

Article

The Relationship between Corporate Social Responsibility, Global Investment, and Equity Incentives

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Abstract: Listed companies have long faced difficulties in both their global investment strategies and corporate governance improvement, while they are supposed to pay more attention to their sustainable development performance. The complex linkages between these three make the choice of corporate strategy a challenge for public companies. Given the economic downturn in the post-pandemic era, the challenges for listed companies are likely to be even more acute. How companies weigh the relationships between these three and how to ensure the implementation of a global investment strategy that effectively meets sustainable development are pressing challenges. Using a sample of Chinese listed companies during 2010–2018, this paper empirically examines the relationship between corporate sustainable development performance, global investment reflected by outward foreign direct investment (OFDI), and corporate governance reflected by equity incentives with econometric tools. We show the positive effects of OFDI on corporate sustainable development performance and discover the crowding-out effect of equity incentives, which challenges the view of equity motivation. These findings are robust. We further explore the heterogeneities in terms of industries and regions. We finally provide some useful implications on how to coordinate the global investment and internal equity incentives to improve corporate sustainable development performance.

Keywords: corporate sustainable development; corporate social responsibility; outward foreign direct investment; equity incentives



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1. Introduction

Corporate sustainable development and corporate social responsibility (CSR) have been considered the key strategic initiative for sustainable development in the long term [1]. As a new management paradigm, corporate sustainable development requires companies to safeguard environmental, social and economic stakeholders while achieving profitable growth [2]. Great corporate sustainable development performance can not only help create value for companies [3] but also vastly enhance corporate image. Currently, many scholars focus on studying the link between corporate sustainability development and corporate social responsibility (CSR). Generally speaking, CSR is an important component of corporate sustainable development. The definition and scope of the two have a strong consistency at the corporate level.

According to the latest global CSR report published by KPMG, there has been a rapid growth in the number of companies incorporating CSR information into financial reports in the past years, and around three quarters of the companies publish social responsibility reports [4]. Compared with developed countries, less developed countries have significantly less experience in internationalization, and their CSR requirements are comparatively lax [5]. However, the Chinese government announced a new “going-out” strategy in the late 1990s. It has been noted that political transitions in government at the national level can lead to changes in economic policy. Fortunately, China’s political

environment is relatively stable, and the policies implemented have good continuity [6]. Therefore, the role of Chinese enterprises in the world has been attracting attention for three decades, which also requires them to take on more corporate social responsibility. Chinese companies have had to make appropriate adjustments to their original organizations in order to adapt to the changing environment under pressure from citizens, society, and NGOs in different countries. Yin and Jamali [7] note that multinational corporations (MNCs) have to meet the legitimate demands of multiple stakeholders in the countries where they operate while creating benefits for shareholders, because they may face uncertainties and costs caused by the external environment. For instance, they can leverage their expertise and professional resources to conduct public product R&D abroad [8]. MNCs can create a performance for themselves while complying with the requirements of government regulations, social norms, and culture [9].

As an important channel for the global diffusion of technology, knowledge [10], and efficiency [11], outward foreign direct investment (OFDI) can accelerate the sustainable development of enterprises in less-developed countries by transforming the industrial model to low energy consumption and low pollution [12,13]. Thanks to the reverse spillover effect, companies that make outward foreign direct investments can draw on advanced technology and management knowledge from abroad to improve their competitive advantage in their home countries and internationally [14,15]. Previous studies have established that OFDI has positive effects on multinational enterprises (MNEs) [16,17]. For example, multinational firms can acquire strategic assets through OFDI that are not available domestically, such as advanced technologies, expertise, and management upgrades. Then they can transfer these strategic assets to their home countries [18]. OFDI is a major driver for firms in emerging markets to improve their innovation capabilities and achieve sustainable development, especially for knowledge-seeking firms in developing countries [19]. After the initiation of OFDI, there is a significant increase in firms' green patents in the country, which promotes environmental performance [20]. Firms implementing OFDI can create higher-quality products [21]. However, they mainly focused on increasing productivity [16,22,23], and other aspects concerning sustainable development are rarely discussed. It has been found that OFDI can promote productivity growth of the parent company, especially the OFDI strategy of acquiring advanced technology and investment in developed countries [24]. OFDI contributes to multinational firm productivity growth by acting directly on the level of technology [25]. In the Chinese market, the implementation of OFDI by multinational firms can have a significant increase in green total factor productivity [23]. OFDI has a more significant effect on sustainable productivity for firms with developed countries as their investment destination, for firms with single branches, and for firms oriented towards overseas trade sales [9]. Technology-seeking OFDI particularly increases the productivity of multinational firms in R&D and processing [15].

In addition to focusing on the productivity dimension, some literature on measures of overall corporate sustainable development performance covers limited dimensional information. In the contribution dimension, some scholars have studied the involvement of multinational corporations with sustainable development performance, using charitable contributions and community contributions as a measure of CSR [26,27]. In the stock return dimension, some scholars have studied the relationship between the financial and social responsibility of small and medium enterprises in Vietnam using the stock performance of firms as a measure of sustainability [3]. Moreover, some scholars have used the value of the stock market as a sustainable performance of listed companies [28]. The literature mentioned does not provide a comprehensive picture of corporate sustainability. As we have stated above, corporate sustainability requires that companies achieve both non-profit and profitability targets. A single indicator may be one-sided in its representation of corporate sustainability, while a comprehensive indicator that integrates environmental, economic, social, and other aspects should be more scientific. Since there is no perfect indicator for measuring corporate sustainable development, we believe that CSR, which is similar to corporate sustainable development, is an appropriate measure. More importantly,

past literature on the relationship between OFDI and sustainable development has mainly focused on the national and regional levels. For example, some scholars have found direct and indirect effects of OFDI-induced reverse knowledge spillover on national sustainable development [29]. Growing OFDI can effectively reduce carbon emissions in multiple countries and provide regional environmental sustainability [30]. OFDI can improve ecological quality and promote regional economic transformation and sustainable development by improving technological innovation, upgrading industrial structure, and mitigating capital misallocation [31,32]. To our knowledge, there is little literature on the impact of OFDI on sustainable development at the firm level, and there is also a lack of analysis of the heterogeneity of OFDI's impact on corporate sustainable development across industries and regions. Therefore, we examined the relationship between corporate sustainable development and OFDI, which can effectively fill the gap in existing studies. At the same time, existing research has not found whether equity incentives have a facilitative or moderating effect on the relationship between OFDI and corporate sustainable development. Equity incentives are a key part of the growth strategy of enterprises. We believe it is essential to explore the impact of equity incentives. In this paper, our innovative choice of equity incentives as a moderating variable on OFDI and corporate sustainable development provides insights into firms' strategic choices and fills the gap in existing research.

When referring to corporate globalization strategies and corporate sustainable development performance, the impact of the board of directors and the top management team (TMT) has received particular attention [33,34]. Especially, the internal administration of MNEs is of great significance because it determines the effectiveness of the OFDI. Accordingly, as major administrators of a company, the characteristics of directors and TMT including gender [35], education background [36], and others have been widely studied [37,38]. However, to the best of our knowledge, rarely have previous studies investigated the impact of managers holding equity in the company in the circumstance of performing corporate sustainable development practices.

Agency theory suggests that the separation of ownership and management leads to agency costs. Agents may act in their personal interest to the detriment of the company's long-term interests [39]. When corporate sustainability is often treated as a long-term goal [40], agents may see it as a financial loss [41] for the sake of short-term profits under certain incentive conditions, which is not conducive to corporate sustainable development. Equity incentives are common means of mitigating agency problems. Eisenhardt points out that higher incentives align agents' efforts with the principal's desires [42]. Although it has also been noted in the literature that board shareholdings can increase the supervision of executive directors and thus avoid deviations from the interests of society [43], there is also literature that suggests a different outcome. Some researchers point out that shareholding structure and board composition affect disclosure and that an increase in outside directors reduces corporate disclosure [44,45]. Moreover, some researchers have pointed out that when the shareholding of managers is too high, it can lead to an adverse effect on the value of companies [46]. The entrenchment hypothesis suggests that excessive shareholding gives managers greater voice and management power [47]. This leads them to indulge in non-benefit-maximizing objectives [48]. Excessive power may allow managers to take the stronger side in resisting business decisions such as OFDI that are for the long-term good. Therefore, it is also essential to answer the following questions: Does the board and TMT shareholding alleviate the agency problem of corporate governance? Does higher shareholding enhance the effect of OFDI on corporate sustainable development performance?

To bridge the gaps mentioned above, this paper provides some new empirical evidence through a large number of panel data of Chinese listed companies. We find the positive impact of OFDI on comprehensive corporate sustainable development performance, with the moderating effect of internal corporate governance from the aspect of equity incentive. We contribute to the literature from the following aspects. First, we provide new insights into the spillovers of corporate globalization strategies from the perspective of

corporate ecological management. We employ an accurate and comprehensive indicator for corporate sustainable development performance that takes companies that do not disclose CSR reports into consideration. To the best of our knowledge, our study is the first to adopt an accurate CSR index when examining OFDI reverse spillovers on corporate sustainable development performance. Second, we combine the internal and external corporate management approach by analyzing the relationship between the director and TMT shareholding and CSR practices. Hence, we further contribute to the literature by confirming the limitation of equity incentives, which is contrary to previous studies and general recognition. Third, we find that the multidimensional characteristics of the CEO play an important role in corporate sustainable development, thus providing some inspiration for companies' human resource management practices. Fourth, we focus on the relationship between OFDI and corporate sustainable development, which fills the gap in the existing literature. What is equally significant is that the current literature lacks an exploration of the channels between the OFDI and corporate sustainable development, and we introduce equity incentives as a moderator into the empirical study.

The rest of this paper is organized as follows. Section 2 reviews related literature and develops our hypothesis. Section 3 presents the data and methodology used in our study. Section 4 presents the results. Section 5 provides discussions. Section 6 concludes.

2. Literature Review and Hypothesis Development

2.1. Corporate Sustainable Development and CSR

According to the United Nations, sustainable development is “development which meets the needs of the present without compromising the ability of future generations to meet their own needs”. It includes 17 sustainable development goals. Among them, the goal of sustainable development is the same as the general purpose of CSR at the corporate level. In addition to addressing current and future world issues, corporate sustainable development is in line with the ideal framework of CSR programs [49]. For enterprises, the role of corporate sustainability development is to create value for business and society [50] and is often discussed as a “responsibility” to society [51]. It is worth noting that CSR can play an integral role in achieving the SDGs in developing economies. Funds from the implementation of CSR can often be used to achieve corporate sustainable development goals. Simply put, at the corporate level, there is consistency between the CSR they undertake and their sustainable development goals [52]. Thus, although there are differences in the scope of CSR and corporate sustainable development, many scholars have chosen to use CSR as an aid in measuring corporate sustainability in recent years due to the limited measurement and the consistent definition of the two at the firm level [3].

Currently, there are multiple definitions of CSR. For instance, the World Business Council for Sustainable Development (1998) defines CSR as “a constant commitment of enterprises to business ethics and to contribute to economic growth, while improving the living quality of the workers and their families, as well as the local community and society.” In 2001, the EU defined CSR in a Green Paper as follows: “the voluntary integration of social and environmental issues in the day-to-day business operations of an enterprise and in its interaction with its stakeholders.” Although there are nuances in the definitions of CSR by different researchers, they still ultimately boil down to a few aspects: environment, shareholder rights, government, and employee rights.

Scholars have conducted research on these different aspects. First and foremost, multinational enterprises have been proven to stimulate awareness of environmental protection [53]. However, some studies have shown that while CSR can increase social welfare, it is not always good for the environment [54]. Secondly, in terms of shareholder equity, there is a positive relationship between CSR and corporate financial performance [3,55]. There is also literature that examines the combined impact of CSR on corporate performance by looking at the share price performance of companies [56]. Thirdly, government has long been widely considered an important factor in corporate behavior [57]. Gond et al. highlight the various roles that governments can play in promoting CSR in the context of

wider national governance systems [58]. Finally, from the perspective of employee benefits, Singhapakdi et al. find that incongruence between employee's and firm's CSR orientation is negatively associated with both lower- and higher-order need satisfaction [59]. Golob and Podnar find that perceived internal CSR has an indirect effect on life satisfaction through its effects on job satisfaction [60].

In essence, CSR is an important part of the sustainable development issue. In the context of globalization, relevant regulations in developing countries have been changing, spreading from financial models focusing on profit only to societal models of CSR focusing on people, environment, and profit [61]. Thus, the sustainable development of companies has become a significant topic in the field of business management.

2.2. OFDI and Corporate Sustainable Development Performance

As an important carrier of foreign investment, OFDI determines the long-term development of multinational enterprises (MNEs). Various studies have assessed the positive effects of OFDI on domestic companies on multiple dimensions, including improving technological and management capacity, which in turn contributes to corporate sustainable development.

Based on international technology transfer, the increase in the total-factor productivity of corporations in the course of OFDI has been demonstrated [13,23]. Due to the existence of reverse technology spillover [14,18], domestic companies can increase their technological innovation and productivity through investment activities abroad [62]. Chen et al. [63] use R&D spending as a proxy for MNEs' technological capability and find that MNEs in emerging markets that have subsidiaries in host developed markets exhibit stronger technological capabilities in the home country. In particular, in the process of OFDI, multinational companies can make up for the original technical disadvantages through M&A to improve their technology competitiveness [64]. Additionally, cooperation with local enterprises has expanded access to R&D resources and knowledge [65]. Domestic innovation performance is also positively related to OFDI in developed countries [66]. However, the impact of OFDI on green technology and production has not reached a consensus. Zhou et al. find that the impact of OFDI on the green economy of Chinese provinces is heavily dependent on provincial heterogeneity, with most provinces struggling to benefit from OFDI [67]. In addition, the impact of OFDI on domestic R&D expenditure may be uncertain because of complementary and substitution effects [68].

On the other hand, the performance of enterprises not only depends on the technology but also on management ability. Managers learn through observing, incorporating, and sharing others' experiences [69]. As latecomers to international markets, companies from emerging markets often use internationalization as "a springboard to acquire strategic resources" [70]. Learning about management and marketing is one of their motivations for undertaking OFDI [71]. Many Chinese companies engage in exploratory OFDI to seek to develop new management knowledge [72]. Through outward investment, managers are able to learn from advanced international governance experience, thereby improving corporate governance. In the OFDI process, managers of MNEs in emerging economies have been exposed to new forms of organizational know-how about governing firm activities [73]. Additionally, companies that expand abroad are often perceived as outsiders by their host countries [74]. Due to isomorphic pressure, they tend to learn managerial capabilities from local companies [75], thereby improving corporate governance.

At the same time, technology and management capabilities have proven to be two important channels through which OFDI can contribute to CSR. First, the revolution in technology is essential for multiple dimensions of corporate sustainability. From the perspective of environmental value, technological innovation has become fundamental to environmental protection and sustainable economic development [76]. It is a new means for the clean and optimal use of scarce resources, thus promoting environmental and ecological sustainability [77]. China's OFDI increases domestic environmental pollution by expanding economic scale, while the reverse technology spillover effect from OFDI

raises domestic technology levels and improves industrial structure, thereby reducing domestic environmental pollution [78]. From the perspective of social value, the application of advanced technology, especially industrial robotics, ensures employee safety, thus improving employee welfare [79]. From the perspective of economic value, perceived technological attributes influence consumer brand engagement, leading to corporates' utilitarian benefits from brand-related interactions [80]. Moreover, Shahzad et al. state that green innovative technology affects all dimensions of a firm's sustainable performance [81]. The use of technology also has a positive effect on CSR disclosure [82].

Second, in terms of managerial capability, firms can enhance their management capabilities through OFDI and thus improve their investment efficiency [83], reduce production and information costs [84], and improve their profit margins [85]. Wang and Hu find that the more experience a company has in OFDI and more exposed it is to the international environment, the more likely it is to adopt the prevailing international management norm of CSR [86]. Bhaumik state that foreign investments by emerging economy firms lead to the upgrade of their management capabilities [73]. Strong corporate governance has in turn encouraged more professional CSR activities [87] or increased CSR disclosures [88]. Therefore, companies can overcome their internal management weakness through OFDI [89] in order to better align themselves with global policies including CSR standards that promote trade and investment liberalization.

Based on the above discussion, we hypothesize that:

Hypothesis 1. *OFDI can promote corporate sustainable development performance.*

2.3. Equity-Based Incentives of Corporate Internal Governance

Because the board of directors and TMT (top management team) have a strong lead in the company's strategic decisions, their impact has been widely discussed when referring to CSR activities. The majority of prior studies have found that OFDI has a positive effect on sustainable development in homeland [90–92]. However, few studies have focused on the moderating effect of equity incentives in the process.

Research shows that the board of directors' and TMT's personal characteristics affect CSR performance. For instance, a higher percentage of women on the board of directors helps to improve the quality of CSR disclosure [93]. Especially, Saeed et al. prove that female executives' values can translate into environmental strategy, which will promote corporate sustainable development performance [94]. Additionally, narcissism as a personality trait of the CEO is positively related to aggregate CSR [95]. Overall, the role of the board of directors and TMT in CSR performance is well documented.

In addition to the personal characteristics of executives and directors that affect CSR performance, the way they are motivated at a particular level also affects the way they behave in corporate governance [96]. For example, the CSR of SOEs was significantly lower than that of non-SOEs due to the lack of alignment between the interests of controlling shareholders and their companies. Equity incentive plans in SOEs are able to better facilitate CSR performance after SOE shareholders are allowed to exchange their stock holdings [97]. The compensation and tenure offered by firms to their TMTs are often linked to the achievement of corporate social performance [98]. However, there is still relatively little discussion about the board and TMT incentive approach in the context of CSR.

As an important part of the enterprise incentive mechanism, there has been a lot of interest in equity incentives for directors and TMT. It is a much-debated question whether equity incentive has positive effects on corporate management, but we have to focus on this issue because management capacity is important in the mechanism by which OFDI affects CSR, as already discussed above. Corporate governance is originated from agency theory [99]. Separating ownership and the right of management causes differing interests between shareholders and managers. Incentives serve to align agents' efforts with the principal's desires [42]. For example, in order to reduce adverse selection and moral hazard caused by agency problems, appropriate equity incentives can ensure the maximization of

shareholders' interests under certain conditions [99]. Equity incentives are long-term in nature. Meanwhile, agency problems tend to focus on short-term interests. A number of scholars have found that equity incentives can converge short-term interests to long-term interests, thus reducing adverse selection and moral hazard [100–102]. Equity incentives also contribute to earnings management to increase the value of the shares [103]. A part of the research shows that equity-based incentives help to improve companies' financial performance [104].

While the role of equity incentives in the classic literature is more about aligning the interests of managers with those of shareholders, aligning equity incentives with a company's corporate responsibility policy is a greater challenge. Although a large body of past literature illustrates the beneficial effects of equity incentives on corporations, most studies have not focused on specific corporate goals, such as CSR. This is problematic because equity incentives do not guarantee that the interests of agents and principals will be aligned under any corporate goals. Meanwhile, the agent in the enterprise is not a single. Dual-agency theory proposes a trilateral relationship between the principals, the directors, and the TMT on the basis of original. Therefore, it is necessary to discuss the two different sets of agents, the board of directors and the TMT, separately.

(1) *The shareholding of directors and CSR*

Generally, the board of directors is the executive body of the shareholders' meeting with a legal position to effectively regulate the executive team [105]. Their main role in corporate governance is to set the basic values and standards for the company, to perform the duties of resource provision and supervision [106], and to ensure the smooth implementation of all macro operations. It has been argued that the board's role is not only to set macro business goals but also to achieve CSR in order to achieve good corporate governance and reduce conflicts of interest between managers and non-investment stakeholders [107]. Mackenzie pointed out that internal organizational incentives have an important role in the fulfillment of CSR, especially the development of board goals and incentives in achieving CSR [108]. Giving appropriate equity incentives to the board of directors who monitor the CEO is related to the alignment of the goals of ownership and operation, facilitating the achievement of long-term corporate goals such as CSR [99].

By reviewing the literature, we find that past studies have generally concluded that OFDI has a catalytic effect on the sustainable development of firms, but have not considered the role played by the equity share of directors. We argue that board equity share has the potential to moderate the relationship between OFDI and corporate sustainability for the following reasons.

First, an increase in board shareholding can have an impact on the effectiveness of OFDI by influencing disclosure, which in this case itself includes CSR disclosure. It has been shown that paying directors higher compensation (or additional compensation) is highly correlated with higher information asymmetry and stronger structural management power is detrimental to the information environment of the firm [109]. Mahoney and Roberts explain the relationship between CSR disclosure and director ownership. They find that when boards of directors increase their control over the firm through, for example, equity incentives, they tend to reduce CSR disclosure to attract investment [110]. Akhtaruddin and Haron also find a weak negative relationship between the board's equity holdings and voluntary disclosure [111]. In fact, lower-quality CSR disclosure implies lower actual CSR performance [112,113]. Furthermore, it is documented that the lack of information disclosure due to rising board equity is likely to reduce investment efficiency. Higher corporate disclosure can motivate managers to act in the best interest of shareholders, thus increasing the efficiency of capital investment [114,115]. Especially for OFDI, as a risky venture investment, information disclosure plays an important role in risk sharing [116]. Therefore, the degree of information disclosure by the board of directors is more important for the efficiency of OFDI. Better information disclosure helps managers to comprehensively consider the investment ability of the enterprise and improve the effectiveness of OFDI implementation, thus helping to enhance the sustainable development of the enterprise.

In addition, the increase in board shareholding may also affect the relationship between OFDI and corporate sustainability by reducing regulatory efforts. The board of directors is not only the head of executives, but also the agent of major shareholders. By implementing equity incentives for directors, there is a risk of creating secondary agency problems between directors and shareholders [106]. When the interests of directors and shareholders are inconsistent in the implementation of OFDI in enterprises, some directors may relax effective supervision out of their own interests [106], which brings negative impact on OFDI and thus affects the fulfillment of CSR.

In conclusion, boards of directors lead the development of corporate strategies including CSR strategies, and their incentive structures influence the deployment and implementation of the strategies [117]. The behavior of the board of directors in corporate macro governance can have an impact on the CSR objectives of the firm. Moreover, board shareholding reduces the quality of information disclosure, which is associated with investment efficiency. Increasing in board shareholding may bring about secondary agency problems, which may weaken the board's ability to regulate effectively. The board's shareholding has the potential to have a moderating effect between OFDI and CSR through the channels described above. On this basis, we propose the following hypothesis.

Hypothesis 2. *The shareholding of directors moderates the relationship between OFDI and corporate sustainable development performance.*

(2) *The shareholding of top management team and CSR*

The TMT and the board of directors are two key teams in improving corporate performance. The difference is that TMT is responsible for taking strategic action, while board members fulfil their resource provision and oversight roles [118]. TMT's primary fiduciary responsibility is to manage the company in a manner that promotes the interests of shareholders [119]. Therefore, equity incentives to align the interests of TMT members with those of shareholders are a common means of solving agency problems [120].

We previously discussed the impact of OFDI on CSR performance and also summarized the initial application of equity incentives in corporate governance. It is worth noting that these factors are not orthogonal to each other, but interact with each other. In other words, the effectiveness of OFDI on CSR performance may depend on the structure of equity incentives within the firm for TMT, i.e., the extent to which they are constrained by the firm's stock returns [121]. CSR is a strategic means to obtain long-term profitability and help firms build good reputation [40]. However, some literature proves a negative correlation between CSR investment and financial performance [41], especially for short-term stock returns. What this means is that when the level of TMT holdings reaches a certain level, they may possibly pay less attention to corporate reputation, and regard CSR investment as a financial loss as Crisóstomo et al. have proved [41]. This also implies that TMT tends to pay more attention to the short-term financial performance of the firm in order to maximize their benefits. Benmelech et al. point that equity incentives induce managers to conceal bad news about future growth options, and this bad news hoarding by managers leads to the overvaluation of a firm's stock [122]. Meanwhile, equity incentive-based compensation structure will enable TMT to maximize their own profits when making decisions about dividends, which is not conducive to the overall development of the company [39].

Specifically in terms of a company's globalization strategy, equity incentives may cause TMT to deviate from the norm in the execution of OFDI. Institutional scholars have demonstrated that companies encounter legitimacy pressures from host countries when expanding abroad [123,124]. Furthermore, it has been well documented that CSR is an important way for companies to gain legitimacy [125,126]. The efforts of companies seeking to conform to host countries' legitimacy norms are consistent with CSR strategies to some extent (e.g., carbon trading restrictions [127] and appeals of stakeholders [128]) [74]. However, the pursuit of legitimacy often means increased business risk for companies. For example, companies that conform to legitimacy may face greater acquisition costs when acquiring across borders [129]. Managers must balance legitimacy risk with business risk

when executing OFDI [130,131]. Therefore, TMT's concerns about protecting equity wealth under equity incentives can make them less likely to conform to local legality norms [132], leading them to abandon legitimacy goals, such as CSR goals.

In sum, equity incentives may further constrain the role of OFDI for CSR by influencing the operation behavior of TMT. As the executor of the business operations, TMT likewise dominates the specific strategies of OFDI [133,134]. Incentive may lead TMT to engage in OFDI with biases, such as pursuing short-term stock profits at the expense of long-term benefits, corporate reputation, or legitimacy goals, thereby mitigating the positive impact of OFDI on CSR. Therefore, equity incentives for TMT may not have positive effects on CSR performance as expected and probably even have a crowding-out effect on the positive regulation of OFDI. On this basis, we propose the following hypothesis:

Hypothesis 3. *The shareholding of top management team moderates the relationship between OFDI and corporate sustainable development performance.*

3. Data and Sample Overview

3.1. Sample Selection and Data Source

We use listed companies in China as research samples. CSR data used in this study come from Hexun database. Hexun scores by the CSR reports and annual financial reports issued by all the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) listed companies. Based on the specialized quantitative model, Hexun measures comprehensive CSR performance of companies including both the detail of the CSR information disclosure and the degrees of taking social responsibility. Considering the availability of data, our samples are from 2010 to 2018. Data on FDI and corporate governance are from the China Stock Market and Accounting Research (CSMAR) database. Excluding observations with abnormal and missing values, we obtained 3250 listed companies, covering 31 provinces (autonomous regions and municipalities) and 79 industries in China. Table 1 presents the distribution of our sample.

Table 1. Sample distribution.

(1) By Province			(2) By Industry		
Province	Number	% of Total Sample	Industry	Number	% of Total Sample
Anhui	639	3.3	Hotels and restaurants	92	0.5
Beijing	1669	8.6	Warehousing	58	0.3
Fujian	664	3.4	Manufacturing	7894	41.0
Gansu	162	0.8	Health care	1138	5.9
Guangdong	3310	17.1	Mining	575	3.0
Guangxi	232	1.2	Real estate	1290	6.7
Guizhou	123	0.6	Wholesale and retail	891	4.6
Hainan	162	0.8	Technology	1808	9.4
Hebei	347	1.8	Transport	485	2.5
Henan	547	2.8	Finance	390	2.0
Heilongjiang	172	0.8	Culture and sports	313	1.6
Hubei	523	2.7	Agriculture, fishing, forestry	325	1.7
Hunan	576	2.9	Textiles and clothing	575	3.0
Jilin	237	1.2	Metal smelting	597	3.1
Jiangsu	2088	10.8	Professional technique service	145	0.8
Jiangxi	237	1.2	Environmental governance	110	0.6
Liaoning	482	2.5	Information technology	1000	5.2
Inner Mongolia	136	0.7	Electricity, gas and water supply	506	2.6
Ningxia	89	0.4	Food processing	559	2.9
Qinghai	60	0.3	Public administration	514	2.7

Table 1. Cont.

(1) By Province			(2) By Industry		
Province	Number	% of Total Sample	Industry	Number	% of Total Sample
Shandong	1175	6.0	Total	19,265	100.00
Shanxi	191	0.9		(3) By Year	
Shanghai	1228	6.3	2010	1601	8.3
Shaanxi	252	1.3	2011	1840	9.5
Sichuan	708	3.6	2012	1913	9.9
Tianjin	269	1.3	2013	1922	9.9
Tibet	80	0.4	2014	2001	10.3
Xinjiang	262	1.3	2015	2181	11.3
Yunnan	216	1.1	2016	2376	12.3
Zhejiang	2185	11.3	2017	2698	14.0
Chongqing	244	1.2	2018	2733	14.1
Total	19,265	100.00	Total	19,265	100.00

Note: The classification of 79 industries is based on the industry classification standards set by China Securities Regulatory Commission (CSRC) in 2012. Due to space limitations, some consolidations have been made in the table.

3.2. Econometric Model

We use unbalanced panel regression analysis to identify the OFDI reverse effects on CSR. Considering differences in policy and other factors across provinces and industries, we use an econometric model with three-way fixed effects. The econometric models are as follows:

$$CSR_{ijpt} = \alpha_0 + \alpha_1 OFDI_{d_{ijpt-1}} + \alpha_2 X + u_j + u_p + u_t + \varepsilon_{ijpt} \quad (1)$$

$$CSR_{ijpt} = \beta_0 + \beta_1 OFDI_{d_{ijpt-1}} + \beta_2 OFDI_{d_{ijpt-1}} \times dir_share + \beta_3 X + u_j + u_p + u_t + \varepsilon_{ijpt} \quad (2)$$

$$CSR_{ijpt} = \beta_0 + \beta_1 OFDI_{d_{ijpt-1}} + \beta_2 OFDI_{d_{ijpt-1}} \times tmt_share + \beta_3 X + u_j + u_p + u_t + \varepsilon_{ijpt} \quad (3)$$

where the subscript i, j, p and t denote firm, industry, province, and year, respectively. CSR refers to companies' performance of social responsibility. Two interactions (dir_share and tmt_share) are added into model (2) and (3). X is a vector of the control variables, including age, size and roe of a company in a certain year, and CEOs' gender, age, study and work experience. u_j, u_p and u_t represent industry, province and year fixed effects, respectively.

We use a 1-year lag for OFDI as the independent variable, which helps eliminate the reverse causality problem. In order to reduce omitted variable bias, we add a comprehensive set of control variables including corporate and CEO characteristics.

3.3. Measures of Variables

Corporate Sustainable Development Performance: CSR

Data on CSR in this study are from the Hexun database. CSR scores for Chinese listed companies from Hexun focus more on the CSR performance of companies than disclosure quality, which makes them more suitable for the purpose of our study. The scores are based on these companies' social responsibility reports and financial statements. The professional evaluation index system includes five dimensions, including shareholder equity, employee benefits, consumer rights, environmental protection and public benefit. In addition, it consists of 13 second-level indexes and 37 third-level indexes. The focus is on the five dimensions, which vary among different industries, and different weights are set for each dimension. Therefore, it eliminates the unscientific nature of CSR scoring to some extent. Detailed information and specific measurement indicators are provided in Table 2.

Table 2. CSR components.

	Level-1 Sub-Indicators	Level-2 Sub-Indicators	Level-3 Sub-Indicators
CSR (100%)	Shareholder (30%)	Earnings 10%	Return on equity (2%) Return in total assets (2%) Profit margin of main business (2%) Rate of return on cost (1%) Earnings per share (2%) Undistributed profit per share (1%)
		Solvency 3%	Quick ratio (0.5%) Current ratio (0.5%) Cash ratio (0.5%) Equity ratio (0.5%) Asset-liability ratio (1%)
		Returns to shareholder 8%	Ratio of dividends to equity (2%) Dividend of pay-out ratio (3%) Ratio of dividends to distributable (3%)
		Credit approval 5%	Number of penalties imposed by the exchange on the company and relevant responsible persons (5%)
		Innovation 4%	Product development expenditure (1%) Technological innovation concept (1%) Number of technological innovation projects (2%)
		Performance 5%	Per capita income employees (4%) Employee training (1%)
	Employee (15% in common industries, 10% in consumption industries)	Safety 5%	Safety inspection (2%) Safety training (3%)
		Caring for employees 5%	Employee caring consciousness (1%) List of members of caring for employees (2%) Consolation money for employees (2%)
		Product quality 7%	Quality management awareness (3%) Certificate of quality management system (4%)
	Consumer (15% in common industries, 20% in consumption industries)	After-sales service 3%	Customer satisfaction survey (3%)
		Integrity 5%	Fair competition among suppliers (3%) Anti-bribery training (2%)
	Environment (20% in common industries, 30% in manufacturing industries, 10% in service industries)	Environmental management 20%	Environmental protection consciousness (2%) Environmental management system certification (3%) Investment in environmental protection (5%) Number of pollutant discharge types (5%) Number of energy-saving measure types (5%)
Public (20% in common industries, 10% in manufacturing industries, 30% in service industries)			Contribution value 20%
			Ratio of income tax to total profits (10%) Public donation amount (10%)

Note: The numbers in brackets are the weights of the sub-indicators.

As the party having management rights, the board of directors and TMT are worth paying special attention to in agency problems. According to the previous hypothesis, we use the director (*dir_share*) and TMT shareholding (*tmt_share*) as moderators. As the board of directors and TMT are important players in corporate governance, we believe that adopting the shareholding ratio of the board of directors and TMT can well reflect the equity incentive policy and structure of the enterprise, thus making the mechanism of the role between OFDI and CSR clearer.

We select control variables from two perspectives: characteristics of CEO and companies. As the formulator and implementer of corporate strategy, CEOs need to continuously make strategic design and adjustment according to the development of companies. It has been proved that the characteristics of CEOs exert important impacts on companies [93–95,135]. Hence, at the level of CEOs' characteristics, we use CEOs' gender (*male*), age (*CEO_age*), education level (*edu*), and the overseas employment experience (*forgn_exp*) as control variables. At the level of firm characteristics, we choose the size, age, and return on equity as control variables. Previous studies have proved that foreign direct investment (FDI) has spillovers on companies in host countries [136]. Therefore, we use FDI (*FDI_d*) as a control variable. Detailed variable definitions in our study are provided in Table 3. Table 4 provides the descriptive statistics of the variables. In addition, the small correlation coefficients of the variables indicate that there is no high correlation among variables, which avoids the problem of multicollinearity, and validates the rationality of the model. The correlation matrix is summarized in Appendix A Table A1.

Table 3. Variable definitions.

Variable	Definition
CSR	A comprehensive indicator based on corporate responsibility for the shareholders, the consumers, the employees, the public and the environment. Detailed information is attached in Table 2.
OFDI_d	A dummy variable that equals 1 if an enterprise is engaged in outward foreign direct investment, and 0 otherwise.
	Moderator Variable
<i>dir_share</i>	Shares held by the board of directors.
<i>tmt_share</i>	Shares held by the top management team.
	Control Variable
<i>FDI_d</i>	A dummy variable that equals 1 if an enterprise gains foreign direct investment, and 0 otherwise.
<i>male</i>	A dummy variable that equals 1 if the CEO is male, and 0 otherwise.
<i>CEO_age</i>	The age of the CEO in a certain year.
<i>edu</i>	A dummy variable that equals 1 if the CEO has obtained a bachelor degree or higher, and 0 otherwise.
<i>forgn_exp</i>	A dummy variable that equals 1 if the CEO has experience working abroad, and 0 otherwise.
<i>conc</i>	Ownership concentration. Measured by share proportion of the top 3 or 5 largest shareholders.
<i>size_assets</i>	Measured by a firm's total assets for the year.
<i>size_income</i>	Measured by a firm's operating income for the year.
<i>firm_age</i>	The number of years since a firm was established in a certain year.
<i>roe</i>	Return on equity.
<i>roa</i>	Return on assets.

Table 4. Summary statistics.

Variables	Mean	SD	Min	Median	Max	Unit
CSR	25.247	16.411	−18.450	22.370	87.870	-
<i>OFDI_d</i>	0.034	0.180	0	0	1	-
<i>dir_share</i>	0.150	0.207	0	0.007	0.892	-
<i>tmt_share</i>	0.085	0.154	0	0.002	0.843	-
<i>FDI_d</i>	0.177	0.382	0	0	1	-
<i>male</i>	0.942	0.234	0	1	1	-
<i>CEO_age</i>	52.499	7.568	27	52	85	year
<i>edu</i>	0.862	0.345	0	1	1	-
<i>forgn_exp</i>	0.050	0.218	0	0	1	-
<i>conc_top3</i>	49.619	15.973	0.565	49.313	98.290	%
<i>conc_top5</i>	54.499	15.885	0.811	54.904	98.469	%
<i>size_assets</i>	66.349	786.821	0.003	2.545	22,786.910	billion
<i>size_income</i>	10.579	79.749	0	1.500	2900	billion
<i>firm_age</i>	15.632	5.773	0	15	51	year
<i>roe</i>	0.087	5.580	−176.380	0.070	713.204	-
<i>roa</i>	0.056	0.894	−48.307	0.053	108.352	-

Note: To calculate the mean and SD, we use the original data here without any transformation. CSR data are from the Hexun database. Data on FDI and corporate governance are from China Stock Market and Accounting Research (CSMAR). CSMAR is a series of advanced professional financial and economic databases designed and developed to meet the needs of financial and economic analysis and research in China.

4. Results and Analysis

4.1. The Impact of OFDI on Corporate Sustainable Development Performance

Table 5 presents the regression results of OFDI spillovers on corporate sustainable development performance. As shown in Column (1), the coefficient on *OFDI_d* is statistically significant at the 1% level with a coefficient of 1.882, suggesting that outward foreign direct investment has significantly positive effects on corporate sustainable development performance. Thus, companies' overseas investment can be regarded as an effective channel to improve sustainability. This is probably because in the process of foreign trade, the demonstration of production skills and the transfer of tacit knowledge will lead to strengthening the awareness of environmental protection and sustainable development. Therefore, some short-sighted practices will no longer be adopted to improve companies' short-term profits. When we add interactions to the regression model in Columns (2) and (3), we find that the negative interaction effects of directors and TMT shareholding are also statistically significant, and their coefficient values are −10.784 and −14.025, respectively. Specifically, the positive impact of OFDI on corporate sustainable development is moderated by 10.784% and 14.025% when the shareholding of the board and TMT increases by 1%, respectively. Such results illustrate that equity incentives do not drive sustainable growth and that firms need to focus more on other incentives when climbing the ladder of corporate sustainable development. This finding provides new insights into corporate operations and decision making. We also use OLS with robust standard error, and the conclusions are further confirmed. It is shown in Figure 1 that while improving sustainability through OFDI, equity incentives as a traditional practice do not work well and weakens the positive effect of OFDI on CSR, thus approaches to corporate internal governance should be adjusted.

As for control variables, all of the CEO characteristics in this study have significant effects on promoting corporate sustainable development performance. First, CEOs' work experience in foreign countries (*forgn_exp*) will greatly help promote corporate sustainable development performance. The results reveal that they have more opportunities to understand the connotation of corporate sustainable development and pay more attention to the potential impact of CSR-related activities from the long-term standpoint. Second, CEOs who are older (*CEO_age*) and better educated (*edu*) are more receptive to and usually have more experience in solving problems encountered by companies in the process of corporate sustainable development reform. Third, male CEOs (*male*) perform better in taking corporate social responsibility.

Table 5. The impact of OFDI on corporate sustainable development performance.

Variables	(1) FE	(2) FE	(3) FE	(4) OLS	(5) OLS	(6) OLS
OFDI_d	1.882 *** (0.657)	3.516 *** (0.821)	2.929 *** (0.746)	1.396 * (0.749)	2.673 *** (1.023)	2.190 ** (0.903)
dir_share		−1.872 *** (0.714)			−5.678 *** (0.634)	
tmt_share			−2.615 *** (0.897)			−6.204 *** (0.737)
OFDI_d × dir_share		−10.784 *** (3.146)			−8.903 *** (3.195)	
OFDI_d × tmt_share			−14.025 *** (4.447)			−11.680 *** (3.333)
FDI_d	1.442 *** (0.468)	1.215 *** (0.472)	1.250 *** (0.471)	5.004 *** (0.415)	4.395 *** (0.419)	4.617 *** (0.417)
male	1.091 ** (0.552)	0.938 * (0.553)	1.066 * (0.552)	1.643 *** (0.553)	1.336 ** (0.553)	1.612 *** (0.551)
CEO_age	0.104 *** (0.019)	0.091 *** (0.020)	0.095 *** (0.019)	0.034 * (0.019)	−0.004 (0.020)	0.012 (0.020)
edu	1.537 *** (0.394)	1.387 *** (0.397)	1.414 *** (0.396)	2.451 *** (0.355)	2.097 *** (0.356)	2.230 *** (0.355)
forgn_exp	1.422 ** (0.557)	1.458 *** (0.557)	1.451 *** (0.557)	−0.158 (0.578)	0.066 (0.577)	0.024 (0.576)
conc_top3	0.148 *** (0.009)	0.151 *** (0.009)	0.151 *** (0.009)	0.154 *** (0.010)	0.160 *** (0.010)	0.159 *** (0.010)
size_assets	−0.0006 ** (0.0002)	−0.0006 ** (0.0002)	−0.0006 (0.0002)	0.0013 *** (0.0003)	0.0013 *** (0.0002)	0.0013 *** (0.0003)
firm_age	0.106 *** (0.027)	0.092 *** (0.027)	0.097 *** (0.027)	0.015 (0.025)	−0.027 (0.025)	−0.011 (0.025)
roe	0.008 (0.019)	0.008 (0.019)	0.008 (0.019)	0.013 (0.033)	0.013 (0.034)	0.013 (0.033)
Constant	7.809 *** (1.314)	9.206 *** (1.382)	8.679 *** (1.339)	10.646 *** (1.290)	14.711 *** (1.354)	12.866 *** (1.314)
Time effect	Yes	Yes	Yes	-	-	-
Province effect	Yes	Yes	Yes	-	-	-
Industry effect	Yes	Yes	Yes	-	-	-
N	13,465	13,465	13,465	13,465	13,465	13,465
Adj. R2	0.195	0.196	0.196	0.056	0.062	0.061

Note: ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels, respectively.

4.2. Robustness Checks

We perform the following robustness checks:

First, due to the natural differences among different types of firms, financial firms usually take social responsibility in a limited way without environmental protection by adopting new technologies. Thus, there is not much room to work with corporate sustainable development practices in the finance industry. Therefore, we exclude observations of finance companies as a robustness check. The sample size is smaller, and the spillovers of OFDI are still significant. Shareholdings of directors and TMT weaken. As shown in Table 6 from Columns (1) to (3), our hypotheses are further supported.

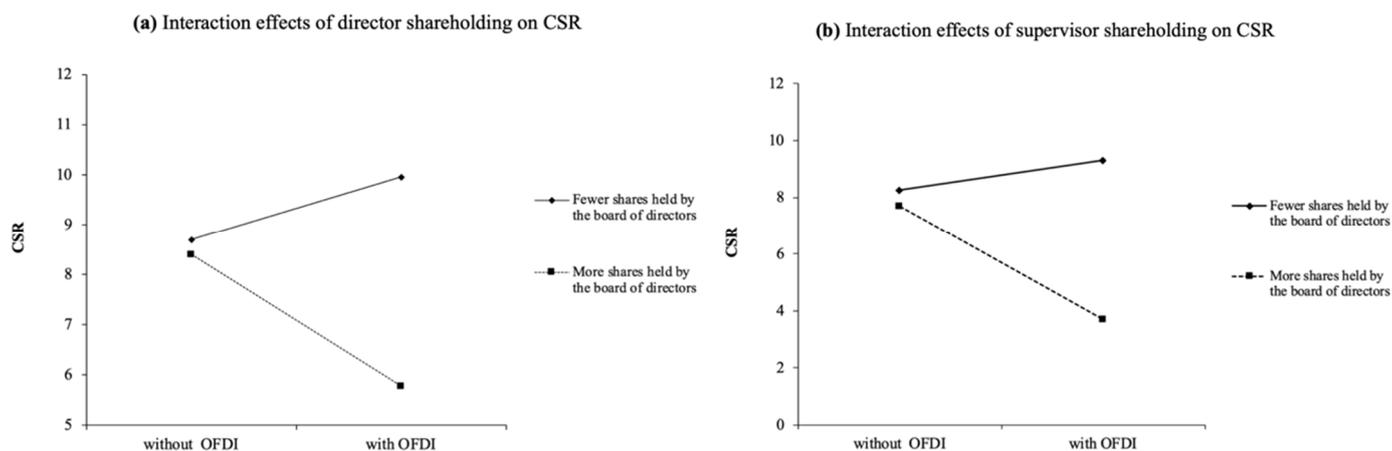


Figure 1. A graphical representation of moderating effects.

Table 6. Robustness checks by eliminating samples.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
OFDI_d	2.028 *** (0.660)	3.692 *** (0.827)	3.107 *** (0.751)	2.028 *** (0.700)	3.692 *** (0.924)	3.107 *** (0.832)
dir_share		−1.246 * (0.718)			−1.246 * (0.640)	
tmt_share			−1.904 ** (0.875)			−1.904 ** (0.756)
OFDI_d × dir_share		−10.800 *** (3.154)			−10.800 *** (3.133)	
OFDI_d × tmt_share			−14.108 *** (4.439)			−14.108 *** (3.564)
FDI_d	0.886 * (0.481)	0.724 (0.485)	0.742 (0.483)	0.886 * (0.509)	0.724 (0.514)	0.742 (0.512)
male	0.900 (0.557)	0.782 (0.558)	0.884 (0.557)	0.900 * (0.547)	0.782 (0.548)	0.884 (0.547)
CEO_age	0.087 *** (0.019)	0.078 *** (0.020)	0.081 *** (0.019)	0.087 *** (0.020)	0.078 *** (0.020)	0.081 *** (0.020)
edu	1.439 *** (0.394)	1.333 *** (0.396)	1.347 *** (0.395)	1.439 *** (0.354)	1.333 *** (0.356)	1.347 *** (0.356)
forgn_exp	1.378 ** (0.558)	1.403 ** (0.558)	1.397 *** (0.558)	1.378 ** (0.550)	1.403 ** (0.549)	1.397 ** (0.549)
conc_top3	0.141 *** (0.009)	0.143 *** (0.009)	0.143 *** (0.009)	0.141 *** (0.009)	0.143 *** (0.010)	0.143 *** (0.010)
size_assets	0.032 *** (0.003)	0.032 *** (0.003)	0.032 *** (0.003)	0.032 *** (0.005)	0.032 *** (0.005)	0.032 *** (0.005)
firm_age	0.123 *** (0.027)	0.112 *** (0.028)	0.116 *** (0.028)	0.123 *** (0.027)	0.112 *** (0.027)	0.116 *** (0.027)
roe	0.008 (0.019)	0.008 (0.019)	0.008 (0.019)	0.008 (0.028)	0.008 (0.029)	0.008 (0.028)
Constant	8.177 *** (1.323)	9.179 *** (1.389)	8.824 *** (1.346)	8.177 *** (1.350)	9.179 *** (1.379)	8.824 *** (1.358)
Time effect	Yes	Yes	Yes	Yes	Yes	Yes

Table 6. Cont.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
Province effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes	Yes	Yes
N	12,887	12,887	12,887	12,887	12,887	12,887
Adj. R2	0.170	0.171	0.171	0.170	0.171	0.171

Note: ***, ** and * indicate statistical significance at the 1%, 5% and 10% levels, respectively.

Second, we change the control variables, using the share proportion of the five largest shareholders (*conc_top5*) to measure ownership concentration, return on equity (*roe*) to measure financial performance, and operating income (*size_income*) to measure the size of a company. Results are shown in Table 7 from Columns (1) to (3).

Table 7. Robustness checks by changing variable measurements.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
OFDI_d	2.022 *** (0.660)	3.730 *** (0.824)	3.078 *** (0.750)	2.002 *** (0.696)	3.730 *** (0.919)	3.078 *** (0.826)
dir_share		−1.832 *** (0.692)			−1.832 *** (0.606)	
tmt_share			−2.666 *** (0.875)			−2.666 *** (0.725)
OFDI_d × dir_share		−11.183 *** (3.164)			−11.183 *** (3.091)	
OFDI_d × tmt_share			−14.043 *** (4.475)			−14.043 *** (3.537)
FDI_d	1.315 *** (0.451)	1.105 ** (0.455)	1.134 ** (0.453)	1.315 *** (0.482)	1.105 ** (0.487)	1.134 ** (0.486)
male	0.812 (0.521)	0.669 (0.522)	0.787 (0.521)	0.812 (0.491)	0.669 (0.492)	0.787 (0.490)
CEO_age	0.092 *** (0.018)	0.081 *** (0.018)	0.085 *** (0.018)	0.092 *** (0.018)	0.081 *** (0.018)	0.085 *** (0.018)
edu	1.289 *** (0.372)	1.151 *** (0.374)	1.174 *** (0.373)	1.289 *** (0.336)	1.151 *** (0.338)	1.174 *** (0.337)
forgn_exp	1.561 *** (0.551)	1.593 *** (0.551)	1.589 *** (0.551)	1.561 *** (0.532)	1.593 *** (0.531)	1.589 *** (0.531)
conc_top5	0.144 *** (0.008)	0.148 *** (0.009)	0.148 *** (0.009)	0.144 *** (0.009)	0.148 *** (0.009)	0.148 *** (0.009)
size_income	0.030 *** (0.003)	0.029 ** (0.003)	0.029 (0.003)	0.030 *** (0.005)	0.029 ** (0.005)	0.029 *** (0.005)
firm_age	0.082 *** (0.025)	0.069 *** (0.026)	0.073 *** (0.025)	0.082 *** (0.024)	0.069 *** (0.025)	0.073 *** (0.025)
roa	0.421 *** (0.122)	0.422 *** (0.122)	0.421 *** (0.122)	0.421 (0.418)	0.422 (0.421)	0.421 (0.420)
Constant	8.376 *** (1.276)	9.543 *** (1.323)	9.106 *** (1.292)	8.376 *** (1.271)	9.543 *** (1.295)	9.106 *** (1.276)
Time effect	Yes	Yes	Yes	Yes	Yes	Yes
Province effect	Yes	Yes	Yes	Yes	Yes	Yes

Table 7. Cont.

Variables	(1)	(2)	(3)	(4)	(5)	(6)
Industry effect	Yes	Yes	Yes	Yes	Yes	Yes
N	13,465	13,465	13,465	13,465	13,465	13,465
Adj. R2	0.196	0.197	0.197	0.196	0.197	0.197

Note: We measure ownership concentration by share proportion of the top 5 largest shareholders (*conc_top5*), financial performance by return on equity (*roe*), and the size of a company by operating income (*size_income*), respectively. *** and ** indicate statistical significance at the 1% and 5% levels, respectively.

Third, the strong assumption of panel data that the samples are serially uncorrelated may be invalid, leading to the underestimation of the standard deviation. Therefore, after correcting the standard deviation of the panel, we perform the regression analysis again. As shown in Columns (4) to (6) of Tables 6 and 7, the models are more robust, and our key conclusions are still valid.

4.3. Heterogeneity Analysis

Is there industry heterogeneity in the impact of OFDI on the sustainable development of enterprises? We further distinguished between the manufacturing and non-manufacturing samples by keeping control variables and controlling for fixed effects. As shown in Table 8, Columns (1) to (3) report the regression results for the manufacturing sample in Model (1), Model (2) and Model (3) respectively. Columns (4) to (6) report the regression results for the non-manufacturing sample in Model (1), Model (2), and Model (3), respectively. The results suggest that for manufacturing firms, there is a significant positive effect of OFDI on CSR, and equity incentives weaken this positive effect. For non-manufacturing firms, Column (4) shows that the effect of OFDI on CSR may be insignificant in an average sense. However, after adding the interaction term for regression, the results in Column (5) and Column (6) show that equity incentives similarly weaken the positive effect of OFDI on CSR for non-manufacturing firms. As equity incentives increase, the direction of the effect of OFDI changes from positive to negative. Moreover, according to the interaction term coefficient, shareholding, whether by the board of directors or by the top management team, has a greater debilitating effect on non-manufacturing firms than on manufacturing firms.

To explore the possible regional heterogeneity, the sample was reclassified into eastern, central, and western regions for regression. Columns (1) to (3) of Table 9 report the regression results for the eastern region sample in Model (1), Model (2), and Model (3), respectively. Columns (4) to (6) of Table 9 report the regression results for the central region sample in Model (1), Model (2) and Model (3). Columns (7) to (9) of Table 9 report the results for the western region sample. Although the coefficients on the interaction terms are significant in all regions, there are differences in direction. Equity incentives weaken the positive impact of OFDI on CSR in the eastern and central regions, and this debilitating effect is more pronounced in the central region. Conversely, for companies in the west, equity incentives promote the positive effects of OFDI on CSR. The insignificant coefficients in Column (4) and Column (7) indicate that for the central and western regions, the impact of OFDI on CSR is not identifiable in an average sense. This may indicate that for more developed regions, equity incentive practices are not effective, and companies would do well to find new internal incentives. However, for less developed regions, equity incentives remain a positive means of promoting sustainable business development.

Table 8. Regression results with industry heterogeneity.

	(1)	(2)	(3)	(4)	(5)	(6)
	Manufacturing	Manufacturing	Manufacturing	Non- Manufacturing	Non- Manufacturing	Non- Manufacturing
OFDI_d	1.823 ** (0.754)	3.205 *** (1.026)	2.745 *** (0.910)	1.537 (1.469)	4.107 ** (1.744)	3.078 * (1.665)
dir_share		0.267 (0.755)			−6.133 *** (1.380)	
tmt_share			−0.996 (0.876)			−5.056 *** (1.657)
OFDI_d × dir_share		−8.246 ** (3.338)			−21.050 *** (7.259)	
OFDI_d × tmt_share			−11.334 *** (3.440)			−24.238 ** (10.155)
Control variables		Yes	Yes		Yes	Yes
Constant	8.453 *** (1.551)	8.500 *** (1.563)	8.776 *** (1.551)	13.778 *** (2.568)	17.194 *** (2.677)	15.334 *** (2.603)
Time effect	Yes	Yes	Yes	Yes	Yes	Yes
Province effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes	Yes	Yes
N	9142	9142	9142	4329	4329	4329
Adj. R2	0.162	0.163	0.163	0.268	0.273	0.270

Note: Standard errors in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

Table 9. Regression results with regional heterogeneity.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Eastern	Eastern	Eastern	Central	Central	Central	Western	Western	Western
OFDI_d	1.905 ** (0.779)	3.889 *** (1.047)	3.086 *** (0.943)	2.450 (2.035)	4.836 ** (2.411)	3.889 * (2.227)	0.051 (1.974)	−2.078 (2.396)	−1.019 (2.183)
dir_share		−2.068 *** (0.721)			0.753 (2.035)			3.097 (2.279)	
tmt_share			−2.768 *** (0.847)			0.918 (2.444)			1.036 (2.563)
OFDI_d × dir_share		−11.767 *** (3.489)			−27.504 *** (7.499)			18.689 ** (7.744)	
OFDI_d × tmt_share			−14.015 *** (3.886)			−33.455 *** (7.981)			23.367 * (13.988)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	7.777 *** (1.554)	9.354 *** (1.580)	8.718 *** (1.559)	16.976 *** (3.565)	16.887 *** (3.805)	16.694 *** (3.667)	10.997 ** (4.571)	8.480 * (4.757)	10.440 ** (4.612)
Time effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Province effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	10,076	10,076	10,076	1899	1899	1899	1491	1491	1491
Adj. R2	0.202	0.203	0.203	0.244	0.246	0.245	0.243	0.244	0.242

Note: Standard errors in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

5. Discussion

All the hypotheses proposed in this paper are accepted. First, this study confirms the existence of reverse spillover effects of OFDI in China, which is consistent with the studies [137,138]. The innovation is that this paper examines multiple aspects of CSR using a combination of indicators, rather than considering only green productivity. This is an important addition to the existing literature, as there is a growing body of practical

experience that proves that in addition to productive capacity, employee and social welfare are also important components in promoting corporate sustainable development. Notably, similar to much of the literature, we use a one-period lagged OFDI, which preserves the impact of OFDI on CSR. At the same time, it can avoid some endogeneity issues. On the other hand, since the effect of OFDI on CSR is lagged [139], using lagged OFDI also makes the empirical evidence more explanatory.

Furthermore, Zhou et al. [66] find that financial development and human capital weakened the positive relationship between OFDI and domestic innovation performance in developed countries. This study also reached a similar conclusion in the Chinese market that there is a weakening effect of equity incentives on the positive relationship between OFDI and CSR. However, our research is more focused on corporate micro-governance structures. We conjecture that the disincentive effect of equity incentives is more pronounced in mature markets and that equity incentives are also negative in the Chinese market as China is going through an important phase of economic transition. At the same time, the study's findings indicate that equity incentives may not be as effective as commonly believed. As other researchers have worried, the fragmentation of corporate control reduces the value of the business [46]. If directors or TMT hold a significant amount of equity in a company, they would have enough voting power and influence to ensure that they receive higher remuneration, resulting in them not being focused on profit maximization goals. Moreover, the more shares management holds, the less likely the company is to be acquired, which also makes shareholder pressure on management weaker. Of course, this phenomenon may also be attributed to various reasons such as the immaturity of China's equity incentive system and the insufficient degree of equity incentive.

Finally, the existence of heterogeneity in OFDI spillover effects is well documented [133,140]. We build on this by further discussing the regional heterogeneity and industry heterogeneity of the moderating effect of equity incentives, providing a clearer dissection of the impact mechanism. Equity incentives show a facilitating effect in the more economically backward western region, as opposed to the economically developed east-central region. This finding further supports the conjecture above that the role of equity incentives is dissipating in more mature markets.

6. Conclusions

Based on the evidence from China, this study proves that corporate globalization is an effective channel for improving corporate ecological management reflected by the positive impact of OFDI on corporate sustainable development performance.

This paper uses CSR scores for Chinese listed companies provided by the Hexun Database to measure corporate sustainability on multiple dimensions rather than one-sided. On this basis, this study innovatively includes equity incentives as a moderator and subdivides them into shares held by the board of directors and shares held by the TMT. A three-way fixed-effects empirical model is used, and interaction terms are added to examine the moderating effect of equity incentives. The empirical results reveal that OFDI has a significant positive effect on CSR, while equity incentives weaken this positive effect, and a subsequent robustness test confirms this conclusion. From the perspective of industry heterogeneity, the disincentive effect of equity incentives is more pronounced in the non-manufacturing sector. From the perspective of regional heterogeneity, equity incentives show a disincentive effect in the eastern and central regions, while they show a facilitating effect in the western region.

6.1. Implications

The findings of this study have various academic and management implications. First, the study contributes to a theoretical understanding of the relationship between OFDI, corporate sustainability, and the internal incentive structure of firms. The incentive approach determines the direction of the manager's efforts, and the manager is the main player in deciding and implementing the OFDI strategy, while OFDI has a significant

contribution to CSR. Thus, the incentive approach assumes a moderating role in this process. Our research reaffirms the existence of reverse spillover effects [137,138], particularly for emerging markets. Meanwhile, the empirical results provide preliminary evidence of the disincentive effect of equity incentives, which fills a gap in the literature related to the way incentives are viewed from an OFDI perspective. This finding also refutes the view put forward in some literature that equity incentives are efficient [141].

Our research may have broader implications in management practice. The expansion of Chinese OFDI is part of China's rise as a major economy, indicating its increasing integration with the world economy. While much has been discussed about the impact of this macro development on CSR in Chinese firms, little is known about the micro governance of the firms involved. This paper argues that the latter should not be ignored, as corporate governance issues are an important consideration for Chinese companies going global. They must improve their governance levels and structures to adapt to global rules. Exploring what role corporate governance plays in the impact of OFDI on CSR is an important guide for firms' external strategies. Moreover, the study finds that the actual effects of equity incentives are contrary to the original intention and are likely to be more pronounced in mature markets. This suggests that for the Chinese market, which is undergoing an economic transition, a change in incentives is an important element to ensure sustainable business development. Improving the shareholding structure and diversifying incentives is an urgent necessity for Chinese companies trying to go global.

6.2. Recommendations

In a practical sense, we provide some suggestions for CSR investment, corporate internal governance, and human resource management. Companies can better improve the ability to conduct corporate sustainable development and explore new practices of sustainability by combining globalization strategies with their internal governance.

First, managers of emerging market corporations should take a proactive approach to develop global business and expand investment abroad. In the context of OFDI, the knowledge transfer process can be accumulated in the course of foreign exchange and learning by enterprises, thus promoting sustainable development and corporate social responsibility. On the one hand, corporate sustainability is more about a kind of consciousness [142]. Companies have more forward-looking beliefs in long-term development planning [143]. As companies implementing OFDI become more open to global trends in CSR management solutions, the more OFDI impacts the international environment, and the more likely they are to spur themselves on with corporate sustainability standards [86]. On the other hand, corporate sustainability may also be more than an awareness or image but covers more substantial elements. Active participation in global value chains is an effective way for MNEs to gain innovation and management capabilities, which help them gain sustainable momentum in terms of technology and governance. Hence, decision-makers in companies should actively promote global policies to develop the advantages of investment and thus enhance core competencies. After enough accumulation of advanced corporate sustainable development knowledge during OFDI and improving their ecological management, MNEs may be able to further enhance their competitive position in the international arena [144].

Second, we suggest that policies for encouraging the flow of TMT should be established. The openness of CEOs is of great significance, especially the overseas working experience. It is undeniable that overseas work experience, especially in developed regions, often brings CEOs a broader vision and advanced management knowledge. Additionally, CEOs with overseas work experience have certain information and resource advantages that may be more conducive to the grounding of corporate decisions. Those advantages can improve corporate governance and let them focus more on long-term corporate investment decisions [145]. Sater and Dixon-Fowler prove that CEOs with overseas experience are more inclined to focus on the interests of stakeholders and on the CSR performance of the company [146]. Therefore, encouraging TMT mobility and absorbing more open and

progressive managers to bring fresh blood into the management team is conducive to opening up new perspectives for the company's long-term development.

Third, in order to balance corporate's financial goals, other incentives such as health and safety, honor and knowledge sharing should be utilized. The agency problem in the company's internal governance is likely to derail the role of equity incentives from the capital track. As a common incentive method, equity distribution does not have beneficial effects on companies' performance of social responsibility during the process of corporate globalization. Particularly in more developed regions, equity incentives have instead failed to have a positive effect, which should be taken seriously. Hence, through the course of improving corporate sustainable development performance, other incentives than equity should be used. For instance, Derchi et al. find that the compensation contracts of named executive officers linked to CSR can facilitate the performance of CSR [147]. This is informative for effective incentives to promote CSR performance. Companies can also adopt a more systematic balanced scorecard approach to executive compensation [148], which significantly shifts the focus from short-term financial goals to long-term value creation and creates more room for corporate social responsibility.

Finally, we recommend that policy makers continue to improve the corporate shareholding system. Considering the significant disincentive moderation effect of equity incentives in economically developed regions, we believe that the improvement of laws and regulations has not kept pace with economic development, resulting in equity incentives becoming a tool for managers to seek private gain. For example, in the case concluded by the CSRC on 25 May 2018, ESSAT executives used their effective control to manipulate the share price of the company to gain substantial profits [149]. As equity incentives are still the motivational tool used by many listed companies, it is difficult to create another incentive to replace it entirely. Therefore, thinking about how to improve the relevant regulation may be an important way to reverse the bad trend of share incentives. At present, the reform of the shareholding system has become an important issue for Chinese companies to solve. The relevant market needs to further clarify the regulatory body, determine shareholding powers and improve the employee equity exit mechanism.

6.3. Limitations

This paper also has some limitations. In view of data availability, we verify the spillover effects of OFDI on corporate sustainable development performance without incorporating specific channels through which OFDI affects corporate sustainable development performance into our models. On the other hand, the characteristics of host countries have not been considered. Given corporate sustainable development attracting attention globally, it is necessary to conduct international comparative research and investigate the differences in OFDI spillover efficiency on corporate sustainable development performance between developed and developing countries. In addition, this paper also needs to have more qualitative research. We selected data such as the shareholdings of directors and TMT from CSMAR. These data are not problematic. However, on the one hand they may have lags, and on the other hand, there may be problems with strategic disclosure, thus affecting the results of the study. We can follow up with further qualitative research, such as interview studies for firms with characteristics.

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Appendix A

Table A1. Correlation matrix.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
(1) CSR	1.0000															
(2) OFDI_d	0.0301	1.0000														
(3) FDI_d	0.1379	0.0219	1.0000													
(4) dir_share	-0.0696	0.0038	-0.1360	1.0000												
(5) tmt_share	-0.0564	-0.0062	-0.1010	0.7733	1.0000											
(6) male	0.0147	-0.0077	0.0161	-0.0652	-0.0246	1.0000										
(7) CEO_age	0.0145	-0.0244	-0.0174	-0.2903	-0.2125	0.0003	1.0000									
(8) edu	0.0558	0.0020	0.0304	-0.1148	-0.0899	0.0523	0.0085	1.0000								
(9) forgn_exp	0.0023	0.0285	0.0226	0.0445	0.0464	-0.0112	-0.0062	0.0445	1.0000							
(10) conc_top3	0.1718	0.0154	0.1721	0.0999	0.0939	-0.0473	-0.0587	0.0079	0.0249	1.0000						
(11) conc_top5	0.1726	0.0152	0.1685	0.1789	0.1528	-0.0493	-0.1007	0.0025	0.0334	0.9732	1.0000					
(12) size_assets	0.1121	-0.0035	0.1482	-0.0636	-0.0479	0.0188	0.0837	0.0321	-0.0091	0.1408	0.1347	1.0000				
(13) size_income	0.1065	-0.0026	0.1483	-0.0777	-0.0608	0.0196	0.1029	0.0377	0.0150	0.1629	0.1503	0.3770	1.0000			
(14) firm_age	-0.0301	-0.0184	-0.0840	-0.2489	-0.1889	0.0085	0.3047	0.0143	-0.0030	-0.1545	-0.1784	0.0710	0.0134	1.0000		
(15) roe	0.0107	-0.0003	0.0206	-0.0017	-0.0012	0.0089	-0.0131	0.0065	-0.0007	-0.0023	-0.0022	0.0006	0.0002	0.0035	1.0000	
(16) roa	0.0344	0.0005	0.0060	0.0080	0.0078	0.0006	-0.0072	0.0083	0.0013	0.0077	0.0107	-0.0032	-0.0008	-0.0042	0.2996	1.0000

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