Master's thesis

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The Effects of Firm Internationalization Level with Regard to Corporate Social Responsibility and Firm Performance

Master's thesis in International Business and Marketing

Supervisor: Siv Maria Flø Grimstad

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Abstract

The purpose of this study is to improve the understanding of firm internationalization as it relates to CSR and firm performance. Business literature has long explored the idea of globalized trade, however, the recent rise of CSR has shifted some of the focus of internationalization research away from financial metrics (the serving of stockholders), and into the serving of all stakeholders. The hypotheses utilize transaction cost theory, the resource-based view, and stakeholder theory to rationalize the association between firm internationalization, CSR performance, and firm performance. Using SmartPLS to model the association, it was found that firm internationalization level has significant influence on firm CSR performance, while CSR performance has a significant influence on firm performance. Additionally, there was evidence of an effect from internationalization on firm performance, which is mediated by CSR performance.

Although limited, these findings confirm the results from much the internationalization-CSR performance literature which does exist. While further studies will surely improve upon what is very much a field in its ‘growth’ stage, it is evident that internationalization must be measured with a variety of indicators.

Acknowledgements

The completion of this master's thesis marks the end of my current academic pursuits, but the start of what one can hope to be a successful career in business.

The Norwegian University of Science and Technology faculty for International Business and Marketing ("Siviløkonom") in Ålesund have been exquisite, both in the understanding of their fields of knowledge, as well as in their commitments to serving the students.

I would like to thank both Siv Maria Flø Grimstad & Richard Glavee-Geo for their supervision through this process, specifically through their expertise in Corporate Social Responsibility, and Internationalization Effects. Their guidance through theory, research design, and statistical analysis was paramount in the completion of this research. I say with the utmost sincerity that their dedication to teaching sets an exemplary standard for academia.

Lastly, I would like to thank all those who have supported me in my journey as an international student – family, friends, students and professors, without all of you, this task would have been impossible. For this, I am eternally grateful.

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List of Abbreviations

CFP	Corporate Financial Performance
CSA	Corporate Sustainability Assessment
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
ESG	Environmental Social Governance
FSTS	Foreign Sales to Total Sales
MSCI	Morgan Stanley Capital International
R&D	Research and Development
RBV	Resource Based View
S&P	Standard & Poor's
SHT	Stakeholder Theory
TCT	Transaction Cost Theory

1.0 Introduction

Currently, research into firm internationalization focuses heavily on financial performance, with little regard for the impact on CSR activities (Attig, Boubakris, El Ghoul, and Guedhami, 2014). While financial performance is an obvious metric for determining a firm's position in the market, it does not fare well in determining long-term profitability (survival) of a firm (Kang, 2012).

Recently, incorporating ESG factors in investment strategies has become a distinct service for a number of investment service providers (Duuren, Plantinga, and Scholtens, 2019). The long-term profitability of the firms is more consistently expected from investors when ESG (ESG as a metric of CSR) performances are higher, as the risk of firm failure is deemed to be lower. These trends appear to show that there is a gap in both academia and the market, with regard to the investigation of the effects of internationalization levels; as CSR may be the better metric for long-term firm survival, as opposed to financial performance.

Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi, (2014), discuss the relation between CSR and its implications on financial performance, using competitive advantage, reputation, and customer satisfaction as "probable mediators" in the relationship. The results of the study on 205 Iranian firms indicated a positive effect, albeit through indirect market functions.

Various studies indicate that internationalizing aspects of a firm leads to improved odds of long-term survival (Sleuwaegen, and Coucke, 2008) (Puig, Gonzalez-Loureiro, and Pervez, 2014). While effects vary based on industry, cumulative results show benefits from factors such as location advantages, and production efficiencies.

Bausch, and Krist, (2007), found that internationalization and firm performance "…show a statistically significant correlation, although this relationship is low in magnitude." (p. 342). Specifically, they identified that the relationship is context specific, being moderated by a number of variables, including: R&D intensity, product diversification, country of origin, firm age, and firm size.

In their 2014 study, which analyzed 3,040 U.S. firms between 1991-2010, Attig, et al concluded, "…we find that internationalization exerts a significant and positive effect on CSR activity." (p. 189). However, they specifically denote that this is subject primarily to multi-national firms with

"more abundant resources", as they increase CSR investment as a response to internationalization.

Diez, Cabeza-Garcia, and Fernández-González, (2018), cross analyze CSR and internationalization strategies as two increasingly important competitive strategies in an increasingly globalized market. The results for their study of companies on the Madrid Stock Exchange General Index indicated that firms above the median internationalization level "...appear to be more socially responsible...". While research on this topic is limited, positive associations between a firm's internationalization level and its CSR performance have been demonstrated.

Another study by Kang, Germann, and Greawl, (2016), analyzed corporate social responsibility & irresponsibility with regard to firm performance, "…results from an unbalanced panel data set of more than 4,500 firms and up to 19 years suggest that firms that engage in CSR are likely to benefit financially from their CSR investment." (p. 59).

The main purpose of this study was to investigate the link between firms' levels of internationalization and their respective CSR performance levels. It specifically investigates the associations found among manufacturing and service firms across the U.S; it also includes the relation of firm performance as another indicator with which to observe the mediation between CSR and internationalization. From interpretation of the previous literature, the following structures emerged: 1. To examine the relation between internationalization and CSR (ESG) performance 2. To examine the relation between CSR and firm performance. 3. To examine if the effect of internationalization on firm performance is mediated by CSR performance.

The importance of researching the link between firm internationalization and CSR performances stems from the value of improving our understanding of methods through which firms can create sustainable-market growth while meeting the environmental & social expectations of governments and society. While the implications of better understanding affect all stakeholders, it can be argued that it is especially poignant for the likes of firm management and investors; as the strategic value of improved systems understanding is likely a method for which to achieve competitive advantage. Given this premise, research should be continued across varying industries and markets.

2.0 Literature & Theory Review

2.1 Introduction

Literature review of previous studies on the topic, along with other relevant research, is critical, as it "…will provide the foundation on which your research is built." (Saunders, Lewis and Thornhill, 2009; 61). It shows areas where research is missing, or inadequate, and can inspire the next great research project. Both the specific design of research variables, as well as the theoretical concepts, come together through what is known from past literature, and are interpreted in new ways, hopefully developing a novel framework and results.

The following chapter contains several relevant ideas, and theories which pertain to the topics of internationalization and CSR*:* Definitions and models of CSR, CSP, ESG (where CSP & ESG are functionally used as CSR), as well as relevant theories from modern literature (Stakeholder, Transaction Cost, Resource-Based View). This chapter will create a framework from which to explain and legitimize the research problem.

2.2 What is Corporate Social Responsibility (CSR)?

The functions and definitions of modern-day CSR seem to manifest themselves in a variety of ways; with a mix of other terms implying similar ideas. Two of the most common, for example, being environmental, social and corporate governance (ESG), and corporate social performance (CSP). The definitions of these terms can vary from researcher-researcher as well as from company-company; the following definitions bring to light their purposes, albeit without their implications.

"At MSCI ESG Research we define it as the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process." (MSCI, 2019, URL 1).

"Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it

manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights." (Investopedia, 2020, URL 2).

On Corporate Social Responsibility "A business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships." (Wood, 1991; 693).

"Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental." "To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them." (Investopedia, 2019, URL 3).

Carrol, (1979), links social responsibility to social performance by addressing the range of obligations which a firm has to society. These responsibility areas include: economic, legal, ethical, and discretionary responsibilities. By measuring the efficacy of these four indicators, performance of the firm (CSP) can be derived.

Garriga and Mele, (2004), rationalize CSR definitions through a series of theoretical backgrounds. 1. Instrumental theories – Where "…CSR is seen only as a strategic tool to achieve economic objectives and, ultimately wealth creation." (p. 53). 2. Political theories, which focus on relations and interaction among business and society, specifically the position of businesses and their "inherent responsibility". 3. Integrative theories, which looks at the needs of society, as it is the means of firm "…existence, continuity, and growth." (p. 57); where CSR is essentially observing demands, and integrating them into management practice, as to conform to with the norm. 4. Ethical theories, they focus on the ethical requirements between business and society. "Following this theory, a socially responsible firm requires simultaneous attention to the legitimate interests of all appropriate stakeholders…" (p. 60).

Porter and Kramer, (2006), in their discussion of the links between competitive advantage and CSR, point out four common justifications of CSR. 1. Moral obligation, where firms should

behave as good citizens. 2. Sustainability, which focuses on “environmental and community stewardship.”. 3. License to operate, indicating permission to act, based on approval from various stakeholders (such as governments and communities). 4. Reputation, it is seen as a means to improve the firm through a multitude of factors: image, brand, morale, “and even raise the value of its stock.” (pg. 3).

Collectively, these models similarly encompass a broad range of issues which pertain to firm actions as they affect the environment, society, and governance structures; however, they also play different roles in their applicability. In the ESG models, firms are able to set empirically measurable targets which can be strategically integrated and standardized for their given industry. Conversely, CSR, and by relation CSP, while measurable via different methods, are not implemented in a standardized fashion across industries and instead are representative of a more-macro, often both quantitative, and qualitative. Ultimately, ESG is a proxy for CSR, and this paper will utilize that aspect in its measurement processes.

2.3 Types of CSR

In discussing the implications of CSR, I would first like to highlight categorical types of CSR. We can examine three main channels through which CSR is developed - altruistic, coerced, or strategic (Husted and Salazar, 2006). By identifying categorical varieties of CSR, and subsequently their rationale, we should be better able to understand why firm’s CSR practices exist as they are. This can then be cross referenced with the pressures that exist from internationalization to help explain firm actions.

2.3.1 Altruistic CSR

“For the theory of rational behavior, the altruistic individual receives utility from the consumption of others as well as for his or her own consumption.” (Husted and Salazar, 2006; 76). This denotes the idea that altruistic firms make decisions to improve CSR performance, because by improving the ‘consumption’ of its stakeholders, there is an inherent benefit. Human society has developed over time with a complex division of labor spread throughout many nations, much of this ability being attributable to the effects of human altruism (Fehr and

Fischbacher, 2003). Altruist CSR exists from firms which wish to help the world because it is viewed as a morally correct option, rather than a strategy or coercion.

2.3.2 Coerced CSR

"The firm as an economic agent has as its primary objective the maximization of its profits. In order to achieve this goal, it takes resources from society: land, labor, and capital." (Husted and Salazar, 2006; 80). Stemming from this issue, arises the need of third-party moderation, to keep in-check the actions of the firm should they become detrimental to external stakeholders. This forced alteration in operations is then considered to be coerced CSR.

2.3.3 Strategic CSR

This facet of CSR hinges itself on developing a self-governance method which leads to competitive advantages. "Strategic interaction is particularly relevant because many social and environmental innovations increase costs relative to competitors. Governmental regulation can significantly help firms with cost advantages in complying with regulation to compete against rivals that do not enjoy such advantages" (Husted and Salazar, 2006; 82). Strategic and Coerced CSR can often vary based simply of the position of the firm, where pre-emptive actions create a strategy, whereas laggards are coerced by regulation.

2.4 What is Internationalization?

Broadness in definition and practice make the measurement of internationalization a challenge. Simply interpreted, internationalization is the degree to which a firm operates outside of its home country. Currently a number of widely utilized metrics can be observed: Foreign sales to total sales (FSTS), International Diversification, International Scope, Foreign Assets to Total Assets (FATA), (Marshal et al, 2020; Sullivan, 1994), among a variety of other sociological, operational, and financial metrics.

Hassel, Höpner, Kurdelbusch, Rehder, and Zugehör, (2003) argue that there are two primary dimensions of internationalization, "one that relates to the production sphere of a firm, and one that relates to the corporate governance sphere of the firm." (p. 701). In essence, one is strategic

(production) and one is financial (governance); in this argument it is expressed that production is a "real" dimension where firms invest and produce goods across borders. The financial aspect primarily focuses on exchange-rates, and the effects of investment. They also explain that internationalization measurement potential is weighed against the validity of its explanatory power of cause and consequence.

It is important to also understand the rationale behind "why" firms may decide to pursue internationalization. Glaim and Oesterle, (2007) argue that "…degrees of internationalization in reality are often the result of decisions that have been taken based on other strategic considerations (e.g., strategies of internal or external growth, cost cutting strategies, customer relationship strategies)." (p. 311). This idea should be used as we think about the relativism of internationalization, where factors such as geography and currency exchange rates dramatically impact the meaning of internationalization in different countries. E.g. It is likely easier for a manufacturing firm in Italy to internationalize, when compared to an Australian firm.

From the research contained herein, I believe that as globalization continues to increase, it is clear that the definitions and methods which are used to describe internationalization will continue to shift. Changes in political, economic, legal, technological, environmental, and social systems will undoubtedly alter our perceptions of what "internationalization" truly means.

"That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen, as well as to the merchants; but how, or in what manner, none of them well know." (Adam Smith, 1776; 332).

2.5 What is Firm Performance?

Firm performance is the idea of a metric for overall firm operation. In their paper *Firm Performance: Definition and Measurement Models*, Taouab and Issor, (2019), state: "Although it is a very common notion in the academic literature, there is hardly a consensus about its definition and measurement." (pg. 94). Ultimately, there exists a multitude of models for evaluation of performance, of which they mention a few. These include The Balanced Scorecard (BSC), which observes four firm perspectives as indicators (Financial, Customer, Innovation/Learning, Internal Business). As well as The Performance Prism, which observes

(Stakeholder Satisfaction, Capabilities, Processes, Strategies, Stakeholder Contribution). For this paper, firm revenues are used as a financial indicator to assess firm performance.

2.6 Internationalization and CSR Theory

While available research is small, Attig et al, (2014) found "strong evidence" of positive correlation between increased internationalization and increased CSR ratings. From here, we can begin to examine the theoretical underpinnings of CSR with its relation to varying levels of internationalization, as well as methods for how firms apply the theory in action.

2.6.1 Stakeholder Theory (SHT)

Stakeholder theory is prominent in discussions of firm CSR decisions, as they are both used in rationalizing the behavior of firms. "…the body of research on CSR and stakeholder theory has considerably grown over the last decades and both concepts often look at the same business issues from different points of view..." (Freeman,and Dmytriyev, 2017; 9).

Kaler; (2006), describes CSR with regard to business ethics as a way for companies to enhance distributive justice within a capitalist structure through more extensive serving of non-shareholder interests (stakeholders).

Parmar, Freeman, and Harrison; (2010), discuss that when firms become increasingly internationalized their pool of stakeholders becomes more diverse, thus having the potential to affect a broader range of people. Consequently, it seems, increasing the complexity of business operations. They also illuminate three of these interconnected business problems, through the lens of stakeholder theory. 1. How value is created and traded. 2. Connecting ethics and capitalism. 3. "Helping managers think about management such that the first two problems are addressed." (p. 2-3).

Given the links between stakeholder theory and CSR as they are used to rationalize firm behavior, it seems logical to implicate CSR also playing a role in the three problems mentioned above. First, as previously discussed, CSR is linked to long-term performance metrics of the firm, which would imply some cause-effect relation with how value is created. Second, as stated by Carol, (1979), the firm has economic, legal, ethical, and discretionary responsibilities to its stakeholders, thus linking ethics and capitalism as two interrelated systems in business. Third,

since CSR is a type of business model, it lends itself to addressing management issues by providing operational guidance.

As the implications of firm actions are far reaching with regard to its stakeholders, it is only rational to utilize this model in the research of internationalization effects. The importance of the theory as it exists to analyze the relation between CSR and internationalization may be expressed concisely by Jones & Wick (1999; 218) - “Such development may prove necessary if we as a society desire a moral and practical organizational response to the spread of intensely competitive global markets.”

2.6.2 Transaction Cost Theory (TCT)

TCT can perhaps be most simply described as a framework for explaining organizational boundary decisions (Geyskens, Steenkamp, and Kumar, 2006). This idea covers rationale for both decisions to increase or decrease internationalization levels, as well as adjusting resources for firm CSR levels.

Orlitzky, Siegel, and Waldman (2011) discuss transaction cost economics in relation to CSR, where CSR is the same as any other transaction; management having the function of increasing stakeholder satisfaction while incurring resource costs such as: time, financial, and human. Then suggesting that good CSR may produce lower transaction costs in the long-term. They bring up two important questions as they relate to CSR, internationalization, and long-term firm performance.

(1) How can social and environmental responsibilities be implemented more effectively through integrated market and nonmarket strategies?

(2) How can the various business disciplines (e.g., organizational behavior, human resource management, management information systems, and accounting) contribute to our understanding of the determinants of superior financial, social, and environmental performance? (p. 3).

The first question alluding to forms of CSR being improved upon through market strategies (such as R&D or acquisition of competitors), or non-market strategies such as lobbying political groups for regulatory changes. The second question involves the role of established disciplines within the field of business, as they can be used to improve efficacy of CSR and finance metrics /

tools. By asking the right questions, we are better able to direct ourselves as to which problems need to be solved.

Hennart, (2007) writes about the motives of firms with regard to internationalization, through the lens of TCT. Three main reasons are mentioned: 1. Acquisition of parts / raw materials 2. Exploitation of knowledge or reputation. 3. Access to technology or brands. They argue that one theory is unlikely to predict the expansion of a firm and its subsequent expansion of profits; however, it is also suggested, "Assuming that economic agents can roughly predict the level of rents available under each organizing mode, and that they can correct mistakes rather quickly, the size of an MNE at any particular time will tend to be optimal." (p. 442). This indicates that internationalization level is optimized via its inputs, and we can likely place CSR into the category of "exploitation of knowledge or reputation"; where CSR performance of the firm may have an effect on its ideal size.

Explanatory ability of this theory may help to relate the three variables being analyzed. Where firms may be increasing internationalization levels, increasing CSR performance, or both, in order to lower transaction costs.

2.6.3 Resource Based View (RBV)

Barney, (1991), found that sustained competitive advantages could be derived from firm resources that are (V)aluable, (R)are, not (I)mitable, (O)rganization; A combination of proper usage of these elements can be argued as the basis for how a firm makes decisions based on its current state of being. This framework has become common place in international business literature for examination of MNEs. CSR can be employed as a differentiation strategy (Porter, 1985) for firms of all sizes, to develop competitive advantages over companies with which they are in competition. In theory, management should be able to "…conduct cost/benefit analysis to determine the level of resources to devote to CSR activities." (Orlitzky et al, 2011; 9). This signifies that CSR can be interpreted and used as a firm resource that can be strategized to fit within the VRIO framework.

"The RBV has helped to specify the nature of resources required to overcome the liability of foreignness and provided a bridge to investigate the resources that provide the foundation for product and international diversification." (Barney, et al, 2001; 629).

While RBV is demonstrably useful, there arises several issues when utilizing it as a practical component in firm strategy, which must be mentioned. Arend and Lévesque, (2010), concluded the following in their research of RBV practicality in Organizational Theory. Firstly, "…the level of accuracy in identifying the VRIO resource was not as high as we wished for practical purposes…" (p. 927). Secondly, "… the clarity and consistency of the relationships between the levels of resource characteristics and performance were not attractive for practical purposes." (p. 927). These results highlight real issues to firm management as it seeks develop and maintain competitive advantages. Identification of critical VRIO resources, and subsequent measurement of their impact upon performance is a challenge which they argue is likely best met with complementation "...by other theories of performance."

2.7 Summary of Theory

The three main theories included in this research help to logically connect the effects of each other, as well as the variables. CSR performance, internationalization level, and firm performance are demonstrably related to one another, and it is the function of the models to help prove it.

Stakeholder theory links both CSR performance and internationalization level as means of improving firm performance. As firms become more internationalized, their pool of stakeholders grows, leading to increased need for CSR. Transaction cost theory explains economic incentive for engaging in different modes of internationalization and CSR, as they are actions which improve the firm value chain and ultimately firm performance. Resource-based view analyzes the firm in a way where CSR is a tool which the firm can exploit as a strategy in both home, and international markets; often in the hopes of developing a sustained competitive advantage (an indicator of firm performance).

To link together the models, TCT looks to improve firm value chain through lower inputs, higher outputs, or both. In order to do so it must assess other parts of the market it is in, or entirely other markets. By doing this, it is utilizing the RBV; because even if a firm is able to identify a

transaction cost opportunity, it may not have the resources to access it. TCT is linked to SHT through a firm's serving of its stakeholder's needs/demands, where the improved efficiency of inputs & outputs helps to satisfy the wants of those groups. RBV is therefor also linked to SHT, in that it is another model with which to help a firm understand how to satisfy their stakeholders, by taking advantage of their current state to maximize firm performance.

2.8 Conceptual Model

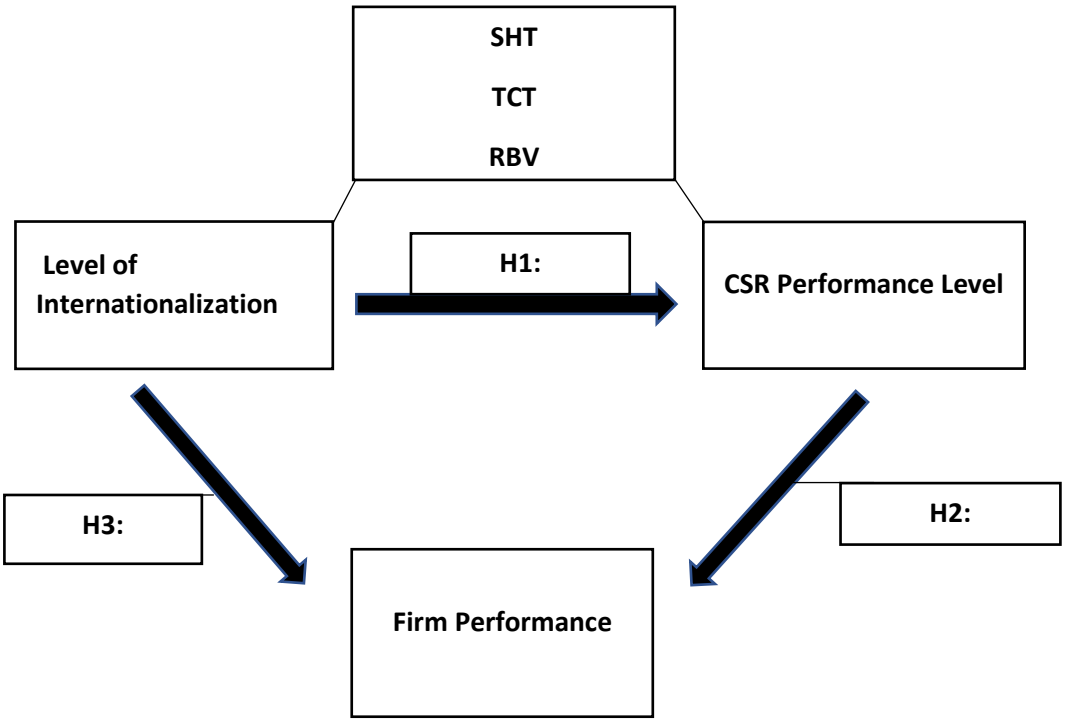
The model below conceptualizes previous literature findings, related theory and subsequent hypotheses to develop a framework for visualizing their interaction. We see that internationalization level influences CSR performance, which is moderated through the three aforementioned theories (SHT, TCT, and RBV). CSR performance influences firm performance, and that the three variables have a multi-way link.

As previously mentioned, the literature points out three key-ideas of which to base hypotheses. 1. Internationalization level has been linked to CSR performance. 2. CSR performance has a relation to firm performance. 3. Internationalization has a relation with firm performance. Thus, all of these are indicators (Internationalization, CSR Performance, Firm Performance).

Effect: 

Relation:

Figure 1 - Theoretical Model



2.9 Hypotheses

"In the scientific method, the hypothesis is constructed before any applicable research has been done, apart from a basic background review. You ask a question, read up on what has been studied before, and then form a hypothesis." (Merriam-Webster, 2020, URL 4). Based on the concepts and theories provided, the following hypotheses are made, where **H1** and **H2** are linked:

H1: Higher level of firm internationalization is positively related to higher levels of CSR performance.

H2: Higher level of CSR performance is positively related to higher firm performance.

One of the primary research reference points for these relations stems from the work of Attig, et al, (2014), who, at the time had (and to the best of my knowledge, have) completed analysis on the largest sample set ever used for this topic. Their paper, *Firm Internationalization and Corporate Social Responsibility,* found "strong evidence" for a positive relation, and concluded more studies should be done with regard to the implications of this dynamic.

The research of Duuren, et al, (2019), Saeidi, et al, (2014), and Kang, et al, (2016), all found various positive relations between CSR performance and firm's financial performance. Indicating that increased investment into CSR is likely improve short-term financials, as well as lowering long-term firm failure risk.

Applying the theory to these hypotheses, SHT indicates that as firm's internationalization levels grow, stakeholder groups grow both in volume and diversity (Parmar, et al, 2010). In order to satisfy these groups, while improving firm performance, CSR can be used as a mechanism with which to bridge the gap between what is demanded, and what the firm is currently capable of providing. These demands ranging from political, social, environmental, and financially oriented constituents. Successful internationalization should be indicative of successful CSR performance, successful CSR should be indicative of higher firm performance, ultimately indicating that the need of stakeholders (financial and non), have been served by the firm.

RBV indicates that, according to Barney (1991; 2001), firms use their resources in combinations of ways which lead to competitive advantages. As it is suggested through SHT, internationalization leads to an increased need to accommodate stakeholders, which in turn requires firm resources. If firms are able to identify and utilize their VRIO resources in ways which constitute satisfaction of external CSR demands, performance of both CSR and the overall firm should be increased.

If increased CSR performance does lead to improved financial performance, as indicated above, then it is likely a form of competitive advantage in the market. So, it would make sense for firms to increase CSR performance proportionally as their internationalization levels increased (if they use CSR as a viable strategy, based on their resources).

According to the suggestion of Orlitzky, et al, (2011), higher CSR performance may incur lower transaction costs in the long-term. Hennart, (2007), concludes that the acquisition of materials, exploitation of knowledge / reputation, and access to technology / brands, are primary reasons for internationalization. Together with TCT, we can infer that firms may be able to improve effectiveness / efficiency on any combination of these three motivators by way of CSR efforts. Perhaps through means such as subsidies, lower cost of capital via investor relations, better brand image, etc. In essence, internationalizing firms can help to lower their costs by utilization of CSR, ultimately improving firm performance.

H3: The Impact of internationalization on firm performance is mediated by CSR.

Looking at some of the results from Attig, et al, (2014), they found that primarily, only multinational firms with excess resources had increased CSR when they also increased in internationalization level. If we look at the research of Sleuwaegen and Coucke, 2008) (Puig, Gonzalez-Loureiro, and Pervez, 2014), they indicated the relation of increased internationalization levels with long-term firm performance. If we link these thoughts together, we can surmise that - - more highly internationalized firms typically have more resources which allow them to better engage in CSR, and consequently are more likely to have increased firm performance over longer periods of time, relative to industry competition.

The study by Orlitzky, et, al, (2003), indicated a bidirectional relationship between CSP and CFP, and the study by Diez, et al, (2018), indicated a bidirectional relation between CSR and

internationalization. This indicates multiway covariation for CSR with regard internationalization and firm performance. It will be seen in the model if this mediation does exist.

H1 was the primary question for this study, as it relates the two main topics of research; **H2** was subsequently introduced to observe impacts of (CSR) after its relation to internationalization was established. **H3** is to observe the interaction of all three variables, where CSR performance is a mediator between internationalization level and firm performance. Mediation being the intervening of a third variable between two related constructs, where change in the exogenous construct results in a change for the mediator, and consequently the endogenous construct. (Hair, et al, 2017).

2.9.1 Application of Theory to Model

This paper seeks to improve extant research (of which much is limited) by not only identifying a cause-effect relation between the two variables but developing a theoretical basis which helps to explain it. By viewing firm reasoning through lenses of SHT, TCT, and RBV theories, we can attempt to derive meaning from the decision-making of the firms involved in the sample.

This paper will focus on the effects of internationalization level (on CSR performance) through the TCT lens, as it directly relates to the actions of firms as they move across varying levels. Possibility for reduction of costs across any segment of a firm is likely to induce action once realized. Directly related to TCT, firms attempt to utilize resource-based advantages (RBV) in order to maximize these transaction opportunities (if they have the resources to) and ultimately these actions are rationalized by the stakeholder view; where the end goal is to satisfy a large variety of (non)shareholders.

It will also focus on discussion of the practical relationship between the performance metrics provided by the three variables. E.g. Why is it beneficial to utilize these metrics when analyzing a firm. (Kang, 2007) discusses the arguments for corporate social performance (CSP) having the ability to complement financial metrics, among others, as a way to measure firm performance, specifically in the long-term. Many arguments see CSP as a firm resource capable of generating sustainable competitive advantage. In-regard to stakeholder theory – having a diverse

stakeholder base, multinational firms can increase investment in CSR activities to, for instance, reduce the negative environmental impact of their operations and increase employee satisfaction. (Attig, et al, 2014).

It is also important to note that within the sphere of CSR, (Orlitzky, et al, 2011) demonstrates that sustainable competitive advantages may no longer be achieved as previously done, because, for example, “the public has become increasingly distrustful of what ‘CSR’ really means.” This is often denoted with terms such as “green washing”, or “virtue signaling”, where good CSR practices are marketed by the firm, but not employed at the described levels. This effect is in part a cause for the rise of ESG, where standardized, quantifiable metrics are preferred by stakeholders of all varieties (McPherson, 2019, URL 5).

3.0 Methodology

3.1 Introduction

“For the prestige of statistics and the scientific methodology is enormous. Much of it is borrowed from the high repute of mathematics and logic, but much of it derives from the flourishing state of the art itself.” (Skinner, 1955; 221).

The scientific method allows us to utilize empirics, form hypotheses and develop experiments which can better our understanding of the world around us. There exists a myriad of methods for the collection, and analysis of both types of data (qualitative & quantitative); simply put, these are organized strategies for solving various types of complex problems.

This study makes use of existing methods, and metrics, but applies them in a unique format. The U.S. market was chosen based on a multitude of factors: A large number of internationalized public firms from which to choose, a high-degree of publicly disclosed financial information, as well as secondary data provided by third-party institutions as to various performance metrics of the firms in question.

3.2 Data Collection Method

The data collected in this research is entirely secondary; gathered from 2019 & 2018 form 10-k’s from 100 publicly traded U.S. firms operating in a multitude of industries. ‘Form 10-k’, is the designated form title of annual financial reports for publicly traded U.S. companies. It includes various information with regard to the firms, including company history, strategies, limitations, firm structure, financial performances, amongst other. (SEC, 2020, URL 6). The choice to utilize secondary data was taken due to lack of research regarding the effect size of internationalization levels on CSR performance, as the scope of primary data would have likely been much smaller. The sample of firms chosen attempted to be representative of public firm population as a whole, across The United States.

In regard to sample size, one suggested rule of thumb for the calculation of adequacy in regression models is as follows: $N > 50 + 8m$ (where m = number of independent variables) for

the testing of multiple correlation and $N \geq 104 + m$ for the testing of individual predictors (Tabachnick and Fidell, 2013; 123). This would indicate that because internationalization is the only variable that is solely an independent variable (CSR functions as both, depending on the relation), a sample size of 58+ or 105+ should suffice for offering reliable results. Hair, Hult, Ringle, and Sarstedt, (2017), suggest a "10 times rule", indicating 10 times the number of independent variables is a rough mode of estimation to determine necessary sample size. Using this rule, only 10 firms would be required, as (10x1) = 10. Given these two suggestions, it should be that the utilized sample of 100 firms is adequate for the Partial Least Squared technique.

The difficulty of accurately retrieving primary data (rather than secondary) from a large number of firms, I believe, is not proportional to the quality of results from doing so - given the quality and quantity of information disclosed by public firms. Many of previously mentioned norms for measuring internationalization are derived in this way, and the metrics for CSR performance have been derived via institutions which specialize in this metric analysis. i.e. SAM S&P, and MSCI indexes.

3.3 Measurements of Internationalization Level & Firm Performance

The ratio of foreign sales to total sales (FSTS) was chosen in determining the internationalization level of the firms, where total international sales (or revenues) as a percentage of a firm's sales is indicative of their degree of internationalization, e.g. U.S. Sales 100M USD / Total international Sales 1B USD = 10% U.S. domestic, 90% internationalized.

The benefit of using an individual metric such as FSTS is that it is easier to cross compare companies over a wide range of industries, as sales is considered a common method to observe a firm's operations. Also, due to the CSR performance metrics that are employed, which utilize industry-specific methods, it is decided that the measurement of the primary independent variable (internationalization) be held equal across all industries. As with the logic of Hassel et al, (2003), FSTS is directly measuring a production aspect of the firms.

Literature does acknowledge that single-item metrics such as FSTS "…do not capture the multi-dimensionality of internationalization." (Glaum and Oesterle, 2007; 311). While this may be the case, there seems to exist no clearly defined metric which has been demonstrated to outperform

the others. The study of internationalization is still very much a fluid area of research, and as such, I believe utilization of a stable metric (FSTS) can still provide valuable insights with regard to this study.

Firm performance is indicated through the use of the same firm revenue which is used to calculate internationalization levels. It is split into 2018 and 2019 total revenues, and U.S. only revenue.

Compiling a data set which consists of firms from a multitude of industries should improve validity in determination of the effects of internationalization level with regard to CSR performance and firm performance, as it is more representative of the entire global market. All firms included have revenues exceeding 260M USD, with Coupa Software Inc, having the lowest at 389.7M & 260.4M (2019 & 2018). Industries include, but are not limited to: Soft/Hardware, Real Estate Management, Insurance, Restaurant, Construction, Automobile, Biotech, Banking, Defense, Media, Insurance, etc.

3.4 Measurements of CSR Performance

A data set must be developed which provides corollary evidence of associations between internationalization levels, CSR performance, and firm performance. While there are various metrics for determining these levels for all three variables, and indices which provide in-depth CSR performance lists, literature largely regards the process as problematic as there are a myriad of activities in which to measure. (Turker, 2009; Gjølberg, 2008).

In their 2009 paper, Turker compiled a list of CSR statements (E.g.: “Our company implements special programs to minimize its negative impact of the natural environment.”), both from previous CSR literature, as well as newly developed items. Using a forty-two-item survey, they found 269 respondents working as business professionals in Turkey. In essence the procedure was used to gauge firm CSR by means of stakeholder views.

Gjølberg, (2008), found four CSR indicator categories which they used in developing their own indexes. 1. Socially responsible investment criteria. 2. Membership in CSR communities. 3. Sustainability reporting practices. 4. Certification schemes (ISO14001). By using a variety of

other CSR indexes which already measured one or more of these categories, they were combined to analyze 298 companies over 20 countries.

As demonstrated, a multitude of privately developed models have emerged seeking to empirically measure CSR of both foreign and domestic firms. In addition to these, more broadly utilized indices and certification methods are currently utilized. These include but are not limited to: 1. The Dow Jones Sustainability World Index, which "... tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. (S&P Global, 2020, URL 7). 2. ISO 14000 – Environmental Management, "For companies and organizations of any type that require practical tools to manage their environmental responsibilities, there's the ISO 14000 family." (ISO Organization, 2020, URL 8). 3. The UN Global Compact, whose strategy is to "…drive business awareness and action in support of achieving the Sustainable Development Goals (SDGs) by 2020." (UN, 2020, URL 9). Their metrics lie inside the 17 SDG's, which impact political, economic, social and environmental factors. 4. The Morgan Stanley Capital International (MSCI) ESG ratings system, which measures 37 industry-specific issues to determine an aggregate rating for environmental, social, and governance (ESG) performance.

Even with several well-developed models, there exists no de-facto leader in the field, rather a number of contributors with different methodologies. It is not in the purpose of this study to develop its own model, but rather utilize functioning systems which adequately reflect the methods of the paper.

The data chosen for the measurement of CSR is from a number of indices which use multi-tier methodologies for determining the performance of firms relative to their respective industries. For this data set, Global ESG Ratings from S&P's SAM, as well as the Morgan Stanley Capital International (MSCI) ESG ratings system will be used.

These indices were chosen for multiple reasons. They contain large sample-sizes which can cross reference many firms, SAM (4,710+) and MSCI (8,300+). MSCI has been researching and developing indexes for the global finance community for over 45 years, while the SAM Corporate Sustainability Assessment (CSA) was created in 1999 and has since been further

developed. The aforementioned information, along with being among the most prevalent indices referenced in CSR literature led to the decision of their utilization.

3.4.1 MSCI Methodology

The Morgan Stanley Capital International (MSCI) ESG ratings systems "…are designed to help investors to understand ESG risks and opportunities and integrate these factors into their portfolio construction and management process." (MSCI, 2019, URL 1). The ratings hierarchy divides thirty-seven industry specific key issues between the three ESG pillars and ten subsequent themes, see below. Contribution levels and time frame are the two main factors in assessing the weight of a key issue for the given firm. Aggregate scores of each issue are compiled and scores are determined. Seven ratings varying from CCC (worst) to AAA (best) are possible, forming an ordinal ranking system based on real values.

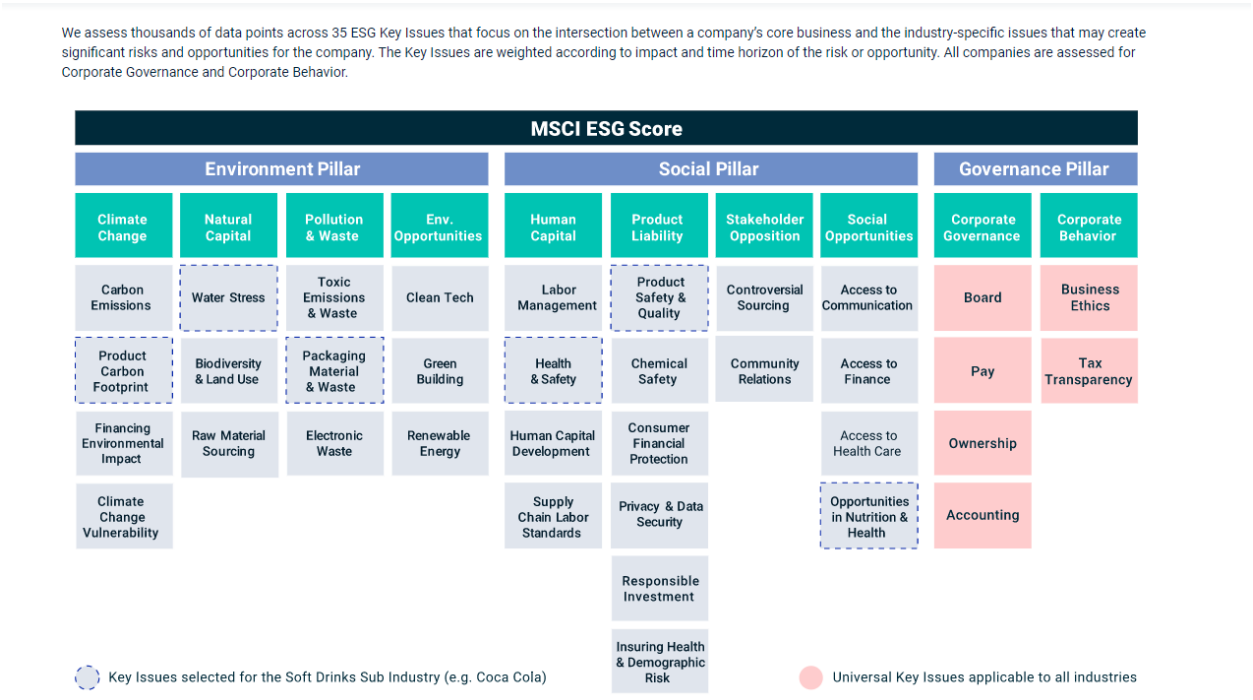


Figure 2 - MSCI Methodology

3.4.2 SAM Methodology

The S&P Global ESG evaluation "…is a cross-sector, relative analysis of an entity's capacity to operate successfully in the future and is grounded in how ESG factors could affect stakeholders and potentially lead to a material direct or indirect financial impact on the entity."

(S&P, 2019, URL 7). The methodology for evaluation is broken down into two components, a profile analysis and a preparedness analysis. These collectively form the ESG score for each firm, see below. The profile analysis is composed of the SAM CSA score (ESG data & benchmarks), which is then analyzed in a risk atlas (region and sector macro analysis). The preparedness analysis looks at a company's "capacity to anticipate and adapt to a variety of long-term plausible disruptions." The model includes 1. Awareness 2. Assessment 3. Action Plan 4. Decision-making 5. Culture.

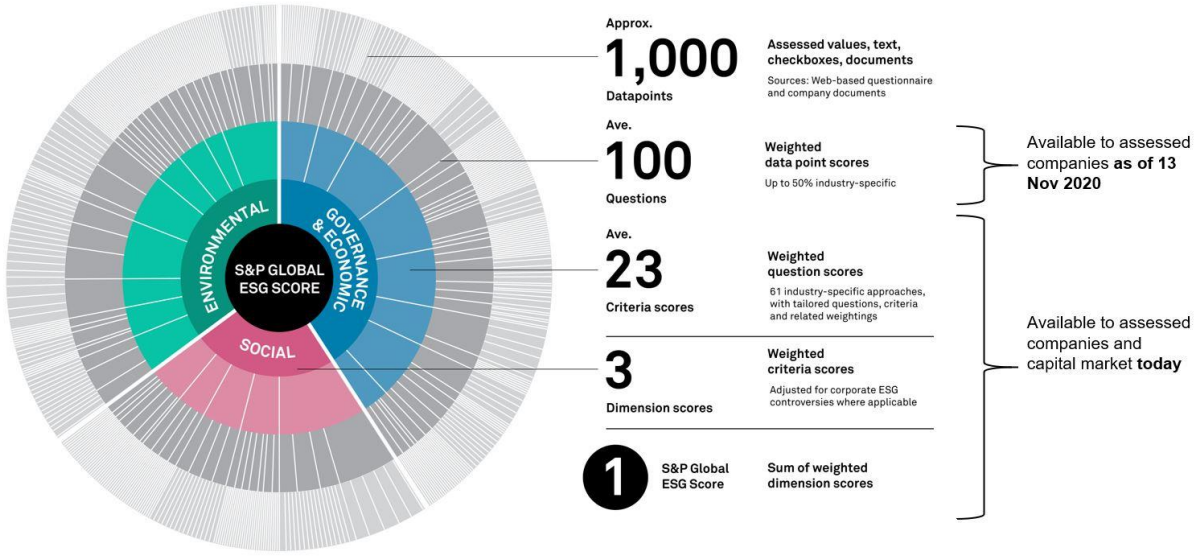


Figure 3 - SAM Methodology

3.5 Justification of Relations and Measurements

As previously mentioned, current literature is minimal in regard to examining the relationship between a firm's internationalization level and its corresponding CSR performance; as internationalization research predominately relies on financial metrics (Attig, et al, 2014). Diez

et al, 2018, who have produced one of the most recent publications in this area, also acknowledge "…limited empirical research simultaneously focusing on both issues has been published." (p. 2).

In regard to CSR measurement, the two indexes utilized (MSCI & S&P) are well-established in their respective field, and are cited in numerous works. The use of FSTS as a proxy for internationalization level is also well-documented, as cited on page 6, by (Marshal et al, 2020; Sullivan, 1994).

As these fields continue to be change and become more integrated, firms must adjust themselves accordingly. "A company's approach to impact is a reflection of that company's values – and the values of its customers, employees and (increasingly) investors." (McPherson, 2019, Forbes). Governments, businesses, and individuals are best able to adjust themselves to changing environments when there exists research to guide their decision making, such is the point of like research.

It is my thought that the plausibility of further research and discussion is high, as it serves only to benefit the topics of CSR and internationalization, as well as their relation to, and the implications of SHT, TCT, and RBV. If we view CSR theory in the way we view many life-cycle models, such as products, or technologies – that is, 1. Introduction 2. Growth - 3. Maturity. It seems CSR development is very much in the growth stage, as demonstrated by cited lack of research and a considerable trend shift among firms (especially MNEs). These justifications constitute the rational for the research.

3.6 Validity Issues

"There are two major categories of limitations in research studies, threats to internal validity and threats to external validity." (Price and Murnan, 2004; 66). Where internal validity indicates that the results are accurately measuring their intended variable. External validity indicating that the results are consistent when measuring across the entire population, rather than just the one sample.

With regard to this paper, limitations from external validity problems are likely to be induced by the sampling of firms from a homogenous sample (U.S. only). Results from this are likely to be skewed by socio-political and economic factors which are specific to the geographic area. These results may not be indicative of the nature of firms from other regions, e.g. Africa & Asia Pacific. Varying interpretations of definitions & applications of internationalization, CSR performance, and firm performance can also affect the results of study.

Limitations from internal validity may include shortcomings in research design, such as the metrics for internationalization measure (FSTS), which is not adjusted to account for variations in firm structures across industries. The MSCI and SAM indexes make use of various firm industry types (service & manufacturing), when in practice, every firm operates with a unique value-chain system. This generalization could potentially lead to lapses in rating equality. Both indexes also specifically disclaim that there is little-to-no independent verification on the information they receive, but rather they trust the information submit to them from firms.

"While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives." (S&P, 2020, URL 10).

Measurement error as a cumulative issue (encompassing both internal and external validity) is a problem in any research. validity itself being defined as "Extent to which a measure or set of measures correctly represents the concepts of study—the degree to which it is free from any systematic or nonrandom error." (Hair, Black, Barry, and Anderson, 2014; 4). There exists two types of error, random and systematic. Random error is present in any measurement as it exists simply from human observation (cannot be controlled for). Systematic errors come from the usage of measurement and analytics tools, as they are fallible. Measurements in this research being at risk from both the aforementioned errors. Errors of this nature could have occurred during data entry of form 10-ks into Microsoft Excel, during the processing phase in SmartPLS, where modeling and calculation errors are possible, as well as errors in reporting measurement during results and analysis.

3.7 Research Design

The research follows a deductive approach, as a theoretical framework was developed, and is subsequently tested using the appropriate data (Saunders, Lewis and Thornhill, 2009). The design is formatted around the type of data which was gathered (secondary), and seeks answers to the three research questions, while confirming or falsifying the hypotheses. Internationalization level is the primary dependent variable, CSR performance functions as both a dependent and independent variable within the mode, and firm performance is solely dependent.

3.7.1 Philosophical Views

There exists a multitude of approaches to research methodology (data collection, interpretation, etc.) and design (quantitative vs. qualitative), but there also includes formative structures to research which are embodied in philosophical ideologies (pragmatism, positivism, constructivism, transformative) (Creswell, 2014).

For this paper, it is primarily following traditional elements of positivism, (reductionism, empirical observation & theory verification), but there are also implications from the use mixed methods and analyses which I believe can be looked at as some form of pragmatism (specifically the ability to understand the problem, rather than just the cause-effect view of positivism.) It seems that in order to understand the topic of CSR performance, we must look to all possibilities of interpretation and measurement.

Onwuegbuzie & Leech, 2005, discuss the following with regard to the impacts of pragmatic research: "...it enables researchers to be flexible in their investigative techniques, as they attempt to address a range of research questions that arise…" (p. 383). "…pragmatic researchers utilize mixed methodologies within the same inquiry, they are able to delve further into a dataset to understand its meaning and to use one method to verify findings from the other method." (p. 384).

3.8 Operationalization of Variables

The following section describes the variables, what they are, and how they are utilized in this model. It describes the structure and usage of the model created in SmartPLS as well as some descriptive measures derived from SPSS.

The Foreign Sales to Total Sales (FSTS) metric, forms the variable for internationalization. The MSCI ratings are based on CCC-AAA ratings, they are converted into a 1-7 scale, where CCC is equal to 1 (lowest value), and AAA is equal to 7 (highest value). The S&P Sam Index values can functionally vary from 1-100, however, the outermost values in the sample of 100 firms are 5, and 90. Firm performance is indicated through total revenue of the firms. All of these values are converted with natural logarithm to provide a more functional metric in quantitative assessment. This transformation is done as a data reduction, to normalize the outlying values in firm performance (as the values range between $260M-$280B) and to bring normality between the two CSR variables (SAM & MSCI).

For building the model in SmartPLS, five factors are made using a multitude of indicators. They are as follows: Internationalization Level, CSR Performance 1, CSR Performance 2, Firm performance, and a control for firm performance.

- Internationalization Level is comprised of both the 2018 and 2019 firm internationalization levels which indicate to what degree a firm operates outside of the U.S.
- CSR Performance 1 is comprised of MSCI 2018 and 19’ scores, converted into natural logarithm (ln) and relabeled as CSR1, and CSR2, respectively.
- CSR Performance 2 is comprised of the SAM S&P rating, converted into natural logarithm and relabeled as CSR 3.
- Firm Performance is comprised of total firm revenues for 2018, and 19’ and converted into natural logarithm.
- The control for Firm Performance is comprised of the U.S. portion of the total revenue for 2018 and 19’ and converted into natural logarithm.

The data which comprises this set is based on quantitative measurements derived from annual reports and quantitative measurements which form the CSR performance variables through third-party indices. Once the SmartPLS model was constructed, it was calculated through the system's algorithm, providing the results which will be discussed in the next chapter.

The below table below illustrates the operationalization of the study's variables.

Construct	**Variable**	**Type of Scale**	**Operationalization**
Internationalization	Level of Internationalization	Interval	Foreign Sales to Total Sales (FSTS)
CSR	CSR Performance Level	Ordinal Ordinal	MSCI ESG Index Rating SAM ESG Index Rating
Firm Performance	Financial Performance	Ratio	Total Revenue

Table 1 - Operationalization of Variables

4.0 Results and Analysis

4.1 Introduction

The following section provides the results of the statistical analysis, as it has been conducted with regard to the methods above. The first part will introduce the functions of SmartPLS, followed by categorical outputs. The cumulative results will help to reject or confirm the hypotheses. The analysis will then explore the results, assessing them with regard to the relevant standards for interpretation. All outputs are shown in page.

4.2 SmartPLS

For this study it was decided to use SmartPLS, as it is a leading software for structural equation modeling (SEM). There are two types of SEM, covariance-based (CB) and partial least squares (PLS) (also known as Projection to Latent Structures). PLS-SEM is a multivariate data analysis technique which is used for the development of theories, and hypothesis testing for exploratory research. It functions by developing constructs (latent variables) as representative proxies of various indicator variables, where the main purpose of PLS-SEM is R^2 maximization (explained variance) for the endogenous variable (Hair, et al, 2017). The logic of this lies in the idea that the model's cumulative predictive power upon the dependent variable(s) is what determines its quality.

PLS-SEM was chosen due to the structure of the data and research. It is suggested that "…where theory is less developed, researchers should consider the use of PLS-SEM as an alternative approach to CB-SEM." (Hair, et al, 2017; 14). Also mentioning that "…is particularly true if the primary objective of applying structural modeling is prediction and explanation of target constructs." (Hair, et al, 2017; 14) (Rigdon, 2012). Given that the primary research topic for this paper is very much in the "growth" phase of theoretical development, and that it seeks to predict and explain the effects of internationalization and CSR, this is the preferred technique.

The model is visually structured where variable relationships and subsequent hypotheses are displayed in the path layout. The model is built on two elements, the structural model, and the measurement model. The structural model being the circular constructs depicted, and the

measurement model being the rectangles which signify the indicators (variables). Two types of measurement models exist, exogenous, and endogenous latent variables. Exogenous being independent, and endogenous being dependent. In terms of model type, it is a reflective model (vs, formative), where the constructs are causing the covariation of their indicators (Hair, et al, 2017). The actual structure of the model is a combination of theoretical aspects, and logic, which it uses the constructs and causal links to build.

4.3 Smart PLS Outputs

The path model contains 5 construct measurements, comprised of a total of 9 indicators. After running the model through the SmartPLS algorithm, a complete bootstrapping, as well as blindfolding analyses, I was able to observe the following results, which are listed below.

4.3.1 Descriptive Statistics

The function of descriptive statistics is to "describe" characteristics of the sample, checking for any violations within the underlying statistical techniques being used. (Pallant, 2016). Specifically, it seeks to find A. Out-of-range values. B. Plausible means and standard deviations. C. Univariate outliers. This gives you the information to deal with any issues, such as non-normal variables which create can create skewness & kurtosis. (Tabachnick & Fidell, 2013; 91).

Indicator Data (Original)

Matrix | MV Descriptives

	Mean	Median	Min	Max	Standard Devia...	Excess Kurtosis	Skewness	Number of Ob...
CSR 3	3.532	3.611	1.609	4.500	0.700	-0.343	-0.669	100.000
CSR1	4.310	5.000	1.000	7.000	1.495	-0.633	-0.255	100.000
CSR2	4.390	5.000	1.000	7.000	1.448	-0.596	-0.269	100.000
InternationalizationLevel_2018	0.391	0.421		0.877	0.211	-0.419	-0.112	100.000
InternationalizationLevel_2019	0.388	0.413		0.919	0.214	-0.350	-0.036	100.000
TotalRevenue18_Ln	2.758	2.756	-1.347	5.451	1.319	-0.013	-0.241	100.000
TotalRevenue19_Ln	2.833	2.826	-0.944	5.637	1.337	-0.333	-0.084	100.000
USRevenue18_Ln	2.212	2.262	-1.826	5.042	1.377	-0.074	-0.201	100.000
USRevenue19_Ln	2.263	2.287	-1.394	5.140	1.396	-0.217	-0.133	100.000

Table 2 - Descriptive Statistics

Descriptive statistics show that all of the utilized indicators fall within valid mean/median/min/max levels of the measurement parameters. Kurtosis and skewness make up two components of normality. Typical guidelines for kurtosis say that values below -1 or greater than 1, indicate the data set distribution is too flat, or too peaked. Skewness follows the same

rules, where values outside -1 – 1 indicate the data set is skewed far to the left (positive skew) or the right (negative skew). Larger data sets can typically lower problems related to both normality issues. (Tabachnick and Fidell, 2013) (Hair et al, 2014).

Kurtosis is defined as a "Measure of the peakedness or flatness of a distribution when compared with a normal distribution. A positive value indicates a relatively peaked distribution, and a negative value indicates a relatively flat distribution". (Hair, et al, 2014; 33). Kurtosis levels for all indicators are negative values, ranging from -0.013 – -0.633. This informs us that distribution for all indicators is relatively normally distributed, with CSR1 (-0.633) and CSR2 (-0.596) having a slightly flat distribution.

Skewness is defined as a "Measure of the symmetry of a distribution; in most instances the comparison is made to a normal distribution." (Hair, et al, 2014; 34). Skewness levels for all indicators are negative values, ranging from -0.036 to -0.669. This informs us that Skewness for all indicators is somewhat normally distributed. CSR3 is a bit skewed to the right, at -0.669.

4.4 Model Elements

Mentioned previously were the two types of PLS-SEM models, the structural model and the measurement model(s). The following section includes the main components which constitute evaluative parameters for the different model types. Regarding the measurement model(s), 3 metrics provide a structured evaluation of the output: **Reliability, Convergent Validity and Discriminant Validity.** The structural model is constituted by the following: $\mathbf{R^2}$ (explained variance) $\mathbf{f^2}$ (effect size) $\mathbf{Q^2}$ (predictive relevance) and the size and statistical significance of the structural path coefficients. (Hair et al, 2017).

4.4.1 Internal Consistency - Reliability

Reliability is defined as "… an assessment of the degree of consistency between multiple measurements of a variable." (Hair et al, 2014; 123). There also exists internal consistency, which observes consistency between variables in a summated scale, "The rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly intercorrelated." (Hair et al, 2014; 123). There are two

measures which Smart-PLS uses to analyze internal consistency reliability; Cronbach's Alpha has previously been the go-to measurement for reliability, however, composite reliability is considered to be the "more appropriate" measure, as it can test reliability of individual indicators (Cronbach's Alpha treats all construct indicators the same). Both measures consider scores of 0.6-0.7 acceptable, 0.7-0.9 satisfactory. It is suggested that there should not be scores above 0.9, which would signify that different indicators are likely measuring the same effect and thus invalid (Hair et al, 2017).

Cronbach's Alpha

Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
CSR 1	0.963	0.962	0.009	103.441	0.000
CSR 2_	1.000	1.000			
Control_	0.996	0.996	0.002	561.731	0.000
Firm Performance_	0.990	0.990	0.007	151.331	0.000
Internationalization	0.994	0.994	0.002	402.992	0.000

Table 3 - Cronbach's Alpha

Composite Reliability

Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
CSR 1	0.982	0.981	0.005	215.984	0.000
CSR 2_	1.000	1.000	0.000		
Control_	0.998	0.998	0.001	1130.325	0.000
Firm Performance_	0.995	0.995	0.003	307.703	0.000
Internationalization	0.997	0.997	0.001	808.413	0.000

Table 3.1 - Composite Reliability

Reliability from Cronbach's Alpha and Composite Reliability both display values of 0.96+ for all four indicators (CSR 2 value is 1, as it is alone). While this is an issue (values over 0.90) when a variable has multiple distinct indicators, the indicators used in the model are the same data sets compiled over a two-year periods, and as such, are highly likely to include similar data. E.g. The two internationalization indicators are based on firm revenues for 2018 and 2019, and results for those years are quite close to one another.

4.4.2 Convergent Validity

This is the extent to which indicators are correlating positively with alternative indicators for the same construct. High loadings suggesting that the indicators share similar properties, which is evidenced by the construct. To evaluate convergent validity, both outer loadings and average variance extracted (AVE) are used. It is desired that all outer loadings be statistically significant, with the minimum threshold of 0.708 or higher. For AVE, single indicator constructs do not need to be analyzed as they should load at 1.00. As for minimum threshold of results from multi-indicator constructs, the AVE should be valued above 0.50 ($.708^2$) as to suggest more than half of the indicators variance is explained by the construct. (Hair et al, 2017).

Outer Loadings

Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
CSR 3 <- CSR 2_	1.000	1.000	0.000		
CSR1 <- CSR 1	0.981	0.981	0.005	188.803	0.000
CSR2 <- CSR 1	0.983	0.983	0.005	181.918	0.000
InternationalizationLevel_2018 <- Internationalization	0.997	0.997	0.001	867.827	0.000
InternationalizationLevel_2019 <- Internationalization	0.997	0.997	0.001	712.633	0.000
TotalRevenue18_Ln <- Firm Performance_	0.995	0.995	0.003	315.516	0.000
TotalRevenue19_Ln <- Firm Performance_	0.995	0.995	0.003	302.647	0.000
USRevenue18_Ln <- Control_	0.998	0.998	0.001	1109.170	0.000
USRevenue19_Ln <- Control_	0.998	0.998	0.001	1147.345	0.000

Table 4 - Outer Loadings

Average Variance Extracted (AVE)

Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
CSR 1	0.964	0.964	0.009	110.435	0.000
CSR 2_	1.000	1.000	0.000		
Control_	0.996	0.996	0.002	566.643	0.000
Firm Performance_	0.990	0.991	0.006	154.959	0.000
Internationalization	0.994	0.994	0.002	405.914	0.000

Table 4.1 - Average Variance Extracted

Convergent Validity from AVE & Outer Loadings we see that loadings are above 0.96 for all constructs and their relations, which is above the .708 suggested threshold. This indicates that, (at minimum) an adequate degree of indicator variance is being explained by the constructs.

These results are expected, as the construct indicators are known to share similar data (2018 & 2019 data sets).

4.4.3 Discriminant Validity

This is a measure of differentiation between constructs, "by empirical standards". The purpose is to indicate clearly that each individual construct is unique. There are three methods which are utilized currently, with the third having become the most trusted. Cross-Loadings, which occur when a variable has more than one significant loading, should show that the indicators outer loading on its construct is greater than on other constructs. The Fornell-Larcker criterion references the square root of AVE values to the latent variable correlations; whereby every construct's AVE should have higher correlation than any of the other constructs. (Hair et al, 2014, 2017).

The third method, known as the heterotrait-monotrait ratio (HTMT), has superseded the other two methods, as they were considered to possess large short-comings in their ability to properly measure discriminant validity with PLS models. (Hair et al, 2017). "Traditional approaches' unacceptably low sensitivity regarding assessing discrimindant validity calls for an alternative criterion." (Henseler, Ringle, Sarstedt; 120). HTMT "…is the average of the heterotrait-heteromethod correlations (i.e., the correlations of indicators across constructs measuring different phenomena), relative to the average of the monotrait-heteromethod correlations (i.e., the correlations of indicators within the same construct)." (Henseler, et al, 2014; 121). In essence, it is measuring the average of all correlations across construct indicators, and comparing them to the average of the indicators specific to each individual construct. A high score (above 0.85-0.90) signifying that constructs are lacking discriminant validity, i.e. they are measuring the same thing.

Discriminant Validity

Fornell-Larcker Criterion | Cross Loadings | Heterotrait-Monotrait Ratio (HTMT) | Heterotrait-Monotrait Ratio (HTMT)

	CSR 1	CSR 2_	Control_	Firm Performance_	Internationalization
CSR 1	0.982				
CSR 2_	0.343	1.000			
Control_	-0.077	0.318	0.998		
Firm Performance_	-0.028	0.384	0.952	0.995	
Internationalization	0.161	0.173	-0.170	0.114	0.997

Table 5 - Fornell-Larcker Criterion

Discriminant Validity

Fornell-Larcker Criterion | Cross Loadings | Heterotrait-Monotrait Ratio (HTMT) | Heterotrait-Monotrait Ratio (HTMT)

	CSR 1	CSR 2_	Control_	Firm Performance_	Internationalization
CSR 3	0.343	1.000	0.318	0.384	0.173
CSR1	0.981	0.346	-0.040	0.006	0.150
CSR2	0.983	0.327	-0.110	-0.058	0.165
InternationalizationLevel_2018	0.160	0.182	-0.157	0.126	0.997
InternationalizationLevel_2019	0.161	0.163	-0.183	0.101	0.997
TotalRevenue18_Ln	-0.030	0.386	0.939	0.995	0.117
TotalRevenue19_Ln	-0.025	0.378	0.955	0.995	0.110
USRevenue18_Ln	-0.079	0.321	0.998	0.956	-0.152
USRevenue19_Ln	-0.075	0.314	0.998	0.944	-0.187

Table 5.1 - Cross Loadings

Discriminant Validity

Fornell-Larcker Criterion | Cross Loadings | Heterotrait-Monotrait Ratio (HTMT) | Heterotrait-Monotrait Ratio (HTMT)

	CSR 1	CSR 2_	Control_	Firm Performance_	Internationalization
CSR 1					
CSR 2_	0.350				
Control_	0.078	0.319			
Firm Performance_	0.033	0.385	0.958		
Internationalization	0.164	0.173	0.171	0.114	

Table 5.2 - Heterotrait-Monotrait Ratio

Discriminant Validity from HTMT indicates that all constructs are unique in their relationships with one another. All scores are between 0.078 (Control) and 0.350 (CSR 2). Given the small model size, with unique measurements for each construct, this result is to be expected. Firm performance indicates 0.958 for its relation with the control, this is due to the nature of the data, where the control and firm performance are comprised of different portions of the same data set (U.S. revenues, and total revenues).

4.4.4 Collinearity Assessment

Collinearity is the corollary relation between two or more (multicollinearity) independent variables. SmartPLS assesses collinearity through tolerance and its reciprocal, variance inflation factor (VIF) values. VIF values over 5 indicate potential collinearity problems. (Hair, et al, 2014). However, due to the structure of this model (one independent variable) collinearity is not an issue.

Collinearity Statistics (VIF)

Outer VIF Values | Inner VIF Values

	CSR 1	CSR 2_	Control_	Firm Performance_	Internationalization
CSR 1				1.147	
CSR 2_	1.183			1.152	
Control_	1.181	1.030			
Firm Performance_					
Internationalization	1.094	1.030		1.043	

Table 6 - Inner VIF Values

Collinearity Statistics (VIF)

Outer VIF Values | Inner VIF Values

	VIF
CSR 3	1.000
CSR1	7.210
CSR2	7.210
InternationalizationLevel_2018	44.531
InternationalizationLevel_2019	44.531
TotalRevenue18_Ln	26.116
TotalRevenue19_Ln	26.116
USRevenue18_Ln	65.476
USRevenue19_Ln	65.476

Table 6.1 - Outer VIF Values

Collinearity Assessment from VIF shows that all paired indicators have values over the suggested level of 5, they range from 7.210 (CSR1 & CSR2) – 65.476 (U.S. Revenue18 & U.S. Revenue19). Again, this is expected from the nature of this data, as these variables share a high degree of similarity.

4.4.5 R^2 – Coefficient of Determination

"Measure of the proportion of the variance of the dependent variable about its mean that is explained by the independent, or predictor, variables. The coefficient can vary between 0 and 1." (Hair et al, 2014; 152). Essentially, R^2 describes the predictive power in the model to determine the endogenous variable(s). Results of the analysis can be interpreted differently, depending on the type of model employed, as well as the research field being explored. (Hair et al, 2017).

R Square Adjusted

Mean, STDEV, T-Val... | Confidence Interva... | Confidence Interva... | Samples | Copy to Clipboard: | Excel Format | R Format

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
CSR 1	0.133	0.157	0.073	1.825	0.069
CSR 2_	0.137	0.150	0.070	1.952	0.052
Firm Performance_	0.155	0.176	0.068	2.288	0.023

Table 7 - R Square Adjusted

Table 7:

R Square

Matrix | R Square | R Square Adjusted

	R Square	R Square Adjus...
CSR 1	0.159	0.133
CSR 2_	0.155	0.137
Firm Performa...	0.180	0.155

Table 7.1 - R Square

R Square loadings show that the model is explaining 0.159 of CSR 1 variance, 0.155 of CSR 2, and 0.180 for Firm Performance. For Adjusted R Square, the results were 0.133, 0.137, and 0.155. This is the primary output for the SmartPLS model which should be interpreted, as it shows the model's predictive ability on each dependent variable (exogenous construct).

Ideal loading levels for R^2 values vary based on a number of factors, Hair, et al, (2017) mention that R^2 values over 0.20 are high a field such as consumer behavior, but in other fields, such as customer satisfaction, values of 0.75 may be expected. Ideally, higher values are better, but given the single independent variable model (adding constructs with any correlation increases R square value), and the lack of previous research design, I believe the results conclude a significant explanation of variance.

4.4.6 f^2 - Effect Size

"Effect size reflects the proportion of variance in the DV that is associated with levels of an IV. It assesses the amount of total variance in the DV that is predictable from knowledge of the

levels of the IV." (Tabachnick & Fidell 2013; 54). Related to R^2, this metric analyzes the amount of variance explained between independent and dependent variables from the addition or removal of an exogenous construct.

f Square

Matrix | f Square

	CSR 1	CSR 2_	Control_	Firm Performance_	Internationalization
CSR 1				0.038	
CSR 2_	0.156			0.202	
Control_	0.037	0.147			
Firm Performance_					
Internationalization	0.004	0.063		0.006	

Table 8 - f Square

Hair, et al, (2017), Cohen, (1988) suggest the following guidelines for values and their effects sizes for f square: 0.02 (small), 0.15 (medium), and 0.35 (large).

CSR 1 - > Firm Performance - 0.038. Small effect-size

CSR 2 - > CSR 1 – 0.156. Medium effect-size

CSR 2 - > Firm Performance – 0.202. Medium effect-size

Control - > CSR 1 – 0.037. Small effect-size

Control - > CSR 2 – 0.147. Medium effect-size

Internationalization - > CSR 1 – 0.004. No effect

Internationalization - > CSR 2 – 0.063. Small effect-size

Internationalization - > Firm Performance 0.006. No effect

These values conclude the effects from removal of the former constructs on the latter. The results infer that the most significant effect in the model occurs between CSR2 and Firm Performance, followed by the CSR 2 effect on CSR 1, and Control effect on CSR 2.

4.4.7 Q^2 - Predictive Relevance

Q Square is a metric which identifies the "out-of-sample" prediction power of the model. It accurately determines data points for the model, which are not used in the data set. Values above 0 indicate that the model prediction has some relevance for the endogenous constructs with which the measurement is made. Values below 0 indicating lack thereof. (Hair et al, 2017).

Construct Crossvalidated Redundancy

Total | Case1 | Case2 | Case3 | Case4 | Case5 | Case6 | Case7

	SSO	SSE	Q^2 (=1-SSE/SSO)
CSR 1	200.000	175.337	0.123
CSR 2_	100.000	86.246	0.138
Control_	200.000	200.000	
Firm Performance_	200.000	168.145	0.159
Internationalization	200.000	200.000	

Table 9 - Construct Crossvalidated Redundancy

Indicator Crossvalidated Redundancy

Total | Case1 | Case2 | Case3 | Case4 | Case5 | Case6 | Case7

	SSO	SSE	Q^2 (=1-SSE/SSO)
CSR 3	100.000	86.246	0.138
CSR1	100.000	88.243	0.118
CSR2	100.000	87.093	0.129
InternationalizationLevel_2018	100.000	100.000	
InternationalizationLevel_2019	100.000	100.000	
TotalRevenue18_Ln	100.000	83.797	0.162
TotalRevenue19_Ln	100.000	84.348	0.157
USRevenue18_Ln	100.000	100.000	
USRevenue19_Ln	100.000	100.000	

Table 9.1 - Indicator Crossvalidated Redundancy

Q Square results show that the three dependent variables (CSR 1 & 2, Firm Performance), have measures between 0.118 and 0.162. The five indicators for the three exogenous constructs

contain ranges from 0.118 – 0.162. This means that the model has some relevance in predicting data for the exogenous indicators and constructs, as the values are above 0.

4.4.8 Structural Path Coefficients

These paths indicate the hypothetical connections between the constructs. Standardized values typically varying from -1 to 1, where 1 indicates a strong-positive relationship, -1 indicating a strong-negative relationship, and 0 indicating no relation. To assess significance level of the connections, p-values were obtained from bootstrapping the model, where significance levels of 10% or less are typically assumed. The typically utilized critical values for two-tailed tests are 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.57 (significance level = 1%) (Hair et al, 2017).

Path Coefficients

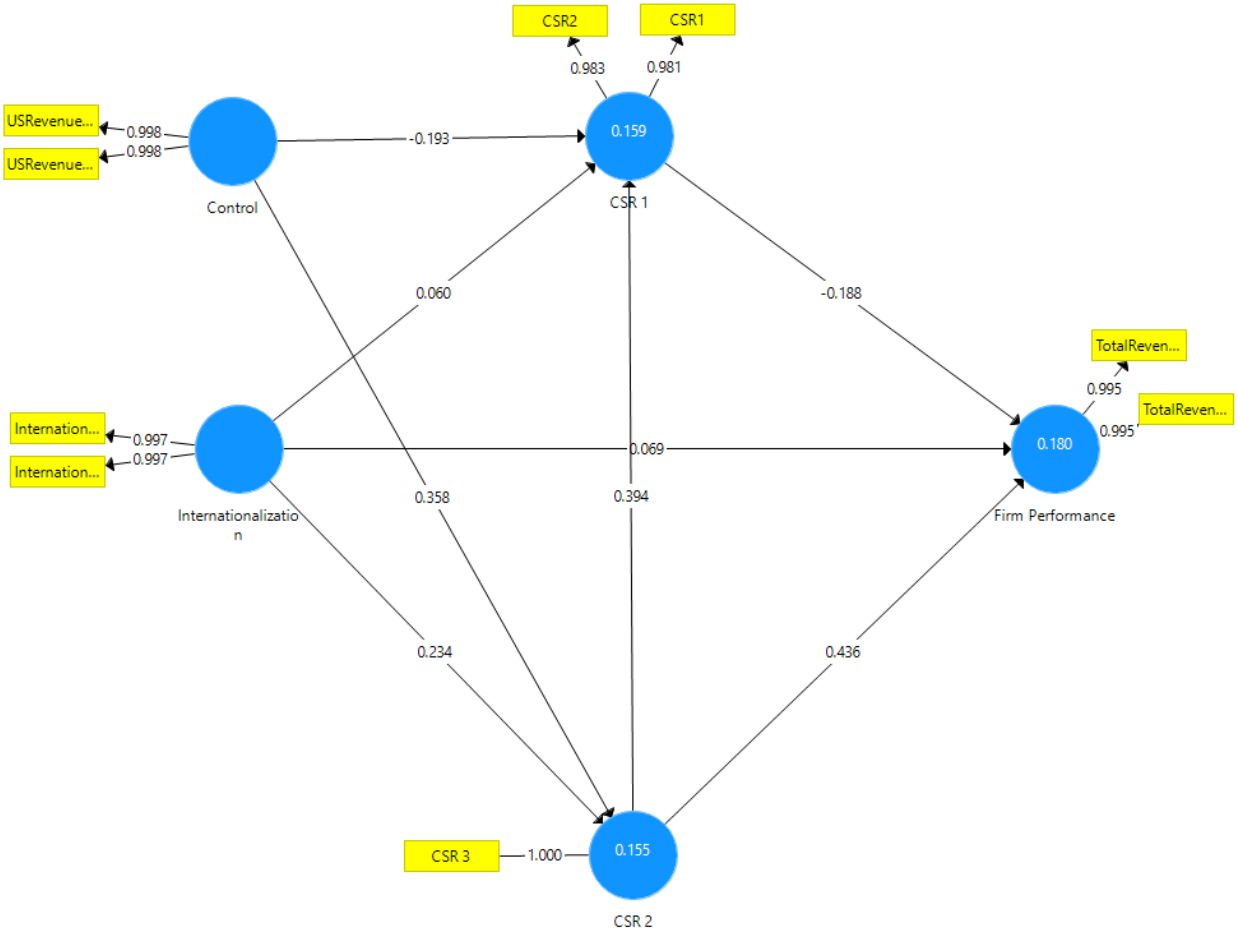
Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples | Copy to Clipboard: Exc

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
CSR 2_ -> Firm Performance_	0.436	0.430	0.095	4.613	0.000
CSR 2_ -> CSR 1	0.394	0.393	0.093	4.256	0.000
Control_ -> CSR 2_	0.358	0.353	0.087	4.104	0.000
Internationalization -> CSR 2_	0.234	0.233	0.090	2.599	0.010
Control_ -> CSR 1	-0.193	-0.190	0.098	1.966	0.050
CSR 1 -> Firm Performance_	-0.188	-0.185	0.097	1.938	0.053
Internationalization -> Firm Performance_	0.069	0.078	0.086	0.799	0.425
Internationalization -> CSR 1	0.060	0.057	0.082	0.729	0.466

Table 10 - Path Coefficients

Results from the model show sizeable loading for CSR 2 - > Firm Performance (0.436), CSR 2 - > CSR 1 (0.394), Control - > CSR 2 (0.358), and Internationalization - > CSR 2 (0.234). Indicating moderate connections between the constructs. The t-values which are above the critical values for the indicated significance levels suggest that the hypotheses for the associated constructs are likely to be accepted (where higher values indicate higher likelihood).

Figure 4 – SmartPLS Model Results



4.4.9 Mediation Results and Analysis

A mediator variable is one which governs the nature of the relationship between two constructs, where previous theoretical or conceptual support is essential in exploring the association (Hair et al, 2017).

The following bootstrapping results for the model are used to determine the effects of mediation. Where t-values indicate the significance of the relation.

Specific Indirect Effects

Mean, STDEV, T-Values, P-Values | Confidence Intervals | Confidence Intervals Bias Corrected | Samples

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Control_ -> CSR 2 -> CSR 1	0.141	0.144	0.052	2.693	0.007
Internationalization_ -> CSR 2 -> CSR 1	0.092	0.092	0.042	2.204	0.028
Control_ -> CSR 2 -> CSR 1 -> Firm Performance	-0.027	-0.029	0.021	1.260	0.208
CSR 2 -> CSR 1 -> Firm Performance	-0.074	-0.080	0.055	1.348	0.178
Internationalization_ -> CSR 2 -> CSR 1 -> Firm Performance	-0.017	-0.018	0.014	1.199	0.231
Control_ -> CSR 1 -> Firm Performance	0.036	0.047	0.042	0.870	0.385
Internationalization_ -> CSR 1 -> Firm Performance	-0.011	-0.010	0.021	0.526	0.599
Control_ -> CSR 2 -> Firm Performance	0.156	0.165	0.070	2.235	0.026
Internationalization_ -> CSR 2 -> Firm Performance	0.102	0.103	0.049	2.078	0.038

Table 11 - Special Indirect Effects

While there are multiple relationships here which have significant values, the only one of relevance is for H3, where CSR performance acts as a mediator for the effects of internationalization level upon firm performance. It can be seen that the relation with CSR 2 has values over 1.96 (2.078), indicating that H3 should be accepted. The CSR 1 mediation effect is insignificant, corresponding with other results for this construct.

5.0 Discussion

5.1 Introduction

The object of the study was to investigate relations between internationalization and CSR performance, CSR performance and firm performance, as well as the mediation of CSR performance between internationalization and firm performance. Using relevant theoretical models, and contemporary literature, a research project was designed and executed. The findings of the study suggesting that all the hypothesized relations, are in fact, valid. These results will be discussed per each hypothesis, using further accentuation of literature and theory. Afterwards, the implications and limitations of these findings will be discussed.

5.2 Hypothesis Acceptance / Rejection

The findings from the previous results indicate the following with regard to the hypotheses:

Hypotheses	**Outcome**
H1	Accept
H2	Accept
H3	Accept

5.2.1 Hypothesis 1 (Accepted)

This hypothesis suggested that internationalization is positively related to higher CSR performance. The structural path coefficients and t-values were weak with regard to CSR 1 (0.06 & 0.729), but moderate for CSR 2 (0.234 & 2.599); they also signify that the S&P ESG ratings (CSR 2) are a better performing indicator for this model than the MSCI ratings (CSR 1). The R square value from this connection shows a somewhat significant loading (0.155), and f square does show some effect size (0.063). While not demonstrably powerful, these loadings provide a statistical basis for the acceptance of the hypothesis.

Given that this study has found a positive relation between FSTS (as the internationalization proxy) and S&P ESG scores (as the CSR 2 performance proxy), the relations between this study and previous findings with similar results can be discussed.

Port and Kramer, (2006), point to the fact that CSR approaches are not currently connected in any meaningful way to firm's and their strategies, and that it functionally hinders the greatest potential for the companies to benefit society. This idea connects well with the findings of Attig, et al, (2014), which indicated that only firms with surplus resources are likely to invest more in CSR, as they internationalize. A system in disarray (CSR approaches), is likely to be much more costly to integrate into the unique structures of every firm. Thus, internationalized firms, which typically have better long-term financial abilities, are much better suited to integrate complex and fragmented strategies.

Port and Kramer, (2006) also discussed the premise that governments, activists and the media have all become quite skilled in making sure that firms take responsibility for the ramifications of their actions. These effects are likely compounded when firms increasingly internationalize across borders, as stakeholder pools grow in volume. If we assume these pressures to be consistent and present in all global markets, we can look at the types of CSR mentioned in chapter 2, by Husted and Salazar (2006). To rationalize the CSR choices different firms might make in combating these interactions, altruistic, coerced, and strategic CSR are examined. When firms have the foresight, the competencies, and the material resources to preemptively change organizational aspects which society or governments will (in the future) deem problematic, this could be considered either altruistic, or strategic; where firms can make decisions they feel are ethically the correct choice (altruist), or where they know there is financial incentive (strategic). When firms, in some combination (or all in combination), do not have the foresight to see CSR issues, lack competencies, or do not have the material resources to accommodate firm changes, then they are often subject to coerced CSR. Again, it appears that available resources and competencies play an important role in a firm's ability to use CSR in a way that benefits financial performance; where internationalized firms often have advantages in recognizing, and adjusting CSR to meet the demands of various stakeholder groups.

5.2.2 Hypothesis 2 (Accepted)

This hypothesis suggested that higher levels of CSR is positively related to higher Economic Performance. The structural path coefficients and t-values are poor with regard to CSR 1 (-0.188 & 1.887), indicating a negative correlation. However, for CSR 2, they showed moderately strong results of (0.436 & 4.394). This again shows that CSR 2 is a much better indicator for the model. The R square value loaded firm performance showed 0.180, which is significant, while f square showed 0.038 & 0.202 for CSR 1 and 2, respectively. This indicates that CSR 2 has a significant effect on the outcome of firm performance, and the hypothesis can be accepted.

Given the positive relation found in this study between firm CSR, and firm performance, the relation can be discussed with regard to previous findings and the theories involved.

Waddock, and Graves, (1997), iterated the evidence that firms face ever-increasing pressures from societal expectations, concluding that firms which had slack resource availability (a proxy for firm performance), had better corporate social performance scores (a positive association), due to greater investment freedom. Congruent to this, were the finding of Orlitzky, Schmidt, and Rynes, (2003), which concluded in their meta-analysis on the links between corporate social performance and corporate financial performance, that, "…(1) across studies, CSP is positively correlated with CFP, (2) the relationship tends to be bidirectional and simultaneous, (3) reputation appears to be an important mediator of the relationship,…" (p. 427). These two studies indicating that the relationship functions as a positive feed-back mechanism, whereby financial performance and abilities improve CSR, and improved CSR in turn increases financial performance.

Turning again to the analysis of CSR by Husted and Salazar, (2006), they point out that it is "…to the advantage of the firm to act in a strategic manner, rather than react to a coercive political and social environment." (p. 86). This harkens back to the points made above from Porter and Kramer (2006), and Waddock, and Graves, (1997), that social and political pressures from all sides increase the responsibilities of the firm to act, putting them in situations where strategic CSR is the means by which future success can be made, and coercive CSR can further detriment operation. While they argue that altruist CSR is better than coerced, it is ultimately utilization of strategic CSR that does the most for both for social output, as well as firm output.

So, it appears that CSR is quite entangled with firm performance, as both a means, and an end.

5.2.3. Hypothesis 3 (Accepted)

This hypothesis suggested that the impact of internationalization on firm performance is through CSR**.** While the structural path coefficients and t-values between internationalization and firm performance are very weak at (0.069 & 0.689), they're much more significant between internationalization and CSR 2 (0.234 & 2.353), and CSR performance and firm performance (0.436 & 4.393). The t-value of the Internationalization Level -> CSR 2 -> Firm Performance is 2.078, indicating that the hypothesis can be accepted.

Given the acceptance of H1 and H2, whereby internationalization has a positive effect on CSR performance, and CSR performance has a positive effect firm performance, the logic for internationalization affecting firm performance through CSR can be derived by way of transitive properties. The previously indicated bidirectional relationships between CSP and CFP, and CSR and internationalization, (Orlitzky, et al, 2003), (Diez, et al, 2018), helps to solidify this rationale, as there is clearly demonstrated empirics of multiway covariation for the three variables.

The study by Orlitzky, et, al, (2003), mentioned above indicated a bidirectional relationship between CSP and CFP, and the study by Diez, et al, (2018), indicated a bidirectional relation between CSR and internationalization. This indicates multiway covariation for CSR with regard internationalization and firm performance. This is observed in the indirect effects.

The logic of the theory also indicates this relation to be plausible. As internationalization increases the need for CSR (through stakeholders), CSR is used as a tool created by firm resources (RBV), which in turn can lower transactions costs (TCT), and improve conditions for stakeholders (SHT), resulting in improved firm performance. This is also indicative of why CSR has been suggested to be a better measure for long-term firm survival when compared to financial metrics, as it measures the function of their ability to satisfy all stakeholders; whereas financial metrics are only able to measure the function of a firms ability to satisfy financial stakeholders (primarily stockholders).

5.3 Theoretical Implications of Findings and Future Research

"In such an economy, there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud." (Friedman, 1962; 111).

Regarding internationalization, the logic of Friedman may still hold some relevancy, as firms expand internationally to increase performance and subsequent profits. However, the byproduct of this internationalization has created a strategic need for the increased appeasement of diverse stakeholder groups; Undoubtedly, the field of CSR/CSP has moved far away from this rationale of Friedman, as government and societies increasingly demand more responsibility from businesses, and the understanding of environmental, social, and financial benefits of CSR have emerged.

As we improve our understanding of these three topics, and their relation to one another, we also illuminate to ourselves what we don't know. From all the information gathered above, that being previous studies, theoretical components, and the research study itself, it is a clear implication that the reliability of metrics for internationalization, CSR performance and firm performance can all be improved (Orlitztky, et al, 2003). While currently used techniques offer us valid results, I believe both the academic and business communities should seek to standardize definitions and metrics for the involved topics, as to improve foundational understanding, and the performance of theoretical models.

5.4 Managerial Implications

Understanding the linkages between these variables gives insight into the practicality of both internationalization and CSR with regard to how a firm management might best position itself to succeed. Managers seeking to increase firm performance through internationalization may find that they have adequate resources and competencies to incorporate successful CSR strategies to deal with the increased stakeholder pressures; firms that are already heavily internationalized may find that they can leverage CSR performance as a means of competitive advantage within

their market(s). Management may find that both increased internationalization and CSR performance play roles in reducing transaction costs.

One important argument for the growing relevance of CSR as a necessary firm facet, is the fact that ESG factors are now heavily incorporated into investing strategies (Duuren, et al, 2019). As the act of investing is typically to reap some sort of benefit (often financial), it would be counterintuitive for investors to spend resources on information which did not improve the average of potential benefits.

From the literature, theory, and research concluded in this paper, it is apparent that management should take seriously the implications of effects from internationalization and CSR performance on firm performance. Failure to do so will at best result in competitive disadvantages, as both CSR and internationalization become more and more commonplace in the world of business.

5.5 Limitations of the Study

The most pressing limitations of this study with regard to measurement aspects appear to be 1. the choice in proxy measurements for internationalization. While FSTS is a commonly utilized metric, it has already been acknowledged that it is not a multi-dimensional metric for which to fully capture the implications of firm's international behaviors (Glaum and Oesterle, 2007). 2. The choice in proxy measurement for CSR. While both the S&P and MSCI metrics are commonly utilized in both research methodology, and by a wide range of CSR minded investors, they rely exclusively on third-party reporting, which is not independently verified. Ultimately, this could lead to large errors of measurement (intentional and non). 3. The choice in proxy measurement for firm performance. As with the internationalization proxy, utilization of firm revenue as a means of deriving firm performance is also non multi-dimensional and can fail to capture various performance aspects of firms as they compete in multitudes of industries and markets. Also, much of the literature focuses on long-term firm performance with regard to CSR effects, with these indicators only observing the short-term. 4. The use of only firms with revenues exceeding 9-figures, does not lend credence to the understanding of internationalizations relation to CSR and firm performance with regard to all of firms with dramatically smaller revenues.

All of the previously mentioned limitations with regard to measurements, lead to poor values for many of the reliability and validity indicators. These include Cronbach's Alpha, Composite Reliability, HTMT, and VIF values.

In addition to the inherent limitations of the variables, their use in SmartPLS arbitrarily limits results from analysis.

"The fact that, in PLS-SEM, latent variables are aggregates of observed indicator variables leads to a fundamental problem. Indicator variables always involve some degree of measurement error. This error is present in the latent variable scores and is ultimately reflected in the path coefficients that are estimated using these scores. The error in the latent variable scores, while small, does produce a bias in the model estimates." (Hair, et al, 2017; 111).

While this research is quantitative, some third-party measurements utilized in the ESG indexes may be qualitative in nature, making their results a quasi-mixed methods approach. "Mixed methods involve combining or integration of qualitative and quantitative research and data in a research study." (Creswell, 2014; 14). The central cause of this being the fact that performance metrics consist of both qualitative and quantitative data. E.g. In the MSCI key issue index, (see figure 3) a multitude of these issues are likely qualitative. Corruption & Instability, for example, can be measured in three ways: 1. By gathering the informed views of relevant stakeholders. 2. By tracking countries' institutional features. 3. By careful audits of specific projects. (Kaufmann and Mastruzzi, 2006; 2). Metrics 1 & 2 clearly do not qualify as quantitative. As the MSCI techniques for calculation are not publicly disclosed, this is speculative, but seems probable.

Another limitation comes from the longitudinal division of the different social and environmental performance constructs. CSP, ESG, and CSR, while fundamentally similar, do possess unique characteristics in both definition and application. All of them seek to bridge the gap between businesses and the political, social, and environmental in which they operate, but each has done so in different time periods (CSP > CSR > ESG), and with different tools. This difference is most noticeable when comparing older literature, e.g. Friedman (1970), (Caroll, 1979), (Wood, 1991), to that of the more contemporary research cited throughout this research. While clearly comparable, the shift in paradigm can increase reconciliation required to make sense of the evolution of CSR.

6.0 Conclusion

This study has delved into the relationships between internationalization level, CSR performance, and firm performance, as they contend with one another. The lenses of TCT, RBV, and SHT, have been applied with regard to contemporary literature and research results. The purpose being to find positive effects between the three variables which can help us better understand how they may be used to improve the interaction between businesses and the governments and societies in which they operate; ultimately boosting firm performance while improving environmental and social performance.

It has been observed through empirical analysis of 100 U.S. multinational firms that positive effects exist between internationalization and CSR performance, between CSR performance and firm performance, and between internationalization and firm performance when CSR behaves as a mediator. The literature review having substantiated a significant portion of claims expressed herein. While many questions remain, it can be concluded that significant relationships exist between these factors, and improved comprehension of indicators will serve no function other than the benefit of a business and its stakeholders.

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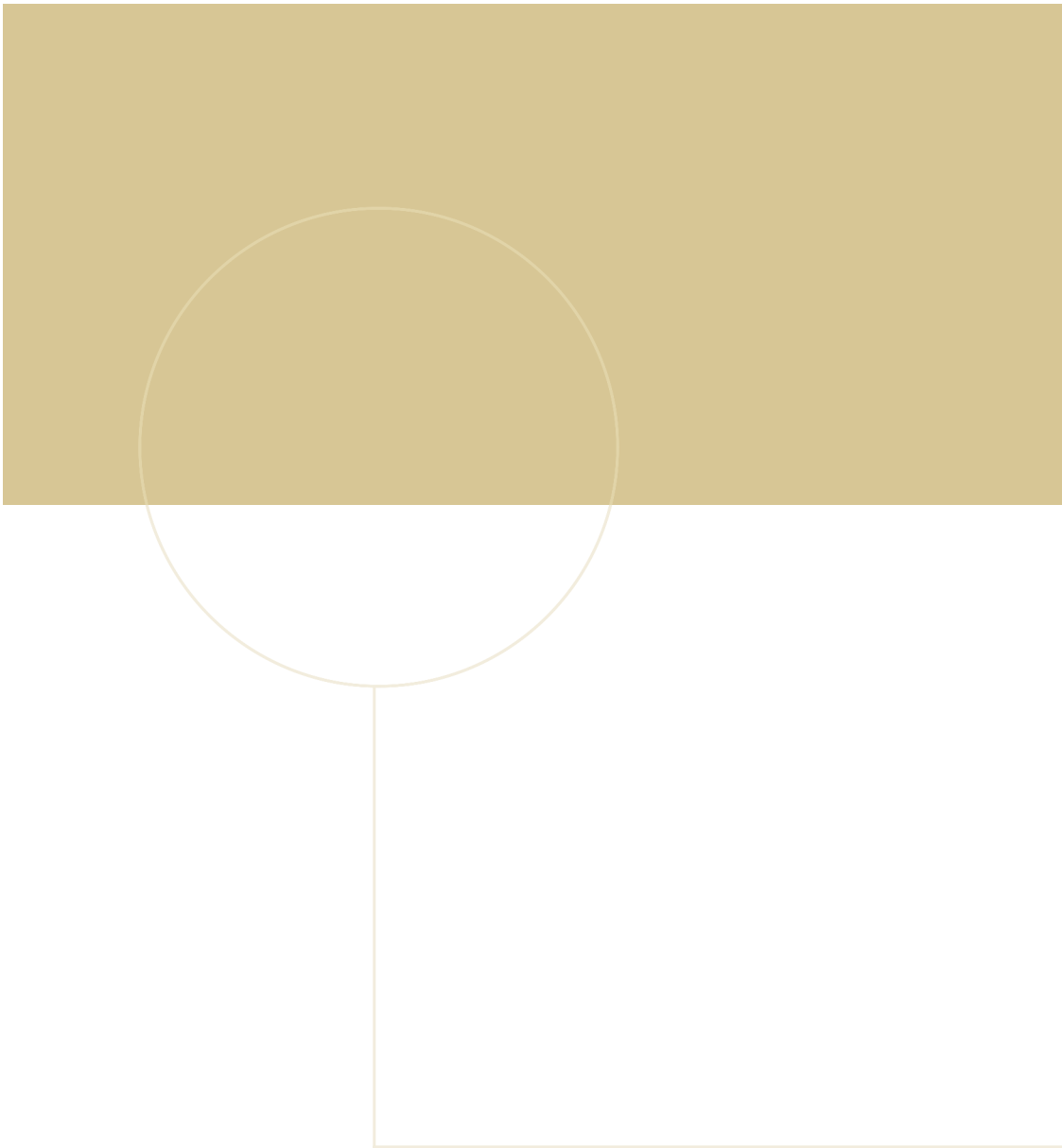

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