

EXPORT TO ELUDE?

INTERNATIONALIZATION AND CORPORATE SOCIAL RESPONSIBILITY PERFORMANCE*

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Abstract

This paper synthesizes two prominent theories of corporate social responsibility (CSR) antecedents, the stakeholder theory and the strategy view. We argue that its stakeholders' salience and its likelihood of gaining competitive advantage jointly determine a firm's CSR performance. We test our theory in the context of emerging market multinational enterprises (MNEs). We predict that when internationalization reduces the salience of a firm's domestic stakeholder substantially or the firm does not consider CSR as a competitive strategy, a higher level of internationalization would harm a firm's domestic CSR performance. We present evidence consistent with this prediction using a sample of Chinese MNEs and various identification strategies. We also show that both stakeholder salience and strategic CSR effects are present. Our study contributes to the CSR antecedent literature by providing a powerful analytical framework. We also add to the international business studies by showing that internationalization might harm a firm's CSR performance.

Keywords: corporate social responsibility, stakeholder theory, strategic view, international business, multinational enterprises, emerging market

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1 Introduction

How does a firm's internationalization affect its corporate social responsibility (CSR) performance? Many researchers advocate for a positive effect following the stakeholder theory or the strategic model. First, the stakeholder theory (Donaldson and Preston, 1995; Freeman, 1984) postulates that firms' CSR decisions are responses to their stakeholders' expectations and influences (Sen and Cowley, 2013). Following this theory, internationalization exposes a firm to a broader range of stakeholders and, thus, stricter scrutiny. Thus, it would adopt high CSR standards to mitigate potential legal risks (Attig et al., 2016; Cheung et al., 2015; Symeou et al., 2018).

Second, derived from the resource-based theory (Hart, 1995), the strategic view of CSR argues that engaging in CSR activities can bring competitive advantage to firms (Flammer, 2015, 2018; Kang, 2013). Hence, when entering a new market, multinational enterprises (MNEs) would adopt a CSR strategy to gain market shares (Boehe and Cruz, 2010; Du et al., 2011; Polonsky and Jevons, 2009).

However, these arguments may also lead to predictions in the opposite direction. First, different stakeholders have different importance to a firm. The importance of a stakeholder is determined by its power, the legitimacy of its calls, and the urgency of its calls (Mitchell et al., 1997). Internationalization will likely reduce all three attributes of a firm's domestic stakeholders, whereas its foreign stakeholders may face substantial information friction in evaluating this firm's domestic CSR performance. Thus, MNEs may find it optimal to reduce their CSR activities, leading to a worse

CSR performance.

Second, different MNEs are constrained by distinct firm-, industry-, and institutional characteristics. It is implausible to believe that CSR strategy would bring a competitive edge to all firms (McWilliams et al., 2006, 2002). For example, MNEs from emerging markets usually adopt the price-leadership strategy when competing in the global market (Acquaah, 2009; Brouthers and Xu, 2002; Wang et al., 2012). Therefore, one should not expect all MNEs would perceive CSR as a competitive strategy.

We propose that combining these two theories would provide a powerful framework for advancing our understanding of MNEs' CSR choices (and, more generally, all firms' CSR choices). On the one hand, a firm prioritizes the demands of its stakeholders based on their relative importance. Stakeholders with high social awareness but low salience would struggle to get this firm into a socially responsible direction. For MNEs, internationalization reduces the salience of their domestic stakeholders and may lead these firms to perform worse on CSR activities catering to their domestic stakeholders.

On the other hand, a firm trades off costs and benefits when determining its competitive strategy. It would hesitate to invest in CSR activities if it cannot reap enough fruit from these investments. Whether adopting CSR as a competitive strategy will benefit the MNE depends on the characteristics of that MNE as well as that of the target markets.

Therefore, two forces jointly determine a firm's CSR activity and performance, the *stakeholder salience effect* and the *strategic CSR effect*. The same two forces shape the

effect of internationalization on a firm's CSR performance, whereas the extant work on this topic (e.g., Attig et al., 2016; McGuinness et al., 2017; Symeou et al., 2018) has documented the aggregate effect of them. Focusing on Chinese MNEs, our study takes a step to identify them separately.

We first document the aggregate effect of Chinese MNEs' internationalization on their CSR performance. On the one hand, the stakeholders of MNEs can be broadly categorized into domestic ones and foreign ones. As firms increase their degree of internationalization, the relative salience of their domestic stakeholders decreases. As foreign stakeholders face substantial friction (e.g., language, credibility, etc.) in evaluating these firms' CSR activities, the stakeholder salient effect predicts that internationalization would reduce a firm's CSR performance.

On the other hand, Chinese MNEs mainly realize their competitive advantage by adopting the cost-leadership strategy but not the CSR strategy. Therefore, the strategic CSR effect will not be strong enough to counter the stakeholder salience effect and lead to a positive overall effect of internationalization on CSR performance. In summary, for Chinese MNEs, we expect the stakeholder salience effect to dominate and will observe a negative impact of internationalization on CSR performance.

We use a sample of Chinese-listed firms from 2011 to 2018 to test our hypothesis. We measure a firm's internationalization with its ratio of foreign sales to total sales (Kang, 2013; Li et al., 2019; Walker et al., 2019). For CSR performance, we use the Hexun score, a comprehensive index for Chinese listed firms (Cheng et al., 2022; Kao et al., 2018; Wang et al., 2021). Consistent with our expectation, a firm's internation-

alization correlates negatively with its CSR score. By breaking down the CSR score into different dimensions, we find that this relationship mainly comes from the employee and community aspects, implying these two stakeholders are most adversely affected.

Although our regression controls for various firm characteristics and fixed effects, it is possible that the documented relationship suffers from the endogeneity problem. To alleviate the concern of reverse causality, we use lagged-one-year foreign sales and change in foreign sales as the explanatory variable. The results keep supporting our hypothesis. To mitigate the concern over omitted variables, we construct two variables, industry average foreign sales and province average foreign sales, as instruments for the foreign sales ratio. We then apply the Heckman selection and two-stage least square models to confirm our baseline result.

We then proceed to identify these two forces separately. To achieve that, we split the sample so that one of the two effects varies, whereas the other is kept relatively fixed. We start by categorizing firms based on two criteria to identify the salient stakeholder effect. The first rule is whether a firm exports mainly to the OECD countries. OECD customers are usually associated with high CSR awareness and standards (Cheung et al., 2015; Marano et al., 2017; Muller and Kolk, 2009; Tashman et al., 2019). Since China's CSR standards are mainly adapted from these countries, the reduced domestic stakeholder salience of OECD-targeting MNEs would be partially mitigated by the high CSR standards of these MNEs' foreign stakeholders. On the other hand, the most common competitive strategy of Chinese MNEs is price

leadership. This strategic choice is unlikely related to the firms' exporting destination. Therefore, we expect that the negative impact of internationalization on CSR performance is less pronounced for OECD-targeting MNEs.

Second, we categorize firms by whether their controlling shareholder is the government. State-owned enterprises (SOEs) are owned and operated by the government. They are critical tools that the Chinese government uses to achieve its policy agenda (Bai et al., 2006; You et al., 2022). Therefore, state-owned MNEs' increased foreign sales ratio will not reduce the government's salience to them. In addition, the Chinese government has been attaching increasing attention to their firms' CSR performance. This policy agenda further implies that state-owned MNEs' internationalization would not severely harm their CSR performance. On the other hand, whether the controlling shareholder is the government or not is unlikely to affect a firm's propensity to choose CSR as the competitive strategy. These arguments lead us to hypothesize that the negative impact of internationalization on CSR performance is less pronounced for SOEs.

The cross-sectional analyses present evidence that are consistent with our hypotheses. The negative effect of internationalization on CSR performance is more pronounced for MNEs exporting to emerging countries than for MNEs to OECD countries. Similarly, this negative effect is more significant for non-SOEs than for SOEs. To the extent that these two categorizations are unrelated to a firm's propensity to choose CSR as a competitive strategy, these documented differences are driven by the stakeholder salience effect.

We use two alternative criteria to split firms and identify the strategic CSR effect. First, we categorize an MNE as adopting the cost-leadership strategy if its cost-to-revenue ratio lies in the top tercile within its industry. Compared to firms with cost-to-revenue ratios in the industry's bottom tercile, these MNEs are unlikely to be adopting the CSR differentiating strategy, and hence an increase in their foreign sales ratio will have a smaller impact on their CSR performance.

Second, we split our sample firms according to their industry competition intensity. Specifically, a firm operates in a high (low) competition industry if its industry's Herfindahl–Hirschman index (HHI) lies in the bottom (top) tercile across all industries. Compared to firms in a low-competition environment, firms facing more intense competition are more likely to adopt differentiation strategies such as investing in CSR. Internationalization serves as a substitute for CSR differentiation, and hence an increase in the foreign sales ratio would reduce these firms' incentives in CSR activities. Therefore, we expect that an increase in internationalization will have a larger impact on these firms' CSR performance.

We find evidence consistent with our hypotheses. Compared to MNEs not adopting a cost-leadership strategy, the negative effect of internationalization on CSR performance is less pronounced for MNEs adopting a cost-leadership strategy. Similarly, this negative effect is more pronounced for MNEs operating in a more competitive environment (and thus more likely to adopt a CSR differentiating strategy). Under the premise that firms that fall into these different categorizations face a similar set of domestic stakeholders, these documented differences mainly come from the strategic

CSR effect.

Our paper contributes to various strands of literature. First, to the best of our knowledge, this paper is the first to synthesize two prominent theories of CSR antecedents, the stakeholder theory and strategic theory. This new framework provides a comprehensive view to analyze firms' CSR decisions. Second, we add to the international business literature by causally identifying how emerging market MNEs' foreign sales can affect their CSR performance. Moreover, we present evidence that both the stakeholder salience and the strategic CSR effect are in play.

The rest of the paper is organized as follows. [Section 2](#) synthesizes the literature and develops the hypotheses. [Section 3](#) describes the data sources and sample. Main analyses are presented in [Section 4](#). [Section 5](#) concludes.

2 Theoretical Framework and Hypotheses Development

2.1 Theoretical Framework

There are two prominent theories on why firms engage in corporate social responsibility activities. The first one is the stakeholder theory ([Freeman, 1984](#)). It postulates that a company's success depends on its ability to create value for stakeholders by meeting their expectations and demands. Stakeholder refers to a wide variety of entities including, but not limited to, shareholders ([Dyck et al., 2019](#)), directors ([Zhang et al., 2013](#)), employees ([Flammer and Luo, 2017](#)), customers ([Dai et al., 2020](#)), and communities ([Hoi et al., 2018](#)). This theory offers a natural framework to investigate

corporate social responsibility (Caroll, 1991) and has become a popular framework to analyze a firm's CSR engagements (Banerjee et al., 2022; Brown and Forster, 2013; Dumitrescu and Zakriya, 2021).

However, different stakeholders have misaligned interests, and firms can only ration their limited resources to fulfil the needs of some stakeholders (Gianfelici et al., 2018; Goodpaster, 1991; Tang and Tang, 2018). Therefore, identifying the relative salience of stakeholders and tailoring its strategy to them is critical to a firm's success. Mitchell et al. (1997) pioneered this literature by proposing three attributes, power, legitimacy, and urgency, to categorize stakeholders. *Power* measures the extent a stakeholder could get the firm into socially responsible actions. *Legitimacy* assesses whether the firm acts appropriately within the boundary of social values. *Urgency* evaluates how fast the firm would respond to the calls of the stakeholder. This theory provides a valuable framework to study the heterogenous impact of stakeholders on firms' strategies and performances (Qian et al., 2023). It constitutes the fundamental of our study on how the relative salience of stakeholders affects firms' CSR performances.

The second theory follows the resource-based theory (Hart, 1995) and argues that firms adopt CSR as a competitive strategy. It postulates that CSR constitutes a valuable differentiating strategy to form a firm's competitive advantage (Bardos et al., 2020; Doukas and Zhang, 2021; Kang, 2013).

However, different firms have distinct propensities to adopt the CSR strategy. First, institutional features vary dramatically across countries. For example, emerg-

ing economies usually have low social awareness (Zhang et al., 2018) and fewer legal requirements (Marano et al., 2017). Consequently, firms operating in these countries are less likely to adopt CSR as their competitive strategy. Second, whether CSR activities provide a competitive advantage depends on adopting the firm's characteristics (McWilliams et al., 2006), such as profitability (Withisuphakorn and Jiraporn, 2016) and market competition (Duanmu et al., 2018). This context-dependent feature of the strategic CSR theory constitutes another basis of our study.

Both theories are valuable frameworks for understanding CSR antecedents and have found support empirically. These two forces are intimately linked and jointly shape a firm's CSR decision. For instance, the salience of a CSR-sensitive stakeholder might alter a firm's strategic choice (Dai et al., 2020), while the market competition, a critical driver of strategic consideration (Flammer, 2015), will change the relative salience of firms' customers. Thus, considering them separately may yield a biased evaluation of firms' CSR decisions. We propose that considering these two forces simultaneously provides a more comprehensive view of firms' CSR engagements.

2.2 Hypotheses Deveopment

We use multinational enterprises from emerging economies to test our argument for three reasons. First, a significant proportion of MNEs' stakeholders are overseas, meaning that their domestic stakeholders have relatively low power and urgency. In addition, these foreign stakeholders face non-trivial information barriers (e.g., language, credibility, etc.) to evaluate these exporters' domestic CSR performances, fur-

ther reducing these firms' incentives to boost domestic CSR ratings.

Second, CSR standards depend on country-specific factors (Aguilera et al., 2007; Campbell, 2007; Marquis et al., 2007). As a result, different countries may have drastically different interpretations of CSR activities. For example, what behaviours are considered ethical in a country is heavily dependent on the norms and regulations of that country (Scholtens and Dam, 2007). This divergence in the focuses of domestic and foreign stakeholders would exacerbate the reduction of the salience of MNEs' domestic stakeholders.

Third, institutional context is critical to firms' incentives to engage in CSR activities (Duanmu et al., 2018; Ioannou and Serafeim, 2015; Wang et al., 2016). Public media scrutiny and strict institutional constraints in developed countries mitigate, at least partially, the reduction of domestic stakeholder salience to their MNEs. In addition, higher production costs and more stakeholder activisms make CSR an attractive differentiating strategy for these firms to gain a competitive advantage (Boehe and Cruz, 2010; Flammer, 2018; Leonidou et al., 2015). This strategic consideration produces a positive effect of internationalization on CSR, neutralizing the impact of reduced domestic stakeholder salience. Hence, it is not clear whether the stakeholder salience effect or the strategic effect would dominate developed country MNEs' CSR choices.

On the other hand, developing country MNEs face much fewer institutional constraints (Marano et al., 2017) in reducing CSR activities. In addition, they are typically cost-sensitive (Gao et al., 2010) and thus unlikely to invest in CSR as the competitive

strategy (Biswas and Roy, 2015). Consequently, the stakeholder salience effect will likely dominate the strategic effect in emerging country MNEs' CSR decisions. Based on these reasonings, we propose our main hypothesis:

Hypothesis 1 *In an emerging economy, a firm's domestic CSR performance is negatively associated with its foreign sales ratio.*

Although economic reasoning leads us to hypothesize that the stakeholder salience effect would dominate the strategic CSR effect, this documented relationship between a firm's foreign sales ratio and its CSR performance is still the aggregate of the two effects. In what follows, we design analyses to show that both effects are in play.

We identify the stakeholder salience effect by keeping the strategic CSR effect relatively fixed. To achieve that, we categorize firms into groups subject to different domestic stakeholder salience but have arguably similar propensity to adopt CSR as a competitive strategy. The first categorization is based on whether the major destination of a firm's export is to OECD countries. The rationale is that customers from OECD countries tend to have high CSR awareness and requirements (Marano et al., 2017; Tashman et al., 2019). Thus, OECD-country targeting exporters need to cater to their OECD customers' CSR needs. Their domestic stakeholders would benefit indirectly from these firms' CSR activities. As a result, the negative impact of reduced domestic stakeholder salience on these firms' CSR performances will be (at least partially) mitigated. On the other hand, non-OECD-country customers typically have lower CSR awareness and standards, and the negative impact of decreased domestic

stakeholder salience on MNEs exporting to these countries will not be reduced.

In addition, whether an emerging market MNE mainly sells its products in OECD countries or not is unlikely to drive a firm to choose CSR as the differentiating strategy. In fact, the most prevalent competitive advantage Chinese MNEs adopts is the price-leadership one (Brouthers and Xu, 2002; Gan et al., 2016; Yue and Hua, 2002). Therefore, we hypothesize that the negative impact of foreign sales ratios on CSR will be more pronounced for non-OECD-oriented MNEs than for OECD-oriented ones, and this difference mainly comes from the stakeholder salience effect:

Hypothesis 2a *The negative relationship between the foreign sales ratio and domestic CSR score is more pronounced for firms targeting the OECD markets than those targeting emerging markets.*

Our second categorization is based on firms' ownership structures. We define a sample firm as state-owned if the government holds more than 30% of its shares (Huang et al., 2017).¹ SOEs are government assets and their managers are (quasi-) governmental officials (Cao et al., 2019; Liou and Tsai, 2017). Therefore, compared to non-SOEs, the operations of SOEs are more directly and deeply influenced by the government. Many studies have documented that the government utilises SOEs to achieve its policy agenda (Bai et al., 2006; You et al., 2022), such as its intention to improve CSR (Marquis and Qian, 2014). Thus, state-owned MNEs always face the powerful government stakeholder who has an increasing CSR demand. This stakeholder's salience is unlikely to be lower even if the firm boosts its foreign sales ratio.

¹The results are robust to alternative thresholds such as 20% and 50%.

Non-state-owned MNEs, on the other hand, are not directly influenced by the government. These firms' domestic stakeholders' salience would drop more significantly than their state-owned counterparts' domestic stakeholders.

In addition, SOEs enjoy favourable market conditions and government guarantees (Ding et al., 2021; Dong et al., 2021; Ru, 2018), whereas non-SOEs face severe resource constraints and challenging market conditions (Firth et al., 2011; Hsieh and Klenow, 2009). Neither of these ownership types will directly influence a firm's propensity to choose CSR as the competitive strategy. Thus, we hypothesize that the negative relationship between a firm's foreign sales and its CSR performance would be less pronounced for SOEs, and this difference is mostly driven by the stakeholder salience effect:

Hypothesis 2b *The negative relationship between the foreign sales ratio and domestic CSR score is more pronounced for SOEs than non-SOEs.*

Next, we propose tests to identify the strategic CSR effect by keeping the stakeholder salience effect relatively stable. To achieve that, we attempt to split our sample in ways such that different groups of firms have distinctive propensities to adopt CSR as the competitive strategy but face a similar set of stakeholders. According to Porter (1985), a firm can adopt either the cost-leadership strategy or the differentiation strategy to obtain its competitive advantage, and the CSR strategy falls in the differentiation category (Attig et al., 2016; Flammer, 2015; Kang, 2013). Firms that engage in the cost-leadership strategy are unlikely to pursue CSR differentiation si-

multaneously, as CSR activities are costly. We use two measures to proxy a firm's propensity to adopt a CSR strategy.

Our first measure is a firm's cost-to-revenue ratio (Duanmu et al., 2018; Gao et al., 2010). Specifically, for each firm, we calculate its ratio of production cost and total sales. We classify a firm as cost-leading if this ratio falls in the bottom tercile in a given year. On the other hand, a firm is not adopting the cost-leadership strategy if this ratio lies in the top tercile. As cost-leadership firms do not utilize CSR as their competitive strategy, their attention and spending on CSR activities are constantly low. Hence, an increase in their foreign sales ratio would not have a substantial negative impact on their CSR performance. However, firms that do not use a cost-leadership strategy may use CSR as the differentiation strategy. For them, an increase in the foreign sales ratio may considerably affect their CSR scores.

Moreover, regardless of its cost-to-revenue ratio, a firm faces a similar set of domestic stakeholders (i.e., shareholders, domestic employees, government, etc.). Thus, we hypothesize that the negative relationship between foreign sales and CSR performance would be less pronounced for cost-leading firms than non-cost-leading firms, and this difference is mainly driven by the strategic CSR effect:

Hypothesis 3a *The negative relationship between the foreign sales ratio and domestic CSR score is less pronounced for firms adopting the cost-leadership strategy.*

The second proxy we use for a firm's propensity to engage in CSR strategy is whether it operates in a highly competitive market. Specifically, we calculate each

industry's Herfindahl–Hirschman index (HHI). We label a firm to be in a high-competition (low-competition) industry in a given year if its industry's HHI lies in the bottom (top) tercile across all industries in that year. Firms that face fiercer competition are more likely to resort to differentiation strategies (e.g., CSR) to escape competition (Bardos et al., 2020; Doukas and Zhang, 2021). Therefore, an increase in the foreign sales ratio for high-competition industry firms is likely to induce a more extensive drop in CSR score than a comparable increase for firms in a less competitive environment.

In addition, these two types of firms are unlikely to face systematically different domestic stakeholders. Thus, our last hypothesis postulates that the negative relationship between foreign sales and CSR performance would be more pronounced for firms in a more competitive environment than firms in a less competitive market, and this mainly comes from the strategic CSR effect:

Hypothesis 3b *The negative relationship between the foreign sales ratio and domestic CSR score is more pronounced for firms operating in a highly competitive market.*

To summarize, our first hypothesis tests the aggregate effect of stakeholder theory and strategic CSR theory in the setting of emerging market firms' internationalization. The second set of hypotheses (Hypotheses (2a) and (2b)) focuses on the stakeholder salience effect by holding stable the strategic consideration, whereas the third set of hypotheses ((3a) and (3b)) examines the strategic effect by fixing the stakeholder salience channel.

3 Data and Methodology

3.1 Data

Our data comes from two main sources. First, we obtain all financial information of Chinese listed firms from the China Stock Market and Accounting Research (CSMAR), a commonly used database for Chinese financial market studies (Li and Guo, 2022a; Xie et al., 2022). Second, we obtain CSR data from Hexun,² an independent agency publishing annual CSR ratings for Chinese listed firms since 2010 (Cheng et al., 2022; Kao et al., 2018; Wang et al., 2021). To avoid potential inaccuracy in the first year of construction, we use the CSR data from 2011 onwards.

Our sample spans the period from 2011 to 2018. First, we drop specially treated (ST or ST*) stocks. Second, we exclude all financial firms. Third, we exclude any observations with missing values in any variables. Our final sample includes 11,378 firm-year observations.

3.2 Measuring Corporate Social Responsibility

Hexun calculates CSR scores using a similar approach to the Kinder, Lydenberg and Domini (KLD) score widely used for US firms. For each firm, Hexun provides scores on five dimensions: shareholders (30%), employees (15%), suppliers-customers (15%), environmental protection (30%), and community responsibility (10%). Each dimension is evaluated based on firms' annual reports, CSR reports, and other public

²Website: <https://www.hexun.com/>

sources. Hexun then aggregates the scores across dimensions to obtain the total CSR score for each company. We measure firm CSR performance using this aggregate score. This score has been verified in the literature as a useful tool in analysing Chinese firms' CSR performances (Cheng et al., 2022; Kao et al., 2018; Wang et al., 2021).

Compared to alternative CSR evaluations, one major advantage of Hexun rating is its comprehensive coverage of all listed firms. Therefore, our analysis is unlikely to be subject to sample selection issues.

3.3 Measuring Internationalization

We measure firm internationalization using the ratio of foreign sales to total sales in any given year, a widely adopted measure in the literature (Aguilera-Caracuel et al., 2012; Attig et al., 2016; Kang, 2013; Li et al., 2019; Walker et al., 2019). This ratio is of first-order importance in indicating a firm's involvement in the non-domestic market (Cheung et al., 2015; Sullivan, 1994; Wiersema and Bowen, 2008), and hence the degree of (non-)salience of its domestic stakeholders.

3.4 Control Variables

We control for various firm characteristics, including natural logarithm of the book value of total assets (*size*), debt to total assets ratio (*leverage*), return on assets (*ROA*), capital expense divided by the total asset (*Capex*), market value of total assets to the book value of total assets (*Tobin's Q*), the percentage change in sales revenue (*Sales*

Growth), a dummy variable indicating whether the majority shareholder of a firm is the government (*SOE*), the competition intensity of a firm's industry (*Competition*), and corporate governance measures such as the number of directors on the board (*Board Size*), the proportion of independent directors (*Independence*), and a dummy variable indicating whether the CEO and board chair are the same person (*Duality*). All variables are defined in [Table A1](#).

3.5 Summary Statistics

[Table 1](#) summarizes our sample. In panel A, we report our sample firms' CSR scores and their breakdowns. Notice that the CSR score of an average firm in a typical year is 26.7 out of 100. This value is comparable to the literature using the same measure (e.g., [Li and Guo, 2022b](#)). Panel B shows the characteristics of our sample firms at the firm-year level. Across our sample period, 35% of the firm-year observations have positive foreign sales, while an average firm obtains 7.6% of its annual sales from overseas. All other variables have similar distributions as those from the literature.

[[Table 1](#) About Here]

4 Empirical Analyses

4.1 Baseline Results

We estimate the following baseline regression to capture the impact of foreign sales on domestic CSR performance:

$$CSR_{ijpt} = \alpha + \beta \cdot Foreign_{ijpt} + \gamma' X_{ijpt} + \lambda_i + \delta_j + Province \times Year FE + \varepsilon_{ijpt} \quad (1)$$

where i indexes firm, j indexes industry, p indexes province, and t indexes year. CSR is the Hexun CSR score and $Foreign$ a firm's annual foreign sales ratio. X is the vector of control variables described above. We control for firm fixed effect λ_i , so the main source of variation in our specification is the within-firm one. We also include industry fixed effect (δ_j) to control for industry-specific factors and province-by-year fixed effect to control for time-varying province characteristics. Finally, we cluster standard error at the firm level.

The first four columns of the [Table 2](#) reports the results. In columns (1) to (3), we do not include control variables except for various fixed effects. We observe that a firm's foreign sales proportion is negatively associated with its CSR score across specifications. This negative correlation is persistent after partialling out firm-level controls (column (4)). In this preferred specification, a one-percentage-point increase in the foreign sales ratio reduces a firm's CSR score by more than 6 points. This effect is roughly 22.4% ($=6/26.74$) of the sample mean CSR score. Empirical evidence

thus supports our hypothesis that for emerging economies, internationalization is negatively related to a firm's domestic CSR rating.

We further disentangle whether this negative relationship comes from the extensive or intensive margin. In column (5) of [Table 2](#), we re-run [equation \(1\)](#) by using *exporter* dummy as the explanatory variable. Although the coefficient is negative, it is not statistically significant at the conventional level. In column (6), we estimate [Equation 1](#) using firms with positive foreign sales. We document that for these firms, a one-percentage-point increase in the foreign sales ratio reduces a firm's CSR scores by about 24% ($=5.2/21.67$) of the average CSR scores among them. These results thus suggest that the exporter status does not substantially impact a firm's domestic CSR rating. However, with the decreasing salience of domestic stakeholders (higher foreign sales ratio), a firm's CSR performance drops significantly.

[[Table 2](#) About Here]

Hexun CSR score is an aggregation of five dimensions. To understand which dimension is more profoundly affected by a firm's foreign sales, we estimate our preferred specification using each dimension as the outcome variable. [Table 3](#) shows the results. Although a firm's foreign sales ratio is negatively associated with its performance in all CSR dimensions, only those relationships with shareholder responsibility (column (1)) and community responsibility (column (5)) are statistically significant.

This breakdown analysis lends further support to our hypothesis. First, Hexun

uses *salary and training*, *safety inspection and training*, and *caring for employee* to construct employee responsibility score. It is reasonable for a firm to expect its foreign customers to face obstacles in obtaining information on how it treats its employees. Thus, even though foreign customers care about their suppliers' employee benefits, the exporting firms may find it beneficial to cut down expenditures on this end. Second, community responsibility includes a firm's tax contribution and public donation. As a firm's foreign sales ratio increases, its reliance on domestic reputation decreases. Thus, this firm's incentive to make domestic donation decreases.

On the other hand, it is less clear whether foreign sales would harm other CSR dimensions. First, shareholder responsibility mainly focuses on a firm's profitability and distribution. Both are unlikely to correlate with where a firm sells its products. Second, although a firm may find domestic environmental protection expenditures less critical when focusing more on the international market, the Chinese government and media's increasing awareness of environmental issues can prevent the exporting firm from ignoring this dimension.

One might notice the negative relationship between foreign sales and supplier and buyer responsibility (column (3)) and wonders whether it casts doubt over our argument. This is not necessarily the case. As the supplier & buyer dimension captures a firm's responsibility to both suppliers and customers, this relationship is not entirely driven by the customer side. Moreover, as it is much easier to track domestic customers than foreign ones, it is reasonable to expect that Hexun constructs this score mainly from its responses from firms' domestic customers. As a result, if a firm's

foreign sales go up, it might have less incentive to satisfy its domestic customers and thus gets lower ratings from the latter. To sum up, it is not clear *a priori* what direction the relationship between foreign sales and supplier & buyer dimension we should expect.

[Table 3 About Here]

4.2 Endogeneity Concerns

Our baseline model includes an extensive set of control variables and fixed effects. However, there are still endogeneity concerns. For example, one might worry that the causality goes in the opposite direction. Namely, it is those firms with unsatisfactory domestic CSR performances that choose to go overseas. To alleviate this concern, we use *lagged-one-year foreign sales* and *annual change in foreign sales* as the main explanatory variable to re-estimate equation (1). Columns (1) and (2) of Table 4 report the results.

We find that for an average firm, a one-percentage-point increase in its previous year's foreign sales ratio is associated with a more than 3 points (12% of sample mean) drop in its current year's CSR score. On the other hand, if this firm's annual increase in foreign sales ratio is a one-percentage-point higher, its CSR score will be 2.6 points (10% of sample mean) lower. Both coefficients are statistically significant. Therefore, these results confirm the finding in our main regression and imply the documented results are unlikely to be the consequence of reverse causality.

One might also worry that there are omitted variables unobservable by econometricians that simultaneously drive a firm's foreign sales ratio and CSR scores. We apply two methods to address this concern. First, we adopt the Heckman selection model to adjust for the possibility that firms self-select into exporter status. In the first stage, we regress the *exporter* dummy on the control variables and fixed effects in the main regression. To fulfil the exclusion restriction (Liu et al., 2021), we also add the average foreign sales ratio of other firms in the same industry (industry average) and the average foreign sales ratio of other firms in the same province (province average) as additional predictors (column (3) of Table 4). Then in the second stage, We use the inverse Mill's ratio obtained from stage one as an additional regressor and re-estimate equation (1). The result is in column (4) of Table 4. It shows that a one-percentage-point increase in a firm's foreign sales ratio leads to a 3.726 points drop in its CSR score (about 14% of the sample mean).

Second, we use the industry and province averages from the Heckman model as the instruments for a firm's foreign sales ratio and estimate a two-stage least square model. These industry- and location-based instruments are widely adopted in the literature (Awaysheh et al., 2020; Kang et al., 2018; Liu et al., 2021; Ren et al., 2021; Xu et al., 2014). On the one hand, a firm's internationalization is likely to correlate highly with its industry and province peers (relevance). On the other hand, it is plausible that a firm's CSR performance is not affected by these peer firms' foreign sales through channels other than the firm's export (exclusion).

The estimation coefficients are reported in column (5) (first-stage) and column

(6) of Table 4. First, both instruments positively and significantly correlate with the potentially endogenous explanatory variable, *Foreign*, consistent with the economic prediction. Moreover, the first-stage F-statistic suggests that the instruments satisfy the relevant condition. Second, as we have more instruments than endogenous variables, we can conduct an over-identification test to check the exclusion restriction. The p-value of the test statistic implies that we do not reject the null hypothesis that our instruments are jointly valid.

The second-stage estimation suggests that a one-percentage-point increase in a firm's foreign sales ratio will lead to a 6-point reduction in its CSR score (or 23% of the sample mean). This coefficient is comparable to those from the main regressions. This result further supports our hypothesis that foreign sales of emerging market firms might impair their domestic CSR performance.

[Table 4 About Here]

4.3 Cross-sectional Analysis

Our paper proposes that how a firm's foreign sales affect its domestic CSR performance depends on the relative magnitude of two forces: the salience of its domestic stakeholder and whether it perceives CSR as a differentiating strategy. The analysis above captures the aggregate impact of these two channels. However, it is essential to understand their relative magnitudes. To fulfil this task, this section attempts to identify groups of firms relatively unlikely to be affected by one of these channels.

4.3.1 Stakeholder Salience Effect

We start by keeping the strategic effect unchanged and estimate the magnitude of the stakeholder salience effect. To achieve that, we conduct two cross-sectional analyses. First, we split our sample into two groups based on whether the major destination of a firm's foreign sales is to OECD countries.

MNEs targeting OECD countries face customers having higher CSR awareness and requirements than MNEs targeting emerging markets. Hence, the former type of firms will more actively consider CSR issues in their operations. Since there are substantial overlapping of CSR evaluation contents across countries, OECD-exporting firms' domestic stakeholders would indirectly benefit from these firms' high CSR performance. Therefore, we would expect these firms' increased foreign sales ratio to have a smaller impact on their CSR performance than those emerging market-oriented firms.

Columns (1) and (2) of [Table 5](#) confirm this expectation. If the primary destination is one of the OECD countries, a firm's foreign sales ratio does not significantly impact its domestic CSR performance. However, if the destination is a developing economy, a one-percentage-point increase in a firm's foreign sales ratio will reduce its domestic CSR score by 6.3 points (or 23.5% of the sample mean). Thus, to the extent that firms with different exporting destinations do not differ systematically in their decisions to adopt CSR as a competitive strategy, our results confirm the stakeholder salience channel.

Second, we split our sample according to whether a firm's controlling shareholder is the government. Government plays a significant role in the Chinese economy by holding considerable corporate shares and utilising SOEs to convey its policy intentions, including its increasing emphasis on sustainable growth (Jiang and Kim, 2020; Marquis and Qian, 2014). Thus, the government is a significant stakeholder for SOEs regarding CSR engagements. On the other hand, non-SOEs only need to fulfil basic CSR regulations set by the government and are less affected by government stakeholders. Moreover, it is unlikely that a firm's ownership type would lead it to derive strategic advantage from CSR differentiating. Therefore, compared to non-SOEs, SOEs have more salient domestic stakeholders but a similar likelihood to engage in strategic CSR. Consequently, the negative relationship between a firm's foreign sales ratio and domestic CSR performance would be less profound for SOEs.

Columns (3) and (4) of Table 5 provide evidence consistent with this argument. For state-owned firms (about 33% of the sample), we do not find a statistically significant impact of foreign sales ratio on CSR performance. However, for an average non-state-owned firm, a one-percentage-point increase in foreign sales ratio would lead to a 6.4-point drop in its CSR score. Based on the premise that state ownership does not alter a firm's tendency to engage in strategic CSR, our results thus provide evidence that stakeholder salience could profoundly impact CSR performance.

[Table 5 About Here]

4.3.2 Strategic CSR Effect

We now attempt to quantify the magnitude of the strategic CSR effect by holding stakeholder salience relatively stable. Similar to the above, we conduct two cross-sectional analyses. First, we construct a measure of whether a firm engages in cost leadership or differentiating strategy (Porter, 1985) based on its cost-to-revenue ratio (Duanmu et al., 2018; Gao et al., 2010). We classify a firm as the cost-leadership type if its cost-to-revenue ratio falls into the upper tercile in its industry and the non-cost-leadership type if this ratio lies at the bottom tercile.

Firms utilizing a cost-leadership strategy are unlikely to adopt CSR differentiation simultaneously. Thus, compared to firms that are less likely to adopt the cost-leadership strategy (hence are more likely to consider CSR as their competitive strategy), an increase in cost-leadership firms' foreign sales ratios should have a less pronounced impact. However, it is plausible to expect firms with different cost-to-revenue ratios (and hence a different likelihood of adopting a cost-leadership strategy) to face a similar set of (and hence of comparable salience) domestic stakeholders. This categorization thus allows us to isolate the strategic CSR effect from the stakeholder salience effect.

Columns (1) and (2) of Table 6 lend support to our hypothesis. If a firm falls in the category of cost-leadership firms, a one-percentage-point increase in its foreign sales ratio will lead to a 4.6-point decrease in its CSR score. This value is 43% higher (and statistically more significant) if a firm falls in the non-cost-leadership category.

Therefore, to the extent that firms with different cost-to-revenue ratios do not have drastically different domestic stakeholders, these two coefficients (and their comparison) provide evidence of the strategic CSR effect.

Second, we use another categorization to proxy firms' likelihood of using CSR as a competitive strategy. Specifically, we argue that firms operating in industries with more intense competition are more likely to resort to differentiating strategies such as CSR (Bardos et al., 2020). Therefore, with increased foreign sales ratios, these firms may consider reducing their domestic CSR activities. On the other hand, firms in low-competition environments are less likely to engage in CSR strategy in the first place, and increased export levels may not harm their CSR scores.

We test this argument by splitting firms into terciles based on the HHI index of their industries. We then label the top tercile as the low competition group and the bottom tercile as the high competition group. We re-estimate the impact of foreign sales on domestic CSR score for both groups and report the results in columns (5) and (6) of Table 6. We find that for firms in the low competition intensity environment, an increase in their foreign sales ratios does not significantly impact their CSR performances. However, for an average firm in a highly competitive environment, a one-percentage-point increase in its foreign sales ratio will lead to a 15% drop in its CSR score. These findings support our hypothesis.³

[Table 6 About Here]

³We acknowledge the limitation of these two proxies, as they are *indirect* measures of a firm's likelihood of using CSR strategy. However, we believe these proxies can provide some indication of the strategic CSR effect of our sample firms.

5 Conclusion

We propose that the impact of internationalization on a firm's CSR performance depends on the firm's domestic stakeholders' salience and whether it derives a competitive advantage from engaging in CSR activities. Using a sample of listed firms in China, we provide evidence consistent with our theory. Our work bears academic, managerial, and policy implications.

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Tables

Table 1: Summary Statistics

This table presents summary statistics. **Panel A** reports the Hexun CSR scores and their breakdowns. **Panel B** reports the firm characteristics. All variables are defined in [Table A1](#).

Panel A: CSR Scores						
	N	Mean	SD	P25	Median	P75
Overall	11,378	26.740	18.865	16.300	22.390	29.650
Shareholder	11,378	13.587	6.587	9.560	14.240	18.450
Employee	11,378	3.181	3.593	0.810	1.780	4.000
Supplier & Buyer	11,378	2.411	5.440	0.000	0.000	0.000
Environment	11,378	2.508	5.908	0.000	0.000	0.000
Community	11,378	5.054	4.827	2.480	4.550	7.570
Panel B: Firm Characteristics						
	N	Mean	SD	P25	Median	P75
Export	11,378	0.351	0.477	0.000	0.000	1.000
Foreign	11,378	0.076	0.172	0.000	0.000	0.049
Size	11,378	22.196	1.381	21.215	22.014	22.997
Leverage	11,378	0.106	0.134	0.001	0.053	0.168
ROA	11,378	0.036	0.136	0.012	0.032	0.060
Capex	11,378	0.032	0.061	0.000	0.005	0.039
Tobin's Q	11,378	0.104	0.132	0.003	0.050	0.165
Sales Growth	11,378	0.166	0.371	-0.027	0.102	0.267
Duality	11,378	0.237	0.425	0.000	0.000	0.000
Board Size	11,378	8.799	1.762	8.000	9.000	9.000
Independence	11,378	0.373	0.055	0.333	0.333	0.400
Competition	11,378	0.131	0.150	0.052	0.079	0.151

Table 2: Effect of Foreign Sales on CSR Performance

This table reports the main results. Columns (1) to (4) reports the effect of foreign sales on firms' CSR performances under various specifications using the overall sample. The dependent variable is the aggregate CSR score released by Hexun.com. The main explanatory variable is a firm's foreign sales proportion. Column (5) reports the effect of being an exporter on CSR performance (extensive margin), whereas column (6) reports the effect of foreign sales on performance conditioning on a firm being an exporter (intensive margin). All other variables are defined in [Table A1](#). Standard errors clustered at the firm level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1%.

Variables	CSR Scores (Overall)					
	(1)	(2)	(3)	(4)	(5)	(6)
Foreign	-6.325*** (1.931)	-7.332*** (1.880)	-6.477*** (1.791)	-6.021*** (1.698)		-5.159** (2.036)
Export					-0.943 (0.840)	
Size				5.242*** (0.427)	5.317*** (0.429)	5.051*** (0.858)
Leverage				60.900** (26.748)	58.099** (26.761)	62.053 (49.479)
Tobin's Q				-68.752*** (26.621)	-66.112** (26.637)	-40.813 (49.324)
ROA				0.384** (0.176)	0.391** (0.179)	37.860*** (8.113)
Capex				-1.239 (2.313)	-1.185 (2.308)	-6.505 (4.169)
Sales Growth				-0.010*** (0.001)	-0.010*** (0.001)	-0.123 (0.124)
State				0.426 (0.803)	0.371 (0.800)	0.163 (1.639)
Competition				-1.018 (2.462)	-1.036 (2.458)	-1.693 (5.723)
Duality				-1.205** (0.539)	-1.158** (0.541)	-1.440 (0.925)
Board Size				0.416* (0.249)	0.434* (0.249)	0.405 (0.438)
Independence				15.408*** (5.903)	15.743*** (5.903)	28.581*** (9.236)
Constant	27.220*** (0.146)	27.297*** (0.143)	27.232*** (0.136)	-97.365*** (10.012)	-99.426*** (10.030)	-100.353*** (19.594)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes	Yes	Yes
Province $\times$ Year FE	No	Yes	Yes	Yes	Yes	Yes
Observations	11,378	11,378	11,378	11,378	11,378	3,898
Adjusted R-squared	0.515	0.583	0.587	0.600	0.600	0.692

Table 3: Effect of Foreign Sales on CSR Dimensions

This table reports the effect of foreign sales on a firm's different CSR dimensions, including responsibilities to shareholders, employees, suppliers & buyers, environment, and community. All variables are defined in [Table A1](#). Standard errors clustered at the firm level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1%.

Variables	Shareholder	Employees	Suppliers/ Buyers	Environment	Community
	(1)	(2)	(3)	(4)	(5)
Foreign	-0.816 (0.583)	-0.325* (0.181)	-0.220 (0.472)	-0.444 (0.559)	-1.232*** (0.330)
Size	1.855*** (0.204)	0.786*** (0.087)	0.899*** (0.130)	0.969*** (0.126)	0.733*** (0.128)
Leverage	3.032 (10.158)	6.550 (5.497)	16.376* (9.731)	15.072 (9.296)	19.870** (8.277)
Tobin Q	-12.168 (9.813)	-5.875 (5.429)	-15.153 (9.629)	-13.360 (9.158)	-22.195*** (8.192)
ROA	0.224 (0.138)	0.025* (0.015)	0.019 (0.025)	0.061** (0.025)	0.055 (0.040)
Capex	1.784** (0.777)	-0.826* (0.424)	-1.262* (0.715)	-1.218 (0.833)	0.284 (0.590)
Sales Growth	-0.001* (0.000)	-0.002*** (0.000)	-0.002*** (0.000)	-0.002*** (0.000)	-0.004*** (0.001)
State	0.335 (0.266)	0.118 (0.165)	0.001 (0.242)	-0.050 (0.277)	0.021 (0.186)
Competition	0.906 (0.866)	-0.240 (0.469)	0.025 (0.880)	-0.294 (0.931)	-1.415** (0.609)
Duality	0.292 (0.229)	-0.327*** (0.101)	-0.481*** (0.164)	-0.459** (0.180)	-0.229 (0.153)
Board Size	0.161* (0.085)	0.039 (0.049)	0.040 (0.077)	0.099 (0.083)	0.078 (0.061)
Independence	0.426 (1.972)	2.834*** (1.093)	3.817** (1.858)	4.053** (1.994)	4.279*** (1.549)
Constant	-28.145*** (4.608)	-15.580*** (2.034)	-19.294*** (3.034)	-21.356*** (2.961)	-12.989*** (3.025)
Firm FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Province × Year FE	Yes	Yes	Yes	Yes	Yes
Observations	11,378	11,378	11,378	11,378	11,378
Adjusted R-squared	0.605	0.602	0.540	0.549	0.480

Table 4: Effect of Foreign Sales on CSR After Addressing Endogenous Concerns

This table reports results of various identification strategies. Column (1) and (2) uses lagged and change in foreign sales as the main explanatory variable. Column (4) reports the result corrected for selection bias using the Heckman method, with 1st stage selection estimation reported in column (3). Column (6) reports the result using the instrumental variable method, with 1st stage result reported in column (5). Standard errors in columns (1) and (2) are clustered at the firm level. Standard errors using the Heckman and IV methods are corrected for estimation bias. *, **, and *** denote statistical significance at 10%, 5%, and 1%.

			Heckman		IV	
	CSR	CSR	Selection	CSR	Foreign	CSR
	(1)	(2)	(3)	(4)	(5)	(6)
lagged Foreign	-3.106** (1.572)					
Δ Foreign		-2.576** (1.293)				
Foreign				-3.726*** (0.958)		-6.054* (3.330)
Industry Ave			0.031 (0.668)		0.198*** (0.020)	
Province Ave			1.456*** (0.099)		0.147*** (0.029)	
Size	5.243*** (0.429)	5.302*** (0.429)	0.231*** (0.044)	6.222*** (0.148)	0.003** (0.001)	6.250*** (0.150)
Leverage	57.926** (26.729)	57.812** (26.743)	-12.248*** (3.625)	-32.882* (16.869)	0.641*** (0.162)	-23.476 (17.877)
Tobin's Q	-65.829** (26.605)	-65.777** (26.623)	11.779*** (3.614)	19.797 (16.825)	-0.612*** (0.162)	10.839 (17.753)
ROA	0.385**	0.390**	-0.002	0.440***	-0.002	0.416***

(continued)

	(0.179)	(0.180)	(0.132)	(0.145)	(0.001)	(0.147)
Capex	-1.093	-1.282	1.089	-0.477	0.043*	-0.060
	(2.312)	(2.311)	(0.881)	(2.488)	(0.024)	(2.526)
Sales Growth	-0.010***	-0.010***	7.012	-0.013	-0.000	-0.013
	(0.001)	(0.001)	(6.090)	(0.012)	(0.000)	(0.012)
State	0.392	0.365	-1.319***	-0.834	-0.010*	-0.842
	(0.802)	(0.801)	(0.126)	(0.617)	(0.006)	(0.582)
Competition	-1.004	-1.052	0.615	-1.059	0.018	-0.998
	(2.458)	(2.458)	(0.812)	(2.408)	(0.023)	(2.425)
Duality	-1.186**	-1.162**	0.133	-0.828**	0.013***	-0.676*
	(0.540)	(0.541)	(0.132)	(0.364)	(0.004)	(0.384)
Board Size	0.427*	0.434*	-0.064**	0.296***	-0.000	0.296***
	(0.249)	(0.249)	(0.032)	(0.104)	(0.001)	(0.105)
Independence	15.571***	15.501***	0.554	6.831**	0.014	6.934**
	(5.902)	(5.896)	(1.167)	(3.100)	(0.030)	(3.122)
Firm FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
Province $\times$ Year FE	Y	Y	Y	Y	Y	Y
Observations	11,378	11,378	11,736	11,736	11,620	11,620
Adjusted R-squared	0.600	0.600			0.137	
First-stage F					69.35	
OverID p-value					0.8373	

Table 5: Cross-sectional Analysis: Stakeholder Salience Effect

This table reports the effect of foreign sales on CSR for different sub-samples. Columns (1) and (2) split firms into mainly exporting to OECD countries and other countries. Columns (3) and (4) split firms into state-owned and non-state-owned. All variables are defined in [Table A1](#). Standard errors clustered at the firm level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1%.

Variables	OECD	Developing	SOE	non-SOE
	(1)	(2)	(3)	(4)
Foreign	-0.830 (5.990)	-6.259*** (1.789)	-5.327 (5.288)	-6.403*** (1.782)
Size	8.689*** (1.126)	5.191*** (0.449)	0.650 (2.267)	5.121*** (0.466)
Leverage	102.293 (183.483)	54.424** (27.619)	-159.879 (192.468)	59.409** (27.274)
Tobin's Q	-103.323 (181.452)	-62.746** (27.491)	140.773 (190.282)	-65.690** (27.153)
ROA	151.888*** (28.107)	0.370** (0.178)	47.664*** (15.170)	0.377** (0.170)
Capex	-21.037 (15.742)	-1.200 (2.345)	-1.534 (4.578)	-0.905 (2.503)
Sales Growth	42.537*** (15.989)	-0.010*** (0.001)	-0.005*** (0.001)	-0.007 (0.009)
State	2.638 (4.162)	0.317 (0.819)		
Competition	21.090 (16.092)	-1.787 (2.494)	-12.207 (9.960)	-2.419 (2.602)
Duality	-5.239** (2.530)	-1.235** (0.549)	2.042 (2.662)	-1.475*** (0.547)
Board Size	-1.436* (0.833)	0.393 (0.253)	0.879 (0.944)	0.430 (0.266)
Independence	-16.820 (23.238)	14.628** (5.979)	58.288* (33.073)	13.521** (6.072)
Constant	-152.743*** (22.644)	-95.634*** (10.455)	-11.090 (53.811)	-93.961*** (10.979)
Firm FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Province × Year FE	Yes	Yes	Yes	Yes
Observations	2,307	9,071	3,763	7,615
Adjusted R-squared	0.630	0.597	0.671	0.597

Table 6: Cross-sectional Analysis: Strategic CSR Effect

This table reports the effect of foreign sales on CSR for different sub-samples. Columns (1) and (2) split firms into cost-leadership and non-cost-leadership firms. Columns (3) and (4) split firms into operating in a low-competition and high-competition environment. All variables are defined in Table A1. Standard errors clustered at the firm level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1%.

Variables	Cost-leadership		Competition	
	Yes	No	Low	High
	(1)	(2)	(3)	(4)
Foreign	-4.589* (2.532)	-6.553** (3.301)	-2.149 (1.751)	-3.802** (1.519)
Size	6.718*** (0.378)	3.756*** (0.684)	5.581*** (0.261)	6.610*** (0.283)
Leverage	-41.546 (39.311)	28.971 (35.047)	-26.643 (28.483)	-51.250 (37.204)
Tobin's Q	33.261 (39.304)	-31.441 (35.016)	20.919 (28.487)	30.590 (37.053)
ROA	0.120 (0.092)	4.328 (2.687)	2.052*** (0.637)	0.235 (0.154)
Capex	-11.576*** (4.098)	2.974 (4.440)	1.014 (4.490)	-0.512 (4.360)
Sales Growth	-0.073*** (0.021)	-0.017*** (0.003)	-0.014 (0.012)	-0.059 (0.104)
State	0.444 (1.253)	2.757 (1.746)	0.136 (0.959)	1.054 (1.155)
Competition	-2.716 (3.757)	-5.948 (4.931)	-0.891 (2.669)	13.670 (39.100)
Duality	-0.933 (0.809)	-1.150 (0.986)	-1.585** (0.697)	-0.231 (0.585)
Board Size	0.626** (0.268)	0.728* (0.428)	0.529*** (0.186)	0.460** (0.192)
Independence	11.211 (7.094)	25.146*** (9.735)	15.611*** (5.676)	7.749 (5.321)
Constant	-123.597*** (8.564)	-78.211*** (16.265)	-106.760*** (5.715)	-124.052*** (6.537)
Firm FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Province × Year FE	Yes	Yes	Yes	Yes
Observations	3,675	3,361	3,637	3,786
Adjusted R-squared	0.323	0.538	0.282	0.262

A Appendix

Table A1: Definition of Variables

Variable	Definition
CSR Scores	
Total Score	Overall CSR Score of listed firms provided by Hexun.com.
Shareholder	Score on the firm's responsibility to shareholders (contributes to 30% of overall score).
Employee	Score on the firm's responsibility to employees (contributes to 15% of overall score).
Supplier & Buyer	Score on the firm's responsibility to suppliers, buyers, and end consumers (contributes to 15% of overall score).
Environment	Score on the firm's environmental responsibility (contributes to 20% of overall score).
Community	Score on the firm's responsibility to the community (contributes to 20% of overall score).
Firm Characteristics	
Exporter	Dummy variable indicating a firm has non-zero foreign sales in a certain year.
Foreign	The ratio of foreign sales to total sales.
Size	The natural logarithm of total assets.
Leverage	The ratio of total debt to total assets.
ROA	Net income divided by total assets.
Capex	The ratio of capital expenditures to total assets.
Tobin's Q	The ratio of the market value of assets to the book value of assets.
Sales Growth	The percentage growth of total sales.
SOE	Dummy variable indicating whether the state ownership of a firm exceeds 30%.
Duality	Dummy variable indicating whether the CEO and board chair is the same person.
Board Size	Number of directors on the board.
Independence	The proportion of independent directors on the board.
Competition	The Herfindahl-Hirschman Index of a firm's industry.
Industry Ave	Average foreign sales of all the other firms in the same industry.
Province Ave	Average foreign sales of all the other firms in the same province.