are controlled in the regression models.
* $p < .10$; ** $p < .05$; *** $p < .01$

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Table 6 Regression of CSR on internationalization: Subindex [a]

Sub-index =	(1) Environmental problems	(2) Energy saving	(3) Employee problems	(4) Employment and fair promotion	(5) Social problems	(6) Consumer problem	(7) Other stakeholders	(8) Abidance by law and business ethics
EI	0.145***	0.546***	-0.051	0.149	-0.034	0.106**	0.108***	0.005
	(3.43)	(3.62)	(-1.22)	(1.39)	(-0.83)	(2.54)	(3.37)	(0.23)
Size	0.088***	0.326***	0.043***	-0.014	0.068***	0.068***	0.059***	0.020**
	(7.41)	(8.21)	(2.89)	(-0.46)	(5.46)	(5.02)	(5.71)	(2.12)
Leverage	-0.105**	-0.097	-0.128	0.035	-0.057*	-0.137***	-0.232***	0.002
	(-2.42)	(-0.92)	(-1.56)	(0.32)	(-1.78)	(-2.93)	(-3.74)	(0.07)
Advertisement expenses	-0.409**	-0.687	0.163	1.202***	-0.119	0.761***	0.315**	0.096
	(-2.49)	(-1.12)	(0.75)	(2.64)	(-0.63)	(3.97)	(2.14)	(1.00)
LN(Age)	-0.035*	-0.316***	-0.191***	-0.031	-0.151***	-0.119***	-0.007	-0.009
	(-1.89)	(-5.33)	(-10.42)	(-0.71)	(-8.82)	(-6.76)	(-0.56)	(-0.93)
ROA	0.351**	0.923**	-0.238	-0.700*	0.308**	-0.008	0.008	0.159
	(2.52)	(1.97)	(-0.76)	(-1.66)	(2.27)	(-0.05)	(0.05)	(1.37)
Slack	-0.274**	-1.047**	0.126	0.511*	-0.085	0.035	0.012	0.023
	(-2.31)	(-2.53)	(0.83)	(1.66)	(-0.73)	(0.31)	(0.12)	(0.28)
Provincial development	-0.045***	-0.144***	0.033*	0.018	0.012	-0.012	0.015	-0.011
	(-2.81)	(-2.73)	(1.91)	(0.42)	(0.73)	(-0.76)	(1.25)	(-0.94)
Consumer industry	0.010	0.062	-0.013	0.105	0.011	0.083***	0.033	0.012
	(0.39)	(0.73)	(-0.44)	(1.62)	(0.43)	(3.20)	(1.62)	(0.81)
SOE	0.026	0.152*	0.035	-0.111*	0.025	-0.003	0.011	-0.020
	(1.00)	(1.68)	(1.15)	(-1.68)	(0.94)	(-0.12)	(0.54)	(-0.97)
Political connection	0.005	-0.129	0.049*	0.101	0.014	-0.045*	-0.056***	0.004
	(0.21)	(-1.52)	(1.74)	(1.58)	(0.58)	(-1.66)	(-2.80)	(0.26)
_cons	1.625***	-3.575***	2.688***	3.199***	1.483***	2.530***	2.619***	3.590***
	(5.83)	(-3.71)	(8.24)	(4.36)	(4.83)	(9.05)	(11.14)	(17.70)
N	1330	1330	1330	1330	1330	1330	1330	1330
adj. R-sq	0.082	0.097	0.095	0.010	0.090	0.082	0.089	0.000
F	12.525	16.074	16.826	2.572	12.896	11.349	6.760	1.122

[a] Industry effects are controlled in the regression models.

* *p* < .10; ** *p* < .05; *** *p* < .01