Journal of Korea Trade Vol. 24, No. 5, August 2020, 35-54
https://doi.org/10.35611/jkt.2020.24.5.35
ISSN 1229-828X

JKT 24(5)

Received 31 May 2020
Revised 10 June 2020
Accepted 11 August 2020

The Effects of Socially Responsible Activities on the Management Performance of Internationally Diversified Firms: Evidence from Korean Small- and Medium-Sized Firms

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Abstract

Purpose – It seems common sense that corporate social responsibility (CSR) is a key driver of business sustainability. Nevertheless, there has been little research on the performance of socially responsible activities, including economic and environmentally responsibility activities, in internationally diversified firms.

Design/methodology – 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 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.

Findings – The results of this analysis indicated that firms in the CSR outstanding group were ranked significantly higher than other groups in management performance. In addition, CSR activities of internationally diversified firms positively influenced the total asset net profit ratio and total asset operating ratio.

Originality/value – The results suggest that the CSR activities of these firms can play a significant role in enhancing management performance in the economic status of Korea, where the degree of export dependency is high.

Keywords: Business Sustainability, Corporate Social Responsibility, International Diversification, International Finance, Management Performance

JEL Classifications: F39, M16, M41

1. Introduction

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

Today, firms play a major role in the country's economic development. Specifically, with the development of free trade between nations under free trade agreements, it is no longer

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novel for companies make investments outside territorial boundaries. With the soaring growth of overseas expansion, internationally diversified companies tend to focus on the recovery of foreign investments and increasing profits, and such a tendency could lead to a number of issues related to the CSR of companies.

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

Korea has achieved remarkable growth in foreign investment in the past 50 years since it exceeded $100 million in exports in 1964. Exports amounted to 604.9 billion USD in 2018, more than 5,000 times greater than in 1964 (Kotra, 2019). As the domestic market of Korea is very limited, Korean companies are making great efforts in developing and expanding into overseas markets. To overcome the difficulties of developing and expanding, 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 exports of domestic companies is showing a rapid increase, and dependence on exports is also very high (Kim Myung-In, An Hyung-Tae and Kim Jong-Dae, 2012).

However, the global spread of COVID-19is causing a huge shock to the international financial market. The International Monetary Fund (IMF) said in their "2020 World Economic Outlook Reports"" that "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," and as "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,". Further, they stated that: "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 approximately three 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 was a growing warning sound that a recession comparable to the Great Depression may occur.

At the end of 2019, there was a predominant sentiment that the economic growth rate of Korea in 2020 would be about 2%, but with the rapid spread of the virus and the freezing of the economy, the annual growth forecast is projected to be in negative territory as of April, the first time in 22 years. The IMF projects Korea's GDP growth for the year at -1.2%, while the Korea Economic Research Institute also forecasts it to be -2.3%. However, the IMF expects that global growth will rebound to 5.8%, with the economic growth of Korea at 3.4% in 2020 as economy activity normalizes.

Once the pandemic subsides, it is expected that the new Southern policy promoted by President Moon Jae-In since 2017 will be 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 the two nations rather than solely focus on commodity-oriented trades, and to create a 'people community' in which people and hearts become connected through 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. He also declared an indirect justification and obligation for CSR.

CSR is a corporate activity expected by a variety of stakeholders to be performed by the corporation to fulfill social obligations expected and required by society. It is a process in which a corporation voluntarily analyzes and accepts the 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 it is becoming a social. Thus, it is highly likely that the CSR activities of internationally diversified companies headquartered in Korea, having a high degree of export dependence, affect management performance. However, there are only a few studies investigating this.

Therefore, this study will derive results from research through a multivariate regression analysis on the impact of CSR activities on management performance for internationally diversified companies listed on 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 (hereinafter referred to as KEJI) of the Economic Justice Research Institute under the Citizens' Federation for Economic Justice is used.

This study is constructed as follows. Following the Introduction, in Chapter I, the previous studies on CSR and the international diversification of corporations are addressed. In Chapter II, the hypotheses and models of this study are explained, and in Chapter III, the results of the empirical analysis of this study are reviewed. In the 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 corporation to fulfil the social obligations expected and demanded by its various stakeholders. A corporation analyzes social and environmental interests of its various stakeholders and voluntarily reflects these onto its management activities, such that the corporation continuously interacts with its stakeholders. As awareness of the necessity of CSR activities has grown recently, CSR activities have been considered to have economic value, and have become an important strategic means for value creation. Since 2010, various studies on CSR have been conducted in Korea, and social interest in CSR has been increasing recently. Earlier studies on CSR mainly focused on CSR using the KEJI index of the Citizen's Coalition for Economic Justice (hereinafter referred to as CCEJ) (Cho Mun-Kee and Kim Suk-Yeon, 2014; Choi Su-Bi, 2016; Kang Kyung-Yi, 2015; Kim Tae-Wan, 2018; Kim Tae-Wan and Kim Jin-Woo, 2018; Kim Young-Hwa, 2014; Kwon Han-Sup, 2016; Lee Jae-Mok and Kim Yong, 2013; Lee Sang-Cheol and Kim, Suk-Yeon, 2015; Lee Yun-Sang, 2018; Shin Young-Zik, Nam Gi-Man and Lee Jae-Hyeong, 2019). Recently, the KRX's Socially Responsible Investment Index has been widely used as well (Hwang Seong-Jun and Ryu Su-Jeon, 2018; Ji Sang-Hyun and An Sang-Bong, 2019; Kim Hyun-Ah and Oh Kwang-Wuk, 2016; Kwak Young-Min and Ji Sang-Hyun, 2019; Kwon Sang-Jung and Lee Chan-Ho, 2018; Ryu Ye-Rin and Ji Sang-Hyun, 2018a; Ryu Ye-Rin and Ji Sang-Hyun, 2018b; Ryu Ye-Rin, Ji Sang-Hyun and Lee Gyeong-Rak, 2018; Shin Yong-Mi and Lee Chan-Ho, 2018).

The previous studies on CSR activities showed mixed results on whether they had a positive or negative effect on corporate value. In the case of the results of previous studies asserting that CSR activities had a positive effect on corporate value, corporations actively engaging in

CSR activities had a strong tendency to comply with laws and ethics, such as transparent financial reporting (Beaudoin, 2008; Chih et al., 2008; Lim Hyoung-Joo and Choi Jong-Seo, 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 Yun-Kyeong and Ko Jong-Kwon, 2013). In addition, through CSR activities, corporations not only increase corporate value by gaining a positive reputation but also increase the morale and loyalty of employees, in turn supporting the development of the corporation and society (Ji Sang-Hyun et al., 2019).

In the result of a study by (Kim Deok-Ho et al., 2013), it was also shown that CSR had a positive effect on a corporation's performance, so they claimed that corporations fulfilling social and ethical responsibilities achieved better economic performance. They also mentioned that CSR acted as an intermediary to the appropriateness of a corporation's governance and performance and since a corporation's governance affects its social activities, and a corporation's social activities generate a reputation effect; therefore, CSR exerted a positive effect on management performance.

On the other hand, there are several studies suggesting a negative effect from CSR. According to a study by Shin Young-Zik, Nam Gi-Man and Lee Jae-Hyeong (2019), CSR activities at the cost of shareholders could be used by opportunistic corporate officers as a window for private profit or as a tool to positively warp the external image of a corporation. Hemingway and Maclagan (2004) also stated that one of the reasons companies pursue CSR activities is to prevent 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 upon by the media (Shin Young-Zik, Nam Gi-Man and Lee Jae-Hyeong, 2019). Based on the former argument, this study intends to investigate from the viewpoint that a corporation's CSR activities can improve the corporation's image when entering an overseas market and positively effect of management performance. However, there have been no studies addressing the impact of CSR activities on the management performance of internationally diversified companies. Therefore, this study aims to examine whether CSR activities affect the management performance of internationally diversified companies.

2.2. International Diversification

The previous studies on the effect of a corporation's international diversification on management performance showed mixed results. They reported inconsistent results on whether the international diversification of individual corporations adds or discounts value, and there has been much discussion in academia (Cha Seung-Min, Chung Jai-Ho and Yoo Yong-Keun, 2010; Denis et al., 2002; Gande et al., 2009; Jeong In-Sik, 2003; Lee Jang-Ho, 2003). Because of the potential benefits of international diversification, these studies show that international diversification has a positive effect on the returns 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 costs in financing through the stabilization of cash flows. In addition, the following studies showed that when an internationally diversified company formed a stable internal capital market, it solved under-investment problems that can be caused by difficulties in raising capital through external markets (Fauver, Hauston and Naranjo, 2003; Stein, 1997). In particular, companies that have diversified in many countries may have positive stock yields because diversified companies can have a positive impact on their value by improving management efficiency if they have already secured a core technology or can utilize the sales network (raw material supply chain) in those countries (Doukas and Lang 2003), and as a corporations expanded into overseas markets, the corporation's return on sales increased (Keats and Hitt, 1989; Tallman and Li, 1996). These studies argue that the profits of internationally diversified companies experienced lower fluctuations in the entire profit of these companies due to the positive impact of diversification, where the benefits from multiple countries offset each other (Goldberg and Heflin, 1995; Shaked, 1986).

In a study addressing differences in value-related profits depending on the level of international diversification, Kim Myung-In, An Hyung-Tae and Kim Jong-Dae (2012) claimed that in Korea, international diversification had a positive effect on corporations. and Kim Joon-Hyun (2018) and Yoo Yong-Keun, Kim Hyun-Hee and Chun Hong-Min (2014) 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 Jin-Goo (2013) conducted an empirical analysis on the impact of international diversification for US companies on CSR activities, and reported that companies are more likely to actively engage in CSR activities when they enter a greater number of 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 corporations with a higher degree of international diversification had a higher risk of exchange rate fluctuation, and they experienced additional costs for the management of overseas offices while facing an 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 increases in such corporations. In addition, Chon Mi-Lim (2012) reported an empirical analysis on the effect of international diversification on CSR activities in Korea, and reported a negative correlation between the 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. This could be interpreted that internationally diversified companies headquartered in Korea are passively pursuing corporate social responsibility activities to pursue short-term profits.

Kwon Taek-Ho (1999) 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 an analysis of differences among diversification types, it was shown that the diversification discount was higher in related diversified corporations than non-related diversification corporations.

In this study, the effect of CSR activities of companies on management performance for only internationally diversified companies listed on the KOSPI of Korea for 6 years, from 2013 to 2018, were analyzed. Although there are various studies on international diversification and CSR, there were few on the effect of CSR activities of internationally diversified companies on management performance.

3. Research Method

3.1. Sample Selection

The information on the sample firms was collected from the KISVALUE of the NICE Information Service in Korea. Firms were chosen that met the following conditions: ① firms with no financial business (insurance businesses included), ② firms whose fiscal year ends on December 31, and firms whose fiscal year-end did not change, ③ firms with auditor's unqualified opinions, and ④ firms 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.

Table 1. Sample Selection

Selection Criteria	N	
Listed Firms on December 31, 2019	935×6	5,610
Financial Firms (including insurance and service firms)	(190×6)	(1,140)
Firms Not Settling Accounts in December	(17×6)	(102)
Firms with No International Diversification Performance	(1,797)	(1,797)
Firms with No Reasonable Audit Opinions	(102)	(27)
Extreme Value	(24)	(24)
Final Number of Samples		2,520

The reason that finance and insurance service businesses were excluded was to obtain the 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 on financial statements. Thus, firms engaged in financial services were excluded.

Furthermore, of the firms whose fiscal year ended on December 31, only firms whose fiscal year-end had not been changed were selected. Almost all domestic firms' fiscal years end on December 31. If the point in 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 the time effect caused by a different evaluation point of time, the current study excluded firms whose fiscal year did not end on December 31, or whose fiscal year-end was changed during the fiscal year in the sample.

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

For firm international diversification, it is necessary to use measured values that accurately reflect the relative size of overseas sectors and domestic sectors in a firm, along with the strategic importance (Geringer, Tallman and Olsen, 1989). This study utilized the measurement value of the ratio of foreign sales to domestic sales (Reeb, Mansi and Allee, 2001) to judge international diversification. To achieve the study's purpose, this research excluded firms that had no international diversification from the sample. Extreme values were deleted. The samples that met all of the above conditions numbered 2,520 after six-year pooling. Table 1 shows the finally selected sample firms.

3.2. Variable Selection, Definition, and Analysis Technique

The purpose of this study is to verify the impact of CSR activities of companies on the management performance of 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 a 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 detailed below.

3.2.1. Dependent Variables

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

① **Return on Assets** (NA): As a proxy variable of management performance, the NA described below was used. The NA value was calculated by way of dividing the net income from the comprehensive income statement by the total assets in the statement of financial position.

・NA = Net Income/Total Assets

② **Operating Income on Assets** (OA): As a proxy variable of management performance, the OA described below was used. The OA value was calculated by way of dividing the operating income on the comprehensive income statement by the total assets in the statement of financial position.

・OA = Operating Income/Total Assets

3.2.2. Independent Variable

CSR Level: The independent variable of this study is the following index that indicates a corporation's level of CSR activity. First, for a corporation's 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 activity and management performance in these companies was examined using the actual value instead of the dummy variable.

3.2.3. Control Variables

Several control variables were selected and measured as detailed below.

① Sales Growth Rate (SALE) represents a firm's external growth, and its value was calculated via (Current Period Sales - Prior Period Sales)/Prior Period Sales.

② Firm Size (SIZE) was calculated by taking the log of total assets.

③ Firm Age (AGE) represents a firm's age, and its value was calculated by way of deducting its establishment years from 2019, and then taking the log of the deduction value.

④ Debt-to Equity Ratio (LEV) was calculated by dividing total liabilities by total assets. The higher a firm's LEV value, the worse the firm's financial structure, and the lower its enterprise value.

⑤ Operating Cash Flow (CFO) represents how well a firm operates its assets. This value was calculated by dividing operating income by total assets.

⑥ 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 aims to evaluate the effect of CSR activities of internationally diversified companies listed on the KOSPI on management performance. Previous studies on CSR activities showed mixed results on whether they had a positive or negative effect on management performance. Also, previous studies on the effect of international diversification of corporations on management performance showed mixed results as well. As suggested in the introduction, amid the current situation in which CSR activities are socially demanded for internationally diversified companies, as 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) also argued that corporations actively engage in CSR activities because they fully understand that a reliable, trustworthy, and ethical company will ultimately have higher value. Waddock and Graves (1997) also empirically reported that corporate CSR activities increase sales by establishing a positive image and ultimately improve corporate value.

In addition, these results will contribute to the corporations positive images and reputations, resulting in increased corporate value, along with the increased morale and loyalty of employees, and consequently, increased productivity. It can be predicted that CSR activities can also improve corporate values and society (Beaudoin, 2008; Chih et al., 2008; Ji Sang-Hyun et al., 2019; Kim Deok-Ho et al., 2013; Lee Yun-Kyeong and Ko Jong-Kwon, 2013; Lim Hyoung-Joo and Choi Jong-Seo, 2013). A study by Jang Jee-In, Lee Kyung-Joo and Choi Heon-Seob (2013) revealed that there was a significant relationship between a company's CSR activities and financial performance as measured by ROA and Tobin's Q, and CSR activities were a means of strategic investment that enhanced corporate value. In addition, since a corporation'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 an internationally diversified situation, it can have a positive effect on corporate value by improving management efficiency (Doukas and Lang, 2003; Geringer et al., 1989; Goldberg and Heflin, 1995; Keats and Hitt, 1989; Shaked, 1986; Tallman and Li, 1996). From this perspective, CSR activities by internationally diversified companies are considered to have a positive effect on management performance, and the research hypotheses are as follows.

If the 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, as well as policy makers and various corporations, with important insights when making decisions. From this perspective, the following hypotheses have been developed.

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

H2: The CSR activities of internationally diversified companies will have a positive effect on the 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, was chosen as a dependent variable, and the quantitative evaluation index of the KEJI and the dummy variable, used for the selection of the top 200 companies, were 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.

$$\mathrm{NA} = \alpha_0 + \alpha_1 \mathrm{CSRD(CSR)}_+ \alpha_2 \mathrm{SALE}_+ \alpha_3 \mathrm{SIZE} \\ + \alpha_4 \mathrm{AGE}_+ \alpha_5 \mathrm{L\,EV}_+ \alpha_6 \mathrm{CFO}_+ \alpha_7 \mathrm{FOR}_+ \sum \mathrm{I\ ND} + \sum \mathrm{YEAR} + \mathrm{e}$$

$$\mathrm{OA} = \alpha_0 + \alpha_1 \mathrm{CSRD}_(\mathrm{CSR}) + \alpha_2 \mathrm{SALE}_+ \alpha_3 \mathrm{SIZE} + \\ \alpha_4 \mathrm{AGE}_+ \alpha_5 \mathrm{L\,EV}_+ \alpha_6 \mathrm{CFO}_+ \alpha_7 \mathrm{FOR}_+ \sum \ \mathrm{I\ ND} + \sum \ \mathrm{YEAR} + \mathrm{e2}$$

- NA: A proxy variable for management performance; Return on Assets = net income/total assets
- OA: A proxy variable for management performance; Return on Assets = operating income/total assets
- CSRD: The dummy variable takes a value 1 if a company is included in the selected top 200 companies, and 0 otherwise.
- 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-Equality 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
- et: Error term for year *t*

Among the variables in the model, the main explanatory variable is CSRD (CSR), which is a proxy variable for CSR activities. The purpose of this study is to examine the effect of the 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 in enhancing its management performance through international diversification.

4. Results of Empirical Analysis

4.1. Descriptive Statistics

The descriptive statistics for the sample firms are presented in Table 2. 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 CSR level. The means (standard deviations) of Sales Growth Rate (SALE), Debt-to-Equality 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.

Table 2. Descriptive Statistics

	NA	OA	CSR	CSRD	SALE	SIZE	AGE	LEV	CFO	FOR
Mean	0.020	0.033	18.928	0.290	0.196	26.808	3.628	0.407	0.044	0.095
Median	0.024	0.031	0.000	0.000	0.012	26.567	3.826	0.407	0.041	0.044
S. D.	0.110	0.060	29.104	0.454	5.449	1.382	0.615	0.212	0.069	0.125
MIN	-0.849	-0.475	0.000	0.000	-1.000	23.894	0.631	0.001	-0.484	0.000
MAX	2.319	0.386	81.220	1.000	268.900	31.624	4.803	1.723	0.357	0.789

4.2. Relevance

Table 3 shows the correlation among the variables of this study. In the analysis, it is shown that there was a significant positive correlation between management performances, a proxy for management performance, and CSR at the 0.01 level. These results, as expected, could be interpreted such that the CSR activities of internationally diversified companies may have a positive effect on management performance.

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

Firm Size had a significantly positive (+) correlation with management performance at the 1% level. It was found that the larger the level of international diversification, the better the management performance. Firm Age had a significantly negative correlation with management performance

On the contrary, the 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, the better the management performance.

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

Table 3. Correlation Analysis

	OA	CSRD	SALE	SIZE	AGE	LEV	CFO	FOR
NA	.546***	.144***	.086***	.076***	-.037*	-.296***	.337***	.153***
	.000	.000	.000	.000	.065	.000	.000	.000
OA		.258***	.003	.122***	-.139***	-.203***	.593***	.249***
		.000	.865	.000	.000	.000	.000	.000
CSRD			-.016	-.072***	.003	-.152***	.216***	.104***
			.420	.000	.865	.000	.000	.000
SALE				-.003	-.014	-.023	-.031	-.008
				.879	.495	.244	.118	.702
SIZE					-.014	.148***	.122***	.437***
					.494	.000	.000	.000
AGE						-.025	-.096***	-.023
						.209	.000	.248
LEV							-.129***	-.175***
							.000	.000
CFO								.230***
								.000

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

4.3. Results of the Independent Sample t-Tests

Table 4 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 average management performance differs by the CSR level of internationally diversified companies, it can be predicted that the CSR activities of internationally diversified companies may significantly affect management performance.

Table 4 classified the groups by whether or not they included the 200 companies according to the evaluation results of the KEJI index. In other words, a value of 1 was given to the top 200 companies, and otherwise, a value of 0 was given. This was to examine whether there was any difference between these two groups in the averages.

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 the CSR activities of internationally diversified companies contributed to management performance during the verification period.

On the other hand, the sales growth rate does not show a statistically significant difference. Corporate performance also does not show a statistically significant difference. In the case of company size, unlike the expectation, the average of CSR outstanding Group 1 is significantly lower than Group 0 at the 1% level. These results indicate that the group size with excellent CSR activity is smaller.

As for the debt ratio, it was shown that companies with excellent CSR activities have a significantly lower debt ratio at the 1% level.

Table 4. Results of Independent Sample t-Tests

Variable	CSRD			
	Group	**N**	**Mean (S. D.)**	**t(p)**
NA	0	1,788	.010(.126)	-10.169***
	1	732	.045(.046)	(.000)
OA	0	1,788	.023(.062)	-14.881***
	1	732	.057(.048)	(.000)
SALE	0	1,788	.252(6.466)	1.258
	1	732	.060(.279)	(.209)
SIZE	0	1,788	26.872(1.463)	4.019***
	1	732	26.652(1.146)	(.000)
AGE	0	1,788	3.627(.618)	-.170
	1	732	3.631(.610)	(.865)
LEV	0	1,788	.427(.223)	8.540***
	1	732	.356(.174)	(.000)
CFO	0	1,788	.034(.069)	-11.671***
	1	732	.067(.061)	(.000)
FOR	0	1,788	.086(.120)	-5.018***
	1	732	.115(.135)	(.000)

Last, in both operating cash flow and foreign equity ratio, the average of Group 1 is shown to be higher than Group 0, and statistically, there is a significant difference at the 1% level. This means that the group with the higher operating cash flow and foreign equity ratio has 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.

4.4. Results of Multivariate Regression Analysis

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

Table 5 below shows the results of whether the CSR activities of internationally diversified companies positively affect ROA, as stated in Hypothesis 1. NA, a proxy for a management variable, was used as a dependent variable, and the CSR dummy variable was the 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. To control verification, a 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, the explanatory power of the regression model is high, and the F value is statistically significant value at the 1% level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value is shown to be stable, with a maximum value of 1.382.

In order for the CSR activities of internationally diversified companies to have a positive impact on ROA, as stated in Hypothesis 1, the value of α1 must be positive and statistically significant. As shown in Table 5, α1 had a positive value, and statistically, it is significant at a 1% level. These results indicate that the 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 was shown that the sign of the regression coefficient was positive for sales growth rate (SALE) and 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, company age (AGE) was shown to have a negative value, but was not statistically significant. In addition, the debt-to-equity ratio (LEV) showed a significant negative value, as expected, while the cash flow from operations (CFO) showed a significantly positive value. Last, the foreign equity ratio (FOR) was positive, but not statistically significant.

$$NA = \alpha_0 + \alpha_1 CSRD_{+}\alpha_2 SALE_{+}\alpha_3 SIZE + \alpha_4 AGE_{+}\alpha_5 LEV_{+}\alpha_6 CFO_{+}\alpha_7 FOR_{+} \sum IND + \sum YEAR + e$$

Table 6 below shows the results of examining whether the CSR activities of internationally diversified companies positively affected OA, as stated in Hypothesis 1. OA, a proxy for management variable, was used as a dependent variable, and the CSR dummy variable was 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. To control verification, a 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, the explanatory

Table 5. Results of the Multivariate Regression Analysis

Variable	Expected Sign	NA Coef.	NA t(p)
Intercept	±	-.118	-2.661*** (.008)
CSRD	+	.012	2.694*** (.007)
SALE	+	.002	5.013*** (.000)
SIZE	+	.007	4.046*** (.000)
AGE	+	-.003	-.779 (.436)
LEV	-	-.136	-13.805*** (.000)
CFO	+	.454	14.976*** (.000)
FOR	+	.001	.033 (.974)
IND		Included	
YWAR		Included	
F-value		87.092(.000)***	
Adj. R2		0.193	

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

Table 6. Results of the Multivariate Regression Analysis

Variable	Expected Sign	OA Coef.	OA t(p)
Intercept	±	-.010	-.473 (.636)
CSRD	+	.017	7.815*** (.000)
SALE	+	.000	1.194 (.233)
SIZE	+	.002	2.877*** (.004)
AGE	+	-.009	-5.784*** (.000)
LEV	-	-.032	-6.937*** (.000)
CFO	+	.454	31.821*** (.000)
FOR	+	.035	3.974*** (.000)
IND		Included	
YWAR		Included	
F-value		240.145(.000)***	
Adj. R2		0.399	

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

power of the regression model is high, and the F value is statistically significant at the 1% level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value is shown to be stable, with a 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 α1 must be positive and statistically significant. As shown in Table 6, α1 had a positive value, and statistically, it is significant at a 1% level. These results indicate that the 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 was shown that the sign of the regression coefficient was positive for sales growth rate (SALE) and company size (SIZE), but statistically significant for 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, company age (AGE) was shown to have a negative value, and was statistically significant, so it differs from the results of ROA. In addition, the debt-to-equity ratio (LEV) showed a significant negative value, as expected, while the cash flow from operations (CFO) showed a significantly positive value. Last, the foreign equity ratio (FOR) was positive and statistically significant.

$$OA = \alpha_0 + \alpha_1 CSRD_{+}\alpha_2 SALE_{+}\alpha_3 SIZE + \alpha_4 AGE_{+}\alpha_5 LEV_{+}\alpha_6 CFO_{+}\alpha_7 FOR_{+}\sum IND + \sum YEAR + e$$

Tables 7 and 8 are the result 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 the 2,520 samples of the study. Table 7 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 KEJI's evaluation index of CSR were used as the dependent variable and independent variable, respectively.

In addition, to control verification, a 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, the explanatory power of the regression model is high, and the F value is statistically significant at the 1% level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value was shown to be stable, with a maximum value of 1.352.

In order for the CSR activities of internationally diversified companies to have a positive impact on ROA, as stated in Hypothesis 1, the value of α1 must be positive and statistically significant. As shown in Table 7, α1 had a positive value, and statistically, it is significant at a 5% level. These results indicate that the 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, the regression coefficient of company size was negative and statistically significant. Other than that, the results were similar to those of Table 5.

$$NA = \alpha_0 + \alpha_1 CSR_{+}\alpha_2 SALE_{+}\alpha_3 SIZE + \alpha_4 AGE_{+}\alpha_5 LEV_{+}\alpha_6 CFO_{+}\alpha_7 FOR_{+}\sum IND + \sum YEAR + e$$

Table 7. Results of the Multivariate Regression Analysis

Variable	Expected Sign	OA	
		Coef.	t(p)
Intercept	±	.079	1.531 (.126)
CSRD	+	.001	2.203** (.028)
SALE	+	.018	3.442*** (.001)
SIZE	+	-.005	-3.312*** (.001)
AGE	+	-.002	-.859 (.390)
LEV	-	-.048	-5.721*** (.000)
CFO	+	.294	12.338*** (.000)
FOR	+	.066	5.487*** (.000)
IND		Included	
YWAR		Included	
F-value		49.263(.000)***	
Adj. R2		0.316	

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

Table 8 below shows the results of the verification on whether the 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 KEJI's evaluation index of CSR were used as the dependent variable and independent variable, respectively. In addition, to control verification, a 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, the explanatory power of the regression model is high, and the F value is statistically significant at the 1% level, indicating that the regression model is suitable. In addition, the variance expansion coefficient (VIF) value was shown to be stable, with a maximum value of 1.352.

In order for the CSR activities of internationally diversified companies to have a positive impact on OA, as stated in Hypothesis 2, the value of α1 must be positive and statistically significant. As shown in Table 6, α1 had a positive value, and statistically, it is significant at a 5% level. These results indicate that the 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, the regression coefficient of company size was negative and statistically significant. Other than that, the results are similar to those of Table 6.

$$\mathrm{OA} = \alpha_0 + \alpha_1 \mathrm{CSR}_+ \alpha_2 \mathrm{SALE}_+ \alpha_3 \mathrm{SIZE} + \alpha_4 \mathrm{AGE}_+ \alpha_5 \mathrm{L\,EV}_+ \alpha_6 \mathrm{CFO}_+ \alpha_7 \mathrm{FOR}_+ \sum \mathrm{I\,ND} + \sum \mathrm{YEAR} + e$$

Table 8. Results of the Multivariate Regression Analysis

Variable	Expected Sign	OA Coef.	OA t(p)
Intercept	±	.079	1.594 (.111)
CSRD	+	.001	2.163** (.031)
SALE	+	.020	3.985*** (.000)
SIZE	+	-.004	-3.296*** (.001)
AGE	+	-.006	-2.631*** (.009)
LEV	-	-.002	-.252 (.801)
CFO	+	.409	17.814*** (.000)
FOR	+	.081	6.994*** (.000)
IND		Included	
YWAR		Included	
F-value		76.275(.000)***	
Adj. R2		0.419	

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

5. Discussion

The purpose of this study was to evaluate the effect of the CSR activities of internationally diversified companies on management performance on the KOSPI market in Korea. For the evaluation, an empirical analysis was performed with a total of 2,520 samples selected from companies listed on the KOSPI for 6 years from 2013 to 2018.

The results of analyses are as follows. First, a 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 for management performance. These results may indicate that the CSR activities of internationally diversified companies might have contributed to management performance during the period subject to verification.

Second, through the multivariate regression analysis, the effect of the CSR activities of internationally diversified companies on management performance was confirmed. First, from the verification of Hypothesis 1, it was confirmed that CSR activities have a positive effect on ROA. Therefore, in order to increase management performance in an internationally diversified company, it may be a good idea to increase the company's CSR activities.

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

Fourth, additional analyses were made to verify Hypothesis 1 and Hypothesis 2. That is, Hypothesis 1 and Hypothesis 2 were examined using the total ratings of the top 200 companies selected based the KEJI index among the samples in 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, heavily 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, the economy of Korea is also experiencing difficulties. Despite these difficulties, Korea is actively seeking 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 market situation after the pandemic 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 enterprises. Therefore, it will be critical to find new growth opportunities by quickly returning to the original state once the pandemic subsides. From this perspective, the results of this study could be a 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, the scope of the research should be expanded to the entire listed companies, such as the period subject to verification, it may be able to secure more meaningful results.

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