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Corporate Social Responsibility as a Strategic Means to Attract Foreign Investment: Evidence from Korea

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Abstract: This study examines how foreign investment can be driven by corporate social responsibility (CSR). By specifying the underlying mechanism of foreign investors' stock picking behavior, we argue that CSR can attract foreign investment. Given that CSR actions are taken to meet various needs of its stakeholders, the host firm can convey a reliable signal to foreign investors as well as the stakeholders. As such, foreign investments can be increased in the host firm. This idea is examined in a sample of Korean firms. We hypothesize that Korean firms, as host firms, will have more foreign investments, instantiated by foreign ownership, if they are more actively engaged in CSR. To test this argument, we collected a panel dataset of the Korea Economic Justice Institute (KEJI) Index between 2004 and 2009 to measure CSR performance of the firm. We estimated foreign ownership with respect to CSR performance. As a result, we found a positive effect of CSR performance on foreign ownership. Given the importance of foreign investment in host countries, this study opens an avenue that can account for foreign investors' stock-picking behavior.

Keywords: CSR performance; corporate reputation; foreign ownership

1. Introduction

It has been widely understood that foreign investment plays a key role in enhancing competitive advantages and improving performance, by allowing firms to obtain better access to financial capital [1]; affecting firms' management efficiency and investment activities [2]; providing knowledge and resources [3–5]; and mitigating uncertainty about investment. In emerging market countries, particularly, foreign investment has contributed considerably to boosting national economies and enhancing firms' global competitiveness [6]. Given such importance of foreign ownership in the host country, it is essential to understand how host firms strategically attract foreign investments.

Nevertheless, our understanding as to how foreign investments can be made in the host country is under-developed. In fact, in the targeted host country, foreign investors are more likely to be exposed to uncertainty and information asymmetry than local investors [7–9]. This difficulty in evaluating the host firms (i.e., firms in the host country) must be a critical barrier for foreign investors. This suggests that foreign investors' stock-picking behavior is dependent on the level of uncertainty and information asymmetry about target firms and stock markets [10,11]. That is, foreign investors will prefer host firms that can send trustworthy signals enough for them to reduce the uncertainty and information asymmetry. Then, what would be the trustworthy signals that host firms can generate for foreign investments?

In this study, we pay attention to corporate reputation constructed by stakeholders (e.g., [12,13]), as a strategic means to reduce the uncertainty and information asymmetry on the host firms. Corporate reputation refers to "*being known for something* (perceived predictability of organizational

outcomes and behavior relevant to specific audience interests)" [14] (p. 155). Based on this definition, the concept of corporate reputation can be specified in terms of "the degree to which stakeholders evaluate an organization positively on a specific attribute" [15] (p. 1035). In other words, the corporate reputation of the firm is constructed depending on how stakeholders evaluate the firm. The corporate reputation constructed by stakeholders can increase shared understandings on the firm among diverse stakeholders [16]. By holding stakeholders accountable to it, the firm can convey a consensual image to the public. This can make the understandings of the firm in the market inherent. As such, diverse stakeholders can share the belief that the firm can satisfy their needs. That is, firms with a well-constructed corporate reputation can gain legitimacy on and increase accountability for their activities in the market [16]. Also, it can be a critical source for investors in evaluating target firms [16]. In this sense, foreign investors are likely to invest in host firms which have positive evaluation from diverse stakeholders. This suggests that gaining a good corporate reputation from stakeholders can be a critical factor for host firms to attract foreign investment.

Given that a high level of CSR performance contributes to an improvement in corporate reputation [17–25], firms can actively seek for CSR to attract foreign investments. In this sense, we investigate the role of CSR performance in enhancing its foreign investments. To examine the foreign investment drawn from CSR performance, we trace the foreign ownership of Korean companies and their CSR ratings from a third-party institution (i.e., Korean Economic Justice Institute: KEJI) between 2004 and 2009. With a sample of Korean companies, we attempt to find a relationship between CSR and foreign investment.

This study primarily contributes to the literature on CSR by providing the evidence that CSR can be strategically used to attract foreign investment. Our evidence from Korea has an important implication to researchers in that (1) CSR can be utilized in the context of international businesses; (2) CSR can be a salient source for foreign investors; and (3) CSR can be understood as a means to construct a governance structure of the firm.

2. Theory and Hypothesis

2.1. Foreign Investment

Regarding foreign investment, scholars have paid attention to how foreign investors sift out from numerous investment alternatives (e.g., [7,26]). According to Hymer [26], foreign investors are likely to bear additional costs associated with obtaining and processing information about firms in host countries compared with domestic investors. Related to this, taking the liability of foreignness view, Baik et al. [7] suggest that physical distance, language barriers, cultural differences, and different accounting rules can make it unfamiliar and difficult for foreign investors to understand management environments or investment practices. These studies commonly argue that foreign investment is saliently dependent on the unfamiliarity and information asymmetry about the firms in the host countries (i.e., host firms). As Grinblatt and Keloharju [27] contend that foreign investors' unfamiliarity with host firms is commensurate with physical distance, language barriers, and cultural differences, thereby leading to a serious impediment to effective foreign investment. Similarly, Bradshaw et al. [28] find that different legal or accounting rules make it hard for foreign institutional investors to evaluate firms in host countries, which hampers further engagement of other foreign investors.

2.2. CSR Performance and Foreign Ownership

Given that foreign investors generally make investment decisions under conditions of uncertainty and information asymmetry [10,11], the opaqueness of the internal processes of the host firms can be reconciled with what the host firms do for their stakeholders. Stakeholders, defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" [29] (p. 46), construct general reputation of the firm by establishing the public recognition and social approval of it [30,31]. Inter-relationships between the firm and its stakeholders develop over time, and it can

prompt stakeholders to make positive contributions to the organization [32–34]. For example, if a firm develops various ways to secures equal employment or training and career development of its employees, employees in the firm are likely to have strong organizational commitment [35,36].

If firms can respond to stakeholders' explicit or implicit demands in socially desirable ways, the stakeholders can behave more leniently toward the firm [18–25,37]. When a firm makes efforts to develop eco-friendly and high quality products, customers tend to build a positive reputation of the firm as they perceive the firm's activities as being socially desirable [38–40]. This notion suggests that corporate social responsibility (CSR) can be a way for firms to send a reliable signal of their unobservable capabilities [30]. The signal of CSR, accordingly, will enable various stakeholders to believe that the firm will deliver values for the society [41]. The engagement of CSR can reinforce the social approval of the firm from stakeholders [32]. Such socially-constructed perception on the firms can be a part of organizational reputation. For example, philanthropic activities and environmental preservation campaigns lead to favorable corporate images and evaluations [42,43]. In the stock market, firms engaging in CSR activities including sound governance structures and transparent investments can get positive evaluations from potential investors [30,34]. Choongo [22] illustrated that small- and medium-sized enterprises in Zambia can build a good reputation when they actively engage in CSR activities. Likewise, Alshammari [44] contended that CSR contributes to building a better image with stakeholders. Zasuwa [23] also found that CSR activities reinforce consumers' beliefs that the firm is reliable and trustworthy, thereby contributing to building a better corporate reputation. By focusing on the hotel industry, Kim and Kim [24] corroborated that the involvement in CSR contributes to a better reputation through customer satisfaction and trust [45,46]. Consistent with Kim and Kim's [24] argument, Kim et al. [25] highlighted that how customers perceive a firm's CSR activities can lead to the firm's corporate reputation because it can entail a strong corporate brand trust.

This indicates that from the host firm's perspective, foreign investment can be incentivized by managing inter-relationships with their stakeholders, or how they are evaluated by their stakeholders [18–25,37]. From this standpoint, we argue that foreign investors, who want to avoid uncertainty and information asymmetry in investing in firms in different countries, are likely to have favorable attitudes for the host firms that actively engage in CSR activities. The high level of CSR performance of the host firm can help to build its organizational reputation that serves as a meaningful signal that mitigates uncertainty and information asymmetry about the firm. That is, by reflecting the public perception on the firm in terms of how the firm meets the expectations from various stakeholders, CSR can illuminate unrevealed internal processes in the host firms. Hence, as a host firm performs better in terms of CSR, more foreign investments can be attracted. Thus, we set a hypothesis as shown below:

Hypothesis 1. *Host firms which outperform in conducting CSR are likely to have more foreign investments.*

3. Methods

3.1. Sample and Data

To test the relationship between CSR and foreign investments, we investigate the foreign investments in the Korean stock market. Since the Korean financial crisis of 1997, the Korean government has attempted to ameliorate the fundamentals of the Korean economy. The institutional regulation of stock market liberalization was established in 1998. The kernel of this regulation was to keep sufficient foreign exchange reserves, create soundness and invigoration in the Korean stock market, and enhance Korean firms' competitiveness through foreign investment. As a result of the continuous efforts to attract foreign capital, after about two decades, foreign ownership not only became more than one-third of market capitalization in the Korean stock market, but also contributed to an improvement in the competitiveness of Korean firms and Korea's economic growth.

In this research setting, we collect the data from multiple sources: KEJI index and DataGuide 5.0. The KEJI index presents annual CSR performance of each public firms in Korea, rated by KEJI (Korea Economic Justice Institute). With the KEJI index, we combine the financial data collected from DataGuide 5.0 to figure out foreign investment in the sample firm. As a result, we trace 262 public firms in Korea from 2004 to 2009, which constitutes 1004 firm-years as the total observations in the dataset.

3.2. Operationalization of Variables

3.2.1. Dependent Variable

The dependent variable in the study is foreign investment. In general, foreign investments are captured by the extent to which foreign investors have stock shares of the host firms. As such, we measure foreign investments as foreign ownership, i.e., the ratio of the number of shares held by foreign investors to the total number of shares issued by a firm.

3.2.2. Independent Variable

This study uses the KEJI Index to evaluate how well firms perform CSR activities. KEJI, a non-governmental organization in Korea, has published the top 200 CSR firms in Korea every year since 1991. To discern the top 200 CSR firms, KEJI evaluates the Korean public firms in seven aspects of CSR activities: organizational integrity, justice, community service, customer satisfaction, environmental conservation, employee satisfaction, and economic development (Each component is evaluated by quantitative and qualitative methods. The quantitative method utilizes a wide range of archival data such as annual reports; news reports regarding corporate illegality; reports from the Fair Trade Commission, the Korea Employment Agency for the Disabled, and the Korea Investors Service; and certifications from the Korean Agency for Technology and Standards, and the Ministry of Environment. The qualitative method utilizes a survey that is designed by professors, professional researchers, and representatives of civic groups. In this regard, the KEJI Index is widely acknowledged by professionals and civic groups as an appropriate index for CSR activities). Then, the scores of the seven-dimensional CSR activities have been developed as the KEJI Index. According to Oh et al. [47], the measurement methods of the KEJI Index are comparable to the KLD ratings. In this sense, various studies on CSR in Korea have used the KEJI Index to represent a Korean firm's CSR activities. In this study, to measure CSR performance, we aggregate the seven-dimensional CSR scores of the KEJI index.

3.2.3. Control Variables

For control variables at the industry level, we consider industrial segments. The industrial segments, classified by KEJI, indicate (1) a group of the pharmaceutical, fabric, and pulp and paper industries; (2) a group of the non-manufacturing and service industries; (3) a group of the electrical and electronics and machine industries, and (4) a group of the metal, non-metal, and chemical industries. The distributions of sample firms by each segment are 26.72%, 25.19%, 23.66%, and 24.43%, respectively. As dummy variables, the industrial segments are included in the models.

At the firm level, we control for market share, firm size, firm age, debt–equity ratio, R&D expenditures, marketing expenditures, Risk in the stock market, KOSPI 50, market-to-book ratio, and ROE. Market share is measured as the proportion of sales of the given firm in the total sales in the industry the firm belongs to. Firm size is measured as the logarithm of a firm's number of employees. Firm age is the number of years from the founding year to the given time period. Debt–equity ratio, which represents the capital structure of the firm, is measured as the long-term debt divided by the total equity of the firm. R&D expenditures are measured as the actual R&D expenses divided by total assets. Marketing expenditures are considered as a control variable to capture the firms' efforts for the interactions with their stakeholders, including customer satisfaction, public relations, and industrial relations. The variable is measured as the total expenses of marketing and advertising activities, which are divided by total sales. Risk refers to the systematic risk in the stock market, which is derived

from the Fama–French three-factor model [48]. KOSPI 50, a representative stock market index in Korea, is captured as an accredited status in Korean public companies. The firms in the high status can reduce search, monitoring, and control costs as the firm's information is widely covered by the media and business analysts. The Korea Exchange (KRX) provides the "*Annual KOSPI 200 List*", based on market capitalization and liquidity among Korean public firms, every year. With the list, we create a dummy variable that takes one if the given firm appears on the top 50 in a given year and zero otherwise. Market-to-book ratio indicates how the stock market evaluates the firm's value. The market values are measured as the outstanding shares multiplying by their current stock prices; the book values, which indicate the accounting values of equity, are reflected as the amount of total assets. Accordingly, the market-to-book ratio is computed by dividing the market values by total assets. Last, ROE is measured as a financial performance of the firm. ROE is measured as net income divided by shareholders' equity.

3.3. Model Specification

To test the hypotheses, we formulate an equation

$$FO_{it+1} = a_0 + a_1C_{it} + a_2F_{it} + a_3I_{it} + \varepsilon \tag{1}$$

where FO_{it+1} is the foreign ownership of firm i at time $t + 1$, C_{it} is the total score of CSR activities of firm i at time t, F_{it} is a vector of firm-level controls at time t, I_{it} is a vector of industry-level controls at time t, and ε is the residual term.

In this equation, we attempt to consider potential endogeneity issues. In other words, CSR may be endogenous in estimating foreign ownership because firm i can determine where to put attention and resources [17,49,50]. In fact, slack resources have been treated as an essential factor to discern the relationship between CSR and financial performance [17]. For this reason, we use slack resources as the instruments of firm i's CSR [51,52]. In this study, we measure slack resources as the ratio of quick assets to liabilities [53–55].

Thus, as an alternative model, we impose the slack resources to the main equation as an instrument variable [56].

$$C_{it} = b_0 + b_1S_{it-1} + b_2F_{it-1} + b_3I_{it-1} + \upsilon \tag{2}$$

where S_{it-1} is firm i's slack resources as an instrument at time $t - 1$, F_{it-1}, and I_{it-1} respectively indicate firm-specific and industrial characteristics of firm i, and υ is the error term. With this estimation model, we calculate the predicted value of C_{it} and then impose this into the main equation. Finally, the main equation turns into Equation (3)

$$FO_{it+1} = c_0 + c_1\widehat{C}_{it} + c_2F_{it} + c_3I_{it} + \omega \tag{3}$$

where $\widehat{C}_{it}$ is the predicted value of C_{it} from the first-stage equation and ω is the error term.

4. Results

Table 1 exhibits the descriptive statistics and pairwise correlations for the variables tested in the study. To ensure that multicollinearity is not a serious issue in our models, we calculate variance inflation factors that are widely used to detect multicollinearity. In the main effect model, the highest variance inflation factor is 4.09, well below the level of concern of 10, indicating that multicollinearity does not seem to be serious in our estimations [57].

Table 2 illustrates the estimation of foreign ownership with respect to CSR. Models 1 and 2 show fixed-effects estimation models. In Model 1, as a baseline model, we include only control variables. To Model 2, we add our hypothesized variable, CSR. From the result of Model 2, we find that CSR can positively increase foreign ownership ($\beta = 0.32$; $p < 0.01$).

As we acknowledge that the variable of CSR can be endogenous in estimating foreign ownership, we employ a two-stage estimation method. First, we run diagnostic tests to evaluate the relevance of applying the instrumental variable approach. At first, we perform an endogeneity test of an endogenous regressor, the CSR variable. The statistics show that the CSR variable can actually be treated as endogenous (χ^2 = 9.809; $p < 0.001$). In the second-stage equation, we find, with the Kleibergen-Paap rk LM statistic and the Hansen *J* statistics, that there is neither under-identification nor over-identification issue (χ^2 = 12.69; $p < 0.001$, *J* = 0.000). Also, we conduct an Anderson-Rubin Wald test to figure out if there is another possibility of weak instrument. It is found that the *F* statistics reject the weak identification possibility (*F* = 12.23; $p < 0.001$). Based on these test results, we conclude that using slack as the instrument variable can improve the estimation of foreign ownership.

In Table 2, Models 3 and 4 present the estimation result at each stage. Model 3 shows the first-stage estimating CSR with respect to slack resources (as the instrument variable) and the control variables. With the estimated CSR from Model 3, we find the positive relationship with foreign ownership as seen in Model 4 (β = 1.94; $p < 0.001$). This result supports our hypothesis.

To ensure that our findings are not sensitive to the measure of foreign investment, industrial segments, or sample firms, we perform a series of robustness checks (The detailed results on the robustness checks are all available upon request). First, we measure foreign investments in an alternative way and impose the variable to the main equation. Specifically, we compute foreign investments as the multiplication between the number of shares foreign investors own and the stock prices in the given year. The second-stage estimation of the alternative measure reveals that there is still a significant, positive relationship between CSR and foreign investments. Second, to check if there are any industrial differences in the relationship between CSR and foreign investments, we re-run our two-stage estimation model with the samples split by industrial segments. The split-sample estimation results show consistency with our original results. Third, we examine whether our findings are vulnerable to extreme sample firms. Based on the number of employees, we exclude (1) the cases below the 1st percentile and above the 99th percentile and (2) the cases below the 5th percentile and above the 95th percentile. We conduct our main analysis with the samples and find that the results are consistent. Furthermore, we consider excluding the extreme cases of slack resources (i.e., (1) cases below 1st/5th percentile and above the 99th/95th percentile for slack resources). The re-sampled estimations also show consistency.

Table 1. Descriptive Statistics and Correlation Coefficients.

Variables	Mean	S.D.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Foreign ownership	17.05	17.35	0	87.55	1.00															
2. CSR performance	47.47	2.49	43.10	58.11	0.29	1.00														
3. Slack	0.68	0.36	−0.40	1.66	0.09	0.12	1.00													
4. Segment 1	0.26	0.44	0	1	−0.07	−0.03	0.00	1.00												
5. Segment 2	0.25	0.43	0	1	0.15	−0.08	−0.21	−0.34	1.00											
6. Segment 3	0.26	0.44	0	1	−0.06	0.17	0.23	−0.35	−0.34	1.00										
7. Market share	0.01	0.04	0.00	0.44	0.32	0.34	−0.01	−0.01	0.05	0.02	1.00									
8. Firm size	6.63	1.31	2.77	11.36	0.45	0.38	−0.30	−0.16	0.05	−0.04	0.38	1.00								
9. Firm age	3.48	0.56	0.69	4.71	−0.06	−0.11	0.05	0.04	−0.12	0.11	−0.11	−0.05	1.00							
10. Debt-equity	3.56	10.63	0.00	141.02	0.11	0.07	−0.20	0.04	0.09	−0.05	0.13	0.23	0.05	1.00						
11. R&D	0.01	0.02	0	0.15	0.01	0.26	0.16	−0.14	−0.12	0.19	0.00	0.14	−0.13	−0.05	1.00					
12. Marketing	0.19	0.17	0.01	0.94	0.06	0.26	0.18	−0.26	−0.02	0.53	0.05	0.07	−0.05	0.11	0.34	1.00				
13. Risk	0.77	0.50	0	2	0.04	0.05	−0.21	−0.01	−0.04	−0.17	0.07	0.28	−0.04	0.03	0.00	−0.20	1.00			
14. Market-to-Book ratio	0.64	0.55	0.03	4.09	0.26	0.37	0.30	−0.08	0.01	0.13	0.28	0.18	−0.28	−0.11	0.31	0.27	0.07	1.00		
15. KOSPI 50	0.13	0.33	0	1	0.36	0.34	−0.24	−0.07	0.16	−0.18	0.45	0.66	−0.07	0.23	0.02	−0.07	0.23	0.10	1.00	
16. ROE	0.10	0.10	−1.50	0.55	0.21	0.18	0.06	−0.04	0.09	−0.03	0.18	0.16	−0.12	−0.06	−0.01	−0.02	0.09	0.32	0.15	1.00

R&D: Research & Development, ROE: Return on Equity.

Table 2. Fixed-Effect Estimation of Foreign Ownership with respect to Corporate Social Responsibility.

Variables	OLS [1]		2SLS [2]	
	Model 1 Foreign Ownership	**Model 2** Foreign Ownership	**Model 3** CSR	**Model 4** Foreign Ownership
Constant	6.44	−8.46	43.99 ***	−84.92 **
	(16.06)	(16.77)	(5.27)	(30.91)
Slack			2.15 ***	
			(0.58)	
CSR		0.32 **		
		(0.12)		
Estimated CSR				1.94 ***
				(0.55)
Segment 1	1.85 *	1.10	2.34 **	−2.93 †
	(0.94)	(0.90)	(0.84)	(1.64)
Segment 2	−1.18	−1.01	−0.07	−0.12
	(8.25)	(8.46)	(2.31)	(8.37)
Segment 3	0.64	−0.18	2.14†	−4.34
	(2.89)	(3.00)	(1.15)	(3.19)
Market share	28.95 *	27.57 *	6.03	20.52
	(12.99)	(13.08)	(4.80)	(14.07)
Firm size (# Employees)	−0.65	−0.62	0.15	−0.48
	(1.78)	(1.77)	(0.55)	(1.78)
Firm age	4.00	4.12	−0.35	4.76 *
	(2.55)	(2.58)	(0.89)	(2.42)
Debt-equity ratio	−0.01	−0.01	0.01	−0.02
	(0.03)	(0.03)	(0.01)	(0.03)
R&D	6.12	2.03	12.09	−18.97
	(55.50)	(55.28)	(11.05)	(54.81)
Marketing	8.02	8.34	-0.97	9.99
	(7.92)	(7.92)	(2.49)	(7.90)
Risk	−0.40	−0.42	0.12	−0.056
	(0.49)	(0.49)	(0.16)	(0.49)
Market-to-Book ratio	1.08	0.94	0.38	0.22
	(0.84)	(0.83)	(0.26)	(0.83)
KOSPI 50	1.23	1.06	0.69	0.17
	(1.63)	(1.66)	(0.55)	(1.64)
ROE	4.77 **	4.38 *	0.54	2.39
	(1.82)	(1.75)	(0.81)	(1.86)
Firm dummies	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes
Adj. R^2	0.93	0.93	0.62	0.93

[1] Ordinary Least Squares, [2] Two-Stage Least Squares. The number of firm-year: 1004, The number of firms: 262; Robust Standard Errors in parentheses † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

5. Discussion and Conclusions

In this paper, we examine whether CSR performance of the host firms can increase their foreign investments. With a sample of Korean public firms, we found that high CSR performance is beneficial for attracting foreign investment. That is, as a firm's CSR performance increases, foreign investors tend to narrow the scope of their attention to an accessible and reliable indicator such as CSR; as a result, its foreign ownership increases. This result implies that since foreign investors generally confront uncertainty and information asymmetry, they have a strong desire to reduce or avoid uncertainty and information asymmetry about investment when they select and invest in the stock market. In this context, CSR can enhance corporate reputation in a way that serves as a meaningful and reliable signal to foreign investors. In general, organizational reputation helps them reduce transaction costs such as search, monitoring, and coordination costs. Accordingly, when a firm is actively engaged in CSR, the firm can receive more positive evaluation from foreign investors. As such, foreign investors are likely to invest in firms with a high level of CSR engagement.

Our finding provides three theoretical contributions in corporate social responsibility. First, given the importance of foreign ownership in enhancing competitive advantages, the link between CSR and foreign investments emphasizes how CSR plays a role for the firm's performance. Even though foreign ownership itself cannot indicate firm performance, the attraction of foreign investment can be a positive signal for the firm's performance. Future study will specify how the foreign investments

driven by CSR can enhance financial performance. Related to this, second, this study demonstrates how a firm's CSR activities can function as a meaningful and reliable signal to foreign investors. CSR, as a source for organizational reputation, can reduce uncertainty and asymmetry about investment in different countries. Since CSR deals with diverse stakeholders, such good management can be valued across national boundaries. Future studies will address how host countries can attract foreign investors from diverse countries by emphasizing CSR activities over the world. For example, any responsible behavior in the international businesses, such as fair-trading, might have more likely than any domestic-focused CSR activities, to call attention from foreign investors. By discerning the CSR-related factors to facilitate the foreign investments, we can specify the role of CSR in foreign investments. Third, this study can expand our knowledge on corporate governance to aspects beyond country boundaries. Foreign investment indicates the possibilities that foreign shareholders can have their own voices. As the foreign investment intensifies in a firm, the decisions of the firm can be changed. With the influx of foreign shareholders' points of view, the host firms can devise new strategies for their competitive advantages. Given this, we can figure out that CSR can be a strategic means to construct more globally-competitive firm.

While our study provides theoretical and practical contributions for scholars, there are some opportunities to elaborate our idea. First, we focus on one host country, Korea. Our argument may be also evidenced in other countries, such as developed economies (e.g., the United States, the United Kingdom, Canada, and Germany) or emerging economies (e.g., India, Vietnam, Thailand etc.). Second, even though we consider the KOSPI 50 list to represent the firm status in the stock market, the variability of organizational reputation, other than CSR, could be more specified in this study. By using more rigorous measures of organizational reputation, the thesis on foreign investments driven by information asymmetry can be further developed.

Author Contributions: Juil Lee conceived the main idea and Sang-Joon Kim and Insu Kwon elaborated the idea. Juil Lee collected the data and with Juil Lee, Sang-Joon Kim performed the statistical analysis.

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