Understanding the Link between Philanthropy and Performance: the Role of International Strategies

ABSTRACT

Purpose

Corporate philanthropy as a strategic marketing practice has become increasingly common in emerging markets, yet its impact on firm performance remains ambiguous. While some studies suggest a positive relationship, others report neutral or adverse effects. To disentangle the inconsistent findings, we examine how firms' international strategies — international earnings, foreign investors, and entry mode choices — influence the relationship between corporate philanthropy and firm performance.

Design/methodology/approach

We draw on resource dependence theory and the notion that the internationalization of a firm is associated with three dependencies – interorganizational, intraorganizational, and locational. We develop why these dependencies may conflict with philanthropy's effectiveness and test hypotheses using a longitudinal dataset of 232 Chinese firms between 2010 and 2019, sourced from CSMAR databases. We employ a system generalized method of moments approach to analyze this panel dataset.

Findings

We find a positive effect of corporate philanthropy on firm performance. The presence of foreign investors enhances this positive impact, but international earnings and a high proportion of Greenfield investment diminish it.

Originality/value

Despite the mixed findings for the main effect of corporate philanthropy on firm performance, research has ignored the potential moderating effects of international marketing strategies that can support or hinder the effectiveness of corporate philanthropy. Our findings have important implications for both theoretical understanding and managerial practice.

Keywords:

Corporate philanthropy, International strategies, Firm performance, China, Resource dependence theory

1. Introduction

Corporate philanthropy refers to the voluntary transfer of assets, such as cash, from firms to other entities (Tong *et al*., 2022). This practice is widespread among firms in various markets, as it not only fosters the common good but is also viewed as a strategic marketing tool to tap important resources such as reputation or stakeholder relationships (Godfrey, 2005; Hadjikhani *et al*., 2016). Developed countries have seen a surge in corporate philanthropy, with many firms engaging in philanthropic activities to gain access to vital resources, including customers (Kolk, 2016; Tong *et al*., 2022). However, despite some increases, philanthropic activities in emerging markets still lag behind those in developed markets (Gifford *et al*., 2010). For instance, corporate philanthropy in India has remained stagnant for six years (Sheth *et al*., 2022), and Brazil has only experienced slight increases (Hartnell and Milner, 2018). In China, which presents the context for this study, corporate philanthropy grew in the last decade, reaching $16.1 billion in 2018 (Chu and Wang, 2018), but it still lags developed markets, with total donations as a fraction of GDP reaching only 0.2% compared to 2.3% in the US in 2020 (Figure 1). Thus, while many emerging-market firms have embraced philanthropy, they still trail developed-market firms. This disparity not only limits the resources available for emerging-market firms but also represents a missed opportunity for society at large.

Figure 1

An intriguing observation is that despite allocating a lower percentage of their GDP to donations, emerging markets such as China exhibit a much higher percentage of foreign trade as a component of their GDP compared to developed markets such as the United States (Figure 1). Despite a recent decrease, China's combined exports and imports as a percentage of GDP were 34.6% in 2020, significantly higher than the United States' 23.4%. A better understanding of the relationship between emerging-market firms' philanthropy and their international strategies can help alleviate uncertainty about the effects of donations and may encourage firms to increase philanthropy in the future (IMD, 2019).

The literature to date has found mixed evidence about the effect of corporate philanthropy on firm performance (Table I). While some studies suggest that philanthropy can lead to benefits such as increased sales, market performance, intangible resources, innovation, customer satisfaction, and investor wealth (Brammer and Millington, 2008; Lev *et al*., 2010; Wang *et al*., 2008), others have found non-significant or even negative effects (Hogarth *et al*., 2018; Hung *et al*. 2023; Seifert *et al*., 2003, 2004).

Table I

Although some research has examined the link between corporate philanthropy and firm performance (Eteokleous *et al*., 2016), the relationship and certain influencing factors that affect it have not been fully explored. Some of the identified moderators include a firm's IPO stages, ownership structure, and political connections; however, unexplained variance remains (Jia and Zhang, 2014; Wang and Qian, 2011; Zhang *et al*., 2016). Given the importance of international activity for emerging-market firms like those in China, it is surprising that the potential impact of international marketing-related moderators on the link between philanthropy and performance has not been explored (Table I). There is initial evidence that internationalization and philanthropy effectiveness in emerging markets are not isolated from each other. Specifically, there is a negative link between corporate internationalization and donations in China (Liu *et al*., 2018) and foreign firms may rely on philanthropy to decrease the liability of foreignness in India (Mithani, 2017). However, little is known about the effect of internationalization on the corporate philanthropy–firm performance link for emerging market firms. It is, therefore, necessary to investigate how philanthropic activities and international strategies interact to affect firm performance in emerging markets.

Emerging-market firms may employ different strategies than developed-market firms for international activities and corporate philanthropy (Kolk *et al*., 2015); therefore, it is important to consider the heterogeneous nature of emerging markets when studying the effects of corporate philanthropy (Jamali and Mirshak, 2007). Within the broad category of emerging markets, significant variations exist in institutional frameworks, cultural contexts, and economic dynamics (Hoskisson *et al*., 2002). China offers a particularly compelling context. As the world's second-largest economy, China has experienced rapid globalization and economic transformation, creating a dynamic landscape for corporate strategies. China's institutional environment, marked by strong government influence and unique governance mechanisms, profoundly shapes firms' approaches to philanthropy and internationalization (Wang and Qian, 2011). Additionally, cultural elements, such as Confucian values emphasizing social harmony and community welfare, influence stakeholder expectations and the perceived value of philanthropy (Li *et al*., 2017). Despite these factors, philanthropy in China remains underutilized as a strategic tool, presenting an opportunity to explore how Chinese firms can optimize their philanthropic practices for better performance, especially in global markets.

Our research aims to fill the gaps in the existing literature by focusing on the interaction between corporate philanthropy and international strategies within emerging markets, particularly China. Existing research has largely overlooked the role of international marketing strategies as moderators in the relationships between corporate philanthropy and firm performance (Table I). Our study responds to this gap by investigating how corporate philanthropy affects the performance of emerging-market firms, considering different international strategies such as foreign trade, foreign investment receptivity, and entry modes.

We build on resource dependence theory (RDT), which posits that internationalization creates dependencies in firms' relationships with external entities and internal stakeholders, thereby influencing their strategic decisions (Jiang *et al*., 2023).

We make several contributions to both theory and practice. First, we contribute to the RDT literature (e.g., Hillman *et al*., 2009; Jiang *et al*., 2023) by offering a more integrated perspective on resource dependence management. We theorize and test the interplay between market–based (i.e., internationalization strategies) and non-market strategies (i.e., philanthropy) to manage firm dependencies. Second, we contribute to the literature on international marketing strategies by showing how certain internationalization strategies can reduce the effectiveness of philanthropic efforts, offering a more integrated perspective on resource management. By examining how internationalization–related dependencies—such as foreign earnings, foreign investors, and the intensity of Greenfield investments—affect philanthropy's effectiveness to access resources, we also provide insights into the inconsistent findings on the philanthropy–performance relationship (Hogarth *et al*., 2018; Hung *et al*. 2023; Wang *et al*., 2008). Third, our study offers valuable contextual insights for Chinese and other emerging-market firms seeking to leverage corporate philanthropy as a strategic tool for growth, with implications for internationalization decisions in diverse institutional and cultural contexts. Finally, this study contributes to the debate on the effectiveness of Corporate Social Responsibility (CSR), and Environmental, Social and Governance (ESG) (e.g., Humphrey *et al*., 2012; Tyan *et al*, 2024). With a focus on philanthropy, this research demonstrates that the effectiveness of CSR/ESG activities is highly context-specific and depends on the nature of the initiative.

In the following section, we introduce resource dependence theory, extend it to the contexts of philanthropy and international marketing, and employ it for hypotheses development. We then empirically test the hypotheses with a dynamic panel analysis of 232 firms in China from 2010 to 2019, using data sourced from the CSMAR databases. Finally, we discuss the theoretical contributions and managerial implications of our findings.

2. Theoretical background

Resource dependence theory posits that organizations are not self-sufficient entities but rely on resources from their external environment to survive and function effectively (Pfeffer and Salancik, 1978). Such external dependencies on resources (e.g., on raw materials, labor, capital, knowledge, and finally customers) are managed strategically by organizations to minimize uncertainty and increase autonomy (Hillman *et al.*, 2009). Firms strive to reduce their dependence on other organizations and often aim to increase their power over others by diversifying their resource base, forming coalitions or alliances, and attempting to influence or control the supply of critical resources (Drees and Heugens, 2013). These actions of firms are "inevitably never completely successful and produce new patterns of dependence and interdependence" (Pfeffer and Salancik, 1978; p. 27).

Resource dependence theory has been applied to study philanthropic behavior and the motivations behind corporate philanthropy (e.g., Chang *et al.*, 2017; Kabongo *et al.*, 2013). Supporting the main tenets of the theory, research has shown that organizations engage in philanthropic activities as a strategic response to manage their dependence on critical resources and stakeholders in their external environment. For example, firms rely on philanthropy to secure access to valuable resources such as legitimacy (Miller, 2008), or government support (Wang and Qian, 2011).

In addition, the theory has been employed in the domain of the internationalization of firms (e.g., Liu and Heugens, 2024; Wang *et al.*, 2024). While firms internationalize to circumvent resource constraints in their home markets, international business activity also increases the heterogeneity of resource dependencies (Elg, 2000; Jiang *et al.*, 2023). For example, emerging market firms often seek to internationalize to decrease dependencies on home-country governments (Choudhury and Khanna, 2014). This internationalization, however, creates new resource dependencies such as on foreign customers or employees. Pertinent literature also connects international business activity to three “critical dependence dimensions” (Jiang *et al*., 2023, p. 3). These are (1) interorganizational dependencies – which relate to exchanges of the firm with host-country firms or customers, (2) intraorganizational dependencies – which stem from power dynamics of international stakeholders within the firm such as foreign investors, and (3) locational dependencies – which originate from country-specific resource conditions (Jiang *et al*., 2023).

We argue that these dependencies initiated through internationalization may create impediments to other firm activities such as corporate philanthropy. In particular, we examine three obstacles that connect to the three types of dependencies associated with internationalization. *Interorganizational dependencies* are linked to diverse expectations from external stakeholders (Jiang *et al*., 2023). They arise naturally from contacts of the firm with host-country organizations. Such exchanges are sought because they create joint value for the firm and the foreign counterpart; however, they also widen the set of stakeholders the firm is exposed to (Kedia and Lahiri, 2007). This in turn heightens the potential for conflicting stakeholder expectations (Freeman, 1984). We capture the interorganizational dependencies of a firm by tapping its international earnings.

Intraorganizational dependencies are grounded in power dynamics within the firm (Jiang *et al*., 2023). Organizational members, such as investors or top managers, with an overseas background, possess valuable human and social capital that can bridge voids with other internal and external stakeholders (Hillman *et al*., 2009). However, this additional diversity may also contribute to the internal complexity of the firm. Especially in Asian countries with a collectivist orientation such as Japan, Korea, and China, diversity implies "that the cultural norm of conformity in a group-based setting will be violated" (Chang *et al.*, 2017, p. 231). This in turn could increase the complexity of decision making in the firm, which challenges the efficiency of internal processes. International investors represent a key stakeholder within the firm (Figueira *et al.*, 2023); we, therefore, draw on international investors to examine the effects of intraorganizational dependencies of a firm on the effectiveness of corporate philanthropy.

Locational dependencies reside in macro-environmental differences between the host and home country of the firm (Jiang *et al.*, 2023). According to resource dependence theory, a foreign market entry presents economic, political, and institutional gaps for a firm and the effect of these gaps depends on the entry mode of the firm (Cui and Jiang, 2012). Specifically, selecting Greenfield investments over other forms of foreign direct investment (e.g., mergers and acquisitions, joint ventures) is one way to countervail macro-environmental differences because Greenfield investment allows a firm greater control over the acquisition and allocation of resources (Demirbag *et al.*, 2008). In contrast, other forms, such as joint ventures and strategic alliances, often involve shared control and resources between partners, which can lead to interdependencies that may not align with the resource dependence framework which emphasizes that firms seek control over external resources and reduce dependence on external entities. However, while Greenfield investment can help firms reduce their dependence on the local environment by allowing for greater control over their operations and resources, we argue that this attempt to minimize locational dependencies may produce new resource constraints, such as a constraint of local knowledge or financial and human resources that could challenge philanthropy's effectiveness.

3. Hypotheses development

3.1. Philanthropy–firm performance relationship

According to RDT, corporate philanthropy plays an essential role in accessing valuable resources; better access to such resources in turn improves sales, market performance, and financial performance (Miller, 2008; Wang and Qian, 2011). The literature has discussed various valuable resources that may be tapped by corporate philanthropy and in turn enhance firm performance (Tarnovskaya *et al*., 2022). Donations may better connect the firm to key stakeholders such as customers (Adams and Hartwick, 1998; Brammer and Millington, 2004), suppliers/partners (Zhang et al., 2014), and investors (Godfrey, 2005; Godfrey et al., 2009; Mishra and Modi, 2013; Zhang et al., 2016). Moreover, (local) governments are key targets of philanthropy in emerging markets, and they can play a dual role in enhancing firm performance (Gao and Hafsi, 2015). Donating firms would be in good standing when tendering for government contracts, and they also signal that a firm is sincere in dealing with its stakeholders, thus potentially deterring government regulations that might otherwise harm a firm's interests (e.g., in relation to consumer protection) (Adams and Hartwick, 1998; Yin and Zhang, 2012).

In line with the above arguments, the literature supports a positive link between corporate philanthropy and firm performance. Firms benefit from philanthropy in terms of increased sales (Lev *et al*., 2010), market performance (Brammer and Millington, 2008), firm performance (Wang *et al*., 2008), and investor wealth (Cuypers *et al*., 2016).

However, another research stream observes non-significant (Seifert *et al*., 2003; Seifert *et al*., 2004) or negative consequences of philanthropy (Hogarth *et al*., 2018), which may be due to agency problems (Bapuji *et al*., 2018). According to agency theory, opportunistic managers may divert corporate resources for personal gain, such as enhancing their personal reputation or advancing their careers (Hung *et al*., 2023). For instance, managers may prioritize short-term gains through philanthropy over long-term firm objectives or use philanthropy as a defensive mechanism to manipulate or deceive stakeholders.

Such contradicting findings of the main effect point to moderators that can explain under which conditions philanthropy pays off as a strategic marketing instrument. For the main effect, we hypothesize a positive relationship because RDT suggests that philanthropy may tap important resources to facilitate firm performance. Moreover, most studies report a positive link. Hence, we hypothesize:

H1. Corporate philanthropy has a positive effect on firm performance.

3.2. Moderating effect of the proportion of international earnings

A firm's international activity creates interorganizational dependencies (Jiang *et al*., 2023). When a firm interacts with host-country organizations, its stakeholders and the diversity of stakeholder expectations increase (Kedia and Lahiri, 2007). We argue that the extent of a firm's international earnings reflects its international interorganizational dependence and that such dependence increases the complexity of balancing the various interests of domestic (e.g., governments) and international stakeholders (e.g., foreign competitors) with varying expectations and norms. Many studies suggest that firms strategically use philanthropy to manage their relationships with critical key stakeholders to secure necessary resources (e.g., Hung *et al*., 2023). In China, government resources and support are crucial for business success due to significant state intervention in businesses (Lin *et al*. 2015; Chan and Feng, 2018). Philanthropic activities are thus often designed to align with local government priorities and social needs, such as educational development, poverty alleviation, or environmental protection. Such alignment is beneficial for firms to enhance a firm's legitimacy and credibility with governmental bodies and the public, facilitating resource acquisition from the authorities (Gao and Hafsi, 2015), which in turn can improve firm performance.

However, as firms expand their international operations, a widened set of stakeholders places more complexities in balancing the diverse interests and expectations imposed by foreign stakeholders. Philanthropic endeavors may be constrained because significant international earnings lead to a high level of dependence on foreign markets, forcing firms to allocate more resources (like time, money, and attention) to cater to foreign stakeholders to secure resources and support in foreign markets. This can challenge their ability to balance the interests of local and international stakeholders (Godfrey, 2005).

Given limited managerial capabilities and firm resources, a heightened focus on international operations may reduce the firm's commitment to domestic government relations. Shifting their focus to foreign markets can lead to tensions, as local governments often expect firms operating within their borders to contribute to the local community, which comprises philanthropic activities. Consequently, this shift could be viewed negatively by local governments and perceived as not fulfilling its social responsibilities in home markets, potentially leading to reduced favorable regulations and tax incentives (Cao and Alon, 2021). Hence, a larger proportion of international earnings could compromise a firm's ability to meet domestic governments' expectations regarding interests and charitable contributions, which may reduce the return of the key resources the firm sought with philanthropy. We hypothesize:

H2. The effect of corporate philanthropy on firm performance is negatively moderated by international earnings.

3.3. Moderating effect of the proportion of foreign investors

According to RDT, internationalization can also create intraorganizational dependencies that stem from power dynamics within the firm (Jiang *et al*., 2023). International investors are key internal stakeholders (Figueira *et al*., 2023) that can be an asset to bridge voids between domestic and foreign markets (Hillman *et al*., 2009). However, we argue that increased international intraorganizational dependencies may contribute to the complexity of decision-making in the firm, decreasing the effectiveness of corporate philanthropy.

Foreign investors' philanthropy objectives may differ from their local counterparts, complicating donation-related decisions. Foreign investors have significant influence over firm practices and governance through their voting rights on company decision and, if dissatisfied, sell their stakes (Figueira *et al*., 2023). Specifically, foreign investors in Chinese firms may favor global philanthropic activities due to their international perspective and experience. Their investment strategies often reflect a broader focus on global issues, which can lead to disagreement with local investors who emphasize domestic philanthropy to access local resources.

Moreover, firms with a high proportion of foreign investors might struggle to leverage philanthropy for political influence effectively (Rajwani and Liedong, 2015). Regulators might view these firms with significant foreign investment as less aligned with domestic interests, which can diminish the impact of philanthropy on achieving their political legitimacy (Hillman and Wan, 2005). Additionally, substantial foreign investment can attract increased governmental scrutiny, as regulatory bodies may be concerned about foreign influence and control. This intensified scrutiny can lead to higher regulatory compliance costs and potential disruptions in business operations (Shi *et al*., 2021). In contrast, firms with a low proportion of foreign investors may face less regulatory scrutiny and can more effectively leverage philanthropy for political legitimacy. Therefore, we propose:

H3. The effect of corporate philanthropy on firm performance is negatively moderated by foreign investors.

3.4. Moderating effect of the proportion of Greenfield investment

Firms can enter foreign markets through various modes, including joint ventures, mergers and acquisitions, or Greenfield investments. According to RDT, a foreign market entry creates locational dependencies that stem from economic, political, and institutional differences between home and host country (Jiang *et al*., 2023). Firms seek to bridge the effect of these macro-economic gaps by selecting an appropriate entry mode (Cui and Jiang, 2012). Greenfield investments, which involve establishing new operations from scratch, may be more suitable than joint ventures or acquisitions if locational dependencies are large and the firm seeks greater control over resources (Demirbag *et al*., 2008). For example, Greenfield investments do not depend on the existing resources or supply chains of a local company and allow a firm to establish its own operational processes, management systems, and organizational culture (Alon *et al*., 2020). This reduces the constraints that might arise from integrating with an existing local company (Luo and Tung, 2007). Moreover, Greenfield investment permits a firm selecting a location that is most advantageous in terms of access to resources, infrastructure, and connection to its headquarters and avoiding legacy issues such as outdated technology, inefficient processes, or labor disputes from another firm (Demirbag *et al*., 2008).

However, this mode of entry comes with higher costs and risks compared to other forms of foreign direct investment. The process of building new facilities, establishing marketing and distribution channels, and making substantial initial investments in financial, human, and technical resources requires significant resource allocation and long-term commitment (Nguyen *et al*., 2021). Moreover, disparities in legal systems, cultural norms, as well as business and philanthropic practices between the home country and the target market can expose firms to heightened litigation risks due to their unfamiliarity with the local context. For instance, although firms engaged in Greenfield investment may select local philanthropy as a strategy to seek resource access and institutional support in the host country (Hung *et al*., 2023), their limited knowledge about local needs, charitable organizations, and how to contribute to community welfare might weaken the effectiveness of these local practices and commitment to secure the host-country industrial resources and assets.

Additionally, the substantial financial and resource commitments inherent in Greenfield investments may divert resources and attention away from philanthropic initiatives in the home country, as firms seek to manage the challenges and uncertainties associated with their international expansion endeavors (Zhou, 2022). This issue may be more pronounced for Chinese firms because some countries have implemented strict regulations on Chinese investments (Fong *et al*., 2022), which would further enlarge the disparity of interests. Therefore, we propose the following hypothesis (Figure 2):

H4. The effect of corporate philanthropy on firm performance is negatively moderated by Greenfield investments.

Figure 2

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4. Methodology

4.1. Data

Our conceptual arguments focus on emerging economies, which is reflected in our research design. We use data from China to test our hypotheses because it is an emerging economy that has witnessed a rapid growth of philanthropic activities (Kolk *et al*., 2015). In addition, China has a significant level of trade openness to the outside world, contributing to its economic growth (Kolk *et al*., 2015). Moreover, China is the largest emerging market and is often employed as an example of an emerging market by international marketing researchers (e.g., Cui *et al*., 2021). We utilize data on firms registered on the Shanghai and Shenzhen Stock Exchanges during a 10-year period (2010–2019) from CSMAR databases. We selected this duration because it is free from the effects of the financial crisis (2007-2009) and the COVID-19 Pandemic (2020 onwards). Our final sample includes 232 firms with 2,320 firm-year observations across 30 industries between 2010 and 2019. However, the sample size is reduced to 1752 observations from 219 firms due to the inclusion of lagged terms and instruments.

4.2. Measures

4.2.1. Dependent variable

We measure *firm performance* using Tobin's Q, a ratio of the firm's market value to its total assets. Tobin's Q is a crucial measure for evaluating shareholders' expectations for the firm in the long run (Krasnikov *et al*., 2009). In addition, Tobin's Q can explain the impact of corporate strategies on the firm's current and future profits (Chung and Pruitt, 1994). This proxy of firm performance is widely accepted in the academic literature and has been used extensively in seminal papers (Hogarth *et al*., 2018).

4.2.2. Independent variable

We measure *corporate philanthropy* as the ratio of total annual corporate donations to firms' assets. Annual corporate donation amounts and information on firms' assets are given in the CSMAR Corporate Governance dataset. The corporate donations are scaled with the firm's assets, in line with prior literature (Qian *et al*., 2015), which resolves potential issues related to the currency unit (e.g., inflation, and exchange-rate effects).

4.2.3. Moderating variables

International earnings presents the ratio of a firm's revenues from its foreign business to its total operating revenues. We measure *foreign investment* by taking the fraction of shares held by foreign investors to the total shares of a particular firm. We calculate *greenfield investment* as an intensity measure, which is the proportion of Greenfield investment over total entry mode investments (M&A, joint venture, etc.,). In this scenario, a dummy variable is used to indicate whether each entry mode is present. In particular, the dummy variable is equal to 1 if the firm uses a specific entry mode (such as greenfield investment) for a given entry and 0 otherwise.

4.2.4. Control variables

The debt-to-asset ratio is a firm's proportion of assets financed with debt. A firm's debt-to-asset ratio determines its financial risk and can thus affect firm performance. *Marketing assets* in the form of firms' selling, general, and administrative expenses can affect a firm's performance. We use the ratio of firms' selling, general, and administrative expenses to firms' assets as a proxy to marketing assets variable that aligns with prior literature (e.g., Sun and Stuebs, 2013). We applied the winsorization method to address outliers present in the analysis, adjusting the values at the 2.5th and 97.5th percentiles, as recommended by prior literature (Giannetti *et al*., 2024).

Our analyses include the aforementioned variables; we also employ additional control variables for robustness checks, which we discuss in Section 5.4. Tables II and III provide descriptions of and correlations between all variables.

Tables II & III

4.3. Data analysis

4.3.2. Main model analysis

We utilize the system generalized method of moments (system GMM) approach for our analysis. This is a preferable method to other estimations of dynamic panel data because it provides robust parameter estimates and resolves many regression issues such as endogeneity and heterogeneity (Jean *et al*., 2016). The basic criterion for system GMM is that the number of observations (or groups) should be greater than the repeated time series in the dynamic panel data ("small T, large N"; Roodman, 2009). Our dataset consists of 219 groups and 1,752 observations, which is greater than the repeated 10-years timeseries. Thus, the primary criterion is satisfied. Next, we discuss potential biases and the removal of those biases with the help of system GMM.

Endogeneity bias occurs when the explanatory variable is correlated with the error term, but the use of lag terms as internal instruments in the analysis can address this issue (Roodman, 2009; Smith, 2019). Moreover, a system GMM model accounts for unobserved heterogeneity in longitudinal data that may bias other standard estimation techniques (Roodman, 2009). The model's internal transformation subtracts past observations from present ones, effectively removing time-invariant unobserved heterogeneity and increasing efficiency (Greene, 2003). International marketing research is also susceptible to omitted variable bias due to various national and international factors related to the environment, requiring the use of methods to address this issue (Jean *et al*., 2016). The system GMM method has been identified as the most efficient method for resolving omitted variable problems in this context, outperforming other techniques such as complete data, dummy variables, and linear imputation methods (Abrevaya and Donald, 2017). In addition, simultaneity may occur in dynamic panel data when the dependent and independent variables are co-determined simultaneously, resulting in difficulty in identifying the direction of the relationship. The system GMM method resolves this issue by considering the lag terms of independent variables in the analysis and thus resolves the issue of simultaneity in our estimation.

4.3.3. The system GMM model

The following equation shows the initial model:

$$FP_{it} = \varphi FP_{i(t-1)} + \beta X'_{i(t-1)} + (\eta_{it} + \varepsilon_{it}), \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

where,

- FP_{it} *and* $FP_{i(t-1)}$: firm performance of the *i*th firm at time *t and t-1*,
- $X'_{i(t-1)}$: set of independent variables and controls for *i*th firm at time (t-1),
- η_{it} *and* ε_{it}: time-invariant unobserved and observed effects of *i*th firm,
- φ and β: estimates of the lagged dependent and independent variables.

Equation (1) performs the analysis after transforming the data to eliminate time-invariant unobserved heterogeneity.

5. Results

5.1. Hypotheses testing

We perform the analysis in Stata 17, which has a built-in command to estimate a system GMM model (*xtabond2*). The *F*-statistic is significant and positive (F =284.87, p < .001) (Table IV), suggesting that the model fits better than the model without all the independent variables. For the effect of corporate philanthropy on firm performance, we find a significant, positive coefficient (β = 48.89, p < .01), supporting H1.

For the hypothesized moderating effects, we find that the effect of corporate philanthropy on firm performance decreases in strength with a higher ratio of international earnings of a firm. The coefficient of the interaction term of corporate donations with international earnings is significant and negative (β = -37.91, p < .01), supporting H2.

Contrary to H3 the coefficient of the corporate donation–foreign investor ratio interaction is significant and positive (β = 5.28, p < .01). This finding is surprising, but the unexpected positive effect becomes weaker when tested with alternative methods. Other research suggested that the effect of the diversity of stakeholders is dependent on the context and "can play either a positive or a negative role" (Chang *et al*. 2017, p. 239). Institutional theory may thus be a promising lens to explore this positive effect in our Chinese context. The role of the institutional environment has been recognized in research and it is known that formal and informal norms influence intra-organizational power-dynamics and the efficiency of internal processes (Chandler and Hwang, 2015; Raynard, 2016). Related to the institutional context, we identify three potential reasons for the surprising finding. First, many firms are ultimately controlled by the state in China, where the government plays a significant role in shaping firm behaviour. In such contexts, firms are more likely to prioritize aligning with state interests and regulatory frameworks rather than investor-driven strategies, which curtails the influence of investors more to an advisory role (International Monetary Fund, 2024). This structural characteristic suggests that the institutional environment, shaped by state ownership and control, may reduce the moderating effect of foreign investors on the effectiveness of corporate philanthropy. Second, despite recent improvements, minority shareholder rights are relatively weak in China compared to developed markets, which restricts the influence of foreign investors with a small stake (Chen *et al*., 2013), reinforcing the centrality of state and majority shareholder control. As a result, these institutional factors—state control and weak minority shareholder protections—indicate that the complexity introduced by the presence of foreign investors may be less pronounced in China. Third, foreign investors, typically from developed markets, bring a long-term focus aligned with the strategic potential of corporate philanthropy (Neubaum and Zahra, 2006). Unlike domestic investors in China, who prioritize short-term gains (Chong *et al*., 2017), foreign investors are typically institutional investors embedded in developed market contexts that emphasize sustainability and long-term value creation (Zhang *et al.*, 2022). By introducing a global perspective and prudent advice, foreign investors may thus lead to a shift toward a greater long-term orientation and consensus on philanthropic activities.

H4 predicts that the effect of corporate donations on firm performance decreases in strength if the firm enters new markets via Greenfield investments. In support of H4, the coefficient of the corporate donation–Greenfield investment interaction is significant and negative (β = -60.05, p < .01).

Table IV

Additionally, interaction plots provide a clearer depiction of the moderating effects. In line with previous research, we employ the *margins* and *marginsplot* commands in Stata to visualize these moderation effects (Astvansh *et al.*, 2022; Rios-Avila, 2021). Figure 3 depicts the relationship between corporate philanthropy and Tobin's Q response to the 25th and 75th percentiles of the different moderating factors (i.e., international earnings, the presence of foreign investors, and the choice of Greenfield investment as an entry mode).

Figure 3

5.2. Heteroskedasticity and serial autocorrelation

Heteroskedasticity is an omnipresent issue affecting estimated standard errors and can lead to skewed hypotheses testing (Baum *et al.*, 2003). We use robust standard errors to provide a more accurate measure of actual errors in the estimated coefficient (Wooldridge, 2015). Serial autocorrelation occurs when error terms of different periods are correlated, causing biased estimated residuals in the regression coefficients (Ramasamy *et al.*, 2010). We employ Arellano Bond tests for AR (1) and AR (2) in the first differences to address this issue (Table IV). The first-order serial autocorrelation AR (1) is present in the model, suggesting a first-order serial autocorrelation in the first-differenced errors. However, the second-order serial autocorrelation AR (2) is not present, suggesting that there is no second-order serial autocorrelation in the first-differenced errors. Habimana (2017) notes that first-order serial autocorrelation in first-differenced errors is expected, but there must be no second-order serial autocorrelation in first-differenced errors. Thus, serial autocorrelation is addressed and resolved.

5.3. Instrument overidentification and exogeneity

The system GMM method generates multiple instruments while performing the analysis. We also assess for overidentification and exogeneity of lagged instruments. In our analysis, system GMM created 44 instruments related to the lagged terms of firm performance. The number of instruments (44) is less than the total number of panels (219), suggesting that the instruments are not overidentified (Baum *et al*., 2003). Moreover, the Hansen test of overidentification suggests that instruments are robust but weakened by many instruments ($p < .05$). In support of our analysis, we find that there is no serial correlation, and the rule of thumb (panels > instruments) is also followed. Thus, in line with the pertinent literature (Van Vu *et al*., 2018), the current number of instruments is of negligible concern for our analysis. In addition, results from the Hansen test of exogeneity indicates that all instruments are exogenous ($p = .286$). Therefore, the additional analysis suggests that instrument overidentification and endogeneity are not issues of concern for our analysis (Table IV, Model 1).

5.4. Robustness checks

5.4.1. External instruments

We utilize lagged terms of our dependent variable as internal instruments. We also include some external instruments for robustness analysis. First, we add donation-by-asset lags as external instruments in the model. The purpose is to address endogeneity concerns related to the primary independent variable (Bellemare *et al*., 2017). The system GMM analysis with a lagged donation-by-asset variable suggests that there is no change in results (Table IV, Model 2).

Second, the key independent variable, corporate philanthropy, may depend on corporate profitability. According to slack resource theory, a firm's financial resources may be an antecedent of the availability of corporate donations, as a firm may pursue corporate philanthropy if it has made a profit (Julian and Ofori-Dankwa, 2013). The importance of slack resources for corporate donations is also confirmed by many researchers (Hadjikhani *et al*., 2016; Seifert *et al*., 2004). Thus, the key independent variable may have an endogeneity issue. Following slack resources theory, we use the firm's previous years' profit as an instrumental variable for corporate philanthropy and address causality in the model. Accordingly, we consider the firm's net profit of the two lagged ($t - 2$) years, which is expected to be highly correlated with firms' corporate donations at one lagged ($t - 1$) year. However, the impact of $t - 2$ years' net profit is almost negligible on t-year firm performance, as suggested in prior literature (Fu *et al*., 2016). As such, the assumptions of exclusion restrictions are followed. We find that there is no change in our results (Table IV, Model 3). Thus, our findings are validated by different internal and external instruments.

5.4.2. Controls

We added several additional control variables that may influence results. For example, a firm's assets, sales, and industry types could affect results. Similarly, variables related to top management team (TMT) characteristics (e.g., TMT size, TMT education level) may influence our estimation. We perform additional robustness checks using these controls. First, we include firm characteristics—specifically, the log of firms' assets as a proxy for firm size along with industry fixed effects (Attig *et al*., 2016). Second, we add TMT characteristics—specifically, the total number of TMT members in the firm and the percentage of TMT members with an overseas education background (Wiengarten *et al*., 2017) as a control. We find that our results are stable when adding these variables, and we can equally support our hypotheses with little change in coefficient values. We have left out these control variables in our reporting for the sake of parsimony to make our model as simple and interpretable as possible.

5.4.3. Alternative methods

OLS. We also perform a normal OLS regression considering the same dependent and independent variables. We use the firm's net profit as an instrumental variable to address endogeneity. As explained, this logic follows the assumptions of exclusion restrictions. In the first stage, we regress firms' donations on their net profit to predict the residual. In the second stage, we rely on the same residual when using corporate philanthropy as the dependent variable. With this control function approach, in which residual and instrumental variables are utilized to address endogeneity (Wooldridge, 2015), we analyze the second-stage regression, including these terms. With the exception of H3, which showed the opposite direction to the hypothesized effect for our main analysis and now drops below the .05 significance threshold, OLS results are consistent with results from the system GMM method (Table IV, Model 4) adding robustness to our findings.

Fixed/random effects. The fixed and random estimation methods are common in panel data analysis. To enhance the comparability of our results with those of previous studies, we also run 2SLS fixed- and random-effects models as additional analyses. We used net profit as an instrumental variable to predict residuals in the first stage by regressing corporate philanthropy on firm profit. We used these residual and instrumental variables in the second stage while regressing firm profit on corporate philanthropy, the moderators, and control variables. The results (Table IV, Models 5 and 6) are consistent with the random-effects estimation. However, similar to the OLS robustness check, the interaction of donations with the proportion of foreign investors (H3) does not cross the significance threshold in the fixed/random-effects model. A potential reason for this nonsignificant finding is that there may be no heterogeneity among foreign investors within each group (Bell and Jones, 2015), which may call into question the use of the fixed-effects model. We also find that the second lag of Tobin's Q has a negative and significant effect on current Tobin's Q in Model 6 of Table IV. This unexpected result can be explained by adjustment in line with the efficient market hypothesis, which suggests that the market corrects the firms' true valuation when new information emerges (Brenner, 1979). Thus, while OLS and fixed/random methods add confidence to the results obtained using the system GMM method, they also indicate that the use of the robust system GMM method is beneficial as methods used in previous studies may have suffered from type II errors.

6. Discussion and conclusion

We examine the impact of corporate philanthropy on firm performance in emerging markets, with a particular focus on China, using a dynamic panel analysis of a unique dataset from the Chinese market. Our findings indicate that corporate philanthropy positively influences firm performance, but this effect varies with different international strategies. Specifically, while international earnings and Greenfield investments weaken the positive influence of corporate philanthropy on firm performance, the proportion of foreign investors enhances it. Our research offers several theoretical contributions and managerial implications.

6.1. Theoretical contributions

Our contribution to scholarly knowledge is fourfold. First, we advance the RDT literature by developing theoretically and testing empirically how two types of efforts to manage firm dependencies – market-based dependence solutions like internationalization and non-market based solutions like philanthropy, lobbying, or corruption – interact. While applications of RDT are mainly focused on market-based strategies to manage resource dependence, less attention has been given to "non-market dependence solutions" (Jiang *et al.*, 2023: p. 26). Overlooking the interaction between market and non-market dependence solutions may explain inconsistent findings in the literature related to the philanthropy–

performance link (Hogarth *et al*., 2018; Seifert *et al*., 2003). Our results suggest that the effectiveness of philanthropy as a non-market dependence solution must not be considered in isolation from internationalization, a market-based solution to manage resource dependence. This finding is in line with Liu *et al.*'s (2018) observation that internationalization decreases the level of local philanthropy. Our results offer a potential explanation for this influence, showing that certain internationalization strategies decrease the effectiveness of philanthropy.

Second, our study contributes to the international marketing strategy literature by investigating how three types of dependencies created by international activities (i.e., international earnings, the presence of foreign investors, and the choice of Greenfield investment as an entry mode) may constrain philanthropy from tapping key resources. While much of the existing research on philanthropy effectiveness predominantly focuses on non-international factors, such as firm reputation and market type (Cuypers *et al*., 2016; Hogarth *et al*., 2018), we shift the focus to international marketing strategies as contextual factors that influence philanthropy's effectiveness in tapping key resources. We highlight how three dependencies related to international activity influence philanthropy's effectiveness in resource acquisition by shifting stakeholder expectations and generating new institutional pressures. Specifically, our analysis shows that the positive relationship between corporate philanthropy and firm performance is weaker for firms with a larger proportion of international earnings and a keener appetite for Greenfield investments. Conversely, it comes as a surprise that the financial returns of philanthropy are enhanced when a firm has a larger proportion of foreign investors. The reason may be that although China has gradually loosened entry criteria to allow foreign investors to participate in Chinese listed firms, these foreign investors are still dispersed, minority shareholders with limited influence in firms' decisions and outcomes (Tam *et al.*, 2010). In other words, institutional factors may reduce otherwise increased intra-organizational complexities (Chandler and Hwang, 2015; Raynard, 2016). Foreign investors, however, may bring an additional strategic layer to philanthropy by providing a more long-term perspective (Zhang *et al.*, 2022). This broader, more global perspective can thus amplify the impact of philanthropic efforts.

Third, our research enhances the understanding of corporate philanthropy in emerging economies and China in particular, while prior studies are often limited by generalizing based on research from developed markets. We suggest that in emerging markets, philanthropy takes on a different strategic role due to unique institutional, economic, and cultural contexts. For instance, philanthropic activities in developed markets often aim for "grandiose world-making" (Giacomin and Jones, 2022). However, firms in emerging markets often use philanthropic activities to navigate the complex political landscape, reduce uncertainty, and secure institutional support, which may be essential for accessing resources or maintaining operations (Wang and Qian, 2011). Therefore, our study suggests that the key dependencies influencing philanthropic effectiveness in emerging markets differ from those in developed markets, particularly when firms expand into other emerging economies. Therefore, this study highlights the importance of considering context-specific factors when studying corporate philanthropy in emerging markets, especially in China.

Fourth, our findings also add a valuable perspective to the ongoing debates whether corporate responsibility affects firm performance in the CSR and ESG literature. A long-running debate and mixed empirical evidence on the relationship between CSR/ESG practices and firm performance (e.g., Humphrey *et al*., 2012; Surroca *et al*., 2013; Attig *et al*., 2016; Tyan *et al*, 2024) indicates the multifaceted nature of CSR/ESG activities and complexity of stakeholder engagement. Our research provides new insights into this debate by suggesting that the relationship between CSR/ESG initiatives and firm performance is not only context-dependent but also influenced by the specific type of CSR/ESG activity in question. In fact, some studies have shown that philanthropy and other CSR/ESG attributes may even misalign (e.g., Mazodier *et al.*, 2021; Miller, 2008). In emerging markets, where institutions and governance structures may be less developed, philanthropic efforts that address local concerns and contribute to social welfare can directly enhance a firm's social capital and strengthen its relationships with critical stakeholders. Given this complexity of the CSR/ESG field, our findings provide a more fine-tuned approach by focusing on a type of CSR/ESG activity, corporate philanthropy, to better understand how specific activities contribute to firm performance in emerging markets.

6.2. Managerial implications

This study highlights the lower level of corporate philanthropy in emerging markets such as India, Brazil, and China compared to developed markets and the increased international exposure of these firms. Given the increasing international exposure of emerging market firms, our research provides five actionable insights for managers aiming to leverage corporate philanthropy strategically to enhance firm performance. First, managers in emerging markets should view corporate philanthropy not as a mere charitable activity but as a non-market strategy to manage resource dependencies and stakeholder interest. By integrating philanthropy into their resource management approach, firms can better secure their power and control over critical resources and navigate complex external environments where formal market mechanisms may be underdeveloped.

Second, firms operating in international markets must recognize that philanthropic activities may be less effective if considered in isolation from their global expansion strategies. Specifically, firms heavily reliant on international earnings should carefully assess the financial returns from philanthropic activities. Our study shows that international earnings can create interorganizational dependencies on international stakeholders (e.g., foreign customers) that weaken the effectiveness of philanthropy. Managers in such firms may consider more careful management of home country stakeholders to align the interests of the different levels of the home country government with their international ambition. This may be supplemented by targeted philanthropic initiatives that satisfy international business objectives.

Third, for firms with a significant proportion of foreign investors, the positive relationship between corporate philanthropy and firm performance is strengthened. This highlights the importance of engaging foreign investors in philanthropic activities. Managers should view foreign investors as strategic allies who can bring diverse perspectives that heighten the firm's awareness of global corporate responsibility standards (i.e., long-term benefits of philanthropy). Their international experience can also help refine and align philanthropy strategies with global best practices, thereby increasing the overall value of philanthropic efforts.

Fourth, Greenfield investments, which often involve setting up new operations in foreign markets, may create additional locational dependencies that conflict with philanthropic goals. Firms pursuing Greenfield investments should be cautious about the simultaneous pursuit of large-scale philanthropic efforts, as our findings suggest that this combination may lead to decreased performance. Firms should thus factor in this trade-off when selecting market-entry strategies. As a result, other strategies (e.g., mergers and acquisitions or joint ventures) may gain in attractiveness compared to Greenfield investments.

Fifth, we also recommend that multinational corporations adjust their philanthropic initiatives to account for the distinct dependencies and challenges that may arise in emerging markets, such as deficiencies in regulatory frameworks, underdeveloped market infrastructure, and weak legal protections. Managers should recognize that in emerging markets, especially in China, philanthropic activities should be aligned with local institutional and political needs. This includes building relationships with local governments and other influential stakeholders to ensure access to critical resources and maintain operational stability. This approach not only facilitates smoother operations but also helps mitigate the risks associated with operating in emerging markets characterized by institutional uncertainty.

6.3. Social implications

Firms engaging in philanthropic initiatives in emerging markets play a vital role in driving positive social change. This philanthropy may take various forms, such as strategic partnerships, in-kind donations, and financial contributions. Emerging markets often face more pronounced challenges in fields such as education, healthcare, infrastructure, and poverty. By focusing on addressing these societal needs and challenges through philanthropic efforts, firms can contribute to larger local initiatives and ensure sustainable communities. Moreover, we also recognize that social obligations and economic objectives are inextricably connected to one another, which can both be achieved through philanthropic efforts. For instance, Alibaba's philanthropic efforts in underserved regions contribute to its market expansion by creating new business opportunities. Specifically, Alibaba's Rural Vitalization Program aims to empower rural communities by equipping them with the necessary tools and training to engage in e-commerce. As rural entrepreneurs gain access to Alibaba's platform, they actively participate in expanding its user base. This expansion of market reach directly supports Alibaba's business model by generating increased traffic on its online marketplace, driving higher transaction volumes, and enhancing the demand for its cloud services. This not only strengthens the company's philanthropic profile but also ensures that Alibaba remains competitive in the rapidly evolving global digital economy. However, along with the findings of our research, as firms become more globalized, it has been increasingly challenging for them to manage local philanthropic efforts and foreign markets due to limited resources and attention. Consequently, careful planning and a deep understanding of local needs may be helpful in guiding how to best allocate their resources to achieve optimal societal and financial outcomes.

6.4. Limitations and directions for further research

The study has limitations that suggest areas for future research. First, the research does not differentiate between foreign investors from developed and other emerging markets. Given the complexity of international investment, the origin of foreign investors plays a crucial role in shaping the effectiveness of philanthropy. For instance, foreign investors from developed economies might have a long-term and globalized perspective on philanthropy, whereas investors from other emerging markets might focus on aspects, such as political risk mitigation or regional market opportunities. Future research could explore this nuance by examining whether investors' home-country institutional environments influence the firm's philanthropic effectiveness.

Second, the current research does not explore whether internationalization influences the effectiveness of different philanthropic activities (e.g., financial donations, volunteering, in-kind support), while the impact of these different forms of philanthropy may vary based on the institutional environment and stakeholder expectations. For instance, firms with substantial international operations might prefer leveraging their global network to deliver resources or expertise in-kind, rather than making direct financial donations. Future studies could gather additional data on diverse forms of philanthropic endeavors and examine whether international factors exert varying influences on different types of philanthropic activities and their impact on firm performance.

Third, while other methods like difference-in-difference analysis may provide additional insights, our variable operationalization does not permit utilizing methods that require firms with zero philanthropic activities as a pre-treatment or control group. We thus suggest that researchers should utilize such methods with other datasets and variables operationalizations, along with field studies or natural experiments to better establish the causal effect of corporate philanthropy on firm performance, thereby addressing the challenge posed by the lack of a clear control group.

Fourth, we use the CSMAR database to assess our hypotheses empirically, which allows us to calculate Greenfield investment intensity as the ratio based on the number of FDI projects rather than the amount invested. However, results might slightly differ when calculating the ratio based on amounts invested in FDI. Future research can look for a more granular measure of Greenfield investment and explore additional databases like the FDI markets dataset or Orbis to gather more comprehensive information on global investment flows and their effects on philanthropic effectiveness.

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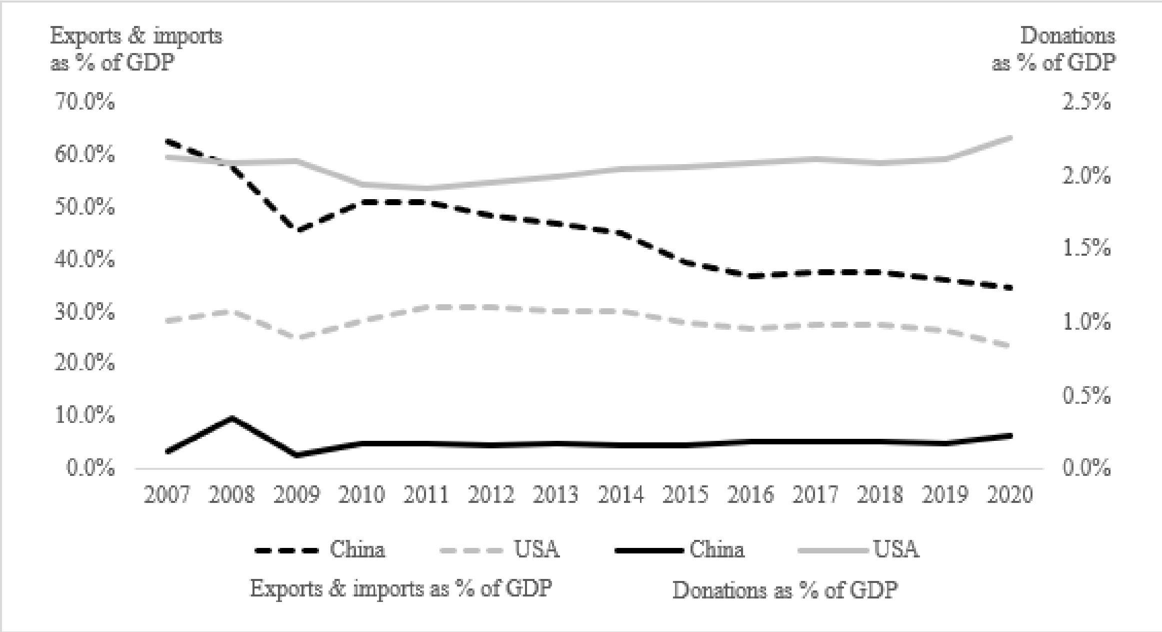
Figure 1: Donations and international trade in China and the USA



Source: Worldbank, Giving USA, Annual Report on Chinese Charitable Donations

Figure 2: Conceptual model

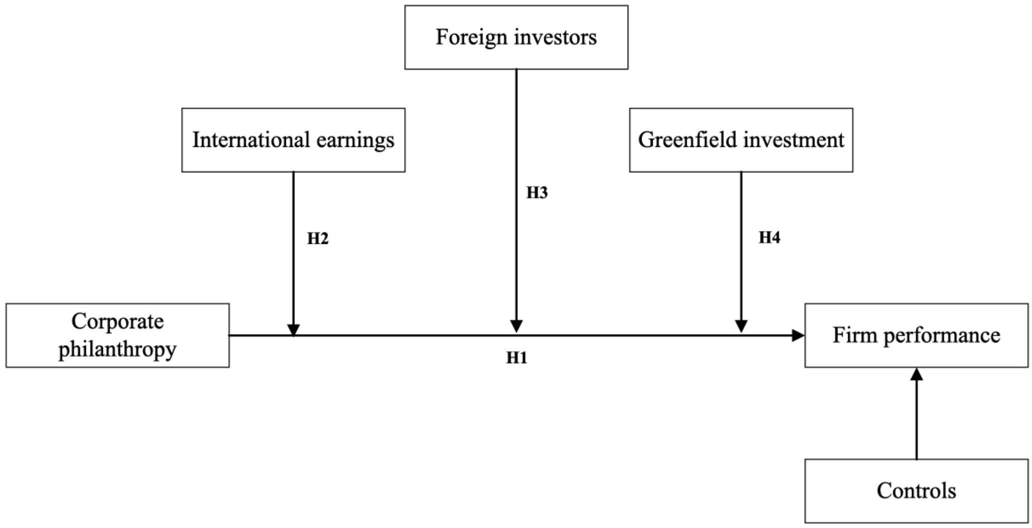


Figure 3: Moderation plots for interaction hypotheses

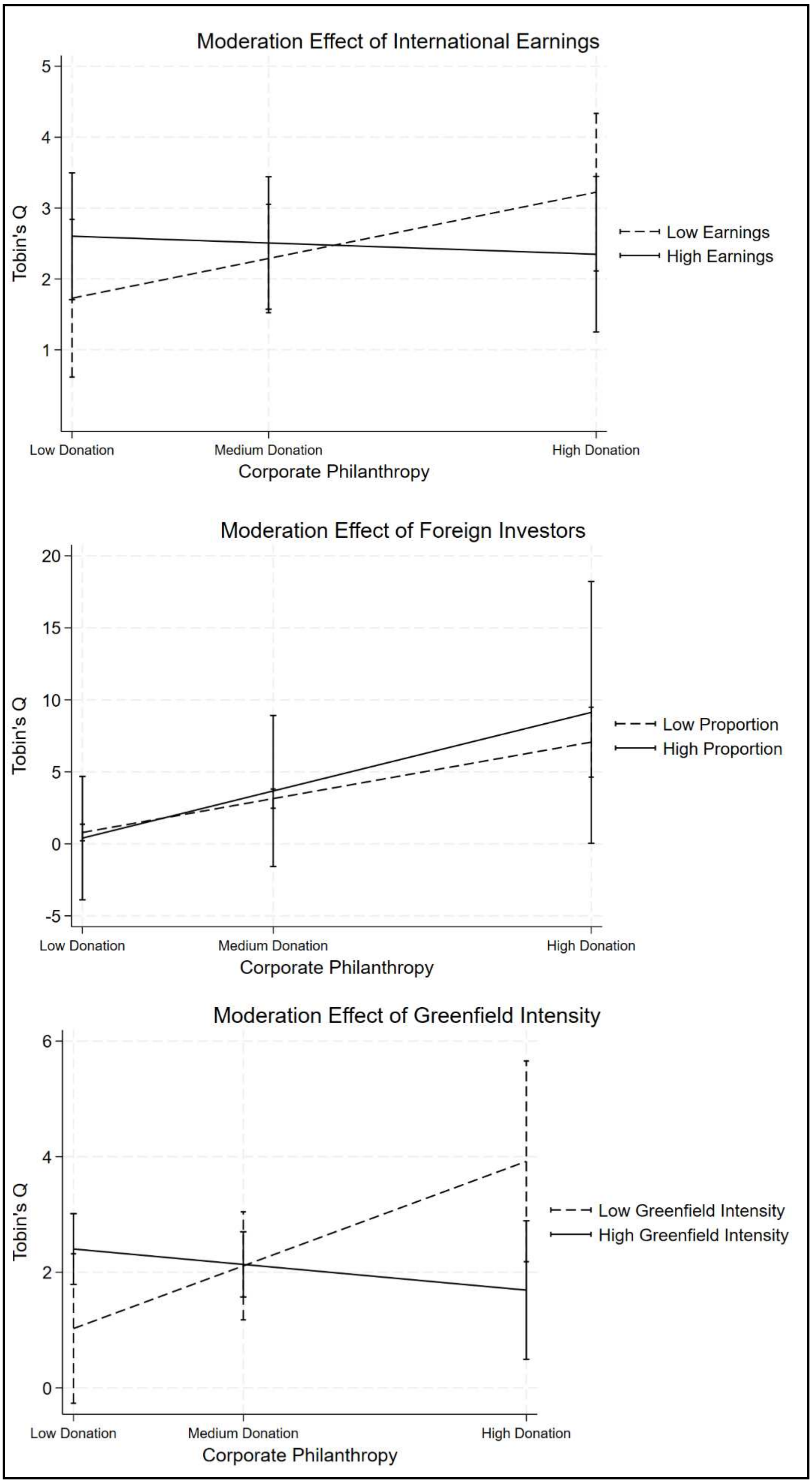


Table I: Key studies on the relationship between corporate philanthropy and firm performance in developed and emerging markets

Study	Moderators	Outcomes Proxy	Sample/Country	Method	Main effect
Seifert *et al*. (2003)		ROA, ROS	US	Paired difference t-test	Non-significant link between corporate philanthropy & firm performance
Seifert *et al.* (2004)		Returns to shareholders	US	SEM	Non-significant link between corporate philanthropy & firm performance
Wang *et al*. (2008)	Industry dynamism	Tobin's Q	Europe, North America, Australia	Heckman selection model	Inverse U-shaped relationship between corporate philanthropy & firm performance
Lev *et al*. (2010)	Consumer sector	Annual revenue	US	Granger causality test	Positive link between corporate philanthropy & firm performance
Su and He (2010)	Institutional environment	ROA, ROE	China	OLS	Positive link between corporate philanthropy & profitability
Wang and Qian (2011)	Firm visibility, market development, past firm performance, government structure	ROA	China	Heckman selection model	Positive link between corporate philanthropy and firm performance
Jia and Zhang (2014)	Initial public offering (IPO stages)	IPO cost	China	Heckman selection model	Negative link between corporate philanthropy and IPO cost
Qian *et al*. (2015)	Ownership	Corporate misconduct	China	OLS	Negative link between corporate philanthropy & corporate misconduct
Cuypers *et al*. (2016)	Giving types, firm characteristics	Firm share price	US	OLS	Positive link between corporate giving and firm value
Zhang *et al*. (2016)	Ownership structure, split share reform	Stock price crash risk	China	Fixed effect model	Negative link between philanthropy and crash risk
Gao and Yang (2016)	Salary level, market visibility	Labor productivity	China	Heckman selection model	Positive relationship between corporate philanthropy & labor productivity.
Li *et al*. (2017)	Political connections	Equity shares of the largest shareholder	China	Regression	Negative relationship between corporate philanthropy & share held by largest shareholders
Hogarth *et al*. (2018)	Reputation risk management	Tobin's Q	Australia	3SLS	Negative link between corporate giving and shareholder value (Tobin's Q)
Chen *et al*. (2018)	Largest shareholding, growth opportunities, state ownership, product market competition	Tunnelling	China	2SLS	Negative link between corporate between philanthropy & tunnelling
Gao *et al*. (2019)	Firm ownership, regional development	ROA	China	Heckman selection model	S-curve relation of philanthropy & financial performance
Lu *et al.* (2020)	Region, sinful industry, advertising intensity	ROA	US, China	Random effects model	Positive link between corporate philanthropy & firm performance
Zhao and Zhang (2020)	Work–life balance	Relative competitive performance	China	Regression	Positive link between corporate philanthropy & relative competitive performance

Study	Moderators	Outcomes Proxy	Sample/Country	Method	Main effect
Dai *et al.* (2023)	Governmental working experience, political council membership, member of industrial and commercial association	External corporate venturing	China	Tobit regression	Positive link between corporate philanthropy & external corporate venturing
Gao *et al.* (2023)	Negative media coverage, industry	Numbers and values of acquisitions	China	Heckman selection model	Positive relationship between corporate philanthropy & acquisitions
Present study	International earnings, foreign investors, entry mode	Tobin's Q	China	System GMM	Positive relationship between corporate philanthropy & firm performance

Table II: Summary of primary variables

Variable Name	Operationalization	Source
Firm Performance	Tobin's Q: market value/total assets	CSMAR Stock Market-Financials
Corporate Philanthropy	Annual total donations/assets of firm	CSMAR Corporate Governance
International Earnings	Revenue of foreign operations/total operating revenue	CSMAR Overseas Listed Company
Foreign Investors	Shares held by foreign investors/total shares of firm	CSMAR Shareholders
Greenfield Investment	Proportion of Greenfield investment entry mode over total entrance modes used by the firm at time t	CSMAR Overseas Listed Company
Debt-to-Asset Ratio	Total liabilities/total assets	CSMAR M&A and Asset Restructuring
Marketing Assets	Selling, general & administrative expenses/ total firm assets	CSMAR M&A and Asset Restructuring

Table III: Descriptive statistics and correlations

	1	**2**	**3**	**4**	**5**	**6**	**7**
1. Firm Performance	1						
2. Corporate Philanthropy	0.11*	1					
3. International Earnings	0.01	-0.07*	1				
4. Foreign Investors	-0.03	-0.02	0.09*	1			
5. Greenfield Investment	-0.08*	-0.03	0.14*	0.01	1		
6. Debt-to-Asset Ratio	-0.25*	0.07*	-0.15*	-0.12*	0.02	1	
7. Marketing Assets	0.14*	0.12*	-0.16*	0.15*	0.01	-0.06*	1
Mean	2.04	0.04	0.55	0.26	2.04	0.41	0.14
SD	1.19	0.05	0.43	0.25	10.05	0.19	0.17
Min	0.79	0	0	0	0	0.01	0
Max	12.80	0.84	2.08	0.81	1	1.08	0.88
Observations	1752	1752	1752	1752	1752	1752	1752

Notes: We present the descriptive statistics rounded to two decimal places. The actual minimum of corporate philanthropy is not 0 but rather a small value of 0.00011398, indicating that the donation amount is a very small fraction of the firm's assets. The actual minimum value of the marketing assets ratio is 0.004. $^{*}p < .05$.

Table IV: Results of panel regression tests

DV: Tobin's Q	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
Tobin's Q Lag 1	0.41***	0.46***	0.41***	0.59***	0.60***	0.39***
	(0.06)	(0.06)	(0.06)	(0.02)	(0.02)	(0.02)
Tobin's Q Lag 2	0.01	-0.01	0.04	0.02	0.01	-0.13**
	(0.05)	(0.05)	(0.06)	(0.02)	(0.02)	(0.02)
Corporate Philanthropy Lag 1	**48.89****	**38.10***	**48.66****	**4.58*****	**4.57*****	**5.67*****
	(16.79)	**(17.48)**	**(17.03)**	**(1.13)**	**(1.13)**	**(1.36)**
Corporate Philanthropy Lag 1*International Earnings Lag 1	**-37.91****	**-34.96****	**-38.12*****	**-1.87***	**-1.87***	**-2.09***
	(9.78)	**(23.61)**	**(9.91)**	**(0.81)**	**(0.82)**	**(0.95)**
Corporate Philanthropy Lag 1* Foreign Investors Lag 1	**5.28****	**6.04****	**5.45****	**0.11**	**0.12**	**0.08**
	(1.92)	**(2.03)**	**(1.88)**	**(0.07)**	**(0.07)**	**(0.08)**
Corporate Philanthropy Lag 1*Greenfield Investment Lag 1	**-60.05****	**-64.36****	**-59.79****	**-3.10***	**-3.11***	**-3.31***
	(22.20)	**(23.61)**	**(22.54)**	**(1.43)**	**(1.43)**	**(1.64)**
International Earnings Lag 1	0.65*	0.43	0.71*	0.05	0.05	0.01
	(0.27)	(0.28)	(0.22)	(0.03)	(0.03)	(0.04)
Foreign Investors Lag 1	-0.15	-0.16	-0.16	-0.03	-0.03	-0.02
	(0.05)	(0.06)	(0.05)	(0.01)	(0.01)	(0.02)
Greenfield Investment Lag 1	3.40*	2.98*	3.38*	0.05	0.05	0.01
	(1.16)	(1.23)	(1.18)	(0.07)	(0.07)	(0.09)
Debt-to-Asset Ratio Lag 1	-0.98	-1.19	-1.08	-0.78**	-0.77**	0.19
	(1.34)	(1.42)	(1.32)	(0.12)	(0.12)	(0.22)
Marketing Assets Lag 1	0.47	0.41	0.38	0.21	0.21	0.66
	(1.24)	(1.33)	(1.24)	(0.11)	(0.12)	(0.35)
AR(1)	-7.11*	-7.26*	-6.90*	NA	NA	NA
AR(2)	0.16	0.83	0.16	NA	NA	NA
Hansen Overidentification	95.74*	104.48*	102.60*	NA	NA	NA
Hansen Tests of Exogeneity	34.15	18.20	23.40	NA	NA	NA
No. of Instruments	44	45	45	NA	NA	1
No. of Groups	219	219	219	NA	NA	219
No. of Observations	1752	1752	1752	1752	1752	1752
F-Statistics/Wald Chi2	284.87***	250.39***	276.16***	135.09***	1485.98***	29.68***
R-Square				0.45	0.46	0.34

Notes: $^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$. The null hypothesis for AR (2) test presents no second-order serial correlation in the first differenced residuals. (1) System GMM, (2) System GMM with the lagged donation as the instrument, (3) System GMM with the lagged net profit as the instrument, (4) OLS, (5) Random effect, (6) Fixed effect.