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The Effects of Socially Responsible Activities on Management Performance of Internationally Diversified Firms: Evidence from the KOSPI Market

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Abstract

It seems a common sense that corporate social responsibility (CSR) is a key driver to attain business sustainability. Nevertheless, there has been little research on the performance of socially responsible activities, including economic and environmental responsibility activities in internationally diversified firms. The purpose of this study was to evaluate the effects of CSR activities on management performance. For this evaluation, an empirical analysis was conducted with a total of 2,520 cases, selected from companies listed on the Korea Composite Stock Price Index market for six years from 2013 to 2018. As proxies for management performance, financial data such as a total asset net profit ratio and a total asset-operating ratio were used. A multivariate regression analysis was conducted to test hypotheses. The results of this analysis indicated that firms in the CSR outstanding group are significantly higher than other groups in management performances. In addition, CSR activities of internationally diversified firms positively influence their total asset net profit ratio and total asset-operating ratio. The results suggested that CSR activities of these firms can play a significant role in enhancing management performances amid the economic status of Korea, where a degree of export dependency is high.

Keywords: Business Sustainability, Corporate Social Responsibility, Financial Data, International Diversification, Small- and Medium-sized Firm

JEL Classification Code: M41, C83, L20

1. Introduction

It seems to be a common sense that corporate social responsibility (CSR) is a key driver to attain business sustainability. Specifically, CSR is regarded as activities that a firm conducts by analyzing economic and environmental interests and by applying them to management to accomplish social duties. Nonetheless, there has been little research on the performance of socially responsible activities including economic and environmental responsibility activities in firms doing business in various countries.

Today, firms play a major role in the country's economic development. Especially, with the development of free trade between nations under free trade agreements and others, it is no longer novel for companies to make investments outside their territorial boundaries. With the soaring growth of overseas expansion of companies, internationally diversified companies tend to focus on recovery of their foreign investments and increasing of their profits and such tendency could lead to a number of issues related with CSR of the companies and for the companies to neglect such issues.

While such negative influences gradually have floated onto the surface, the importance of CSR of companies expanding their businesses overseas has been also emphasized. To deal with these issues, international organizations and governments are creating the atmosphere for companies to fulfill their CSR. For instance, the Organization for Economic Co-operation and Development (OECD) revised the OECD Guidelines for Multinational Enterprises in 2011.

Especially, Korea has achieved remarkable growth in foreign investment in the past 50 years since it exceeded 100 million USD in exportation in 1964. Exports amounted

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to 604.9 billion USD in 2018, more than 5,000 times higher than in 1964 (Kotra, 2019). As the domestic market of Korea is very limited, Korean companies are making great efforts to develop and expand to overseas markets. To overcome the difficulties of developing and expanding to overseas markets, many companies are pursuing international diversification. At the national level, the government of Korea is actively promoting international diversification with various support policies. Accordingly, the amount of export of domestic companies is showing a rapid increase, and the dependence on export is also very high (Kim, An, & Kim, 2012; Huynh, 2020; Faisal et al., 2020; Yang & Kim, 2018).

However, the global spread of COVID-19 is causing a huge shock to the international financial market. The International Monetary Fund (IMF) said in the “2020 World Economic Outlook Reports”, “It is very likely that this year the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago,” “a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis,” “Currency movements have generally reflected these shifts in risk sentiment. The currencies of commodity exporters with flexible exchange rates among emerging market and advanced economies have depreciated sharply since the beginning of the year, while the US dollar has appreciated by some 8½ percent in real effective terms as of April 3, the yen by about 5 percent, and the euro by some 3 percent,” and “The tight financial condition for advanced and emerging market economies discussed above are expected to remain in place for the first half of the year.” (<https://www.imf.org/en/publications/weo>). As COVID-19 swept the United States and Europe, there is a growing beeping sound that a recession comparable to the Great Depression may occur.

Once the pandemic subsides, it is expected that the new Southern policy promoted by President Moon Jae-In since 2017 will become fully activated, supporting the overseas expansion of Korean companies. On November 9, 2017, President Moon said in his keynote address at the Korea-Indonesia forum that he hopes to revitalize human exchanges in technology, culture, and art between two nations rather than solely focus on commodity-oriented trades, and to create a ‘people community’ in which people and hearts become connected, a ‘peace community’ contributing to peace in Asia through cooperation for security, and a prosperity community in which everyone can prosper through reciprocal economic cooperation, and declared the indirect justification and obligation for CSR.

CSR is a corporate activity expected by a variety of stakeholders to be performed by the corporate to fulfill its social obligations expected and required by the society.

It is a process in which a corporate voluntarily analyzes and accepts social and environmental interests of its various stakeholders in its field of business and actively reflects them onto its management activities.

In this regard, CSR is an essential element for the continued generation of profit for internationally diversified companies and is becoming a social duty for them as well. Thus, it is highly likely that CSR activities of international diversification companies headquartered in Korea, having a high degree of export dependence, affect their management performances. However, there are only few studies investigating it.

Therefore, this study will derive the results of the research through multivariate regression analysis on the impact of CSR activities on management performance for internationally diversified companies listed in the KOSPI market for six years from 2013 to 2018. In addition, for the social responsibility index of Korean companies, the Economic Justice Institute Index (KEJI) of the Economic Justice Research Institute under the Citizens’ Federation for Economic Justice will be used.

This study is constructed as follows. Following the introduction, in Chapter I, the previous studies on CSR and international diversification of corporates are addressed. In Chapter II, the hypotheses and model of this study are explained, and in Chapter III, results of the empirical analysis of this study are reviewed. In conclusion, the final chapter, the results and limitations of this study are described.

2. Literature Review

2.1. CSR Activities

CSR activities are an activity voluntarily performed by a corporate to fulfill its social obligations expected and demanded by its various stakeholders. A corporate analyzes social and environmental interests of its various stakeholders and voluntarily reflects them onto its management activities, so that the corporate continuously interacts with its stakeholders. As the awareness of the necessity of CSR activities has recently spread, CSR activities have been considered to have economic values, and have become an important strategic means for value creation. Since 2010, various studies on CSR have been conducted in Korea, and social interest about CSR has been increasing recently. The earlier studies on CSR mainly focused on CSR using the KEJI index of the Citizen’s Coalition for Economic Justice (CCEJ) (Lee & Kim, 2013; Cho & Kim, 2014; Kim, 2014; Kang, 2015; Lee & Kim, 2015; Kwon & Park, 2016; Choi, 2016; Kim, 2018; Kim & Kim, 2018; Lee, 2018; Ji, Yoon, Park, An, & Oh, 2019; Shin, Nam, & Lee, 2019). And recently, the KRX’s Socially Responsible Investment Index has been

widely used as well (Ryu, Ji, & Lee, 2018; Hwang & Ryu, 2018; Kim & Oh, 2016; Lee & Kwon, 2018; Ryu & Ji, 2018a; Ryu & Ji, 2018b; Shin, 2018; Kwak & Ji, 2019; Ji, 2019; Ji & An, 2019).

The previous studies on CSR activities showed mixed results on whether they have a positive effect or a negative effect on corporate value. In the case of results of the previous studies asserting that CSR activities have a positive effective on corporate value, corporates actively engage in CSR activities have a strong tendency to comply with laws and ethics, such as transparent financial reporting (Beaudoin, 2008; Chih et al., 2008; Lim & Choi, 2013). Therefore, investors in capital markets demand a low premium on such companies, suggesting that CSR activities can ultimately act as a factor to increase corporate value (Lee & Ko, 2013). In addition, through CSR activities, corporates not only increase their corporate values by gaining a positive reputation, but also increase the morale and loyalty of their employees, in turn supporting the development of the corporates, but also the society (Ji, Yoon, Park, An, & Oh, 2019).

In the result of the study by (Kim, Kim, Kim, & Chun, 2013), it was also shown that CSR has a positive effect on a corporate's performance, so they claimed that corporates fulfilling their social and ethical responsibilities achieve better economic performances. They also mentioned that CSR acts as an intermediary in the appropriateness of a corporate's governance and performance and since a corporate's governance affects its social activities and a corporate's social activities generate a reputation effect, CSR exerts a positive effect on management performance.

On the other hand, there are several studies suggesting a negative effect of CSR. According to the study by Shin, Nam, and Lee (2019), CSR activities at the cost of shareholders could be used by opportunistic corporate officers as a window of private profit pursuit or as a tool to positively wrap the external image of a corporate. Hemingway and MacLagan (2004) also stated that one of the reasons companies pursue CSR activities is to prevent their misbehavior from being made known to external stakeholders. If corporate officers engage in CSR activities with opportunistic intentions, CSR activities can become a cause to undermine corporate value, and such cases are frequently reported by the media (Shin, Nam, & Lee, 2019). Based on the former argument, this study intends to investigate from the viewpoint that a corporate's CSR activities can improve the corporate's image when entering an overseas market and positively affect its management performance. However, there have been no studies addressing the impact of CSR activities on management performance of internationally diversified companies. Therefore, this study aims to examine whether CSR activities affect management performance of internationally diversified companies.

2.2. International Diversification

The previous studies on the effect of corporates' international diversification on management performance showed mixed results. They reported inconsistent results on whether the international diversification of individual corporates adds or discounts their values, and there has been much discussion in academia (Denis et al., 2002; Gande et al., 2009; Jung, 2003; Lee, 2003; Cha et al., 2010). Because of the potential benefits of international diversification, these studies show that international diversification has a positive effect on the return of a company, in general (Geringer et al., 1989). Lewellen's (1971) study also revealed that if diversification is used when cash stability is high, it is possible to achieve both tax advantages and reduced cost of financing through stabilization of cash flow. In addition, following studies show that when an internationally diversified company forms a stable internal capital market, it can solve under-investment problems that can be caused by difficulties in raising capital through external markets (Stein, 1997; Fauver, Hauston, & Naranjo, 2003). In particular, companies that have diversified in many countries may have positive stock yields because diversified companies can have a positive impact on their values by improving management efficiency if they have already secured core technology or can utilize the sales network (raw material supply chain) in those countries (Doukas & Lang 2003), and as a corporate expands to overseas markets, the corporate's return on sales increased (Kim et al., 1989; Tallman & Li, 1996). These studies argue that profits of internationally diversified companies would experience the lower fluctuation in the entire profit of the companies due to the positive impact of diversification, where the benefits from multiple countries offset each other (Shaked, 1996; Goldberg & Heflin, 1995).

In the study, addressing the difference in value-related profits depending on the level of international diversification, by Kim, An, and Kim (2012), they claimed that in Korea, international diversification has a positive effect on corporates. Yoo, Kim, and Chun (2014) and Kim (2018) empirically analyzed the impact of international diversification on the quality of profits, and they found that the higher the level of international diversification, the lower the volatility of profits and the lower the level of profit adjustment, in turn raising the quality of profits. Kang (2013) conducted an empirical analysis on the impact of international diversification for US companies on their CSR activities, and reported that companies are more likely to actively engage in CSR activities when they enter the more countries for business since they have to fulfill the demands and needs of various stakeholders such as international organizations. On the other hand, Reeb et al. (1998) and He and Ng (1998) claimed that corporates with the higher

degree of international diversification would have the higher risk of exchange rate fluctuation and they experience additional costs for management of overseas offices while facing the issue of information symmetry, i.e., not being able to manage and monitor the operating managers of overseas offices, so the cost of equity capital rather increases in such corporates. In addition, Chun (2013) reported empirical analysis on the effect of international diversification on CSR activities in Korea, and reports the negative correlation between international diversification level and CSR activities. In particular, the negative correlation between the level of international diversification and CSR activities was observed more strongly in the aspects of consumer protection activities and employee satisfaction. It could be interpreted as that internationally diversified companies headquartered in Korea are passively pursuing corporate social responsibility activities to pursue short-term profits.

Kwon (2019) analyzed the effect of international diversification on corporate value, and suggested that there are diversification discounts in both non-related diversification and related diversification. From the analysis of differences among diversification types, it was shown that the diversification discount was higher in related diversified corporates than non-related diversification corporates.

In this study, the effect of CSR activities of companies on management performance for only internationally diversified companies listed in the KOSPI of Korea for six years, from 2013 to 2018. Although there are various studies on international diversification and CSR, but almost none on the effect of CSR activities of internationally diversified companies on management performance.

3. Research Method

3.1. Sample Selection

The information of sample firms was collected from the KISVALUE of the NICE Information Service in Korea. Firms were chosen that meet of the following conditions: (1) a firm with no financial business (insurance business included), (2) a firm whose fiscal year ends on December 31 and firm whose fiscal year-end is not changed, (3) a firm with auditor's unqualified opinion, and (4) a firm with international diversification performance. The sample selection period for homogeneous sampling ranged from 2011 to 2016 after the mandatory introduction of the International Financial Reporting Standards in Korea.

The reason the finance and insurance service businesses were excluded is to obtain homogeneity of empirically analyzed firms and a proper number of sample firms. Financial firms such as banks and insurance companies are distinguished from normal firms with respect to business properties and items of financial statements. Thus, firms

engaged in the financial service were excluded from the sample.

Furthermore, of the firms whose fiscal year ended on December 31, only firms whose fiscal year-end has not been changed in the fiscal year were selected. Almost all domestic firms' fiscal year ends on December 31. If a point of time for disclosing accounting information is different, it is entirely plausible to be affected not by accounting information but by external economic conditions. Thus, to reduce a time effect caused by a different evaluation point of time, the current study excluded the firms whose fiscal year did not end on December 31, or whose fiscal year-end was changed in the fiscal year from the samples.

Once a firm is categorized into a group without unqualified opinion during the fiscal year period in the analysis, its financial data highly tend to include a disorted report and could be dubious in terms of data adequacy. Compared to ordinary firms, they lack continuity of financial data. For these reasons, such firms were excluded from the samples. In addition, for better homogeneous variables, the firms without unqualified opinion during the fiscal year period in the analysis were deleted. That was aimed at increasing data reliability.

For firm international diversification, it is necessary to use the measured values that accurately reflect a relative size of overseas sectors for domestic sectors in a firm and strategic importance (Geringer, Tallman, & Olsen, 2000). This study utilized the measurement value of the ratio of foreign sales to domestic sales (Reeb, Mansi, & Allee, 2001) to judge whether to make international diversification. To achieve the study purpose, this research excluded the firms that had no international diversification from samples. An extreme value was deleted. The samples that met all of the above conditions numbered 2,520 after 6-year pooling.

3.2. Variable Selection, Definition, and Analysis Technique

The purpose of this study is to verify the impact of CSR activities of companies on management performance for internationally diversified companies. The dependent variables used in this study are the KEJI index of the Economic Justice Research Institute and the dummy variables for selection of 200 companies, and the independent variable is a proxy for management performance. In addition, variables such as sales growth rate, company size, company performance, debt ratio, operating cash flow, and foreign equity ratio, which were used as factors of management performance in the previous study, have been selected as control variables. The definitions of the selected variables are as follows.

3.2.1. COO effects and Brand Evaluation

Dependent Variables

The proxy variables of management performance used in research model were measured in the following two ways:

Return on Assets (NA): As a proxy variable of management performance, the NA described below was used. A NA value was calculated by way of dividing the net income in comprehensive income statement by the total assets in statement of financial position.

$$NA = \text{Net Income} / \text{Total Asset} \quad \dots(1)$$

Operating Income on Assets (OA): As a proxy variable of management performance, the OA described below was used. An OA value was calculated by way of dividing the operating income in comprehensive income statement by the total assets in statement of financial position.

$$OA = \text{Operating Income} / \text{Total Assets} \quad \dots(2)$$

3.2.2. Independent Variable

CSR Level: An independent variable of this study is the following index that indicates a corporate's level of CSR activities. First, for corporates' CSR index, a quantitative evaluation index based on the KEJI of the Economic Justice Institute under the management of the CCJE was used. A dummy variable was used to give a value of 1 if a sample was selected to be one of 200 companies, and 0 otherwise. Second, in the additional analysis, only for the selected 200 companies, the relationship between the level of social responsibility activities and management performance in these companies was examined by using the actual value instead of the dummy variable

3.2.3. Control Variables

Several control variables were selected and measured in the following manners:

Sales Growth Rate (SALE) represents a firm's external growth, and its value was calculated with (Current Period Sales-Prior Period Sales)/Prior Period Sales.

Firm Size (SIZE) was calculated in the way of taking the log of total assets.

Firm Age (AGE) represents a firm's age, and its value was calculated in the way of deducting its establishment years from 2019 and then taking the log of the deduction value.

Debt-to Equity Ratio (LEV) was calculated in the way of dividing total liabilities by total assets. The higher a firm's LEV value is, the worse the firm has financial structure and the lower its enterprise value is.

Operating Cash Flow (CFO) represents how much a firm operates its assets efficiently. Its value was calculated in the way of dividing operating income by total assets.

Foreign Investment Ratio (FOR) was calculated with the use of KISVALUE data. The year-end investment percentage of foreigners was applied.

3.3. Hypotheses and Research Model

3.3.1. Hypotheses

This study seeks to evaluate the effect of CSR activities of internationally diversified companies listed in the KOSPI on management performance. The previous studies on CSR activities showed mixed results on whether they have a positive effect or a negative effect on management performance. Also, the previous studies on the effect of international diversification of corporates on management performance showed mixed results as well. As suggested in Introduction, amid the current situation in which CSR activities are socially demanded for internationally diversified companies, since CSR activities are in line with the compliance with laws and ethics and transparent financial reporting, they would require lower premiums for market investors.

Jones (1995) argued that corporates actively engage in CSR activities because they fully understand that a reliable, trustworthy, and ethical company will ultimately have the higher value. Waddock and Graves (1997) also empirically reported that corporates' CSR activities increase sales by establishing positive images and ultimately improve their corporate values.

In addition, these results will contribute to the corporates to establish positive images and reputation, resulting in increased corporate value along with increased morale and loyalty of employees and consequently, increased productivity. It can be predicted that CSR activities can also improve corporate values and society (Ji, Yoon, Park, An, & Oh, 2019; Lee & Kow, 2013; Beaudoin, 2008; Chih et al. 2008; Lim & Choi, 2013; Kim, Kim, Kim, & Chun, 2013). A study by Jang and Choi (2010) revealed that there is a significant relationship between a company's CSR activities and financial performance measured by ROA and Tobin Q, and CSR activities are a means of strategic investment that enhances corporate value. In addition, since a corporate's international diversification can increase its profit rate as its business scope extends to overseas markets, it may reduce the risk of limiting its business scope in Korea. Moreover, if an internationally diversified company has already secured a core technology or can utilize the existing sales or raw material supply chain in the internationally diversified situation, it can have a positive effect on corporate value by improving management efficiency (Kim et al., 1989;

Tallman & Li, 1996; Shaked, 1996; Goldberg & Heflin, 1995; Geringer et al., 1989; Doukas & Lang, 2003). From this perspective, CSR activities of internationally diversified companies are considered to have a positive effect on management performance, and the research hypothesis is as follows.

If CSR activities of internationally diversified companies have a positive impact on management performance, it is expected that the results of this study will provide internationally diversified companies with important insights as well as policy makers and various corporates when making decisions. From this perspective, the following hypotheses have been developed.

H1: *CSR activities of internationally diversified companies will have a positive effect on return on assets (ROA).*

H2: *CSR activities of internationally diversified companies will have a positive effect on operating return on assets.*

These hypotheses will be verified through multivariate regression analysis. In other words, NA (OA), used in this study as a substitute for management performance, is chosen as a dependent variable, and the quantitative evaluation index of the KEJI and the dummy variable, used for the selection of top 200 companies, are chosen as independent variables. They will be verified using various control variables such as sales growth rate, company size, and company age.

3.3.2. Research Design

The model used to verify the hypothesis of this study is as follows.

$$\begin{aligned} NA = & \alpha_0 + \alpha_1 CSR(D) + \alpha_2 SALE + \alpha_3 SIZE \\ & + \alpha_4 AGE + \alpha_5 LEV + \alpha_6 CFO + \alpha_7 FOR \\ & + \sum IND + \sum YEAR + e \end{aligned} \quad \dots(3)$$

$$\begin{aligned} OA = & \alpha_0 + \alpha_1 CSR(D) + \alpha_2 SALE \\ & + \alpha_3 SIZE + \alpha_4 AGE + \alpha_5 LEV + \alpha_6 CFO \\ & + \alpha_7 FOR + \sum IND + \sum YEAR + e_2 \end{aligned} \quad \dots(4)$$

Where: NA: A proxy variable of management performance; Return on Assets = net income/total assets;

OA: A proxy variable of management performance; Return on Assets = operating income/total assets;

CSR(D): A dummy variable takes the value 1 if a company includes in the selected top 200 companies, and otherwise the value 0; CSR : KEJI index; SALE: Sales Growth Rate = (current period sales-prior period sales)/

prior period sales; SIZE: Firm Size = LN(total assets); AGE: Firm Age = LN(2018–the establishment year of firm + 1); LEV: Debt-to-Equity Ratio = total liabilities/total assets; CFO: Operating Cash Flow Ratio = cash flow by operating activity/total assets; FOR: Foreign Investment Ratio = year-end investment percentage of foreigners; e_t : Error term of year t .

Among the variables of the model, the main explanatory variable is the CSR(D) (CSR), which is a proxy variable for CSR activities. The purpose of this study is to examine the effect of social responsibility activities of internationally diversified companies on management performance. If a company's social responsibility activities have a positive effect on management performance, it could prove the importance of CSR activities for a company to enhance its management performance through international diversification.

4. Results of Empirical Analysis

4.1. Descriptive Statistics

The descriptive statistics for sample firms are as follow. The means (standard deviations) of NA and OA were 0.020(0.024) and 0.033(0.031), respectively. Therefore, it was found that the management performance of international diversification firms was somewhat stable. The mean (standard deviation) of the CSR dummy variable, a proxy for the level of CSR activities, was 0.290 (0.000), and it was found that 29% of the samples used in this study were excellent in terms of the CSR level. The means (standard deviations) of Sales Growth Rate (SALE), Debt-to-Equity Ratio (LEV), Operating Cash Flow Ratio (CFO), and Foreign Investment Ratio were 0.196 (0.012), 0.407(0.407), 0.044(0.041), and 0.095(0.044), respectively.

4.2. Relevance

Table 1 shows the correlation among the variables of this study. In the analysis, it is shown that there is a significant positive correlation between management performance, a proxy for management performance, and at the 0.01 level. These results, as expected, could be interpreted as that CSR activities of internationally diversified companies may have a positive effect on management performance.

In addition, the growth rate of sales is shown to have positive correlations with the variables for management performance, but have a significant positive correlation only with ROA at the 1% level.

Firm Size had a significantly positive (+) correlation with management performance at the level of 1%. It was found

that the larger size international diversification firms had, the better management performance they showed. Firm Age had a significantly negative correlation with management performance

On contrary, Debt-to-Equity Ratio had a significantly negative correlation with management performance at the level of 1%. This result means that the lower the debt-to-equity ratio is, the better management performance occurs.

Operating Cash Flow also had a significantly positive correlation with management performance at the level of 1%. Finally, Foreign Investment Ratio had a significantly positive correlation with Enterprise Value at the level of 1%. It means that the higher the foreign investment ratio is, the better management performance occurs.

4.3. Results of Independent Samples t-Test

Table 2 shows the results of t-test analysis made to verify whether the averages of the control variables of this study and management performance would differ by the CSR level of internationally diversified companies. If the average of management performance differs by the CSR level of internationally diversified companies, it can be predicted that CSR activities of internationally diversified companies may significantly affect management performance.

Table 2 classified the groups by whether or not they included 200 companies according to the evaluation results of the KEJI index. In other words, the value of 1 is given to the group consists of the top 200 companies and otherwise, the value of 0 is given. It is to examine whether there is any difference between these two groups in the average.

As shown in the table, the average of the CSR outstanding group is higher than the other group in both NA and OA, proxy variables for management performance and such differences are significant at the 1% level. These results may indicate that CSR activities of internationally diversified companies had contributed to performance management during the verification period.

Next, as for the debt ratio, it is shown that companies with excellent CSR activities have the significantly lower debt ratio at the 1% level.

For the last, in both operating cash flow and foreign equity ratio, the average of the group 1 is shown to be higher than of the group 0 and statistically, there is a significant difference at the 1% level. It means that the group with the higher operating cash flow and foreign equity ratio has the better management performance. However, since the results of Table 4 were obtained without considering the control variables, it would be necessary to verify the impact of CSR activities on management performance after controlling the control variables.

Table 1: Correlation Analysis

	OA	CSR	SALE	SIZE	AGE	LEV	CFO	FOR
NA	0.546***	0.144***	0.086***	0.076***	-0.037*	-0.296***	0.337***	0.153***
	0.000	0.000	0.000	0.000	0.065	0.000	0.000	0.000
OA		0.258***	0.003	0.122***	-0.139***	-0.203***	0.593***	0.249***
		0.000	0.865	0.000	0.000	0.000	0.000	0.000
CSR			-0.016	-0.072***	0.003	-0.152***	0.216***	0.104***
			0.420	0.000	0.865	0.000	0.000	0.000
SALE				-0.003	-0.014	-0.023	-0.031	-0.008
				0.879	0.495	0.244	0.118	0.702
SIZE					-0.014	0.148***	0.122***	0.437***
					0.494	0.000	0.000	0.000
AGE						-0.025	-0.096***	-0.023
						0.209	0.000	0.248
LEV							-0.129***	-0.175***
							0.000	0.000
CFO								0.230***
								0.000

Notes: ***, **, and * is significant level at the 1%, 5% and 10% respectively.

Table 2: Results of Independent Sample t-Test

Variables	CSR			
	Group	N	Mean (S. D.)	t(p)
NA	0	1,788	0.010(0.126)	-10.169*** (0.000)
	1	732	0.045(0.046)	
OA	0	1,788	0.023(0.062)	-14.881*** (0.000)
	1	732	0.057(0.048)	
SALE	0	1,788	0.252(6.466)	1.258 (0.209)
	1	732	0.060(0.279)	
SIZE	0	1,788	26.872(1.463)	4.019*** (0.000)
	1	732	26.652(1.146)	
AGE	0	1,788	3.627(0.618)	-0.170 (0.865)
	1	732	3.631(0.610)	
LEV	0	1,788	0.427(0.223)	8.540*** (0.000)
	1	732	0.356(0.174)	
CFO	0	1,788	0.034(0.069)	-11.671*** (0.000)
	1	732	0.067(0.061)	
FOR	0	1,788	0.086(0.120)	-5.018*** (0.000)
	1	732	0.115(0.135)	

Notes: ***, **, and * is significant level at the 1%, 5% and 10% respectively.

4.4. Results of Multivariate Regression Analysis

This study aims at investigating the impact of CSR activities of internationally diversified companies, headquartered in Korea, on management performance. For the verification, empirical analysis was conducted on the period from 2013 to 2018.

Table 3 below shows the results of examining whether CSR activities of internationally diversified companies positively affect ROA, as stated in Hypothesis 1. NA, a proxy for management variable, was used as a dependent variable, and the CSR dummy variable as an independent variable.

To verify this, the gross asset net profit rate (ROA) was used as a dependent variable and the CSR dummy variable was used as an independent variable as a substitute for management performance. And to control the verification, multivariate regression analysis using control variables including sales growth rate (SALE), company size (SIZE), company age (AGE), debt-to-equity ratio (LEV), cash flow from operations (CFO), and foreign equity ratio (FOR) was performed. Since, in the table, the correction coefficient has a value of 0.183, so the explanatory power of the regression model is high, and the *F*-value is statistically significant value at the 1% significance level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value is shown to be stable, with the maximum value of 1.382.

In order for CSR activities of internationally diversified companies to have a positive impact on ROA, as stated in Hypothesis 1, the value of α_1 must be positive and statistically significant. As shown in Table 4, α_1 had a positive value, and statistically, it is significant at a 1% significance level. These results indicate that CSR activities of internationally diversified companies have a positive effect on management performance, so Hypothesis 1 is accepted.

In the results of the empirical analysis of the control variables, it is shown that the sign of the regression coefficient is positive for the sales growth rate (SALE) and the company size (SIZE). These results indicate that the higher the sales growth rate and the larger the company size, the higher the management performance. On the other hand, the company age (AGE) is shown to have a negative value, but not statistically significant. In addition, the debt-to-equity ratio (LEV) shows a significant negative value as expected while the cash flow from operations (CFO) shows a significantly positive value. For the last, the foreign equity ratio (FOR) is positive, but not statistically significant.

$$\begin{aligned}
 NA = & \alpha_0 + \alpha_1 CSR + \alpha_2 SALE + \alpha_3 SIZE \\
 & + \alpha_4 AGE + \alpha_5 LEV + \alpha_6 CFO \\
 & + \alpha_7 FOR + \Sigma IND + \Sigma YEAR + e \quad \dots(5)
 \end{aligned}$$

Table 3: Results of a Multivariate Regression Analysis

Variable	Expected Sign	NA	
		Coef.	t(p)
Intercept	±	−0.118	−2.661*** (0.008)
CSR	+	0.012	2.694*** (0.007)
SALE	+	0.002	5.013*** (0.000)
SIZE	+	0.007	4.046*** (0.000)
AGE	+	−0.003	−0.779 (0.436)
LEV	−	−0.136	−13.805*** (0.000)
CFO	+	0.454	14.976*** (0.000)
FOR	+	0.001	0.033 (0.974)
IND		Included	
YWAR		Included	
F-value		87.092 (.000)***	
Adj. R ²		0.193	

Notes: ***, **, and * is significant level at the 1%, 5% and 10% respectively (two-tailed), VIF Max : 1.382.

Table 4 below shows the results of examining whether CSR activities of internationally diversified companies positively affect OA, as stated in Hypothesis 1. OA, a proxy for management variable, was used as a dependent variable, and the CSR dummy variable as an independent variable.

To verify this, the gross asset operating income rate (OA) was used as a dependent variable and the CSR dummy variable was used as an independent variable as a substitute for management performance. And to control the verification, multivariate regression analysis using control variables including sales growth rate (SALE), company size (SIZE), company age (AGE), debt-to-equity ratio (LEV), cash flow from operations (CFO), and foreign equity ratio (FOR) was performed. Since, in the table, the correction coefficient has a value of 0.399, so the explanatory power of the regression model is high, and the *F* value is statistically significant value at the 1% significance level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value is shown to be stable, with the maximum value of 1.382.

In order for CSR activities of internationally diversified companies to have a positive impact on OA, as stated in Hypothesis 2, the value of α_1 must be positive and statistically

significant. As shown in Table 6, α_1 had a positive value, and statistically, it is significant at a 1% significance level. These results indicate that CSR activities of internationally diversified companies have a positive effect on management performance, so Hypothesis 2 is accepted.

In the results of the empirical analysis of the control variables, it is shown that the sign of the regression coefficient is positive for the sales growth rate (SALE) and the company size (SIZE), but statistically significant for the company size (SIZE) at a 1% significance level. These results indicate that the larger the company size, the higher the management performance. On the other hand, the company age (AGE) is shown to have a negative value, and statistically significant, so it is different from the results of ROA. In addition, the debt-to-equity ratio (LEV) shows a significant negative value as expected while the cash flow from operations (CFO) shows a significantly positive value. For the last, the foreign equity ratio (FOR) is positive and statistically significant.

$$\begin{aligned}
 OA = & \alpha_0 + \alpha_1 CSR + \alpha_2 SALE + \alpha_3 SIZE \\
 & + \alpha_4 AGE + \alpha_5 LEV + \alpha_6 CFO \\
 & + \alpha_7 FOR + \Sigma IND + \Sigma YEA + e
 \end{aligned}
 \quad \dots(6)$$

Table 4: Results of a Multivariate Regression Analysis

Variables	Expected Sign	OA	
		Coef.	t(p)
Intercept	±	−0.010	−0.473 (0.636)
CSR	+	0.017	7.815*** (0.000)
SALE	+	0.000	1.194 (0.233)
SIZE	+	0.002	2.877*** (0.004)
AGE	+	−0.009	−5.784*** (0.000)
LEV	−	−0.032	−6.937*** (0.000)
CFO	+	0.454	31.821*** (0.000)
FOR	+	0.035	3.974*** (0.000)
IND		Included	
YWAR		Included	
F-value		240.145(0.000)***	
Adj. R ²		0.399	

Notes: ***, **, and * is significant level at the 1%, 5% and 10% respectively(two-tailed), VIF Max : 1.382.

Tables 5 and 6 are the results of the verification of Hypothesis 1 and Hypothesis 2 only with 732 samples including the top 200 companies, selected based on the KEJI index, among 2,520 samples of the study. Table 6 below shows the results of examining whether CSR activities of internationally diversified companies positively affect ROA, as stated in Hypothesis 1. To test this hypothesis, NA as a proxy of management performance and the KEJI's evaluation index of CSR were used as the dependent variable and independent variable, respectively.

In addition, to control the verification, multivariate regression analysis using control variables including sales growth rate (SALE), company size (SIZE), company age (AGE), debt-to-equity ratio (LEV), cash flow from operations (CFO), and foreign equity ratio (FOR) was performed. Since, in the table, the correction coefficient has a value of 0.316, so the explanatory power of the regression model is high, and the F value is statistically significant value at the 1% significance level, indicating that the regression model is suitable. In addition, the variance expansion coefficient

(VIF) value is shown to be stable, with the maximum value of 1.352.

In order for CSR activities of internationally diversified companies to have a positive impact on ROA, as stated in Hypothesis 1, the value of α_1 must be positive and statistically significant. As shown in Table 5, α_1 had a positive value, and statistically, it is significant at a 5% significance level. These results indicate that CSR activities of internationally diversified companies have a positive effect on management performance, so Hypothesis 1 is accepted.

In the results of empirical analysis of the control variables, the regression coefficient of the company size is negative and statistically significant. Other than that, the results are similar to of Table 4.

$$\begin{aligned}
 NA = & \alpha_0 + \alpha_1 CSR + \alpha_2 SALE + \alpha_3 SIZE \\
 & + \alpha_4 AGE + \alpha_5 LEV + \alpha_6 CFO \\
 & + \alpha_7 FOR + \Sigma IND + \Sigma YEA + e
 \end{aligned}
 \quad \dots(7)$$

Table 5: Results of a Multivariate Regression Analysis

Variables	Expected Sign	OA	
		Coef.	t(p)
Intercept	±	0.079	1.531 (0.126)
CSR	+	0.001	2.203** (0.028)
SALE	+	0.018	3.442*** (0.001)
SIZE	+	−0.005	−3.312*** (0.001)
AGE	+	−0.002	−0.859 (0.390)
LEV	−	−0.048	−5.721*** (0.000)
CFO	+	0.294	12.338*** (0.000)
FOR	+	0.066	5.487*** (0.000)
IND		Included	
YWAR		Included	
F-value		49.263(0.000)***	
Adj. R ²		0.316	

Notes: ***, **, and * is significant level at the 1%, 5% and 10% respectively(two-tailed), VIF Max : 1.352.

Table 6 below shows the results of the verification on whether CSR activities of internationally diversified companies have a positive impact on ROA as stated in Hypothesis 2. To test this hypothesis, OA as a proxy of management performance and the KEJI's evaluation index of CSR were used as the dependent variable and independent variable, respectively. In addition, to control the verification, multivariate regression analysis using control variables including sales growth rate (SALE), company size (SIZE), company age (AGE), debt-to-equity ratio (LEV), cash flow from operations (CFO), and foreign equity ratio (FOR) was performed. Since, in the table, the correction coefficient has a value of 0.419, so the explanatory power of the regression model is high, and the *F* value is statistically significant value at the 1% significance level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value is shown to be stable, with the maximum value of 1.352.

In order for CSR activities of internationally diversified companies to have a positive impact on OA, as stated in Hypothesis 2, the value of α_1 must be positive and statistically significant. As shown in Table 6, α_1 had a positive value, and statistically, it is significant at a 5% significance level. These results indicate that CSR activities of internationally diversified companies have a positive effect on management performance, so Hypothesis 2 is accepted.

In the results of empirical analysis of the control variables, the regression coefficient of the company size is negative and statistically significant. Other than that, the results are similar to of Table 5.

$$\begin{aligned}
 OA = & \alpha_0 + \alpha_1 CSR + \alpha_2 SALE + \alpha_3 SIZE \\
 & + \alpha_4 AGE + \alpha_5 LEV + \alpha_6 CFO \\
 & + \alpha_7 FOR + \Sigma IND + \Sigma YEAR + e \quad \dots(8)
 \end{aligned}$$

Table 6: Results of a Multivariate Regression Analysis

Variables	Expected Sign	OA	
		Coef.	t(p)
Intercept	±	0.079	1.594 (0.111)
CSRD	+	0.001	2.163** (0.031)
SALE	+	0.020	3.985*** (0.000)
SIZE	+	−0.004	−3.296*** (0.001)
AGE	+	−0.006	−2.631*** (0.009)
LEV	−	−0.002	−0.252 (0.801)
CFO	+	0.409	17.814*** (0.000)
FOR	+	0.081	6.994*** (0.000)
IND		Included	
YWAR		Included	
F-value		76.275(0.000)***	
Adj. R ²		0.419	

Notes: ***, **, and * is significant level at the 1%, 5% and 10% respectively(two-tailed), VIF Max : 1.352.

5. Conclusions

The purpose of this study is to evaluate the effect of CSR activities of internationally diversified companies on their management performance in the KOSPI market, of Korea. For the evaluation, empirical analysis was made with total of 2,520 samples, selected from companies listed on the KOSPI for six years from 2013 to 2018.

The results of analyses are as follows. First, *t*-test was conducted by classifying the samples including the top 200 companies based on the median of management performance, which was calculated using the KEJI index and it was shown that the average of the CSR outstanding group was significantly higher than the other group in both NA and OA, proxy variables of management performance. These results may indicate that CSR activities of internationally diversified companies might have contributed to management performance during the period subject to the verification.

Second, through the multivariate regression analysis, the effect of CSR activities on internationally diversified companies on management performance was confirmed. First, from the verification of Hypothesis 1, it was confirmed

that CSR activities of internationally diversified companies has a positive effect on ROA. Therefore, in order to increase management performance in an international diversified company, it may be a good idea to increase the company's CSR activities.

Third, these results were the same in the results of the verification of Hypothesis 2 in which operating ROA was selected as a proxy.

Fourth, the additional analyses were made to verify Hypothesis 1 and Hypothesis 2. That is, Hypothesis 1 and Hypothesis 2 were examined by using the total ratings of the top 200 companies selected based the KEJI index among the samples of this study. The verification result was the same as when dummy variables were used for the entire sample, and robustness could be given to the verification result.

The results of this study could be essential evidence that CSR activities can play a significant role in enhancing the management performance of an internationally diversified company headquartered in Korea, highly relying on exportation. In other words, at the time of writing when the international financial market is experiencing a great crisis due to the recent spread of COVID-19 around the world, the

economy of Korea is also experiencing a lot of difficulties. Despite all these difficulties, Korea is actively seeking for a new growth engine through international diversification, and although it is still tenuous, there is a small hope in the medical field, including diagnostic agents.

The medical field is showing hope. In the future, it will be very important to find a new growth opportunity by quickly returning to the previous situation after the situation has ended. Based on the results of this study, from this point of view, I hope that the policy makers will be able to provide a basis for establishing a method for the establishment of a system related to CSR activities naturally in the enterprise. Therefore, it will be critical to catch new growth opportunities by quickly returning back to its original state once the pandemic subsides. From that perspective, the results of this study could be the foundation on which policy makers develop policies and measures to lead and support companies to actively engage in CSR activities.

The limitations of this study are as follows. First, the scope of the research was limited to internationally diversification companies. In the future, if the scope of the research should be expanded to the entire listed companies, so as the period subject to the verification, it would be able to secure more meaningful results.

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