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## Corporate social responsibility in international joint ventures: Empirical examinations in South Korea<sup>☆</sup>

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## ABSTRACT

This study aims to investigate organizational characteristics and develop a framework relating to corporate social responsibility (CSR) practices of international joint ventures (IJVs) established in the South Korean market. Based on institutional and stakeholder theories, regression analyses produced a framework facilitating a better understanding and identification of factors that drive CSR in local markets. Consumers, competitors, and non-governmental organizations (NGOs) were discovered to be primary determinants of responsible behaviors. Additionally, some significant differences were found with respect to CSR related to IJV's formative characteristics. This study contributes to furthering knowledge of IJVs and CSR, as well by providing some practical implications for organizations pursuing international markets.

### 1. Introduction

International joint ventures (IJVs) have been pursued as an essential strategic option for multinational enterprises (MNEs) in terms of effectively entering foreign markets through a more collaborative strategy and to partially confront the liabilities of foreignness encountered in an unknown environment (Chang, Bai, & Li, 2015; Huang, Hsiung, & Lu, 2015). IJVs, generally, are regarded as crucial in the internationalization aspect of organizations and are a dominant option in pursuit of market expansion strategies (Park, Giroud, Mirza, & Whitelock, 2008). Oftentimes, by virtue of establishing a new entity with a local firm, IJVs are cited as the most viable option in terms of acquiring local knowledge and mitigating potential market uncertainties (Mohr, Wang, & Fastoso, 2016; Triki & Mayrhofer, 2016; Yenyurt & Carnovale, 2017). The integration of both host and home stakeholders, in an attempt to reduce uncertainties and liabilities of foreignness, also entails a focus on an MNEs local operations due to reports of corruption, unethical practices and other negative aspects, thus leading to a more involved and vocal response to organizational practices at home and abroad.

As a result, corporate social responsibility (CSR) has become a rallying point for stakeholders and researchers alike in determining the ethical actions and responsibilities of organizations that operate abroad (Ambec, Cohen, Elgie, & Lanoie, 2013; Egri & Ralston, 2008). Academic interest and literature related to CSR has also developed and grown

over time, from a simple examination of how to act ethically within a foreign environment, to an analysis of how to provide positive impacts locally. This ultimately contributes to local economic development by simultaneously improving the quality of life of the workforce, the local community, society at large, considerations that have become an integral part of the strategic vision characterizing many firms worldwide (Lockett, Moon, & Visser, 2006; Russo & Perrini, 2010).

CSR and IJVs have both been proposed as means by which organizations can become embedded in local communities or alleviate negative attitudes towards foreign organizations as a response to stakeholder concerns (Galbreath, 2009). With the rise of CSR awareness and the demand for companies both foreign and domestic to pursue CSR initiatives, the focus for foreign members of IJVs should be upon what triggers the implementation of local CSR practices. However, specifically for IJVs, it is unclear which of its stakeholders play prominent roles in determining the enactment and incentives leading to the managerial choices to pursue CSR activities in local markets. To reiterate, as IJVs represent an interaction between the foreign and local firms, it remains uncertain if it is the foreign parent that brings CSR initiatives into the IJV or if local pressure forces the adoption of CSR measures. Research on this question, outside of a few studies that have mentioned the need for further analysis in the understanding of the manipulation and development of CSR strategies in host countries, is currently very sparse (Galbreath, 2009; Qu, 2007; Tokoro, 2007).

That is, a research gap and an unsolved problem in the extant

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empirics is that while CSR research has largely been focused on MNEs and their subsidiaries, examining their investments, programs, and marketing applications (e.g., Rathert, 2016; Yang & Rivers, 2009), the CSR activities of IJVs have been neglected as a research focus with the apparent assumption that MNE research applies to IJVs as well. IJVs, in comparison to wholly-owned subsidiaries (WOSs), pose a greater challenge for an MNE as it entails a sharing of knowledge, control and multiple different impacts of stakeholders acquired from the parent organizations as well as those directly involved with the IJV itself (Dutta & Beamish, 2013). In addition, a more problematic research gap resides in the fact that in the context of CSR, IJVs have a unique organizational structure in that both firms may have different approaches to CSR, with the foreign parent expected to have higher standards of ethical behaviors than the local partner. Consequently, idiosyncratic organizations may interact within an entity and generate peculiar moral patterns. Therefore simply applying MNE-based CSR research to IJVs would overlook situational differences due to structures and operational variations, thus necessitating a closer view of this group to identify unique challenges. In addition, this study is different from other empirics in that we look at South Korea (hereafter Korea) as a country experiencing active economic interchange. This allows for a clear look at the gradual transformation from an emerging to an emerged economy through foreign direct investment from developed countries and observing the vivid interactions between local and foreign firms in the market.

This study seeks to fill this gap by raising the research question of what stakeholders positively influence CSR activities in IJVs. By exploring the impacts of different stakeholder groups and their interaction within the IJV, an understanding of the forces arrayed in determining CSR initiatives for IJVs can be identified and accounted for, when entering a foreign market. Knowledge of the relative pressures of stakeholders upon CSR management practices for IJVs can be a significant factor in determining structural development and programs both locally and by the foreign parent. These discussions suggest that we need to strive to better understand the antecedents affecting MNE CSR in IJVs, while also putting emphasis in further examining the influence of IJV ownership structure towards CSR. This paper contributes to furthering knowledge of CSR in the marketplace by providing a clear analysis of IJV stakeholder impacts by groups. It then provides an analysis of the differences between the ownership structures of an IJV and further looks at the distinguishing impacts on IJVs from those on MNEs, thus enabling the provision of greater implications to stakeholder theory in that we delve into the stakeholder effect on IJVs through multiple facets. By employing regressions and ANOVA techniques, we found that CSR involvement is fuelled by various stakeholder demands. In particular, consumers, competitors and non-governmental organizations play pivotal roles in promoting CSR in IJVs, and through foreign and local interplays, local parent's majority ownership would function as a conduit leading to good citizenship. However, in general, we documented that when subsidiaries turned into wholly owned foreign firms they tend to pay more attention to behave in a socially responsible manner to build local legitimacy and develop strong local relationships. In pursuit of analyzing stakeholder impacts on IJV CSR, the rest of this paper is organized as follows. Following a review of the current literature and knowledge available in the field of CSR and stakeholder theory will be a discussion of the hypotheses to be tested. After that the methodology for testing will be outlined and testing results will be presented. The paper will finish with a discussion of the results, conclusion, and managerial implications determined through this study.

## 2. Theoretical background

Institutional theory focuses on the impact of systems that surround organizations and shape social and organizational behavior (Scott, 2001). In sociological neo-institutionalism, organizations are under societal and cultural pressure forcing them to comply with their

institutional environments in order to obtain legitimacy and social suitability (Husted, Montiel, & Christmann, 2016). According to DiMaggio and Powell (1983), there are institutional forces that cause three types of institutional isomorphic change: (1) coercive isomorphism, originating in pressures from powerful entities; (2) mimetic isomorphism, where firms, due to environmental uncertainty, imitate other successful organizations in their industry sectors; and (3) normative isomorphism, resulting from professionalization. Scott (2001) developed a framework of three pillars of institutions, regulative, normative, and cognitive elements that correspond to the types of institutional isomorphism identified by DiMaggio and Powell (1983).

Applying these perspectives to the international business (IB) domain, foreign entrants into local markets may be able to reduce uncertainty and ambiguity in foreign markets by conforming to local institutional factors. From this point of view, corporate decision-makers should take a profound interest in the institutional differences between home and host countries in regulative, cognitive and normative elements. The greater the distance between home and host countries, the greater the liability of foreignness (e.g., unfamiliarity and discrimination risk in foreign markets), which increases the firm's need for gaining local legitimacy (Campbell, Eden, & Miller, 2012). Foreign entrants suffer many hardships ensuing from the tacitness (e.g., situational uncertainty and ambiguity) of cognitive and normative institutions (Kostova & Zaheer, 1999). In order to overcome such troubles, firms may accept social obligations and conduct CSR practices that provide a way to surmount institutional distance (Gifford, Kestler, & Anand, 2010; Yang & Rivers, 2009).

In this vein, CSR policies and structures of foreign entrants are commonly influenced by the institutional processes that arise from compulsion of powerful local organizations, relationships with other local companies in foreign markets (e.g., competitors), internal members' expertise and attitude towards CSR, and values and propensity of members in local society (Husted & Allen, 2006), all of which comprise the demands of local stakeholders. Thus, CSR management and orientation need to be differentiated by each foreign market and the different demands of local stakeholders. Foreign entrants may gain local legitimacy and stakeholder recognition by modifying CSR structures and practices depending on their respective environment. Reimann, Ehrhott, Kaufmann, and Carter (2012) suggest that local legitimacy is essential to business survival and is obtained by following the rule and belief systems in local stakeholder groups. In this sense, institutional pressures are closely associated to stakeholder demands (Reimann et al., 2012; Tate, Ellram, & Kirchoff, 2010), and thus foreign entrants should attempt to proactively communicate with stakeholders so as to effectively implement CSR and be embedded in host countries.

To reiterate, firms are enclosed by and constantly interact with various players. In this interaction process, the players often influence corporate behavior and strategic design. Researchers usually consider these players as *stakeholders* (emphasis added) (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 otherwise as "those groups who have a stake in or a claim on the firm" (Evan & Freeman, 1988, 97).

Stakeholder theory emphasizes that an organization's sustainability and survival rely extensively on the ability to generate wealth, value, or satisfaction for their stakeholder groups forming the connections between the aims and ambitions of the MNEs and the expectations of local society consisting of primary and secondary stakeholders (Kakabadse et al., 2005; Maon, Lindgreen, & Swaen, 2009). Stakeholder theory in particular sheds light on the role of the primary stakeholders by pointing out that the extent to which the firm realizes its mission in production and operation for its organizational survival is critically influenced by primary stakeholders including perhaps (a) consumers, (b) IJV managers and employees, (c) local government, (d) suppliers, and (e) investors, though not exclusively for shareholders (Maon et al.,

2009; Park & Ghauri, 2015). Meanwhile, secondary stakeholders refer to social and political players that support corporate missions by giving tacit approval to business activities. In this manner, they enable the firm to secure business credibility and be acceptable to local environments. Secondary stakeholders may include (a) competitors, (b) local media, (c) local community, and (d) non-governmental organizations (NGOs) (Maon et al., 2009; Post, Preston, & Sachs, 2002).

Once again, Freeman (1984) suggests in his seminal study that business relationships encompass all actors who may “affect or be affected by” a company. A number of researchers in stakeholder theory have sought to range over systematically the problem of which stakeholders need to be paid attention to (Mitchell, Agle, & Wood, 1997). Although the question still remains as a challenging discussion in the larger IB context, MNEs are hardly free from the issue. Furthermore, MNEs operate under constant pressure from employees, community groups, NGOs, and local government, and thus stakeholder demands and value are incorporated into MNE strategic decision-making process so that local subsidiaries (in particular, IJVs) may successfully continue their business activities in host countries. In other words, it is necessary to have an understanding of the fundamental conditions of MNE subsidiaries. MNEs enter unknown markets through FDI, leading to the fact that, as compared to local companies, the relationship between the firms and local stakeholders is crucial for the foreign entrant to overcome its foreignness in overseas markets (Hadjikhani, Lee, & Ghauri, 2008).

Moreover, CSR involvement is traditionally motivated by various stakeholder demands (Udayasankar, 2008). Mishra and Suar (2010) argue that, along with the introduction of the stakeholder concept (Freeman, 1984), CSR reconfiguration from a stakeholder perspective helps the adoption of a new angle to assess CSR. Most firms, including MNEs, work toward a goal of maximizing shareholder's wealth by carrying out business activities for profit growth. However, organizations seeking value creation may frequently be required to listen to opinions of other interest groups (e.g., local stakeholders) on ethical issues and undertake social obligations, beyond legal and economic responsibilities, toward the environment in which the firms operate. This is especially true in IJVs as the framework of control and sharing of leadership will provide for a variation of stakeholder impacts that go beyond a WOS in terms of direct involvement in the local environment. Thus, MNEs may be willing, and in an IJV may be required, to assume ethical and philanthropic responsibilities to all stakeholders in host countries and are expected to be society-oriented, taking voluntary actions with the intention to improve the overall well-being of local society (Singh, Sanchez, & Bosque, 2007).

### 3. Hypotheses development

#### 3.1. Primary stakeholders

##### 3.1.1. Consumers

Consumers represent the most common stakeholder for organizations as they are the core group that businesses cater to and have also become much more complex than simply reflecting numbers in a market. Consumer satisfaction, due to access to information that is vastly more readily available than in the past, has expanded beyond simply quality and price concerns and into the ethical actions of organizations (Lindgreen, Swan, & Johnson, 2009). Consumers can exert pressure through public and private channels on companies that they deem to be acting unethically, and essentially force a strategy modification upon the organization to meet these concerns. In managing this potential force, organizations attempt to predict and assuage consumers' demands for responsible and ethical actions in the marketplace (Laczniak & Murphy, 2012).

In addition to this force, it has also been noted that consumers develop positive inferences for products that are provided by socially responsible organizations (Mishra & Suar, 2010). Generating goodwill

and positive associations with consumers can translate into increased market share and enhanced profit potential, and tends to relate to an increase in purchase intentions in the marketplace (Laczniak & Murphy, 2012). Actions viewed negatively by consumers can in turn become even greater problems for IJVs as the foreign parent may provoke a relatively larger impact due to its pre-existing liability of foreignness. For the foreign partner within an IJV, the liability of foreignness can become a significant issue especially when coupled with potentially detrimental actions from a consumer's viewpoint (Kolk & van Tulder, 2010). Thus, generating positive relationships with consumers is an organizational strategy to reduce foreignness, enhance image, and promote ethical behavior of the organization as a whole, in both the IJV and the foreign parent. IJVs are often used as an entry mode to gather local information and to assess the local market conditions, thus generating a further entrenchment of the importance of consumers in terms of CSR for the long-term plans of the foreign parent (Ghauri, Cave, & Park, 2013). The interaction between consumers and the IJV will allow parent companies to learn the desires and needs of the market in terms of CSR. With respect to the above arguments, we can conclude that consumers' opinions and values are extremely valuable and critical for IJVs to identify and address through CSR practices, leading to the hypothesis:

**Hypothesis 1.** Consumers represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

##### 3.1.2. IJV managers and employees

Internal managers and employees are important primary stakeholders due to their direct involvement in the application and management of CSR policies and procedures. Their active participation in strategic decisions in terms of both human resource policy, as well as organizational direction, help to define the ethical standards of an organization and the impact of measures adopted by the organization (Mishra & Suar, 2010). Employees also feel a sense of duty to the well-being of society as it incurs an added degree of pride in their workplace, thus engendering an increase in personal satisfaction. Along this line of reasoning, some research suggests that ethically-based policies and procedures can help to attract more talented employees and retain current employees through the development of a bond between the employee and the organization (Hartman, Rubin, & Dhanda, 2007). This bond relates to the moral values of the employee coming into congruence with those of the organization, thus providing a positive effect overall on the retention of employees, and the further development of positive returns from family and friends.

Managers for their part are also the essential drivers of strategies that directly relate to operations and activities as they make decisions defining the goals, values, and resource allocations of the organization (O'Shaughnessy, Gedajlovic, & Reinmoeller, 2007). As the decision-makers within an organization, managers are directly involved in the identification of concerns, problems to be addressed, potential stakeholder demands, and the acceptance and implementation of CSR initiatives (Greening & Gray, 1994). Managers represent the pro-active nature of CSR strategies as organizations do not become environmentally responsible without the specific actions of managers situated within. Balancing corporate objectives with a desire to act ethically and socially responsible is a conscious, thought-out, and strategic maneuver by managers within the organization in pursuit of a socially responsible agenda.

The relationship of managers within an IJV is even more important as the joint operations require the balancing of needs and wants of the parties involved. The parents will, through negotiation, determine the control mechanisms being pursued and the overall focus of their strategies through the planned placement of personnel and policies within the IJV (Ghauri et al., 2013). Managers and employees within the IJV become extremely important here as well as the give and take nature of

the IJV will leave potential strategic options up to the managers themselves and determine what aspects of the operations they prioritize in the venture (On et al., 2013). Thus, from the preceding discussion we suggest:

**Hypothesis 2.** IJV Managers and Employees represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.1.3. Government

Governments play a prominent role as a primary stakeholder as they are the creators and decision makers in determining CSR requirements and economic-based legislation. By responding to local concerns, governments craft laws and policies reflecting the desires of the populace and set the stage for development. In providing the fundamental principles by which organizations must operate, governments insert themselves as a primary stakeholder that must be respected when operating within the market over which they have jurisdiction (Erdogan, 2014). Political direction and the inter-relationship established by the organization with government can lead to enhanced support, and in essence establish a greater degree of legitimacy, along with greater local relationships allowing for potential reductions in foreignness (Detomasi, 2008).

In an effort to receive favorable treatment from local governments, and to establish themselves as socially responsible entities, organizations endeavor to satisfy government demands and provide a positive impact locally (Cave, 2014). IJVs in this area, while generally wielding less power than MNEs, still must respond to the institutional forces and political demands of the local government in an attempt to obtain a great degree of legitimacy. While the local partner provides a degree of local legitimacy, the government relationship developed here will impact the level of CSR initiatives required and/or desired by the IJV.

**Hypothesis 3.** Government represents an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.1.4. Suppliers

Suppliers represent an integral part of the economic processes of organizations and thus are important stakeholders in the strategies and directions pursued. Supply chain management and CSR initiatives often are intertwined as they help to build relational capital and essentially install a degree of trust within the business operations (Zhang, Ma, Su, & Zhang, 2014). By pursuing CSR activities, organizations provide an attractive presence and become important as the demand grows for organizations to be responsible, not solely for just their own actions, but also for the actions of their business partners throughout the entire supply chain. The interrelationship between all units in the economic chain suggests that the reputation and performance of one unit can affect all other units in the chain (Faisal, 2010).

IJVs in particular need to interact with local suppliers and often the foreign parent finds itself involved in the local parent's supplier network and thus must be receptive to the demands and conditions of this acquired chain. In an attempt to potentially provide higher standards or meet CSR initiatives that require sourcing guarantees or international standards, suppliers become an important stakeholder in achieving these goals (Lihong & Goffin, 2001). Impressing local suppliers has been shown to send positive signals and to benefit the organization through greater trade credit (Zhang et al., 2014). Finally, as opposed to MNEs, which generally hold strong positions in terms of bargaining power, IJVs do not generally have an economic advantage to coerce suppliers, but instead are put in the position of responding to supplier's demands. This leads to the following hypothesis:

**Hypothesis 4.** Suppliers represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.1.5. Investors

The impact of investors is becoming increasingly important as more socially conscious investors emerge and impact the cost of equity capital for organizations (Angel & Rivoli, 1997). Socially responsible investors do not place their trust or funds in organizations that have a poor environmental record. Adam and Shavit (2008) suggest that socially responsible investment is no longer considered an option, but rather is tantamount to a directive, as it lessens long-term investment risk due to the nature of CSR activities. This is also supported as the perception of socially responsible organizations leads to a greater feeling of safety relating to cash flows making them a more attractive target for investment (O'Shaughnessy et al., 2007). Investors as a group are also prone to negative perceptions and are becoming much more aware and concerned of the activities undertaken by the organizations in which they invest.

For IJVs, in their quest to find potential investors, the degree of social responsibility may help lead to greater attractiveness in terms of willingness and positive perception of the organization. The impact of investment cannot be understated as this goes a long way to determining the financial capabilities of the IJV and potential survival within the market (Laczniaik & Murphy, 2012). Existing parent firm investors may also bring with them previously agreed upon arrangements or a common understanding regarding CSR practices that will be expected to flow into all activities, including the creation of an IJV. Investors thus present an important stakeholder for the IJV and may impact the CSR initiatives undertaken in the market, leading to the following hypothesis:

**Hypothesis 5.** Investors represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

## 3.2. Secondary stakeholders

### 3.2.1. Competitors

Competitors can either be leaders in the area of CSR or followers. In an attempt to attain local legitimacy, organizations need to at least match the existing CSR conditions set by competitors within the market. Oftentimes, in order to reduce the liabilities of foreignness, organizations will attempt to lead in terms of adherence and actions to leverage social responsibility into a competitive advantage (Laudal, 2011). Gauging one's own performance in light of a competitor's is a time-honored tradition and is used consistently in the gauging of CSR practices (Bondy, Moon, & Matten, 2012). Observing and noting upticks, changes, and modifications in the competition assists in defining an organization's own choices in the market.

IJVs that are set up in the local market need to ensure they do not lag behind competitors either locally, or for their parent firms, and potentially lose market share. Instead, the requirement exists to be constantly aware and conscious of both one's own actions and the competition's, as a competitor may use a potential fault to their advantage (O'Riordan & Fairbrass, 2008). This may also allow further opportunities for the IJV to take advantage of potentially fewer CSR practices among the competition and enhance organizational effectiveness and flexibility. Additionally, as IJVs are often used to gauge an unknown market situation, the analysis of competitors and their activities is part and parcel of standard operating procedures (Demirbag & Mirza, 2000). This would include any and all CSR practices being undertaken by parent firm, local or any potential future competitors suggesting the following hypothesis:

**Hypothesis 6.** Competitors represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.2.2. Media

The impact upon public opinion wielded by the media, especially

when considered in terms of events relating to an organization, entrenches media as an important stakeholder. When the media uncovers unethical practices by an organization, this quite often turns into a large-scale attack on capitalism, profiteering business, and the lack of social responsibility by corporate headquarters. Media represents an opportunity for the populace to look into organizations and shapes the business landscape through exposing deficiencies, manipulating public opinion, and demanding the adoption of local initiatives by organizations (Azmat & Samaratunge, 2009).

The ability to share information on ethical issues within seconds and the speed with which such information can go viral suggest that media plays an important role for organizations (Gugler & Shi, 2009). As IJVs are often used as leading entry modes in order to gain valuable knowledge and market insight (Beamish & Lupton, 2009), media can potentially arise as a barrier to future expansion. Should the IJV come under intense media scrutiny due to a negative report, this may essentially prevent the MNE from being able to successfully enter on a larger scale at a later date. Engaging local media in an open and transparent manner can potentially stem negative publicity or perhaps allow for the existence of CSR initiatives to reach a wider audience. As media can strongly influence brand perceptions, image, and other issues for an organization, they represent an important stakeholder for IJVs. This suggests the following hypothesis:

**Hypothesis 7.** Media represents an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.2.3. Local community

Societies are the creators of the moral values and set the standards within which everyone, individually and collectively, must adhere. The local community essentially provides the right to operate for organizations in addition to monitoring their actions and exerting pressure to conform to local ideals (Russo & Perrini, 2010). Overlooking the demands of the local community can evoke a strong response, one that has the ability to override the owner/managers' personal values and interests (Sen & Cowley, 2013). Further, for IJVs it is likely that the local parent has significant ties to the local community and thus will be further entrenched in the standards and values adopted by the community. This then requires the foreign parent to adapt to the situation in light of the community as a whole and engage this stakeholder in an effort to become embedded in the local society.

Raising the image of the IJV in the local community can pay dividends through the enhancement of socially responsible actions leading to benefits in organizational performance and potential success (Mishra & Suar, 2010). In a similar vein, Park, Chidlow and Choi (2014) suggested that, for foreign subsidiaries, the most common underlying reason for pursuing CSR initiatives was to network and build stronger ties with the local community. Operating hand in hand with local communities provides a ground level relationship building effect, which can translate into local tax breaks, improved employee performance, and potentially lower regulatory requirements (Waddock & Graves, 1997). Finally, social activism in the community helps to build trust and engages the stakeholder on a more personal level, thus also lessening the effects of foreignness between the foreign parent and the local community. The importance of the local community leads to the following hypothesis:

**Hypothesis 8.** Local community represents an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.2.4. Non-governmental organizations (NGOs)

Due to the continuing globalization of the economy and the constant lowering of barriers allowing for mass-scale movement of MNEs around the world, international standards are often being called upon to reign in unethical practices (Doh & Guay, 2006). NGOs take it upon

themselves to add an extra layer of scrutiny to international movements and exert both social and political pressure on organizations to adopt international standards, and modify strategies and policies if necessary (Arenas, Lozano, & Albareda, 2009). Codes of conduct and oversight of organizations around the world have increased the importance of NGOs and their campaigns, and necessitated a strategic movement towards sustainability and socially responsible management (Imbun, 2007). While NGOs focus a lot of their efforts on MNEs, IJVs do not simply fly under the radar.

IJVs also need to respect the pressure NGOs can exert through studies, public forums, announcements or statements detailing the practices of the organization, or in the worst case, unethical behavior. NGOs, through their networks, have the ability to generate change in MNEs through increased interactions and the MNEs reluctance to take on reputational risks and instead accept social responsibility in local concerns (Van Huijstee & Glasbergen, 2010). This does not exclude IJVs from the same requirements, and the potential impact of pressure from NGOs must also apply in this situation. The importance of NGOs leads us to the final hypothesis:

**Hypothesis 9.** NGOs represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.

### 3.3. Ownership type

IJV literature consistently focuses on the level of controls in terms of dominant partner and shared partnership as a factor leading to different outcomes (Beamish & Lupton, 2009). IJVs allow both partners to collaborate and pursue a variety of goals and objectives while also providing significant insight into cultural conflicts and control mechanisms (Ghauri et al., 2013). Further, given the structure of the IJV itself and parent interaction, different goals, objectives, and strategies become more or less important in relation to dominant partner characteristics or shared ownership (Zander & Kogut, 1995). This relationship should also be reflected in the levels of CSR activities pursued by an IJV, as, in general, the foreign parent is often assumed to be more of a proponent of CSR and will engage the local market to overcome potential liabilities of foreignness. While in general as WOSs are front and center visible representatives of MNEs locally, thus necessitating increased attention to ethical practices and CSR options, IJVs still have local responsibilities. There still exists external pressure (home market) for the foreign parent to pursue CSR activities in all international dealings to ensure positive recognition both at home and abroad, and to stem any potential negative repercussions in a foreign market. In contrast to that, local parents may be less inclined to pursue CSR activities as they may not be as overly concerned in general with the positive image associated with CSR, or alternatively they may simply be in pursuit of technology acquisition or similar knowledge based concerns. These concerns lessen the overall pressure exerted by the local parent to pursue CSR activities, and to focus more on other factors. Thus, there is an expectation for foreign controlled or foreign dominant IJVs to pursue CSR at a higher rate than other IJV ownership structures and for WOSs in comparison to pursue CSR with even greater propensity.

**Hypothesis 10.** IJVs with dominant foreign control will pursue CSR activities at a higher rate than shared ownership, which will in turn, be pursued at a higher rate than dominant local ownership IJVs.

**Hypothesis 11.** WOSs will display a higher propensity for CSR than IJVs.

The relationship of stakeholders on CSR and the interaction of IJV ownership types are graphically represented in Fig. 1.

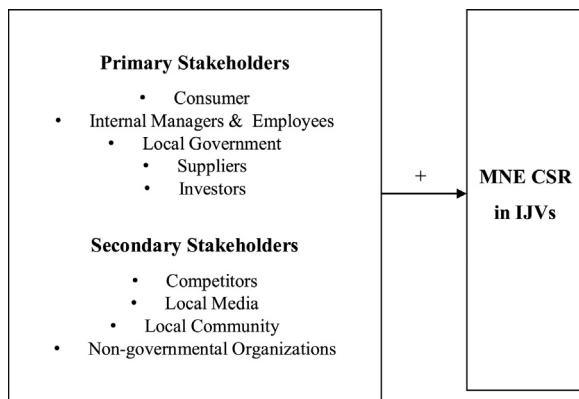


Fig. 1. Conceptual framework.

## 4. Methodology

### 4.1. Sample and data collection

The population for this study consists of MNE subsidiaries located in the South Korean market. The government agency, [Ministry of Knowledge Economy](#), publishes a list of all subsidiaries in Korea in [Foreign Direct Investment \(2011\)](#). This reference details all foreign investment activities undertaken in Korea and the information provided has proven to be reliable and trustworthy as the data has been used in previous empirical examinations ([Park, 2011](#); [Park & Ghauri, 2011](#)). In addition to this provided list, we visited all corporate homepages to ensure that the companies listed were still in operation and had not closed operations or terminated contracts with local partners. A total number of 1531 firms were finally compiled after removing those firms whose homepages were no longer in operation or could not be found. When the survey was completed, a total of 335 responses were returned providing a response rate of 21.88%. A further 13 responses were deemed unfit for use in this study leaving a total of 322 responses to be analyzed (Wholly-owned subsidiaries – 204, International Joint Ventures – 118).

### 4.2. Variable measurement

The dependent variable for this study is IJV CSR and was measured by Likert-type responses using 12 items. Nine independent variables were put forth as potential factors affecting the CSR levels and all were measured on a five-point Likert scale. A detailed description on the variable measurement is provided both in [Table 4](#) and [Appendix A](#). [Appendix A](#) also shows information on the sources of each independent variable and Cronbach's alpha.

Five control variables were used in this study in order to control for the influences of other factors related to IJVs CSR.

1. [Furrer et al. \(2010\)](#) and [Park and Ghauri \(2015\)](#) propose that firm's attitudes toward CSR can be dependent upon the economic status of a market, which implies that MNEs from developed nations are potentially more familiar with CSR than firms from developing countries. To control the effect of economic development level on foreign subsidiaries' CSR attitudes, a dummy variable based on [Park and Ghauri \(2015\)](#) was created to reflect this expectation (1 for IJVs with a foreign parent from a developed country and 0 otherwise).

2. [Li et al. \(2010\)](#) suggest that ownership structure also influences organizational communication relating to CSR practices. Moreover, in order to gain legitimacy, MNEs experiencing the liabilities of foreignness in host markets may have higher standards in terms of CSR than local partners, and thus the former may tend to show a higher propensity for CSR. Previous studies commonly measured this variable by assessing the proportion of ownership of the IJVs (i.e., continuous scale) (e.g., [Mata & Portugal, 2015](#)). Thus, we followed that

measurement in the first stage of the analysis and then on the basis of equity share split into three groups in the second one: local parent majority, foreign parent majority and equal ownership split.

3. Institutional regulations for legitimacy should logically be dissimilar across national environments. We identify such a set of institutional domains based on the three pillars of institutional environments suggested by [Kostova and Zaheer \(1999\)](#): the regulatory, the normative and the cognitive domains.<sup>1</sup> [Kostova and Zaheer \(1999\)](#) argue that the complexity is especially apparent in MNEs where their subsidiaries are dispersed not only into geographical regions and locations but also fragmented by functions or tasks. As a result, each MNC subsidiary differently behaves in each market stemming from the differences between its home and host institutional environments. Drawing on their accounts, it was calculated by a three-item (i.e., each perceptual distance on regulative, normative and cognitive institutions between home and host countries) based on 5 point Likert-type scales.

4 and 5. Organizational size is measured by the number of employees. In contrast, subsidiary age is measured by the number of years since creation of the subsidiary. Both components have commonly been used as control variables by previous studies in order to explore MNE CSR (e.g., [Husted & Allen 2006](#); [Husted et al., 2016](#); [Rathert, 2016](#)).

Respondents were asked to perceptually assess both the independent and dependent variables in this study and thus the possible presence of common method bias arises. In order to overcome this potential limitation, existing literature has been thoroughly reviewed in many similar topics (ethics, social responsibility, and CSR among others) to discover any previously validated items. As a further precaution, 10 respondents were interviewed to evaluate response consistency shortly after the survey was completed. Upon comparing these results with the survey results, no significant differences were uncovered, thus indicating a minimum presence of common method bias ([Luo, 2006](#)).

In addition, the same questionnaire was re-sent to different people (i.e. general managers) from 50 sample firms pulled from the group of previous respondents. Overall, 21 responses were received with no significant inconsistencies apparent between the two groups. Finally, given that [Podsakoff, MacKenzie, Lee, and Podsakoff \(2003\)](#), suggest that there are two cases where we need to suspect a substantial amount of common method: (1) a single factor emerges from the factor analysis; or (2) one general factor accounts for the majority of the covariance among the measures, a single-factor test was performed. All the subjectively measured variables were entered and the proportion of variance criterion exhibited four independent dimensions. The variables 'consumer', 'internal managers and employees', 'investors', 'local community' and 'CSR' have high loadings on the first factor (31.9%); 'government' and 'competitors' have high loadings on the second factor (13.5%); 'institutional distance' and 'suppliers' have high loadings on the third factor (11.9%); and 'media' and 'NGOs' have high loadings on the fourth factor (11.6%). Thus, based on these results, we suggest that common method bias is negligible in this study.

## 5. Results

### 5.1. Results of stage one of the analysis

This study has two distinct stages of analysis as the first sets out to

<sup>1</sup> The regulatory pillar is "distinguished by a prominence given to explicit regulatory processes: rule setting, monitoring and sanctioning activities. In this view, regulatory processes involve the capacity to establish rules, inspect another's conformity to them, and as needed, manipulate sanctions – rewards or punishments – in an attempt to influence future behavior" ([Scott, 2001, 52](#)). The normative pillar goes beyond regulatory regulations to the domain of social values. Normative institutions are "placed on normative rules that introduce a prescriptive, evaluative and obligatory dimension to social life. Normative systems include both values and norms" ([Scott, 2001, 54](#)). In contrast, cognitive elements refer to the operating mechanisms of the mind ([North, 2005](#)), which are conceptually rather broader than normative attributes, including components such as shared beliefs, categories, identities, schemas, scripts, heuristics, logics of action and mental models ([Scott, 2001](#)).

**Table 1**  
Descriptive statistics and correlations.

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1. Development status of MNE origin	0.65	0.48	1.00											
2. Ownership structure	40.89	14.91	-0.03	1.00										
3. Institutional distance	1.87	1.13	-0.09	0.09	1.00									
4. Subsidiary size	74.62	99.11	0.09	0.06	0.03	1.00								
5. Subsidiary age	10.45	9.05	0.31**	0.21*	0.08	0.13	1.00							
6. Consumer	3.08	0.74	0.00	-0.13	-0.32**	-0.11	-0.03	1.00						
7. Internal managers and employees	3.23	0.81	0.13	-0.12	-0.39**	-0.21*	0.02	0.61**	1.00					
8. Government	2.47	1.25	-0.05	-0.05	0.22*	0.14	0.19*	-0.22*	-0.32**	1.00				
9. Suppliers	3.42	0.64	0.03	-0.06	0.12	-0.04	0.15	0.30**	0.34**	-0.02	1.00			
10. Investors	2.86	0.89	-0.01	-0.07	-0.27**	-0.23*	-0.11	0.43**	0.44**	-0.15	0.05	1.00		
11. Competitors	3.28	0.56	0.01	-0.12	-0.18	0.31**	0.02	0.14	0.09	-0.16	0.08	-0.01	1.00	
12. Media	3.52	0.58	-0.08	0.02	-0.04	0.06	-0.00	0.20*	0.10	-0.09	0.27**	-0.08	0.07	1.00
13. Local community	3.31	0.83	0.17	-0.10	-0.39**	-0.16	0.07	0.63**	0.64**	-0.28**	0.28**	0.48**	0.12	0.16
14. NGO	2.85	0.74	-0.06	-0.03	-0.19*	-0.08	-0.09	0.26**	0.29**	-0.12	-0.02	0.27**	-0.01	0.19*
15. CSR	3.45	0.75	0.18	-0.14	-0.52**	0.07	-0.10	0.61**	0.55**	-0.24*	-0.06	0.36**	0.31**	0.14

	Mean	S.D.	13	14
1. Development status of MNE origin	0.58	0.50		
2. Ownership structure	64.66	36.48		
3. Institutional distance				
4. Subsidiary size	47.06	55.75		
5. Subsidiary age	9.37	8.76		
6. Consumer	3.11	0.70		
7. Internal managers and employees	3.24	0.74		
8. Government	2.57	1.36		
9. Suppliers	3.39	0.61		
10. Investors	2.93	0.86		
11. Competitors	3.23	0.56		
12. Media	3.46	0.62		
13. Local community	3.33	0.77	1.00	
14. NGO	2.94	0.71	0.38**	1.00
15. CSR	3.47	0.67	0.60**	0.43**

Notes: N = 118; \*\* p < 0.01; \* p < 0.05.

determine the effects of stakeholders influence on IJVs CSR practices in local economies, while the second looks at the IJV formation itself to determine potential CSR behavior differences. Prior to undertaking an analysis of the responses, an assessment of multicollinearity was performed by observing the correlations between variables as shown in Table 1. There are differing suggested cutoff points in dealing with defining multicollinearity, generally ranging from 0.70 to 0.90 (Pallant, 2001; Tabachnick & Fidell, 1996). However, none of the values reach the higher level mentioned above, thus suggesting multicollinearity is negligible. In addition to this step, an analysis of the variance inflation factor (VIF) was taken to more minutely address potential issues of multicollinearity. Hair, Babin, Money and Samouel (2003) argue that 5.0 is a maximum acceptable VIF value, and in our initial analysis, two variables exceeded this number. Due to the high interrelation of some independent variables ('internal managers and employees' and 'local community'), a potential problem of multicollinearity arose. However, rather than delete the variables as often recommended when VIF values exceed generally allowable levels (O'Brien, 2007), the theoretical importance of the variables in this study encouraged the use of stepwise regression analysis. As can be seen from Table 2, the VIF values from the stepwise regression (enter method are in parentheses) are all well below Hair et al's (2003) recommendation, with the highest value being 2.547, thus suggesting further analysis of the data can proceed without multicollinearity being an issue for this study.

The stage one results of the stepwise regression analyses are outlined in Table 2. Model 1 shows the control variables along with the primary stakeholders, while Model 2 shows the controls and secondary stakeholders prediction of CSR activities. Model 3 is a full model including all variables for analysis in this study, while Models 4 and 5 are discussed at the end of the results section. As shown in Table 2 all models in this study are highly significant (p < 0.001).

The first stage of this study focuses on IJVs and anticipates the

impact of primary and secondary stakeholders on CSR practices in the local market. CSR is often an important vehicle in overcoming negative perception and to better engage local consumers through potentially influencing purchasing patterns, feelings, and overall identity. Within the primary stakeholder groups this study posited that five main groups would impact CSR practices of IJVs. H1 posited that consumers were a significant group in affecting CSR behavior and the regression result shows this to be supported in this study. The strong significance (p < 0.001) of consumers lends credence to the long held belief that consumers are certainly a key element in determining the CSR practices of firms and in this case IJVs are not an exception. Surprisingly though, this study finds no support for H2 (internal managers and employees), H3 (governments) or H5 (investors) as none display statistical significance. Finally, in the primary stakeholders section we see strong significance from suppliers, but one that is negative, thus suggesting that H4 is also not supported in terms of this study.

For the secondary stakeholders there were four main groups believed to impact CSR practices of IJVs. Based on the results we find support for H6 (competitors, p < 0.05) and H9 (NGOs, p < 0.01). Both H7 (media) and H8 (local community) were statistically unsupported in the full model in this analysis.

Additional analyses were undertaken (Model 4 & 5) due to some of the significance changes of the factors in the earlier models. From looking at the separated models of the primary and secondary stakeholders, Model 1 and Model 2 respectively, and then moving into the full model (Model 3), we find that both internal managers and employees and local community drop from a significant level (p < 0.10/p < 0.001) to insignificant in this study. Due to this result, additional analyses were run to determine what may have caused the drop in significance in these two factors. Based on the results of Model 4, we see that the roles of internal managers and employees are lessened in terms of affecting an IJV CSR under the pressure of competitors in the local

**Table 2**  
Analysis results: OLS regression: stepwise.

	Model 1	Model 2	Model 3	Model 4	Model5	VIF
Development status of MNE origin	0.157*	0.164	0.184**	0.084	0.124*	1.014 (1.218)
Ownership structure	−0.124	−0.037	−0.039	−0.041	−0.036	1.076 (1.224)
Institutional distance	−0.227**	−0.277**	−0.219**	−0.239**	−0.242***	1.265 (1.502)
Subsidiary size	0.018	0.012	0.000	0.019	0.026	1.097 (1.334)
Subsidiary age	−0.162	−0.127	−0.077	−0.035	−0.087	1.155 (1.368)
Consumers	0.611***		0.636***	0.538***	0.298***	1.503 (2.576)
Internal managers and employees	0.165†		0.145	0.189†		2.547 (9.432)
Governments	0.097		0.029	0.051		1.190 (1.306)
Suppliers	−0.311***		−0.259***	−0.329***		1.246 (1.494)
Investors	0.056		0.055	−0.033		1.381 (1.887)
Competitors		0.177*	0.132†	0.066	0.087	1.069 (1.136)
Media		0.014	0.052		0.121†	1.136 (1.263)
Local community		0.401***	0.167		0.000	2.250 (9.204)
NGOs		0.241**	0.198**		0.015	1.185 (1.406)
Internal managers and employees X competitors				−0.259***		
Consumer X Local community					−0.490***	
Adjusted R <sup>2</sup>	0.682	0.536	0.714	0.724	0.729	
F	37.817***	25.840***	36.816***	46.087***	47.201***	

Notes:

Coefficients standardized, † p < 0.1; \* p < 0.05; \*\* p < 0.01; \*\*\* p < 0.001; VIF values for enter method are in the parentheses.

market, and similarly, in Model 5, with local community having less of an effect under the increased pressure of consumers on the ethical behavior of IJVs.

## 5.2. Results of stage two of the analysis

Stage two of the analysis looks at the IJV itself and attempts to discern any statistically significant differences in terms of H10 (ownership) and H11 (WOS vs IJV). Table 3 shows the results of the ANOVA used to test H10 and finds significant differences in the CSR practices in the three ownership categories of IJVs. Local parent majority ownership in an IJV returned the highest level of CSR, with 50/50 shared ownership displaying the lowest.

Table 4 compares IJVs with WOSs with respect to the twelve-item scale used to measure CSR behavior. As can be seen in the table, the first six questions in the table show varying statistical significance, with the final six questions being statistically insignificant in this study. In general, we also see that WOSs report a higher mean in all twelve response items (Table 5 summarizes major findings in this study).

## 6. Discussion

This study finds a mixture of expected and unexpected results while also presenting a thorough analysis of IJVs CSR behavior in terms of both stakeholder influence and structure. Unsurprisingly, consumers represent an important stakeholder influencing CSR behavior and this is consistent with previous studies in the area of CSR (Mishra & Suar, 2010). For instance, Mishra and Suar (2010) suggest that consumers exercise pressure on a subsidiary in the case where they believe the firm is not behaving in a desirable way, especially because their access to instant and free information, as well as a multitude of alternative providers, has become even easier (also see Lindgreen et al., 2009). Du, Bhattacharya and Sen (2010) also point out that by being a good

**Table 3**  
ANOVA of CSR by ownership.

	N	Mean	S.D.	F-Ratio	Sig.
Local parent's majority ownership	80	3.5615	0.587	3.620	0.03
50/50 equally shared ownership	16	3.0365	1.109		
Foreign parent's majority ownership	22	3.4548	0.864		

corporate citizen, a firm is able to raise consumer loyalty and this turns the stakeholder into company/brand ambassadors and champions who engage in advocacy behaviors. That is, our findings confirm that the role of consumers is paramount in terms of a firm's orientation and its decision to strategically pursue CSR activities in the market. The second predicted influential stakeholder was internal managers and employees, and here we find partial support for the hypothesis. In Model 1, the role is significant, but loses its significance in the full model. After further testing as shown in Model 4, the reasoning behind the loss of significance resulted from the existence of pressure from competitors. While an IJV is, by its nature, a coming together of two or more firms, employees may lack the initiative or desire to try to enforce or drive ethically responsible behaviors but rather respond to CSR needs under the strong presence of competitor pressure. In order to confirm the result from Model 4, we additionally analyzed interaction effects of 'internal managers and employees' and competitors on IJV CSR (Fig. 2 displays the interaction effects of internal managers and employees and competitors on IJV CSR). There also arises the possibility that, unlike other research where managers take ownership of ethical practices in their organizations (Hartman et al., 2007), the case might be made that in IJVs employees may not associate themselves with the IJV itself, but rather with their parent organization and respond primarily to its competitive environment. This reasoning may suggest less of an impetus for employees to lead CSR practices in an IJV and instead focus on other motives and operate in response to competitor's actions.

The role of government in IJV CSR activities was unsupported in all models, suggesting a greater influence of the local market situation and the preference to promote FDI and learning through open doors for MNEs, without imposing strong pressure on IJVs in terms of CSR. While regulations exist and are followed, there appears to be less stringency in terms of requirements and joint nature of the relationship of foreign and local potentially places less pressure on the venture to pursue CSR activities. Additionally, it is conceivable that while lower levels of CSR are required or expected from governments of emerging economies, MNEs may pre-emptively undertake some degree of CSR activity, thus nullifying the need for governments to step in and exert direct influence through the mandating of ethical actions. Similar comments can be found from Yang and Rivers (2009). According to their arguments, a general phenomenon in emerging markets (e.g., Korea) is that CSR laws are few or not enforced by the government in those economies. Therefore, MNE subsidiaries tend to conduct less socially responsible activities. Moreover, although Korea has achieved remarkable



**Table 4**

T-Test: IJV vs. Wholly Owned Subsidiaries (WOSs).

	IJVs (N = 118)	WOSs (N = 131)	Significance Level (Cronbach's alpha: 0.940)
CSR 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.	3.5424	3.8626	0.002
CSR 2: Throughout the company, every manager and employee has strictly implemented the above codes of conduct.	3.5847	3.8397	0.011
CSR 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.	3.0339	3.2824	0.065
CSR 4: Our company always attaches the utmost value to, and takes actual steps in, enhancing corporate image and reputation.	3.6271	3.8702	0.018
CSR 5: Our company always honors our promises regarding product and/or service offerings and is dedicated to adapt to the local consumers' needs.	3.7797	3.9924	0.029
CSR 6: Relying on its honesty and credibility, our company has maintained good and stable relationships with local suppliers, distributors, and other business partners.	3.8729	4.0229	0.099
CSR 7: Each year our company allocates some portion of retained earnings to charitable organizations.	2.9576	3.0992	n.s.
CSR 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.	3.2881	3.3817	n.s.
CSR 9: Each year our company uses some portion of retained earnings to help the local community to consummate the public infrastructure and environmental protection.	2.9322	3.0916	n.s.
CSR 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.	3.6017	3.7328	n.s.
CSR 11: We always invest resources (e.g., technology, skills, capital, or equipment) that the local government needs for social development.	3.6102	3.7481	n.s.
CSR 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.	3.5932	3.7023	n.s.

Notes:

1. n.s denotes 'not significant'.

2. Dependent variable measurements were adopted from Luo (2006).

**Table 5**

The results of the empirical analyses.

Hypotheses	Results
H1 Consumers represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Support
H2 IJV Managers and Employees represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Partially Support
H3 Government represents an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Reject
H4 Suppliers represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Reject
H5 Investors represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Reject
H6 Competitors represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Support
H7 Media represents an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Reject
H8 Local community represents an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Partially Support
H9 NGOs represent an important stakeholder positively influencing the pursuit of CSR activities for IJVs in foreign markets.	Support
H10 IJVs with dominant foreign control will pursue CSR activities at a higher rate than shared ownership, which will in turn, be pursued at a higher rate than dominant local ownership IJVs.	Reject
H11 WOSs will display a higher propensity for CSR than IJVs.	Support

economic growth, government integrity does not seem to keep pace with economic progress, and a recent corruption scandal involving the Korean President, Geun-Hye Park,<sup>2</sup> is clear evidence of this assertion.

In a very surprising result, suppliers are strongly significant, but in a negative way. Contrary to some other research suggesting positive linkages with suppliers (Faisal, 2010), we find that suppliers do not actively exert influence on IJVs CSR activities, but rather are almost essentially opposed to more ethical practices in reality. This may be concurrent with some previous research, notably Choi and Nakano (2008) who note that while corporate ethics are increasing, many undesirable customs and norms are still in effect in the business world locally (ex. gratuities and bribes). This may also be more of an environmental issue in that as many available suppliers are small scale operators, these suppliers become more subservient to the IJVs, and thus are more focused on profit generation and survival than on impacting CSR practices. For instance, similar to the intertwined alliance of

government and businesses explained in the paragraph above, Lee and Yoshihara (1997) explore the level of corporate ethics of Korean firms, and point out that their behavior is generally far from socially responsible, though they know that they should change their business practices. The reason why Korean firms behave differently from their rational thinking is that despite the recent economic slump in the country, they previously were accustomed to rapid growth. That is, Korean suppliers are inclined to focus on business goal accomplishments rather than CSR in order to revive the glory of past economic progress (see Choi & Nakano, 2008).

Similar reasoning can perhaps explain the lack of significance found regarding investors in our study. This outcome suggests that investors in IJVs in the local market are not overly concerned with the ethical practices or the CSR activities, but likely place more emphasis on returns and future profit generation. In a parallel line, Park and Ghauri (2015) provide another interesting comment as they indicate that unlike other advanced countries where philanthropic culture is valued, Korea does not seem to have the same culture. They state that Korean business investors commonly want to leave their wealth only to their children or offspring but they are not interested in philanthropy or society's restoration. From these explanations, we may again be seeing

<sup>2</sup> The Korean President recently came under suspicion of forcing *Chaebols* (i.e., Korean conglomerates) to provide bribes for her and her associate's individual interests and she is also accused of abusing her power by colluding with close friend Soon-Sil Choi, who is facing fraud charges (News.com.au, 2017)

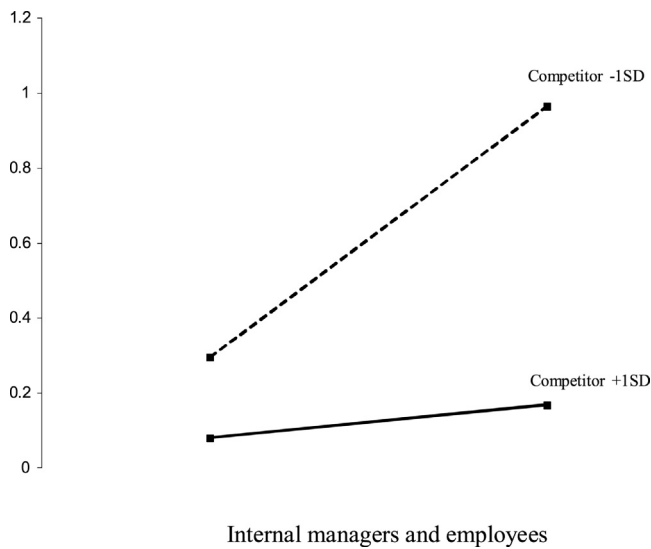


Fig. 2. A graphical representation of moderating effects: Interaction effects of 'internal managers and employees' and competitors on subsidiary CSR.

a local environmental effect, or simply realizing that the ethical and social needs and philanthropy are less important for investors in comparison to wealth, especially in terms of the limited life spans of IJVs.

The secondary stakeholders that were anticipated to play a role in IJV CSR activities include competitors, media, local community, and NGOs. While these stakeholders are not directly involved in the business activities of the IJV, they still play an important role in influencing an organization's actions through the need to develop good relationships in order to achieve success in an emerging market.

Unsurprisingly, competitors emerge as a statistically significant factor in influencing CSR activities. This is generally assumed as in a market no company likes to simply give another a competitive advantage and thus if a competitor pursues CSR, so too does the IJV respond. The imitation in this sense drives CSR growth to ensure that the ethical practices or CSR of one firm cannot be a defining factor or difference within the market (Laudal, 2011). In a parallel line, Bondy et al. (2012) propose that MNEs have a propensity to identify their existing CSR meanings and activities and looked into competitor activity to maintain market position through monitoring the competitor's CSR strategies.

The next stakeholder, media, was found not to have a significant effect, thus suggesting it is not a driving force behind CSR. Media is generally perceived to be very important in terms of negative reviews and the power it has to alter or create perceptions of a product or company to consumers. This result is contrary to some empirical research in this area, but is also perhaps explained by the structure of an IJV itself. Local media is often more concerned with large MNEs and corporate powerhouses (O'Riordan & Fairbrass, 2008), and is less inclined to try to make large cases out of smaller joint operations. Thus, the lack of support here may be due to the fact that IJVs are smaller in nature, being better able to escape media scrutiny, and also are intertwined with a local partner of whom the local media may not want to portray with excessive negativity.

The following stakeholder, local community, displays similar results to internal managers and employees from the first group and is thus partially supported. In the first analysis (Model 2) its influence is strongly significant, but in the full model it drops completely out of significance. As can be seen in Model 5, local community's pressure on IJVs is lessened under the scrutiny of consumers. Although an interaction effect between local community and consumers is verified through Model 5, a graphical representation between them is also given to concretely identify the reason for the partial support and confirm their relationship (Fig. 3 displays the interaction effects of local community and consumers on IJV CSR). This is consistent with other

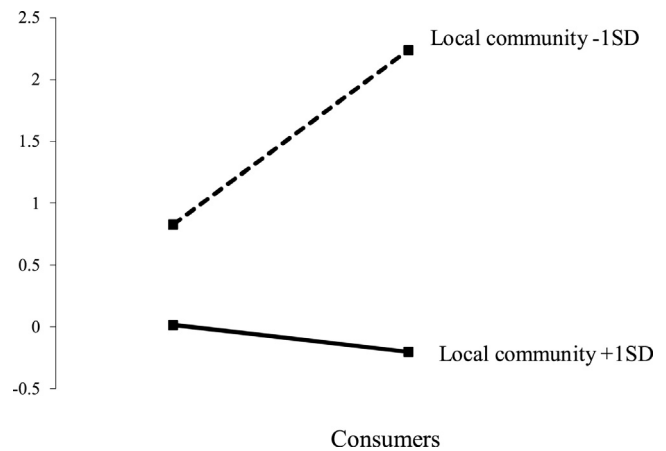


Fig. 3. A graphical representation of moderating effects: Interaction effects of consumers and local community on subsidiary CSR.

research, such as Strike, Gao and Bansal (2006), who suggest that local community plays an important role with respect to large organizations and focuses on their societal impact. IJVs, again due to their structure, may be somewhat exempt from this exertion of pressure due to the lack of overt visibility, and become less important than the more direct relationship governed by consumers.

The final stakeholder in the second group, NGOs, was found to be a significant factor in pressuring IJVs CSR practices. NGOs are often a very important observer of activities in foreign markets and their positive or negative outlook on an organization, and, in this case of an IJV, can spread quickly through the internet and be considered a very strong and credible source. The international standards implemented and pushed by NGOs are a very real and important factor in all markets and receive significant attention in this regard regardless of type of organization (refer to Detomasi, 2008; Imbun, 2007). In this vein, NGOs, whose influence on international business has risen in recent years (Khan, Lew, & Park, 2015), act as agents of civil society and enforce MNEs to respond to demands for socially responsible strategies by affecting their transaction costs and performance of international operations (Fang, Gunterberg, & Larsson, 2010). Therefore, NGOs have often been engaging in emerging countries as an active entity trying to promote responsible business practices and voicing the concerns of the community.

The second stage of this study focused on an analysis of CSR activities as they relate to the structure being focused upon. IJVs represent a joint effort between parents to create a firm in a market. However, IJVs in their generation tend to fall into three categories: foreign parent dominance, local parent dominance and 50/50 shared ownership. In this regard our ANOVA is slightly contrary to expectations in that foreign parent's majority owned IJVs do not display the highest level of CSR activities. They fall slightly below local parent's majority owned IJVs, with 50/50 ownership considerably lower than the others. Thus we find no support for H10 in this study. This is intriguing in that it was expected that foreign controlled IJVs would display higher CSR due to the generally more advanced nature of the foreign parent and higher standards followed in their home markets. However, instead we see IJVs driven by the local parent pursue CSR at a higher rate. The main explanation for this could be based on local consumers being more demanding for CSR or potentially local competitors pushing the response for these IJVs. Local market knowledge may suggest that the local parent is more responsive or aware of the consumer's desire for CSR activities in that particular market. In other words, IJVs with majority local ownership are probably well aware of what local stakeholders want, and thus it is perhaps easier for them to strategically allocate organizational resources than IJVs with majority foreign ownership. Meanwhile, MNEs (e.g., foreign parents in IJVs) are the main agent triggering change in the global economic landscape.

Historically, most of the main sources for current FDI, including the establishments of IJVs, came from MNEs from developed economies (UNCTAD, 2007, 2011), which have well-established institutional regulations with proper governance. These discussions may imply that foreign parents are interested in globally emerging issues, such as environmentally responsible management, whereas local parents in the less developed economies pursue activities related to the short-term needs of local stakeholders, resulting in the lowest performance of 50/50 shared ownership. However, we can sometimes witness MNEs' enormous irresponsible practices and their unethical behaviors in economically or institutionally lesser developed countries through cases such as NIKE's exploitation of labor in the 1990s and the more recent Reckitt Benckiser's toxic humidifier sterilizer scandal in South Korea (BBC, 2016), which also contribute to the statistical outcome. Despite this fact, MNEs surely play an important role in improving CSR in the Korean market, and the result from the final hypothesis below seems to indicate their role.

The final hypothesis went a step further in terms of identifying structural differences by comparing the CSR activities of IJVs with those of WOSs in the market. Following similar reasoning above, we posited that WOSs would pursue CSR activities at a higher rate than IJVs locally. Based on Table 4 we see this to be generally true, with significant differences being found in the first six items of the CSR scale. The last six items display higher rates for WOSs; however, none of them are significant. Thus in terms of H11 we suggest partial support for higher CSR activities among WOSs than IJVs. At this point in time, we need to carefully observe the CSR types of those items. The first six items of the CSR scale are generally related to code of conduct. In contrast, the last six items are either short-term donations and philanthropy or fundamental long-term contributions for local society developments. That is, given the fact that the basic instinct of MNEs is to achieve organizational profits in local markets, they are not entities for benevolence and they do not function as a root cause for social/societal progress. Instead of this, the presence of MNEs in local economies is likely to serve as a vehicle to build up an ethical atmosphere through the extensive fulfillment of a strict code of conduct.

To reiterate, our empirical examinations were undertaken in the Korean context. Korea is often referred to as one of the East Asian tigers (i.e., Hong Kong, Taiwan, Singapore, and Korea), which has long attracted interest from conventional MNEs based in developed economies, and achieved very rapid economic growth until 1997 and a recent decade. These so-called Asian tigers grew twice as fast as other Asian countries, three times as fast as Central and South American countries, and five times as fast as sub-Saharan countries in Africa (Ahn, 2001). Among these Asian tigers, Korea is the best example showing the interrelations between a change in the business environment, significant alterations in FDI policy, the enlargement of the volume of FDI attraction, and increased role of CSR in recent years. In particular, the Asian crisis that occurred at the end of the 20th century triggered changes in government attitude toward foreign investment. The subsequent enhancement of the economic situation through aggressive FDI liberalization strategies enabled Korea to dramatically increase foreign investment (Jeon & Ahn, 2004), which became a decisive opportunity increasing the establishment of IJVs between foreign and local firms. This illustration indicates that results uncovered in this research context will provide valuable implications, particularly for MNEs operating in countries leaping from emerging to emerged economies (though Korea is generally classified as an emerging market), experiencing active interactions between foreign and local firms in their markets and undergoing a transition in ethical management and CSR. According to explanations given by Park and Ghauri (2015), consumers have started becoming aware of their roles to police and supervise corporate activities in such countries. In addition, they argue that when consumers recognize an IJV's public service practices carried out in society and see both the products by the firm undertaking CSR and similar other products at supermarkets, the stakeholder generally purchases the products

produced by the firm due to an augmented civic consciousness (see p.199). Similarly, in those markets, the number of interactions between business and NGOs concerning issues of CSR is often enlarged exponentially (Van Huijstee & Glasbergen, 2010). Under the influence of NGO pressure, this logically causes foreign subsidiaries suffering from the liabilities of foreignness to increasingly accept responsibility in solving social issues, and engage NGOs in their CSR efforts. Park and Ghauri (2015) also document through an empirical experiment that competitors are a strong push factor pressuring subsidiaries to ethically behave in emerging markets (e.g., Korea) and firms suffer from severe enforcement of imitating competitors' policies and practices associated with CSR in order to not be left behind in the market.

To sum up, we look at different agendas for MNE subsidiaries' CSR and their relationships with stakeholder influence and ownership effects. The importance of MNE subsidiaries' CSR is particularly addressed in the IJV context. Given the fact that suggestions by previous research and past theory (e.g., Luo, 2006; Park & Ghauri, 2015; Yang & Rivers, 2009) overlooked the different characteristics of MNE subsidiaries (e.g., MNE subsidiaries without vs. with considerations on different entry formations; WOSs vs. IJVs), our findings show that CSR practices by IJVs are particularly more influenced by certain stakeholder's pressure, and both ownership structure in IJVs and comparisons of IJVs with WOSs seems to be as important as topics on the impact of each stakeholder in predicting their CSR activities. Our results seem to contradict some research belonging to stakeholder schools (e.g., Park & Ghauri, 2015; Selmier II, Newenham-Kahindi, & Oh, 2015; Yang & Rivers, 2009) suggesting that stakeholders will always positively affect CSR activities. That is, this research initially set out to identify the manner and extent that stakeholders that drive CSR pursuits of IJVs in an emerging economy. Following an initial analysis, a second stage took place to identify structure differences in IJVs and how ownership may affect the propensity to pursue CSR, along with a comparison with WOSs within the same local market. Our results suggest that consumers, competitors, and NGOs all play a significantly positive role in pressuring IJVs, while suppliers, surprisingly, were a significant, but negative, stakeholder in this regard. The results of the structure analysis were mixed as it was found that local parent dominant IJVs displayed the highest likelihood to engage in CSR, while 50/50 shared ownership displayed the lowest. When compared to WOSs, IJVs consistently scored at a lower rate, but on only half of the twelve items at a significant level.

## 7. Conclusion

The lack of existing research on IJVs in relation to CSR activities is noticeable and we are hopeful this study will spur new focus on this area.

From a theoretical standpoint, this study contributes to stakeholder theory by identifying key determinants promoting CSR behavior in IJVs. Stakeholders surrounding business settings can exert huge pressure on a firm's CSR activities by directly controlling the use of organizational resources and by imposing indirect effects on foreign-local collaborative formations (i.e., IJVs) (they are re-arranged as primary and secondary stakeholders in our study). In addition, their power can be an important institutional environment within which they are running their business. Thus, the impetus of CSR activities from an IJV can relate to the desires and demands of the local primary and secondary stakeholders, but a problem is that no one firm possesses sufficient resources to meet all requirements by these stakeholders. Due to this, stakeholder influence often imposes serious institutional dilemmas to MNE subsidiaries including IJVs. In this manner, this study lends credence to differing IJV behaviors. That is, the perspective that CSR is a corporate cost is abundant in international business literature and is oft-cited in terms of MNE failures and responses to public relations issues. However, this study suggests that, even though IJVs can be used as a vehicle to overcome some of the more common issues of foreignness and lack of knowledge, there still exist strong motivations to act in an appropriate manner and to pursue ethical behavior. Additionally, this study adds to the theoretical knowledge of IJVs adding that while they

are used to test the waters of a foreign market, they also can lead to enhanced stakeholder relationships through the dynamics of CSR. To sum up, we contribute to stakeholder theory and CSR literature as we combine relational aspects with CSR phenomenon and contextualize it in the IJV settings.

The managerial relevance of this study centers on the enhanced understanding of stakeholder roles for IJVs in an emerging market. The potential for a framework has been established in this study for IJVs, and equally importantly for MNEs, when looking at a market and considering the establishment of a joint venture. Structure based differences between organizational choices carry with them different consequences and challenges, and IJVs are no different in this regard. Thus, managers tasked with operations in foreign markets may be equipped with a greater knowledge base when determining organizational activities and focus in consideration of the type of operation and demands of their stakeholders. In international markets, IJVs continue to be a highly used entry mode and an effective method in acquiring local knowledge and understanding, with which comes local requirements and demands made by stakeholders that potentially differ from those made of large WOSs. Future analysis in this regard may be highly valuable to better interpret the variations between the structures in

terms of important stakeholders and preparation for local market conditions.

Despite these implications, several limitations from this study are of significant importance that they need to be addressed in this paper. First of all, the study was conducted in a single geographical area, thus potentially limiting the applicability of the results to other areas. Stakeholder pressure and environmental issues leading to lessening or increasing pressure on CSR activities may vary by country and the potential variation can be substantial. Some IJV characteristics such as size and age were also not differentiated in this study and they may play roles in the orientation towards CSR. Size differences or age may relate to the level of effort placed upon CSR activities as they attempt to either expand in the local market over time or may include other dimensions such as ethics codes. Similarly, this study did not analyze IJVs in terms of industry differences or variations between industries and this could conceivably open up an entirely new path of understanding in CSR activities based on stakeholder impact on IJVs and how they vary between industries. Finally, we believe that in-depth examinations exploring the role of ownership structure as a moderator of the relationship between stakeholder pressure and IJV CSR can be another future research avenue.

#### Appendix A. Independent variable measurements

Variable	Measurement (ranging from 1 = very strongly disagree to 5 = very strongly agree)	Cronbach's alpha
Consumers (Adapted from <a href="#">Tian, Wang and Yang, 2011</a> )	(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.	0.907
IJV managers and employees (Adapted from <a href="#">Munilla and Miles, 2005</a> )	(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.	0.730
Governments (Adapted from <a href="#">Qu, 2007</a> )	(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.	0.943
Suppliers (Created by this study)	(1) Local suppliers tend to prefer close cooperation with firms which are socially responsible. (2) Local suppliers tend to prefer the maintenance of cooperation with firms which are socially responsible. (3) Local suppliers have a propensity to apply social and environmental requirements to their business relationships.	0.835
Investors (Adopted from <a href="#">Park et al., 2014</a> )	(1) Investors tend to prefer investment into firms which are socially responsible. (2) Investors expect firms to implement various and active CSR practices in host country. (3) Investors actively indicate and support firms' CSR practices.	0.908
Competitors (Adapted from <a href="#">Lindgreen et al., 2009</a> )	Due to local business environment, firms suffer from pressure on emulating competitors' 1) social, 2) environmental, and 3) ethical policies and practices.	0.668
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.	0.818
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.	0.922
NGOs (Adopted from <a href="#">Park et al., 2014</a> )	(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.	0.867

Appendix B. Interactions among stakeholders, ownership and CSR

See Figs. B1–B9

We noticed that extending ANOVA results, it might be valuable if we test the interactions of ownership structure with the relationship between independent and dependent variables. As can be seen in the series of figures, we generally find that ownership structure functions as a moderator of the relationship between stakeholder pressure and subsidiary CSR. However, as suggested in the conclusion section, we leave in-depth examinations exploring the phenomenon for future research in that this is beyond our existing research objectives.

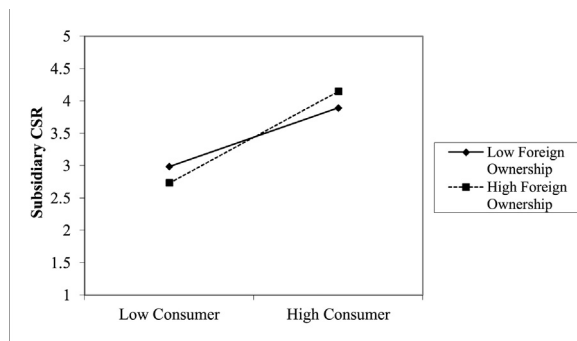


Fig. B1. Ownership structure as a moderator of the relationship between consumer pressure and subsidiary CSR.

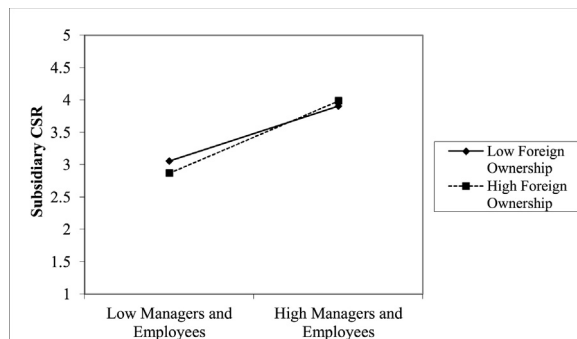


Fig. B2. Ownership structure (Foreign share) as a moderator of the relationship between pressure by internal managers and employees and subsidiary CSR.

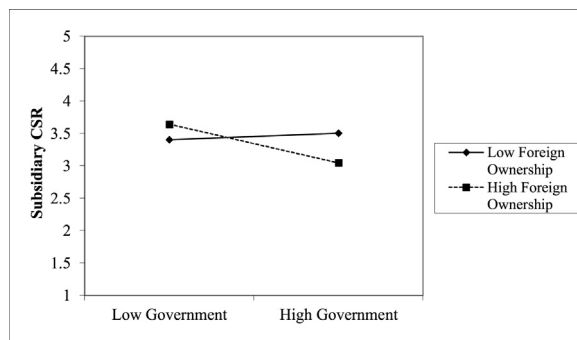


Fig. B3. Ownership structure as a moderator of the relationship between government pressure and subsidiary CSR.

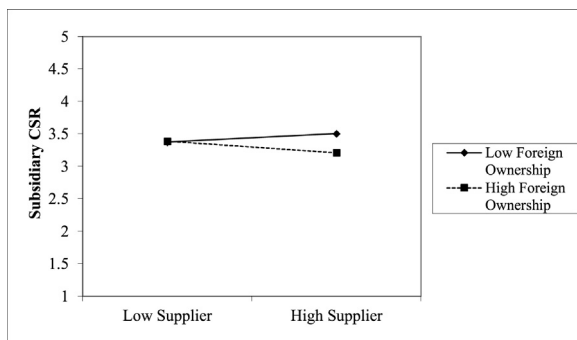


Fig. B4. Ownership structure as a moderator of the relationship between supplier pressure and subsidiary CSR.

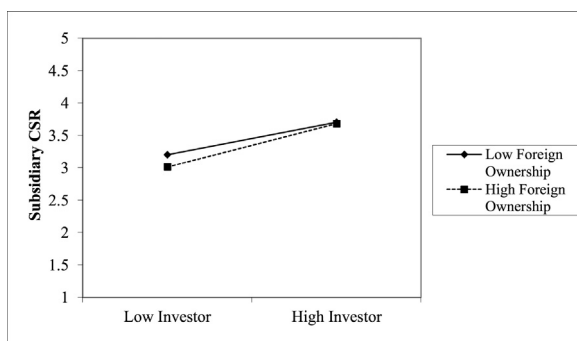


Fig. B5. Ownership structure as a moderator of the relationship between investor pressure and subsidiary CSR.

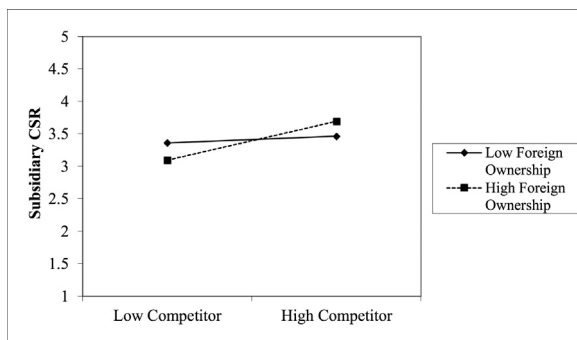


Fig. B6. Ownership structure as a moderator of the relationship between competitor pressure and subsidiary CSR.

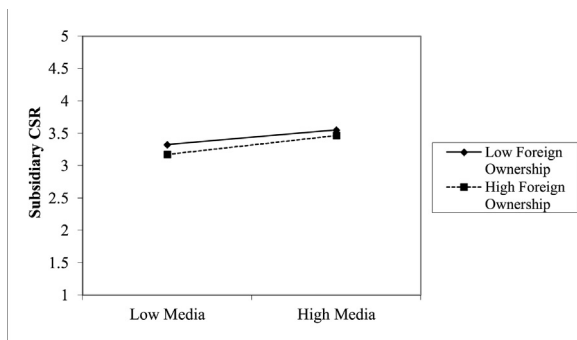


Fig. B7. Ownership structure as a moderator of the relationship between media pressure and subsidiary CSR.

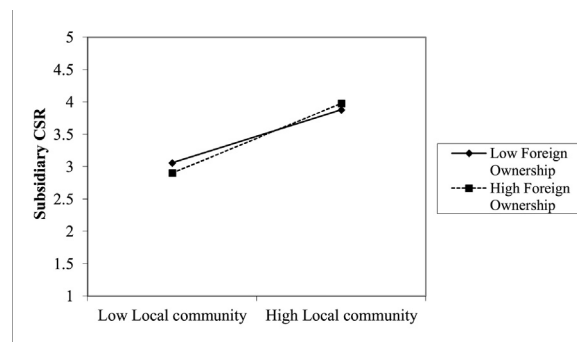


Fig. B8. Ownership structure as a moderator of the relationship between local community pressure and subsidiary CSR.

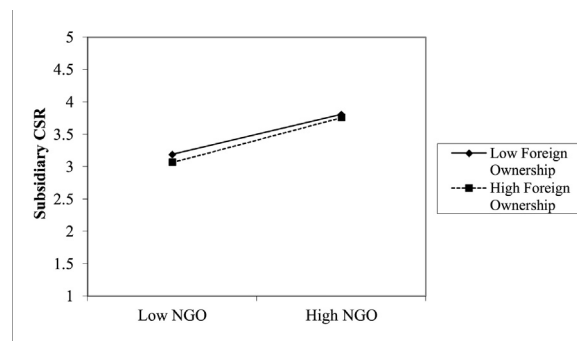


Fig. B9. Ownership structure as a moderator of the relationship between NGO pressure and subsidiary CSR.

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