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IBR-1079; No. of Pages 15
ARTICLE IN PRESS

International Business Review xxx (2014) xxx–xxx

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

Corporate social responsibility: Stakeholders influence on MNEs' activities☆

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ARTICLE INFO

Article history:
Received 28 May 2013
Received in revised form 6 February 2014
Accepted 17 February 2014

Keywords:
Corporate social responsibility
Institutions
Korea
Multinational enterprises
Stakeholders

ABSTRACT

This research attempts to examine how specific stakeholder groups influence multinational enterprise (MNE) corporate social responsibility (CSR) practices in South Korea. Generally speaking, the results show that both primary (e.g., consumers, 'internal managers and employees' and business collaborators) and secondary stakeholders (e.g., governments, media, local community and NGOs) positively influence MNEs' CSR. Contrary to previous research, this work also demonstrates that business collaborators have a negative and significant effect on MNEs' CSR. Based on the findings this paper wishes to offer a framework for MNEs to thoroughly consider the impact of stakeholders when drawing a picture for their CSR strategy. Further, this work also hopes to contribute to current discussions in the area of CSR by bringing a new stream of research into the international business field. In addition, this work strives to provide useful and practical implications for MNEs wanting to operate in the South Korean market.

1. Introduction

As globalization has intensified, the volume of foreign direct investment (FDI) has also dramatically increased in the past two decades. According to UNCTAD (2011), the recorded figure for 2010 revealed a more than triple increase in worldwide FDI activities since the year 2000 amounting to US$ 20.4 trillion. Although there have been some fluctuations in yearly flows of FDI (e.g., a decrease in 2001–2004). FDI has been playing an important role in the global market. The reason for the continual increase in multinational enterprises (MNEs) foreign operations is closely associated with the growing realization that FDI is a win–win strategy, which is beneficial for both home and host countries. For instance, home economies achieve market expansion, enjoy capital increases through earnings remitted by overseas subsidiaries, and learn local market information. Likewise, host countries receive substantial benefits for their economies as FDI helps in the creation of employment, the acquisition of valuable foreign technology, and the increase of exports that strengthens the balance-of-payments position of the local markets.

However, we should also acknowledge that some governments and scholars (e.g., Chang, 2004; Dixon & Boswell, 1996a, 1996b; Perraton, 2007; Ziegler, 2005) have shed light on the negative aspects of MNE operations, and even argue that MNEs are one of the primary obstacles inhibiting economic growth in developing countries. The explanations given by these scholars propose the following negative impacts: MNE activities are often too vitalized and excessive, foreign firms attempt to dominate the market they enter and they present a challenge to national sovereignty. Moreover, aggravation of local competition pitted against MNEs inevitably culls locally grown enterprises, which results in a deterioration of employment. In particular, MNEs re-invest only a fraction of their revenues in local economies and drain positive effects from both capital injections and the balance of payments. This leads to serious reductions of foreign exchange reserves, forces local governments to borrow more foreign debt and pushes the local economy into a vicious economic circle. These negative effects cause hardship for local governments and adversely influence their investments in infrastructure, education and technology development.

In the above situation, one of the best ways to lessen such skeptical attitudes of FDI is the fulfillment of various corporate social responsibilities (CSR) by MNEs in foreign markets, whereby CSR can be utilized by several disciplines, such as public relations (Galbreath, 2009; Mishra & Suar, 2010). In other words, the negative impression of FDI might be significantly reduced if MNEs engage in actions that go beyond their direct economic and

☆ This work was supported by Hankuk University of Foreign Studies Research Funds.
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http://dx.doi.org/10.1016/j.ibusrev.2014.02.008
0969-5931/

Please cite this article in press as: Park, B. I., et al. Corporate social responsibility: Stakeholders influence on MNEs' activities. *International Business Review* (2014), http://dx.doi.org/10.1016/j.ibusrev.2014.02.008

financial interests, get involved in activities that are not required by the law, further their social good, and use their internal resources in ways to benefit local markets through committed participation as members of society (Sheth & Babiak, 2010; Snider, Hill, & Martin, 2003).

However, an outcome derived from a thorough review of the literature indicates that most studies exploring CSR are concentrated only on academic areas such as strategic management (e.g., CSR by local firms in the domestic markets), marketing (e.g., the influence of CSR on customer loyalty), and financial economics (e.g., the relationship between CSR and stock market returns). In the similar vein, Egri and Ralston (2008) argue that international management journals have emphasized ethics and governance rather than CSR and environmental responsibilities, which indicate that the importance of CSR is, somehow, significantly ignored in the international business (IB) field. Or put differently, it is exceptionally hard to find previous studies simply dealing with 'CSR by MNEs' even though a thorough search was undertaken via EBSCO, Elsevier ScienceDirect and Proquest. Having said that, there are some welcome exceptions like the recent work of Husted and Allen (2006), Kolk and van Tulder (2010) and Fortanier, Kolk, and Pinkse (2011). However, they observe the phenomenon from the perspective of MNEs, and thus consider CSR as a strategic means to increase corporate values and enhance sustainable development. They also tend to overlook the significance of fulfilling the demands of stakeholders surrounding business environments in host economies. In this vein, Gifford, Kestler, and An& (2010), Campbell, Eden, and Miller (2012) and Reimann, Ehrgott, Kaufmann, and Carter (2012) are additional exceptions that have paid scholarly attention to the conditions motivating MNEs' CSR behavior using the stakeholder approach. However, they generally see that MNEs work with stakeholders to develop local legitimacy and overcome liabilities of foreignness by demonstrating social commitment to host-country constituents through CSR, which may indicate that they are in line with existing empirics focusing MNEs based on advanced economies (in fact, they used US and German firms as their sample) (Egri & Ralston, 2008). In other words, although apparent influence by various stakeholders partly comprising institutional local environments on CSR practices poses serious challenges to MNEs in foreign markets, it is hard to find empirical examinations, as the exploration of specific pressures through incorporating stakeholder and institutional approaches, is still in its infancy (Yang & Rivers, 2009). Considering the research gap, our research will use both theoretical lenses and the motivation is to contribute to current literature on IB and MNE CSR, by identifying key determinants influencing the CSR practices of MNE subsidiaries particularly in the perspective of host emerging markets.

As Reimann et al. (2012) point out, the role of CSR in MNEs' emerging economy operations has only recently started to attract the interest of IB scholars. Yang and Rivers (2009: 155) also state that "most of the research on CSR has focused on the strategies of companies . . . The literature on MNEs and CSR is still embryonic. Yet, MNEs are increasingly setting up operations in emerging markets. With the growing economic importance of emerging markets . . . it is inevitable that an MNE subsidiary . . . will find itself in a situation where its CSR practices are at odds with the prevailing CSR practices in emerging markets". We add to this infant stage of research by aiming at examining *how* and *if* different stakeholders influence the CSR activities of MNEs in emerging markets, and including a large scale sample, irrespective of MNE origins. More specifically, this work focuses on the CSR activities of MNEs in the South Korean market.[2] In order to meet our research objectives, this work is structured as follows. The following section presents the theoretical development and hypotheses formulation. Section three explains the method of data collection, the specification of the model and variables used. Section four shows and discusses the results. Section five presents the concluding remarks as well as the study's limitations.

[2] According to Business Week (2012), a new foursome of fast-track emerging countries are MIST economies, and "S" denotes South Korea.

2. Theory development and hypotheses formulation

2.1. Definition of CSR

While scholarly definitions of CSR are various (McWilliams, Siegel, & Wright, 2006; Sheth & Babiak, 2010; Snider et al., 2003), the best known, and for our purposes the most appropriate, is probably McWilliams and Siegel's (2001: 117) definition, "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." That is to say, CSR denotes activities by firms (particularly MNE subsidiaries in this paper) that appear to further some social good, where the activity level is "above and beyond" that mandated by law (Campbell et al., 2012). This definition offers a possible way to gauge CSR activities of MNE subsidiaries in host economies, a topic that has seldom been examined mainly due to difficulties in obtaining empirical data on CSR activities of foreign affiliates (Campbell et al., 2012; Yang & Rivers, 2009).

2.2. Theoretical background

Institutional theory sheds light on the influences of the systems enclosing organizations that shape social and organizational behavior (Scott, 2007). In organizational sociological neo-institutionalism, organizations are under pressure to adapt their institutional environments in order to gain legitimacy or social fitness (Lee, 2011). DiMaggio and Powell (1983) argue that these institutional forces lead to three types of institutional isomorphic changes: (1) coercive isomorphism that stems from pressures exerted by external powerful organizations; (2) mimetic isomorphism, where environmental uncertainty encourages firms to imitate other organizations in their field that are viewed as successful; and (3) normative isomorphism, resulting from professionalization, in which firms rapidly diffuse new models and their professional networks expand. Similarly, Scott (2007) suggests that there are three pillars of an institution that contain the regulative, cognitive, and normative elements, where each of them corresponds to the coercive, mimetic, and normative isomorphism of DiMaggio and Powell (1983).

Applying these arguments to an international business context, MNEs may need to comply with the institutional elements to reduce the situational uncertainty and ambiguity in host countries. Their decision-making and practices are repeated and developed into routines over time in overseas markets, which generates common values and beliefs in organizations. Such international processes conventionally affect the CSR policies and structures of MNEs through the coercion of powerful local entities, relationships with other local firms in foreign markets (e.g., local business collaborators or competitors), the MNE internal members' attitude and expertise toward CSR, and the values and propensity of members in the local society (Husted & Allen, 2006). MNEs are often believed to need to comply with the pressure from these institutional factors and change their structures and policies to gain legitimacy and successfully become embedded in host countries.

From this perspective, an important consideration regarding MNE CSR is the institutional distance between home and host countries in the regulatory, cognitive and normative domains. That is, the greater the distance between home and host countries, the greater the liability of foreignness (i.e., unfamiliarity and discrimination risk in overseas markets), and the greater the need for satisfying local legitimacy (Campbell et al., 2012). MNEs, in particular, suffer from the tacitness (i.e., situational uncertainty and ambiguity in host countries) of cognitive and normative domains (Kostova & Zaheer, 1999), and thus in order to overcome the difficulties, they are motivated to exercise socially responsible practices in that CSR is one of the short-cuts that help to surmount institutional distance (Gifford et al., 2010; Yang & Rivers, 2009). Moreover, MNEs are confronted with various demands that CSR management and orientation need to be considerably different in each foreign market, where the firms encounter a variety of stakeholder demands. The firms may attempt to obtain local legitimacy and stakeholder recognition by adopting CSR structures and practices in accordance with their respective environment. Reimann et al. (2012) emphasize that local legitimacy, which is necessary for corporate survival, is acquired by conforming to the rules and belief systems of the local stakeholder environment. In this sense, we suggest that institutional pressures are closely related to stakeholder demands (Reimann et al., 2012; Tate, Ellram, & Kirchoff, 2010; Yang & Rivers, 2009), and thus, proactive dialog with stakeholders help MNEs to implement effective CSR and become embedded in host economies.

Firms are surrounded by various entities that may influence corporate behavior and strategy designs. Firms constantly interact with them, and from the interaction process, strategic directions are often determined. Researchers commonly perceive the entities as *stakeholders* (Kakabadse, Rozuel, & Lee-Davis, 2005). Stakeholders may be defined as "groups and individuals who can affect, or are affected by, the achievement of an organization's mission" (Freeman, 1984: 54) or alternatively as "those groups who have a stake in or a claim on the firm" (Evan & Freeman, 1988: 97).

Stakeholder theory emphasizes that organizational stability and survival depends considerably on an organization's ability to create sufficient wealth, value, or satisfaction for its primary stakeholders, though not exclusively for shareholders (Kakabadse et al., 2005; Maon, Lindgreen, & Swaen, 2009). Those whose primary relationships are crucial for the organization to realize its mission in producing goods or services are perhaps (a) internal managers and employees, (b) business collaborators (e.g., investors, partners and suppliers), and (c) consumers. However, secondary stakeholders, functioning as a rudder for the business, include social and political actors who support the mission by providing their tacit approval of the organization's activities, thereby making them acceptable and giving the business credibility. Such secondary stakeholders may include (a) local government, (b) local media, (c) local community, and (d) non-governmental organizations (NGOs) (Maon et al., 2009; Post, Preston, & Sachs, 2002).

To reiterate, Freeman (1984) argues in his seminal work that business relationships should embrace all those who may "affect or be affected by" a corporation. Much of the research in stakeholder theory has sought to systematically address the question of which stakeholders deserve or require management attention (Mitchell, Agle, & Wood, 1997). Although IB scholars have failed to appropriately capture the issue, MNEs are not able to circumvent themselves from the discussion. We should be aware that MNEs are also under constant pressure from employees, suppliers, community groups, NGOs, and governments, and in order to increase the possibility of organizational success in operating overseas subsidiaries, they should incorporate stakeholder needs and values into strategic and operational decision-making processes. That is to say, we need to take notice of the fundamental characteristics of MNE subsidiaries. MNEs run their businesses in an alien environment through FDI, and thus the relationship between the corporation and the local stakeholders is particularly important for MNEs to overcome such foreignness in unknown foreign host markets, more so than for indigenous firms (Hadjikhani, Lee, & Ghauri, 2008).

In addition, CSR involvement is typically fueled by various stakeholder demands (Udayasankar, 2008). Mishra and Suar (2010) suggest that subsequent to the introduction of the stakeholder concept (Freeman, 1984), reconfiguration of CSR from the stakeholder perspective has provided a new path to organize thinking about the evaluation of CSR. Most firms including MNEs function under a desire to maximize shareholder wealth by undertaking actions that increase business earnings. However, in order to create corporate value, they are frequently asked to take opinions of other interest groups (i.e., local stakeholders) on ethical issues into account and increasingly required to fulfill social responsibilities toward the environments in which they operate and go beyond their legal and economic obligations. Thus, MNEs have ethical and philanthropic obligations to all their stakeholders in foreign markets and are expected to be society-oriented, having voluntary activities aimed at raising the well-being of the local society as a whole (Singh, Sanchez, & Bosque, 2007).

These explanations clearly indicate that the combination of institutional and stakeholder theories provides a useful framework to assess conditions motivating MNE CSR. In this vein, the theoretical perspectives are closely relevant to the businesses.

2.3. Primary stakeholders

2.3.1. Consumers

Consumers are perhaps a common type of stakeholder who exercise pressure on an organization if they believe the firm does not behave in a socially responsible way, particularly because their access to instant and free information on a multitude of alternatives has become even easier (Lindgreen, Swan, & Johnson, 2009). In other words, MNEs may lose their customers and business to competitors if the firm's products and behavior fail to reach consumers' ethical standards. Consumer responses and actions against MNEs' socially responsible or irresponsible practices cause MNEs to change their attitude and strategy toward CSR (Yang & Rivers, 2009). Thus, to attract and retain customers, MNEs attempt to address the preferred and desirable values of the society in which they have operations.

Similarly, Mishra and Suar (2010) suggest that consumers often infer positively about certain products in cases where they believe that the firm is acting as a socially responsible entity. According to them, such inferences generate consumer goodwill, positively affect purchase intention, and increase market share, in that the proactive corporate citizenship and excellent CSR record of companies function as a signal enhancing organizational attractiveness. The same logic is more effectively applicable when the firms are MNE subsidiaries. Because MNEs are firms owning different national origins, their irresponsible behavior can easily aggravate relationships with local consumers and also become a fuse persuading consumers to reduce consumption of the subsidiary products, initiate legal action against them, spread negative word-of-mouth about undesirable business practices and eventually boycott the products of MNEs.

The typical examples of these events are the long-term struggles experienced by Pepsi and Coca-Cola beverages in India due to the sharp reaction from consumers regarding the issue of pesticide content. In this vein, O'Shaughnessy, Gedajlovic, & Reinmoeller (2007) believe consumers are the most important of all the stakeholders and thus emphasize that MNEs need to demonstrate differentiated CSR activities for the full range of consumers. Lamberti and Lettieri (2009) further explain reasons for such statements. As consumers become aware of the ethical implications of MNE behavior, they develop a trust in the belief that the firms will maintain certain quality standards in order to maintain, or improve, their reputation. Consequently, beyond ethical considerations, consumers' perceptions concerning CSR deficiencies can be extremely detrimental to corporate profitability and market share. These explanations clearly point out that consumer pressure can be a crucial motivating factor for MNEs to undertake CSR practices and that satisfaction of local consumer demands is a vital prerequisite to elevate competitive advantages in foreign markets. In this regard our first hypothesis is as follows:

Hypothesis 1. As important primary stakeholders, consumers will have a positive influence on MNEs' CSR activities in foreign markets.

2.3.2. Internal managers and employees

The reason why internal managers and employees are central stakeholders influencing MNE CSR is probably twofold. First, human resource practices, such as policies toward union relations, employee participation in decision making, compensation policy, working conditions, and elimination of forced/child labor, portray a firm's CSR toward employees (Mishra & Suar, 2010). By upgrading such corporate standards, firms are able to satisfy employees, improve their job commitment, enhance financial and non-financial performance, and eventually secure internal momentum for CSR.

Hartman, Rubin, and Dhanda (2007) highlight that stakeholders, including company executives, managers and employees, in many cases try to adhere to higher labor standards, develop CSR activities, and contribute to society in order to attract and retain valuable employees and maintain high morale. That is, CSR is one of the decisive reputation factors and appears to considerably influence an organization's attractiveness to potential and current employees (Lindgreen et al., 2009). Ethical reputation and CSR initiatives may help establish a bond between the organization and its employees, which results in lower employee turnover by evoking positive reactions from employees' families and friends. In addition, CSR might be particularly important for managers at MNEs because CSR could have positive effects in aiding MNEs to attract more talented and committed employees in new foreign markets, which motivates MNE managers to design subsidiaries to be socially responsible (Qu, 2007).

Second, according to Yang and Rivers (2009), internal managers and employees per se are also considered key direct drivers of CSR through activities supporting progressive labor policies, safety standards, job security, and creating organizational consensus-making for CSR. That is, managers have access to, or are themselves, the people in charge of decision making related to CSR. Therefore, they have the ability to assess the relevance and importance of stakeholder issues, select which issues should be considered, and participate in implementing the decisions (Lindgreen et al., 2009). In order to maintain good and stable stakeholder relations, firms also need to communicate clear and strong ethical business values. These values are mainly chosen and implemented by managers. Greening and Gray (1994) also find that managers play important roles in orienting the organization and its decisions and actions, and in this sense, managers have considerable influence over an organization's CSR involvement regarding social and environmental sustainability. This empirical evidence indicates that management support for environmental and social initiatives positively influences an organization's citizenship orientation. Polonsky and Jevons (2009) suggest that such management support (i.e., CSR strategically chosen by managers) is decisive in building corporate practices and images, meaning CSR is not a simple tactical response to some hot issues, but should be considered at the level of overall MNEs. In other words, a firm's ethical behavior is often utilized as a platform to enhance corporate brand image (Faisal, 2010). Therefore, internal managers have motivation to be involved in socially responsible activities so as to differentiate their firm's identity and secure the attractiveness in terms of overall branding.

Likewise, O'Shaughnessy et al. (2007) explain that a lot of work in CSR adopts the assumption that CSR is driven by firm specific factors and are the outcome of managerial decisions regarding corporate goals, strategies, and resource allocation. In addition, from the perspective of MNEs, which are relatively new entrants in host markets, CSR activities often generate corporate reputation and depict firm image, which significantly affects the possibility of success of the subsidiary operation in foreign markets. In conclusion, we can assume that CSR issues should be of great concern for managers at MNEs and thus, they have considerable influence over the organization's CSR involvement. Hence, our second hypothesis is as follows:

Hypothesis 2. As important primary stakeholders, both internal managers and employees will have a positive influence on MNEs' CSR activities in foreign markets.

2.3.3. Business collaborators

Lambert, Cooper, and Pagh (1998) indicate that corporate competition arises between supply chain networks, rather than between individual firms. In order words, corporate competitive advantages are dependent upon not only the firm's own competence, but also the extent to which it has properly established the supply chain with suppliers, customer companies and other partners. Because one unit of supply chains is interdependent and influences the reputation and performance of the other units in the network (Faisal, 2010), MNEs need to extend their strategy beyond the organizational boundary to their business collaborators in their supply chain. MNE subsidiaries may address the importance of co-building CSR practices with their partners to improve social performance, which incurs knowledge and information flow related to CSR within supply chain networks.

Some firms in socially responsible engagement have a propensity to attain strict compliance with social standards by imposing sanctions on other not-compliant firms (Faisal, 2010). In the case where the former is a business collaborator and it is a large and powerful organization, pressure for better social and environmental performance represents a formidable institutional force that can efficiently exclude a partner firm, which appears socially irresponsible, from the marketplace. Moreover, business partners considering CSR policies as a critical corporate mission may require counterparts to document that their raw materials, components, or services meet environmental and ethical standards (Lindgreen et al., 2009). These demands from business collaborators may lead MNE units to adopt voluntary codes of conduct and programs regarding socially responsible activities in order to maintain their business trade. In addition, Ma (2009) sheds light on the impact of organizational business ethics on financial performance by emphasizing that investors as business collaborators tend to pay a premium for the stocks of well-governed firms and favor cooperation with firms that attempt to improve their corporate image and reputation through promoting corporate citizenship and adapting to CSR practices. In other words, suppliers of capital display a preference to do business with firms exhibiting strong social performance because their cash flows may be perceived to be less risky and less prone to be negatively affected by public scandal (O'Shaughnessy et al., 2007). These discussions are most pertinent to MNEs, as these enterprises are more likely to be publicly traded, highly visible to 'activists', and therefore

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vulnerable to pressure to improve social performance (Rodriguez, Siegel, Hillman, & Eden, 2006). In this regard the strong power of business collaborators can function as an influential supplier coercing MNEs into satisfying their CSR demands and affect the latter's own initiatives and accountability to socially responsible activities. Therefore, we suggest the hypothesis as follows:

Hypothesis 3. As important primary stakeholders, business collaborators will have a positive influence on MNEs' CSR activities in foreign markets.

2.4. Secondary stakeholders

2.4.1. Governments

Governments around the world seem to have an increasing interest in inspecting the behaviors of MNEs, which effectively forces international companies to be "good corporate citizens" (Manakkalathil & Rudolf, 1995). Government regulations related to CSR consist of inducements for MNEs to develop socially responsible behaviors and penalties against breaches of the laws and duty (Yang & Rivers, 2009). The legislation, regulations and public policies imposed by governments are generally the fundamental principles to operate in host countries (Crilly, Schneider, & Zollo, 2008), and coercively and commonly applied to the business activities within their boundaries. Due to this, governments have recently become viewed as one of the most important change agents affecting corporate actions by defining the rules of the game for companies (Qu, 2007). In particular, since the majority of government legislation institutionalizes and codifies the moral values of a society (Crilly et al., 2008), if MNEs violate the laws and the fact is discovered, MNEs may be subject to legal sanctions as well as criticism from members of society. Therefore, MNEs need to conform to the legal environment created by local governments.

In addition, governments have been involved in a new form of political connection with MNEs to encourage responsible and sustainable business practices (Albareda, Lozano, & Ysa, 2007). According to Luo's (2006) explanation, MNE–governmental relations are essential for international expansion, and firm growth, as host governments can forcefully influence the parameters of investment, production, localization, and management. He further suggests that the interaction between MNEs and host governments is a multifaceted, lively, and inter-reliant process in which MNEs can develop their relationships with governments. That is to say, political decisions can influence an MNE's economic returns, and these decisions themselves are determined by some conditioning factors that reflect an MNE's efforts, such as CSR activities. Detomasi (2008) states similar views by arguing that CSR efforts help MNEs in building local legitimacy and strong local relationships with host governments. This indicates that the institutional characteristics of the host political environment holds potential in determining whether and how MNEs might pursue CSR (Husted & Allen, 2006). Most of the research conducted on governments and CSR suggests the emergence of new roles adopted by governments in CSR issues. In the Chinese context, Lam (2009) documents that CSR is a way to develop harmonious relationships with the local government. Detomasi (2008) also asserts that MNEs often fear the political erection of barriers to investment and business and CSR often functions as a lubricant aiding an avoidance of unilateral hurdles imposed by host governments. These discussions lead to our fourth hypothesis:

Hypothesis 4. As important secondary stakeholders, local governments will have a positive influence on MNEs' CSR activities in foreign markets.

2.4.2. Media

Deterioration in public relations, for example through misconduct in CSR, frequently causes serious damage to firms and worsening financial returns. Moreover, media often induces the changes in the business environment by stimulating public opinion and common consciousness, and affecting public policy processes (Azmat & Samaratunge, 2009). Thus, the channels of communication with society and the way the media handles events concerning firms cannot be ignored (Tixier, 2003). In the global and most transparent business environments, those who disobey the rules are often called out and attacked by the media, which criticizes those who do not face or do not seem to be upholding their corporate responsibilities.

In particular, there is an increasing sense of public disquiet and disapproval of 'big business' in general (O'Riordan & Fairbrass, 2008). One issue giving rise to the negative reputation related to 'big business' is the recurrence of certain high-profile events, labeled by many as 'scandals'. These events have involved some large international firms and MNEs, and their behavior has often been highlighted by the media which has seized the opportunity to publicize their alleged failings (O'Riordan & Fairbrass, 2008). Han, Lee, and Khang (2008) present the case of Nike as a typical example, which shows how and why media pressure is important for corporate reputation. In 1996, its share value plummeted to echo the disclosure that Nike used sweatshop labor conditions in Vietnam. Nike was not able to recover from the situation until it initiated CSR programs that improved the working conditions. In other words, due to media pressure, Nike has had to change its corporate behavior, strengthen supervision of their production centers and consider improvements in CSR activities. The case clearly reveals that media has a central role to play in promoting CSR in businesses (Gugler & Shi, 2009). The media increasingly emerges as a 'demanding' stakeholder in ensuring socially responsible behavior from businesses and exerts a tremendous amount of pressure on MNE CSR. Hence, our fifth hypothesis is as follows:

Hypothesis 5. As important secondary stakeholders, local media will have a positive influence on MNEs' CSR activities in foreign markets.

2.4.3. Local community

As MNEs continuously endeavor to geographically expand their overseas markets, globalization has become an issue of interest not only to businesspeople, but also to local societies and communities in general (Torres-Baumgarten & Yucetepe, 2008). According to Walzer (1992: 9), an organization's basic principles associated with corporate obligations and moral rights reflect 'a set of standards to which all societies can be held'. Thus, CSR in foreign markets deals with the MNEs' obligations based on the standards of the local community (Husted & Allen, 2006).

In the same vein, social activists have been pushing businesses to focus on CSR efforts, which are increasingly being echoed by local communities in which the firms operate. As is often the case, the behaviors of MNEs are under more intense scrutiny from local communities (Torres-Baumgarten & Yucetepe, 2008). By satisfying social standards and requirements of local communities, MNEs are recognized as an embedded part of the societies and obtain reputation, trust and legitimacy (Russo & Perrini, 2010). The benefits from compliance with a local community's demands include granting licenses for operation, and access to resources and infrastructure in the local community, which may facilitate local business. That is to say, when MNEs focus their social actions on communities in and around their area of operation, they reap the benefits of a socially responsible image, which leads to the enhancement of organizational performance and eventually results in the success of subsidiary operations (Mishra & Suar, 2010). It is also observed that investments in local community development and CSR activities help the MNEs to obtain competitive advantages through tax savings, decreased regulatory burdens, and improvements in the quality of local labor (Waddock & Graves, 1997). From these discussions, we can conclude that local community plays an essential role in supervising the CSR activities of MNEs, as well as being a central stakeholder motivating the firms to do so. Therefore, our sixth hypothesis is as follows:

Hypothesis 6. As important secondary stakeholders, local communities will have a positive influence on MNEs' CSR activities in foreign markets.

2.4.4. Non-governmental organizations (NGOs)

To reiterate, concerns over the potential negative spillovers from globalization have led to increasing demands for MNEs to be faithful to international standards and codes of responsibility (Doh & Guay, 2004). In this situation, NGOs function as one of the key change agents in corporate behavior and policy. The increased scrutiny of NGOs gives rise to changes in institutional environments to which MNEs ought to adapt (Gifford et al., 2010), and involve social and political pressures on MNEs to modify their strategies and policies (Arenas, Lozano, & Albareda, 2009). MNEs are constantly confronted by a greater range of international agreements and codes of conduct that try to oversee their behavior, many of which are driven by NGO pressure (Doh & Guay, 2004). In other words, NGO activism is the major cause of ethical justice in management and production of goods and services everywhere, and many NGOs have systematically campaigned against MNEs in order to push them to develop CSR by advocating sustainable innovations (Imbun, 2007).

In an effort to meet the expectations of NGOs, MNEs have innovated their business practices with a positive impact on the host countries, societies and workers (Imbun, 2007). It is not in fact difficult to find similar comments from previous studies. Detomasi (2008) argues that there are large and growing numbers of NGO activists and they are devoted to tracking the international behaviors and operations undertaken by MNEs in host markets. Vachani, Doh, and Teegen (2009) also indicate that NGOs act as agents of civil society and force MNEs to respond to demands for socially responsible strategies by influencing their transaction costs and choice of governance mechanisms.

In particular, examples suggested by Vachani et al. (2009) help us to understand the role of NGOs on MNE CSR. According to them, NGOs pressure MNEs, for example, to price drugs differentially across countries and provide steep discounts in developing countries. In the case where MNEs do not gratify such social expectations, NGO pressures can result in high transaction costs for non-compliant MNEs as they are compelled into a public relations campaign to deal with accusations of attempting to exploit host country customers. The rising transaction costs can affect business patterns in foreign markets, and even significantly deteriorate corporate brand image. Then, this situation may force the MNE to alter its corporate strategy, seek new governance mechanisms to implement a differential approach, and undertake vigorous CSR activities. This series of explanations all emphasize that NGOs are an important overseer identifying whether MNEs adopt socially desirable actions. In this regard, our final hypothesis is as follows:

Hypothesis 7. As important secondary stakeholders, NGOs will have a positive influence on MNEs' CSR activities in foreign markets.

Fig. 1 shows a conceptual framework of this paper. The components of both primary and secondary stakeholders are emphasized as potential factors influencing MNE CSR, with a positive relationship expected. In the next section, we will discuss the research methodology adopted to test these hypotheses.

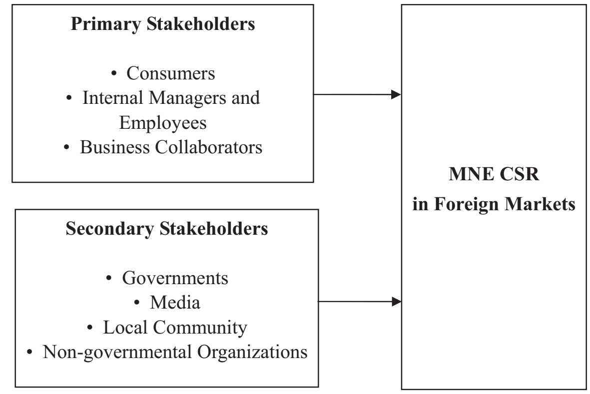

Fig. 1. Conceptual framework.
Notes: All factors are expected to positively influence MNE CSR in foreign markets.

3. Methodology

3.1. Sample and data collection

The population of this study is MNE subsidiaries operating in the South Korean market (South Korea will be referred to as Korea, hereafter). The list of all MNE subsidiaries was obtained from Foreign Direct Investment published by the Ministry of Knowledge Economy (2011). This is an official and trustworthy source of information on inward FDI in Korea, which covers all foreign investment activities undertaken in the country. Thus, a number of recent empirical experiments exploring 'FDI in Korea' have used the same information (e.g., Park, 2011; Park & Ghauri, 2011). Although this is official government material, we have also visited the corporate homepages of the MNEs in the directory given the idea that some MNEs might no longer have the subsidiary in operation and possibly have withdrawn foreign investments due to liquidation, termination of contract, and/or various other reasons. In this vein, in cases where we did not find corporate homepages, we decided not to include those MNEs in the sample. After careful research to identify whether any of the subsidiaries listed were no longer applicable to this research a total number of 1531 firms were finally compiled as a sample.

Then, the questionnaire was prepared with two versions, one in Korean and one in English. The Korean version was sent to Korean CEOs, whereas the English one was used for international CEOs. The reasons why we provided a questionnaire written in their native language to Korean CEOs dealt with practical considerations and a decision for politeness. In the case of international CEOs, indeed, it was not only implausible to identify the nations from which they came, but as well as to offer each of them a questionnaire in their native language. Since English is widely used as the language of business worldwide, it was expected that an English translation could be an appropriate means to attract participation from international CEOs.

To correctly convert the questionnaire from Korean into English, firstly, two Korean students pursuing doctorates in English Education contributed to a rough draft translation. Then we asked a professional translator to rectify mistakes and omissions and confirm the expressions of sentences. Additionally, we contacted a government officer in the Korean Ministry of Knowledge Economy. Upon obtaining his assent, the questionnaire was sent to him and reviewed for fitness. He was engaged in work related to inward FDI in Korea and thus considered a specialist

Please cite this article in press as: Park, B. I., et al. Corporate social responsibility: Stakeholders influence on MNEs' activities. *International Business Review* (2014), http://dx.doi.org/10.1016/j.ibusrev.2014.02.008

well-suited to verify the validity and reliability of the questionnaire.

Data collection was carried out through a postal survey (Dillman, Smyth, & Christian, 2009). The survey was made between February and May 2012, with questionnaires being sent to the CEOs of each subsidiary. When the survey was completed, a total of 312 responses out of 1531 firms were returned, giving a response rate of 20.38%. Among the responses, 12 were unusable (some respondents merely repeated a certain numeral or recurrently enumerated figures in consecutive order), which represents a final response rate of 19.60%. We tested the responses for non-response bias by using key parameters (detailed industry classification and origin of MNEs as well as early versus late respondents). However, we found no significant difference between the responding and the non-responding subsidiaries regarding two key parameters nor were significant differences found between the early respondents and the late respondents. Based on the results, we conclude that non-response bias is not a problem.

3.2. Variable measurement

The dependent variable is MNE CSR, and it was measured by a twelve-item scale based on Likert-type responses. We include seven independent variables as potential factors affecting the phenomenon and all were measured on a five-point Likert scale. Multi-item scales were used to measure the independent variables based on earlier literature. For a detailed description of the measurements of both dependent and independent variables please refer to Appendix A, which also provides information on sources of variable measurements and Cronbach's alpha. We also provide model-fit statistics from a confirmatory factor analysis of all the constructs in our model. The details are as follows: $\chi^2 = 433.991$, d.f. = 255, $p = 0.000$, GFI = 0.937, AGFI = 0.876, NFI = 0.931, CFI = 0.941, RMR = 0.042, RMSEA = 0.059 (also refer to Appendix B).

In order to control for the influences of other factors on the MNEs' CSR, four control variables were utilized in the model. The first control variable was the development status of MNE origin. There is no argument that MNEs from developed economies, such as USA, Europe or Japan, are more familiar with CSR than other firms rooted in developing countries. In anticipation of this, a dummy variable was created (1 for subsidiaries established by MNEs whose corporate origins are developed countries and 0 otherwise). The second control variable was ownership structure, given that ownership type is possibly associated with MNE motivation to conduct socially responsible activities, and it was measured by the proportion of foreign ownership. The third control variable was the organizational size measured by the number of employees, whereas the final control variable was the company's age and it was measured by the number of years since creation of the subsidiary.

3.3. Common method bias

We asked respondents to assess perceptually both dependent and independent variables, and thus we were aware of suffering from the possible presence of common method bias. To remedy this limitation, we have extensively reviewed the extant literature on similar topics (e.g., CSR, corporate social performance, corporate citizenship and ethics) and sought to uncover the items already validated by previous studies.

Second, we interviewed 10 respondents for the purpose of confirming response consistency as soon as we completed the survey. We did not find a significant difference between the respondents' interview reports and their survey answers, which indicates the minimum presence of common method bias (Luo, 2006).

Third, we also re-sent the same questionnaire to different people (e.g., general managers) of 50 sample firms, whose executives (CEOs) had responded to our survey earlier. We received 19 responses, and we did not find any considerable inconsistencies between the two informants from each firm (Park, 2014).

Fourth, following Podsakoff, MacKenzie, Lee, and Podsakoff (2003: 889), who suggest "One of the most widely used techniques that has been used by researchers to address the issue of common method bias is what has come to be called Harman's one-factor (or single-factor) test". We have entered all variables measured subjectively by the respondents into the technique. The proportion of variance criterion exhibits three independent dimensions. 'Internal managers and employees', 'business collaborators' and 'local community' have high loadings on the first factor (34.6%); 'media', 'NGOs' and 'CSR' have high loadings on the second factor (16.6%); and 'customer', and 'governments' have high loadings on the third factor (14.8%).

Podsakoff et al. (2003) explain that we need to suspect the presence of a substantial amount of common method in the case where (1) a single factor emerges from the factor analysis or (2) one general factor accounts for the majority of the covariance among the measures. The explanations given by the previous literature and the results clearly verify that common method bias in this research is negligible.

4. Result

Hair, Anderson and Tatham (1987: 20) point out, "OLS regression analysis is a statistical technique that can be used to analyze the relationship between a single dependent (criterion) variable and several independent (predictor) variables. The objective of multiple regression analysis is to use several independent variables whose values are known to predict the single dependent value the researcher wishes to know".

Based on the explanations, we used OLS regression as the main analysis method in this study. Prior to using the technique, we checked correlations between variables in order to confirm the non-existence of multicollinearity. Tabachnick and Fidell (1996) advise researchers to consider carefully the exclusion of variables from research framework in cases where a correlation of .70 or more is detected. In contrast, Kim (2005) suggests .80, and Pallant (2001) recommends .90, respectively, as the cut-off point at which multicollinearity is defined. Although we conservatively take into account the possibility as .7, the problem of multicollinearity is negligible (all of the correlations are below .5). Despite the result, we also ran the variance inflation factor (VIF) to more precisely test the level of multicollinearity among the variables. Hair, Babin, Money, and Samouel (2003) argue that a maximum acceptable VIF value is 5.0, and additional assessment results indicate that the highest value of VIF is less than 2.1, which confirms that multicollinearity is not high enough to cause problems (Table 1).

Table 2 presents the results of the OLS regression analyses. Model 1 includes control variables and predictors associated with primary stakeholders, whereas Model 2 employs control and independent variables related to secondary stakeholders, respectively. In contrast, Model 3 is a full model (explanations on Models 4 and 5 are provided in the 'further analysis' section). The results indicate that all regression models are highly significant ($p < .001$).

4.1. Primary stakeholders

Three variables are used to assess the influence of 'primary stakeholders' on subsidiaries' CSR practices. First, *consumers* are

Table 1
Descriptive statistics and correlations.

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11
1. Development status of MNE origin	0.59	0.49	1.00										
2. Ownership structure	63.92	36.81	−0.29***	1.00									
3. Subsidiary size	57.57	90.60	0.31***	0.18***	1.00								
4. Subsidiary age	9.08	8.35	0.36***	−0.04	0.08	1.00							
5. Customer	3.18	0.60	−0.06	−0.08	−0.01	−0.05	1.00						
6. Internal managers and employees	3.37	0.51	0.11	−0.11	−0.10	0.06	0.38***	1.00					
7. Business collaborators	3.38	0.59	−0.00	−0.00	−0.05	0.01	0.33***	0.63***	1.00				
8. Local government	3.17	0.57	−0.17***	0.05	−0.08	−0.05	0.47***	0.03	0.04	1.00			
9. Local media	3.47	0.59	−0.06	−0.03	0.00	−0.10	0.31***	0.21***	0.27***	0.14**	1.00		
10. Local community	3.47	0.54	−0.08	0.00	−0.06	−0.03	0.48***	0.41***	0.48***	0.21***	0.36***	1.00	
11. NGOs	3.01	0.63	−0.17**	0.17***	−0.11	−0.11	−0.04	−0.03	0.08	0.13**	0.36***	0.22***	1.00
12. CSR	3.60	0.43	−0.05	0.04	0.06	−0.05	0.25***	0.17***	0.09	0.12**	0.27***	0.25***	0.25***

Notes: $N = 300$.
** $p < 0.05$.
*** $p < 0.01$.

Table 2
OLS regression results.

	Model 1	Model 2	Model 3	Model 4	Model 5	VIF
Control variables						
Development status of MNE origin	−0.057	−0.012	−0.021	−0.145	−0.188	1.364
Ownership structure	0.062	−0.013	0.004		0.076	1.183
Subsidiary size	0.010	−0.007	−0.001	0.011	−0.011	1.166
Subsidiary age	−0.038	0.000	−0.016	0.022	−0.101	1.185
Primary stakeholders						
Consumers	0.259***		0.194**	0.232*	0.264**	2.092
Internal managers and employees	0.230**		0.270***	0.269*	0.347**	2.054
Business collaborators	−0.153†		−0.246***	−0.236*	−0.380**	1.898
Secondary stakeholders						
Local governments		0.143**	0.066	0.073	0.115	1.456
Local media		0.117	0.054	0.005	0.181†	1.470
Local community		0.160**	0.088	0.083	0.017	1.798
NGOs		0.221***	0.311*	0.476***	0.092	1.373
R^2	0.127	0.185	0.253	0.412	0.283	
Adjusted R^2	0.098	0.153	0.217	0.352	0.200	
F	4.337***	5.863***	6.428***	6.869***	3.407***	

Notes: Coefficients standardized.
* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.
† $p < 0.1$.

determined as a significant factor promoting CSR activities in foreign markets ($p < 0.001$ in Model 1, and $p < 0.01$ in Model 3, respectively). Thus, Hypothesis 1 is supported. Similarly to consumers, '*internal managers and employees*' are also confirmed as a catalyst enhancing subsidiaries' ethical behaviors, which supports Hypothesis 2 ($p < 0.01$ in Model 1, and $p < 0.001$ in Model 3, respectively). However, unexpectedly, *business collaborators* are significant, but the sign is negative, so Hypothesis 3 is not supported. For reference, the variation in R-sq. from Model 1 to Model 3 is 0.126 ($p < 0.001$).

4.2. Secondary stakeholders

With respect to the variables related to secondary stakeholders, both '*local governments*' and '*local community*' have significant positive relationships with subsidiary CSR in Model 2 ($p < 0.01$, respectively), but the results are insignificant in the overall Model (Model 3). Hypotheses 4 and 6 are therefore only partially supported. Our findings fail to find close association between *local media* and CSR in both Models 2 and 3, hence Hypothesis 5 is not supported. In contrast, our results shed light on the importance of NGOs by uncovering that the variable plays a pivotal role in stimulating subsidiaries' CSR practices in both models ($p < 0.001$ in Model 2, and $p < 0.05$ in Model 3). Thus, Hypothesis 7 is supported. For reference, the variation in R-sq. from Model 2 to Model 3 is 0.068 ($p < 0.001$).

4.3. Further analysis[3]: extra OLS regression

We presume that it would be useful to examine whether wholly owned subsidiaries (WOSs) respond differently to CSR than international joint ventures (IJVs), and thus we further place these regressions in Models 4 (WOSs) and 5 (IJVs).[4] Although we run the additional considerations, the results are not very different. The only noticeable outcome is that NGOs play a particularly central role in supervising CSR practices of WOSs, whereas media functions as a vehicle to encourage IJVs' ethical contributions to host markets. Media produces, handles and distributes social information to local recipients, and in the process, media often attempts to satisfy the recipients' demands (Rubin & Windahl, 1986). That is to say, the recipients in emerging markets have a

[3] This analysis is added as an additional consideration for this paper, and thus, the results are not discussed in the next section.
[4] $N = 143$ in Model 4, whereas $N = 157$ in Model 5, respectively.

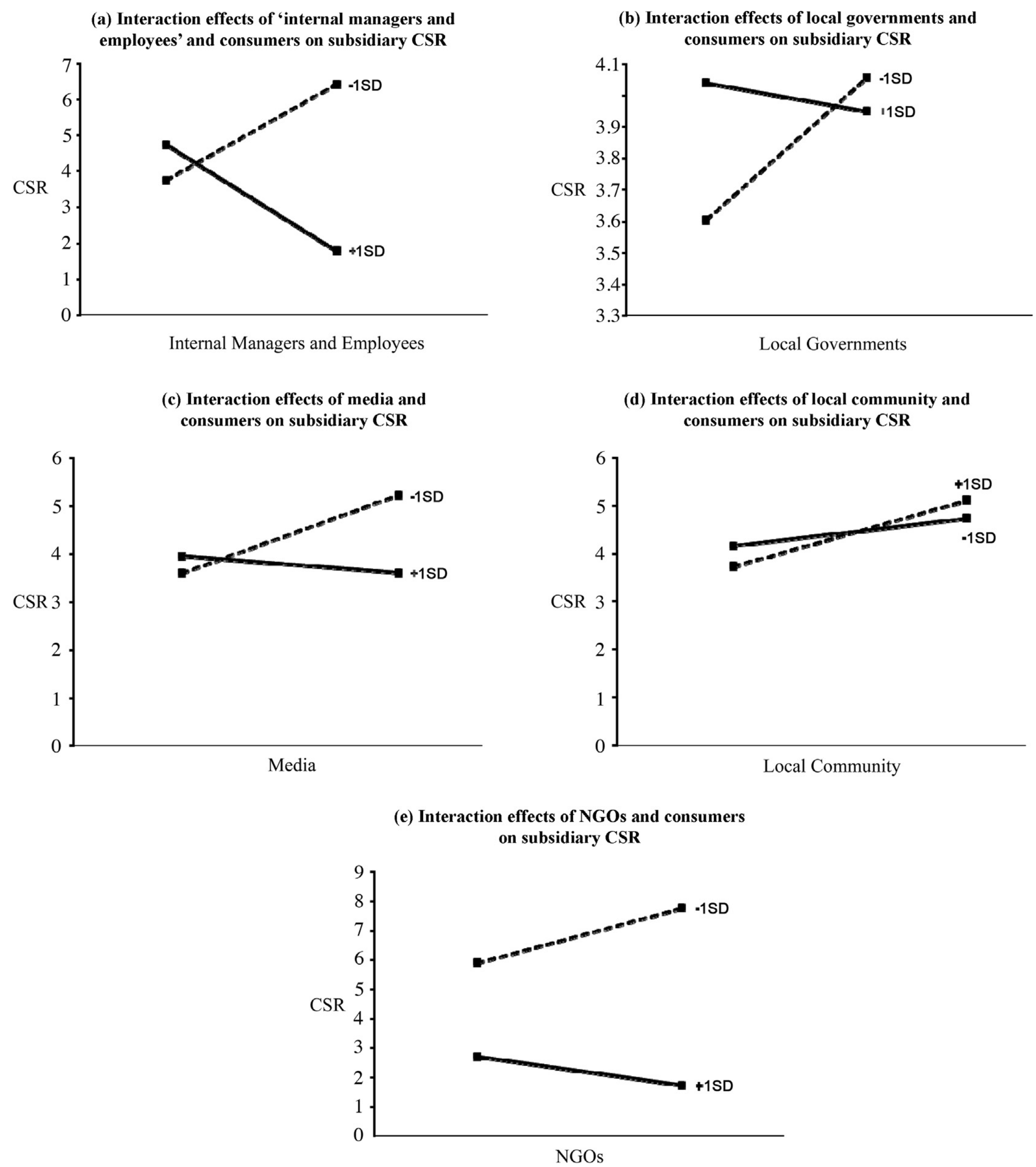

Fig. 2. A graphical representation of moderating effects (straight lines indicate high consumers, whereas dotted lines mean low consumers, respectively). (a) Interaction effects of 'internal managers and employees' and consumers on subsidiary CSR. (b) Interaction effects of local governments and consumers on subsidiary CSR. (c) Interaction effects of media and consumers on subsidiary CSR. (d) Interaction effects of local community and consumers on subsidiary CSR. (e) Interaction effects of NGOs and consumers on subsidiary CSR.

propensity to strongly pursue the achievement of economic growth and eager to leapfrog into advanced economies. Due to this, media also tends to minimize the dissemination of information which detrimentally affects corporate activities and economic development. However, our results seem to point out that the behavior of subsidiaries established by the combination of foreign and local firms occasionally attracts media attention even in emerging markets (this remains as conjecture without minute further examination and the reasons may need to be inspected in detail). According to our findings, NGOs predominantly undertake a vigorous role in overseeing wholly foreign owned subsidiaries' CSR and also accept the responsibility of media in advanced economies.

4.4. Further analysis: moderating effect of consumers

We have found that except for business collaborators, there are moderating effects for 'consumers' on most of the relationships (to illustrate the interaction between each independent variable and consumers, we plotted the simple slopes at one standard deviation above and below consumers (Jiang, Chen, & Shi, 2013). For instance, as shown Fig. 2(a), an 'internal managers and employees' is positively associated with MNE CSR when consumer is low (i.e., consumers are not interested in MNE CSR), but is negatively associated with MNE CSR when consumer is high (i.e., consumers are highly interested in MNE CSR) (Kim & Tsai, 2012)). This clearly implies how important the role of consumers is as a stimulating force for MNE CSR particularly in emerging markets (refer to the section below for its discussions). A graphical representation of moderating effects is also provided below.

5. Discussions

This research initially posited that primary stakeholders (i.e. "*consumers*", "*internal managers and employees*", and "*business collaborators*") will function as catalysts promoting MNE's CSR in host markets. As expected, we find significant and positive impacts of consumers on CSR behaviors of MNE's subsidiaries. The result supports some previous literature documenting that consumers serve as an important stakeholder in MNEs' social behavior (Han et al., 2008). Mishra and Suar (2010) argue that CSR initiatives are strongly affected by consumer attitudes and their purchase intentions. It is expected that the consumers' propensity for socially responsible firms leads MNEs to strategically consider CSR. Meanwhile, in line with O'Shaughnessy et al. (2007) indicating that corporate objectives and strategic resource allocation for CSR are affiliated with firm-specific factors, which depend on managerial decisions, our result also confirms that internal managers and employees play a pivotal role in MNEs' engagement in CSR. In line with the suggestion by Lindgreen et al. (2009) that firms cannot be socially responsible without socially responsible organizational members like managers and employees, our results perhaps imply that internal managers and employees may have great and continuous influence on the CSR practices of MNEs since they voluntarily raise the socially responsible attitude and behavior in organizations.

Although *business collaborators* (i.e., local firms surrounding subsidiaries) are also verified as an important element in the Korean research context, our finding is quite interesting given that the sign of the variable is negative. This is a surprising result, but the empirical outcome is understandable if we refer to some previous literature. For example, Lee and Yoshihara (1997) examine the level of business ethics of Korean firms, and state that their conduct is generally far from socially responsible, though they are trying to change their way of behavior. They also point out that Korean firms think they should behave ontologically, but in the real world, they actually practice it in a different manner. Unlike managers and employees, top management running businesses in the country often tend to charge private "expenses to company accounts", and they pay bribes but perceive it as a normal practice and others also do the same (pp. 9–10).

Another interesting comment can be found from Choi and Nakano (2008). According to their survey, Korean firms have made remarkable progress in making systematic measures to establish corporate ethics, but scandalous events, which are socially irresponsible deeds including giving of gifts, unfair gratuities, and bribes, are still widespread in the market. We presume that an end result is commonly emphasized over the process in order to achieve the goal of rapid growth in many emerging markets (e.g., Korea), and thus business collaborators in these countries perhaps concentrate less on CSR than those, for instance, in developed economies. This might also yield gaps between rational thinking and actual actions in terms of business ethics. However, without in-depth study, this remains as simple conjecture.

The second dimension that was anticipated to be positively associated with MNE CSR is secondary stakeholders comprising of *local governments*, *media*, *community* and *NGOs*. For MNE subsidiaries entering foreign markets, the creation of a noble corporate image is an important, decisive element contributing to their performance enhancement and determining operational success. In this situation, local media often plays a pivotal supervisory role in urging MNE subsidiaries to design strict ethical standards and initiate CSR moves in host countries. This might be because a bad reputation triggered by the local media is seriously fatal for MNE subsidiaries suffering the liabilities of foreignness and thus can be a trigger inducing investment failure.

A number of operational safeguards are needed by MNEs to protect themselves from liabilities and, conversely, it means that exposure by media of their vigorous CSR activities are perhaps a useful means to overcome their weakness. However, our result reveals that the local media is not a motivator facilitating MNE CSR in Korea. The reason for this unexpected result can be inferred from O'Riordan and Fairbrass (2008) who argued that larger firms are more visible and subject to more media scrutiny. As a consequence, they frequently become the target of incipient stakeholder attention, intensifying their interest in protecting their reputation. Tixier (2003) suggests that large MNE subsidiaries need to address this new opinion risk factor by somehow managing the channels of communication as they cannot ignore the way the media handles events in local markets. Foreign firms which disobey the rules will be called out and attacked by the media, which will criticize those who do not face or do not seem to be upholding their responsibilities vis-à-vis a positive impact on society.

Due to media pressure, MNEs such as Adidas and Nike have had to open all their doors to ethical investors and consider improvements after having had their production centers reviewed by independent auditors. We believe these explanations may be true and correct. However, we should also note that these accounts generally fit large organizations and logically need to be confined to those firms. In contrast, it should be difficult for the media to detect whether small and medium-sized subsidiaries (SMSs) do not respect the social criteria of operation and appropriately assess whether they are socially responsible (the media have a propensity to focus on socially big events). We presume that unlike this research that blended large with small organizations, future researchers may need to distinguish large firms from SMSs to thoroughly explore the role of the media and the extent to which they influence social responsibility.

Our result confirms that NGOs put strong pressure on public opinion and function as an efficient stakeholder faithfully carrying out the role of social guardian. Hasan (2011) indicates that NGOs lead opinions and pressure for CSR and are the most enthusiastic and determined activists against the harmful effects of MNE operations. Thus, NGOs are anticipated to play a proactive role in changing the cognitive structure and behavior of the MNEs in terms of socially responsible practices. However, unlike the NGOs, another startling problem is found from the influences of both local governments and local communities on MNE's CSR. They are statistically positive and significant in Model 2, but they lose their power in Model 3 (i.e., the full model).

To explore this result, this research has added an additional factor (i.e., *consumer*) in an extra regression analysis (refer to Appendix C). By doing this, we expect a clear picture of the relationships between both factors and the additional ingredient. Interestingly, when we include the variable in the new regression this research uncovers a strong statistical association between the factor and MNE's CSR, whereas both local governments and local communities again do not show any relationship with socially responsible performance at all. Taken together, the result may imply that in the absence of consumer pressure, MNEs need to build healthy relationships with governments and local communities especially in emerging economies (Luo, 2006). In contrast, in the case where consumers are a key factor determining whether MNEs have a reputation as good corporate citizens in local markets and thus commitment to CSR is widely affected by the stakeholder, both local governments and local communities play a relatively marginal role (we also attempted to closely inspect a moderating effect of 'consumers' on all other relationships. We found similar results with the extra regression (refer to Table 3 for details).[5] In particular, the results are probably attributed to the favorable

[5] In regression analysis, moderation occurs when the relationship between two variables depends on a third variable. The third variable is referred to as the moderator variable or simply moderator. The effect of a moderating variable is characterized statistically as an interaction; that is, a variable that affects the direction and/or strength of the relation between dependent and independent variables (Greene, 2002). By reflecting the explanation to our result, this clearly implies that consumers (i.e., moderator) influence the relationship between dependent (i.e., subsidiary CSR) and independent variables (i.e., secondary players in our model) in our full model.

Table 3
Moderating effect of consumers.

Path	Level	Path coefficient	*t*-Value	*p*-Value	Free model	Limited model
IME-CSR	High	0.826	7.281	***	$\chi^2 = 471.848$ d.f. = 251	$\chi^2 = 498.825$ d.f. = 252
	Low	0.355	4.612	***		
BC-CSR	High	0.431	3.721	***	$\chi^2 = 492.532$ d.f. = 254	$\chi^2 = 463.287$ d.f. = 249
	Low	0.717	5.792	***		
LG-CSR	High	0.661	7.187	***	$\chi^2 = 426.327$ d.f. = 254	$\chi^2 = 428.518$ d.f. = 256
	Low	0.223	3.213	***		
LM-CSR	High	0.734	6.380	***	$\chi^2 = 436.628$ d.f. = 252	$\chi^2 = 439.729$ d.f. = 256
	Low	0.221	3.178	***		
LC-CSR	High	0.664	7.587	***	$\chi^2 = 437.371$ d.f. = 251	$\chi^2 = 439.876$ d.f. = 254
	Low	0.312	4.213	***		
NGO-CSR	High	0.513	6.381	***	$\chi^2 = 407.173$ d.f. = 251	$\chi^2 = 429.389$ d.f. = 256
	Low	0.345	4.643	***		

Note: IME: internal managers and employees; BC: business collaborators; LG: local government; LM: local media; LC: local community.

climate for FDI by foreign firms or the lax enforcement of the laws in many emerging markets. According to Yang and Rivers (2009), it is likely that the CSR laws are few or not enforced in emerging markets, and thus MNE subsidiaries are less inclined to implement socially responsible activities. In addition, investment by MNEs may contribute to host economies by increasing new employment, tax revenue, and quality of life for residents. Therefore, it is difficult for both local governments and communities to strongly boost MNEs' ethical behavior.

6. Conclusions

To sum up, this work has attempted to examine how and if specific stakeholder groups influence multinational enterprises' corporate social responsibility practices. In doing so, a two-level framework from stakeholder and institutional perspectives has been used as an overarching theoretical lens to develop a research model, which is useful for empirical tests where many predictors included in our model are confirmed as critical factors. Our results show that consumers, internal managers and employees, and NGOs are pivotal stakeholders pushing MNEs to faithfully operate subsidiaries in a socially responsible manner and behave ethically in local markets. In addition, the results indicate that both local governments and local communities keep a keen eye on what MNEs do in the absence of consumer power. Furthermore, the results indicate that local media plays an important role in ensuring socially responsible behavior from businesses by assuring a growing media surveillance, disapproval, as well as concentration on 'big business' in general. What is more, the results demonstrate that business collaborators (i.e., local firms) do not much care about the issue and do not create a strong effect on CSR, although this perhaps may only be in emerging markets.

From a theoretical point of view, we used stakeholder theory and institutional theory to identify primary and secondary pressures for legitimacy in MNCs' subsidiaries, and we have integrated them with international business and CSR literature to create a model influencing CSR practices in MNEs' subsidiaries. The stakeholder perspective suggests that stakeholder pressure can function as a catalyst influencing a firm's attitude toward CSR practices by deploying the following strategies: (1) withholding strategy, by deterring the flow of resources to the firm; and (2) usage strategy, by restricting the way in which the firm can use resources (Yang & Rivers, 2009). Thus, stakeholders can influence a firm's CSR activities by directly controlling the flow of resources to the firm and by imposing indirect effects on the target firm. In addition, power can be exercised by one of the stakeholders, particularly on MNEs' subsidiaries, as part of the institutional environments within which they are running their business. MNEs' subsidiaries often encounter a major challenge to CSR fulfillment in that they need to meet the demand for various stakeholders in foreign markets to achieve external legitimacy, as well as satisfy expectations from internal local managers and employees on CSR practices to obtain internal legitimacy (they are re-arranged to primary and secondary stakeholders in our study). However, a problem is that no one firm possesses sufficient resources to meet all these requirements, and thus such apparent stakeholder influence on CSR practices poses serious institutional dilemmas to MNEs' subsidiaries. We presume that MNEs' subsidiaries tend to attempt to gain pragmatic legitimacy through selectively choosing relations with various local stakeholders, and by incorporating both theoretical lenses, we theoretically contribute to the current body of literature by illuminating key pushing elements leading MNE CSR practices (particularly in foreign emerging markets).

In our view, MNE's managers should analyze the sources of their loyalties in terms of their corporate stakeholders. They need to think about how they can ameliorate their corporate image and reputation by exploring their stakeholders' natures and characteristics. Moreover, they need to gauge the impacts of stakeholder perceptions on subsidiary operations and consider primary conditions leading to investment success in foreign markets. As a precaution, they also need to design contingency plans and strategies in order to quickly respond to any potential CSR crisis and recover competitiveness from CSR blunders by understanding the effect of each stakeholder. In addition, our results on the moderating effects of consumers provide a valuable and practical guideline that in the process of pre-investigation on target markets, MNEs should carefully explore consumer inclination for CSR if they want to prevent a CSR crisis. That is, if consumers have a propensity to focus on CSR then the supervising role of other stakeholders in the foreign market is possibly lessened, and thus MNEs should devote their organizational resources to meet consumer satisfaction rather than other stakeholders, and vice versa.

We believe our framework will indirectly play a useful leading role in thinking about the essential particulars raised above, especially when firms seek to expand their business abroad.

While MNEs have amassed a stock of experience to handle sets of orthodox complexities and issues associated with international expansion (Yang & Rivers, 2009), many of them do not seem to understand the strategic importance of CSR nor know the major motivators associated with CSR when operating internationally. As a recent phenomenon, many firms have attempted to invest directly into China to use relatively cheap skilled labor and access the potentially huge market. In contrast, the number of Chinese firms endeavoring to purchase firms in advanced economies are gradually growing and the reasons behind their (i.e., Chinese firms) conduct is to acquire technology and managerial knowledge.

In both cases, a decisive prerequisite for those that wish to succeed in foreign host markets is whether these firms adapt their CSR practices to fit into the local cultural and political environments (Yang & Rivers, 2009) and meet the demands of key stakeholders significantly influencing organizational performance.

We believe this paper offers a framework for MNEs to thoroughly consider the impact of stakeholders in drawing a picture for their CSR strategy. We also think that our findings contribute to the current knowledge and fill a significant research gap due to three reasons. First, IB research has innate characteristics that observe most of its phenomenon from the perspective of MNEs. Second, by predominantly focusing on issues, such as why MNEs choose certain entry modes under some conditions, how knowledge exchange can be facilitated between MNEs and subsidiaries, and what corporate governance and control mechanisms lead to the enhancement of MNE performance, IB scholars have so far overlooked the issue of how MNEs can contribute to local economies. Third, our model suggests that the influences of stakeholders surrounding business settings can be an important institutional environment and they function as a prime mover changing MNE subsidiaries' CSR practices. In other words, we have to examine whether proactive stakeholder influences (as a part of institutional environments) affect MNE subsidiary CSR practices particularly in the emerging economy context. According to Yang and Rivers (2009: 165), firms in emerging economies have influenced and changed their competitive environment by using their networks, and MNEs often establish strong supportive networks with some stakeholders (e.g., policy makers) in emerging economies as part of their market entry. We theoretically contribute to the general CSR literature by proposing that fulfillment of CSR practices and satisfaction of stakeholder demands can help MNEs to strengthen subsidiary positions within their network, particularly in emerging economies.

Despite the above contributions, we acknowledge that this work might suffer from some limitations. One of them can be the fact that this work only focuses on one geographical area. However, stakeholder pressure may vary from country to country, and thus how this variation influences the CSR practices of MNEs in host economies can be an intriguing issue. In this vein, the current research model needs to be re-tested to produce generalizable results in other markets. That is, the same research framework can be used to identify the extent to which stakeholders influence MNE CSR mainly in other emerging or developing economies. Another shortcoming of this work could be the fact that this work does not differentiate between subsidiary size. This might be of importance as the influences of certain stakeholder groups stimulating CSR behaviors might perhaps differ between large, small, and medium-sized MNEs. Another drawback of this work could come from the fact that CSR might consist of several dimensions (e.g., ethics codes, organizational credibility and philanthropic contribution) and contributors promoting CSR activities may hinge on such CSR characteristics. However, we do not clearly know the different impacts of stakeholders on each dimension. Exploring this future research theme could be regarded as an additional avenue aiding us in understanding the antecedents and consequences of CSR as well as MNE subsidiaries. We also did not consider controlling for consumer related subsidiaries vs. non-consumer oriented subsidiaries, though it is well known that firms that sell directly to individual consumers tend to be recognized for their CSR practices. We suggest it as an extra attention-grabbing future research path. It will also be interesting if researchers attempt to observe any industry specific variations of CSR practices. We believe that it would be good to know whether different stakeholders affect the magnitude of these subsidiary CSR practices differently. Although we found the moderating effect of consumers on other stakeholders for subsidiary CSR we do not know the reason. Thus, we suggest that future researchers need to minutely investigate the topic and explain the reason why the power of secondary players is significantly influenced by consumers particularly in foreign emerging markets. Finally, the mediating effect of primary and secondary stakeholders on CSR should be an extra interesting topic as an issue for future research.

Appendix A. Variable measurements

A.1. Dependent variable (MNEs CSR: adapted from Luo, 2006)

Items (ranging from 1 = very strongly disagree to 5 = very strongly agree)	Cronbach's alpha
(1) Our company has established a set of transparent, comprehensive, and stringent codes of conduct aiming at resisting bribery, corruption, and other illicit acts in the host country. (2) Throughout the company, every manager and employee has strictly implemented the above codes of conduct. (3) Our company has established an ethics compliance department or division that specifically handles the improvement, training, and enforcement of the above codes of conduct. (4) Our company always attaches the utmost value to, and takes actual steps in, enhancing corporate image and reputation. (5) Our company always honors our promises regarding product and/or service offerings and is dedicated to adapt to the local consumers' needs. (6) Relying on its honesty and credibility, our company has maintained good and stable relationships with local suppliers, distributors, and other business partners. (7) Each year our company allocates some portion of retained earnings to charitable organizations. (8) Our company always recognizes its social responsibility and participates in helping the needy and the outcasts of society and improving a backward facility of the local community. (9) Each year our company uses some portion of retained earnings to help the local community to consummate the public infrastructure and environmental protection. (10) The resources (e.g., technology, skills, capital, or equipment) we invested in local project(s) are always complementary to the host country's economic development needs. (11) We always invest resources (e.g., technology, skills, capital, or equipment) that the local government needs for social development. (12) The resources (e.g., technology, skills, capital, or equipment) we invested in local project(s) always contribute to industrial development by enhancing technological and managerial knowledge in the local market.	0.821

Please cite this article in press as: Park, B. I., et al. Corporate social responsibility: Stakeholders influence on MNEs' activities. *International Business Review* (2014), http://dx.doi.org/10.1016/j.ibusrev.2014.02.008

A.2. Independent variables

Variable	Measurement (ranging from 1 = very strongly disagree to 5 = very strongly agree)	Cronbach's alpha
Consumers (adapted from Tian, Wang, & Yang, 2011)	(1) Consumers care about environmental protection in the daily consumption. (2) Consumers pay attention to some social issues involving firm's charitable donations. (3) Consumers tend to buy those products which are produced by firms that are socially responsible rather than goods which are fine and inexpensive.	0.874
Internal managers and employees (adapted from Munilla & Miles, 2005)	(1) Our managers and employees perceive CSR as an important mechanism potentially contributing to the creation of corporate value. (2) Our managers and employees perceive that CSR enhances competitive advantage, and eventually improves the economic value of the firm. (3) Our managers and employees believe firms need to contribute to local countries, societies and markets. (4) Our managers and employees believe being ethical and socially responsible is the most important thing a firm should do.	0.729
Business collaborators (created by this study)	(1) Local investors tend to prefer investment into firms which are socially responsible. (2) Local business partners tend to prefer close cooperation with firms which are socially responsible. (3) Local suppliers tend to prefer the maintenance of cooperation with firms which are socially responsible.	0.809
Governments (adapted from Qu, 2007)	(1) The local government has stricter regulations to protect the consumers. (2) The local government has effective regulations to encourage firms to improve their product and services quality. (3) There are complete laws and regulations to ensure fair competition.	0.785
Media (created by this study)	(1) Media plays a pivotal role in maintaining and improving public relations between firms and consumers in the local market. (2) Mass media has a strong power in shaping corporate image and reputation in the local market. (3) Compared with other countries, mass media in Korea pays more attention to the societal role of firms in the local market.	0.827
Local community (created by this study)	(1) Local communities expect companies to contribute to society development by volunteering time and effort to local activities. (2) Local communities expect companies to contribute to society development by getting involved in community event in non-financial ways. (3) Local communities expect companies to contribute to society development by providing jobs and treating their employees well.	0.829

Appendix A (*Continued*)

Variable	Measurement (ranging from 1 = very strongly disagree to 5 = very strongly agree)	Cronbach's alpha
NGOs (created by this study)	(1) NGOs police and supervise effectively corporate activities in the local market. (2) NGOs have a propensity to attempt to influence the CSR activities of corporate management by using various instruments. (3) NGO community in the local market has a sufficient power to exert pressure on multinational enterprises to change their behavior and corporate strategy on CSR activities.	0.828

Appendix B. Confirmatory factor analysis

Variables		Standardized estimate	*t* value	*p* value	Cronbach's α	AVE
CONS	CONS 1	0.835	8.858	***	0.874	0.635
	CONS 2	0.792	7.791	***		
	CONS 3	0.773	7.327	***		
IME	IME 1	0.814	8.493	***	0.729	0.680
	IME 2	0.829	8.636	***		
	IME 3	0.903	7.994	***		
	IME 4	0.903	9.363	***		
BC	BC 1	0.846	9.593	***	0.809	0.754
	BC 2	0.882	12.841	***		
	BC 3	0.877	12.138	***		
LG	LG 1	0.605	8.233	***	0.785	0.595
	LG 2	0.967	9.700	***		
	LG 3	0.695	10.358	***		
LM	LM 1	0.901	10.948	***	0.827	0.709
	LM 2	0.947	20.740	***		
	LM 3	0.747	11.208	***		
LC	LC 1	0.774	10.241	***	0.829	0.607
	LC 2	0.850	14.357	***		
	LC 3	0.706	12.300	***		
NGO	NGO 1	0.724	10.393	***	0.828	0.710
	NGO 2	0.788	12.739	***		
	NGO 3	0.827	13.541	***		
CSR	CSR 1	0.762	9.555	***	0.821	0.626
	CSR 2	0.777	9.235	***		
	CSR 3	0.817	9.751	***		
	CSR 4	0.864	10.561	***		
	CSR 5	0.728	9.032	***		
	CSR 6	0.729	9.048	***		
	CSR 7	0.833	10.202	***		
	CSR 8	0.732	9.103	***		
	CSR 9	0.740	9.104	***		
	CSR 10	0.724	9.073	***		
	CSR 11	0.718	9.030	***		
	CSR 12	0.704	9.015	***		

Note: CONS: consumers; IME: internal managers and employees; BC: business collaborators; LG: local government; LM: local media; LC: local community.

To confirm the overall adequacy of our measures, we performed a confirmatory factor analysis with AMOS 18 statistical package, using a maximum likelihood estimation. We assessed their reliability and validity with an overall confirmatory measurement model, in which each questionnaire item loads only on its respective latent construct and all latent constructs correlate. According to Close, Finney, Lacey, and Sneath (2006), this method allows for rigorous testing of measurement reliability and validity prior to subject a structural model to examine its fitness. We found that although the value of χ^2 is somewhat high, most of the other model goodness-of-fit indices indexes demonstrate satisfactory model fit; $\chi^2 = 433.991$, d.f. = 255, $p = 0.000$, GFI = 0.937, AGFI = 0.876, NFI = 0.931, CFI = 0.941, RMR = 0.042, RMSEA = 0.059. Because the result revealed a good fit, measurement respecification – a process of adding or deleting estimated parameters from the original model (Hair et al., 2003) – was not undertaken. In our study, reliability and validity were evaluated using the pooled data. For internal reliability, Cronbach's alpha coefficients were calculated for all items of each constructs (refer to Appendix A), and results also indicated that all the scales were considered to be reliable.

Convergent validity was assessed by examining the standardized estimate for statistical significance (Sujan, Weitz, & Kumar, 1994). As indicated in the table above, all standardized estimates were statistically significant ($p < 0.05$) within an acceptable range (from 0.605 to 0.967). In addition, the average variance extracted (AVE) was calculated for rigorous testing of measurement validity. Fornell and Larcker (1981) assert that the AVE should be greater than the recommended 0.50 to obtain convergent validity. As shown in the table, it was found that the AVE values were greater than 0.50 for all constructs (0.595 < all AVE values < 0.754), which provides strong evidence of convergent validity.

Fornell and Larcker (1981) also suggest that discriminant validity is achieved in the case where the AVE of each construct exceeds the square of the standardized correlations between the two constructs. All AVE estimates in our results were greater than the squared correlations between all constructs. Thus, both convergent validity and discriminant validity were established (also see descriptive statistics and correlations).

Appendix C. Extra OLS regression result

Control variables	
Development status of MNE origin	−0.005
Ownership structure	−0.003
Subsidiary size	−0.013
Subsidiary age	0.001
Primary stakeholders	
Consumers	0.229***
Secondary stakeholders	
Local governments	0.054
Local media	0.061
Local community	0.081
NGOs	0.280*
Adjusted R^2	0.178
F	6.157***

Notes: Coefficients standardized.
* $p < 0.05$.
** $p < 0.01$.
*** $p < 0.001$.

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