

Corporate Social Responsibility and Corporate Financial Performance: The Intervening Effect of Social Capital

Peng Yu-Shu, Huang Chyi-Lin, and Dashdeleg Altan-Uya

Department of International Business, School of Management, National Dong Hwa University, Hualien, Taiwan

Email: yspeng@mail.ndhu.edu.tw, 610133017@ems.ndhu.edu.tw, altanuya@yahoo.com

Abstract—The research issues of corporate social responsibility (CSR) have been highly raising scholars' interests in the field of management. This study aims at exploring the intervening variables (social capital) which may mediate the relationship between CSR and CFP. Empirical data were collected from Taiwanese listed firms. According to the analysis of the regression analysis, evidence shows that social capital plays a mediating role on connecting CSR and corporate financial performance (CFP). The mechanism is that CSR first has a positive impact on the social capital and social capital subsequently produces a positive effect on CFP.

Index Terms—corporate social responsibility, corporate financial performance, social capital, interlocking directorates

I. INTRODUCTION

Corporate Social Responsibility (CSR) became one of the most debated topics in the management field in recent decades. Following western corporate enormous accounting scandal (for example, Enron Corporation bankruptcy at the end of 2001), Foxconn, an OEM company which serves the multi-national enterprises such as Apple and Amazon, experienced 14 suicide cases in 2010. Media and academics invariably pointed Foxconn's militarized management may be one of the important causes of these tragedies. The Foxconn's important strategic partner-Apple had formal response to this event in 2011. It requires its suppliers to comply with the "Apple Supplier Responsibility Progress Report", a more stringent corporate social responsibility standards [1]. Although, the concept of CSR has been proposed decades ago, it is until the 1990s when it got to the practitioners' attention. In recent years, managers begin to concern CSR issues, especially those executives of multinational enterprises and enterprise groups [2].

The CSR domain has been widely studied among various researchers, and tried to use the individual, companies, and countries of different levels of analysis to explore why the manufacturers are willing to bet on CSR activities. Most of the studies focus on financial returns of engaging CSR activities, e.g. [3]-[6]. To date, the CSR

studies indeed help us understand the logics of firms' willing to engage in CSR and its consequence. However, these studies lack detailed discussion on the relationship between CSR and corporate financial performance (CFP). They might be suffering from not only to possible omission of important variables, but also no further to investigations on whether there is an mediating or moderating effects [7],[8].

In order to fill the theoretical gap above mentioned, this study attempts to respond to [8] for new studies on relationship between CSR and CFP, and to further explores social capital which can significantly impact the CFP and can provide organizations a ground to engage in CSR activities.

II. LITERATURE REVIEW HYPOTHESES CONSTRUCTION

A. Corporate Social Responsibility

The concept of CSR was originated soon after the Wall Street crash of 1929 when critics on corporate irresponsibility was discussed extensively. Later in academic literature, formal writings on CSR are evident for the first time in Bowen's "Social Responsibilities of the Businessman" in 1953. He expected businesses to produce social goods such as: (1) higher standards of living; (2) widespread economic progress and security; (3) order, justice and freedom, and finally (4) the development of the individual person. In his view, CSR includes responsiveness, stewardship, social audit, corporate citizenship and rudimentary stakeholder theory. As [9] claims, most academics believe that [10] work marks the beginning of the modern period literature on CSR and therefore he can be accepted as the 'Father of Corporate Social Responsibility' [9].

Since then, the formal CSR concept has been evolving for six decades in response to the emerging structure of the large corporations and their responsibilities beyond their legal and economic interests. First, there was significant formalization of the concept in the literature of the 1960s. The debate during this period was against the opposition of [11], which argues the only responsibility of managers is to maximize the profits of their owners or shareholders. However, there were numerous critics from various scholars challenging his extremist view. [12] explained that the responsibility of management is not

just creating wealth for the business, but for the society too. Following this, the notion of 'voluntarism' was acknowledged by [13]. The early writings of [10], [12]-[15] indicate that firms and businessmen are expected to look at concerns that are wider than the technical and economic aspects of the organization. Such theories can be considered as the basic foundations of the modern CSR that was refined in later years.

In the 70s and 80s, the number of authors writing on CSR increased rapidly. The definition of CSR made by Committee for Economic Development (CED) in 1971 is considered one of the most important contributions, articulating a triple concentric model of the concept. Later several authors such as [16] developed their frameworks building on this. In response to the CED's separation of economic and the broader social responsibilities across stakeholders, [17] contended that CSR is a firm's response to issues beyond the narrow economic, technical and legal requirements of a firm and therefore it begins where the law ends. The focus of the literature begins to change slowly to more practical applications in this period. Shift in the paradigm of CSR from 'the philosophical and moral obligation' (CSR1) to 'the managerial and organizational action' (CSR2) was later documented by [18]. Late in the 80s number of authors tried to develop tools for assessing CSR by the time [19] provides the basis for stakeholder theory.

The prominent themes that continued to grow and took center stage in the 1990s include corporate social performance (CSP), stakeholder theory, business ethics, sustainability and corporate citizenship. [20] criticizes [16] approach as involving steps and phases of responsibility. Based on the interconnection between the firm and the society, [20] superimposes the responsibility categories of CSR with three levels of analysis and allocates principles to them through her own interpretation. She suggests that the principle of legitimacy becomes effective on the 'institutional' level. From the 'organizational' level, the principle of public responsibility suggests firms will be responsible for their actions. Finally, on the 'individual' level, managers need to be constantly aware of the need to act according to moral points of view.

B. Social Capital

According to Putnam, the concept of social capital refers to features of social organization that create an environment of mutual benefits and coordination. The concept of social capital is broadly defined as an asset that exists in social relations and networks. From a micro perspective many researchers have studied it at individual level, and from a macro perspective it has been studied at community and organization level. In the recent era, the term 'social capital' is highlighted more at the organizational level. [21] describe organizational social capital as a resource reflecting the character of social relations within the firm formed by goal orientation and shared trust. Social capital is broadly categorized as structural social capital and relational social capital. Consequently, the conceptualization of organizational social capital is like a value enhancing system resource.

Many researchers have found that social capital is related to organizational advantage. For example, [22] have identified organizational social capital to be related to organizational performance through building trust. It also has potential benefits for building intellectual capital and innovation in the organization.

There are various ways to operationalize this concept in social science research. The majority of research in the domain of social capital is at the individual level. The motive of research these researches are to identify individual social capital in the society. On the other hand, management studies have adopted this conceptualization at the organizational level by recognizing the benefits of networking, social ties and resources that are inherent in those relationships.

According to [23], social capital is an asset that consists of network of relationships and their inherent resources and other network structures. This leads to ties among the members of a group, and these ties affect the individual's attitude, sense of support and attachment. Networking serves as social support to the people that affect satisfaction and ease at work through social support.

Another dimension in networking determines trust facilities, communication, information sharing and collaboration. Trustworthy members can provide social and emotional support, resulting in stronger emotional attachment and satisfaction. This dimension is associated with innovative behavior and employees' individual job-level outcomes.

C. Corporate Financial Performance

Corporate financial performance is the most frequently used variable for a firm's performance in practice and literature. Since engaging in CSR is costly activity, there has been much debate on the relationship between business and society, and the consequence of business responsibility on the firm profitability. Although there are some contrasting findings, many researchers have empirically found that there is a strong positive correlation between firms' financial performance and CSR activities in the long-run. Initially, CSR is in the form of incremental gains to the organization, and later it provides long-term economic development and sustainability in the organization. CSR activities by providing legitimacy and reputation insurance lead to greater confidence among stakeholders and investors in the firm, increasing the financial development of the company.

D. CSR and CFP

There are number of empirical article have examined the relationship between CSR and CFP. We can divide the existing empirical article into three groups according to different views. First group of articles suggest that CSR activities are negative to CFP [24]-[26]. Those early studies considered there was trade-off effect from doing CSR practice. The position of [11] was the most well know for such propose. [11] argued that earning profit for shareholders is the first priority mission to corporations CSR behaviors had negative impact on economic benefits of firms while its numerous costs will reduce

shareholders' benefits. Some research proposed opportunism hypothesis. [27] suggested that managers reduce expenditures on social performance to increase short-term profitability and their personal compensation, however, when financial performance is poor, they divert public attention by expenditures on social programs.

The second group of articles finds no significant direction in the link between CSR and corporate finance performance. [28] found no significant relationship between a composite measure of a firm's CSR performance and financial performance. However, using one-year-lag model, they found a significant positive relationship between individual measures of a firm's CSR performance regarding environmental and international activities and financial performance.

However, these studies lack detailed discussion on the relationship between CSR and CFP. They might be suffering from not only to possible omission of important variables, but also no further to investigations on whether there is an mediating or moderating effects [7],[8]. This study attempts to respond to [8] for new studies on relationship between CSR and CFP, and to further explores social capital which can significantly impact the CFP and can provide organizations a ground to engage in CSR activities

E. CSR and Social Capital

Few studies have been done on the relationship between CSR and social capital. However, the prevalent researchers have found that CSR creates reliable social networks for organizations. Corporate activity that benefits the community generates positive attitudes in the business, thus can be a critical component in economic prosperity and sustainable development. Putnam argues social capital is accumulated through actual human relationship and interactions that initiate and facilitate strong internetwork ties and norms, which then boost cooperation and collective action. The creation of social capital is embedded into any activity in the organization that helps knowledge transfer and innovation. In addition, social capital builds efficiency in creation of new ventures, in community development and CSR.

An employee may use his formal and informal relationships to mobilize resources inside and outside of the company. In such informal networks, employees can volunteer new ideas and opportunities to develop, so that their company can adopt and can capitalize on their social networks to accumulate resources. Such social networking and capitalization can bring the key organizational actors together and utilize their key competencies for collective action.

[29] conducted an empirical research on CSR practices and social capital creation of nonprofit organizations. They concluded that CSR practices adopted as a formal instrument and to implement a multi-stakeholder ownership approach can positively affect social capital creation by maintaining cooperative personal relationships. In another study on theoretical relationship between CSR and social capital, [29] concluded that adoption of explicit CSR can build cognitive social

capital by emphasizing on the beliefs and fiduciary duties. Moreover, both CSR and cognitive social capital generate endogenous incentives for the firm to cooperate with weak stakeholders by reciprocal interactions, and therefore they lead to create structural social capital.

[30] concludes that the allocation of social responsibility duties to particular personnel can build up a company's expertise and reputation, and generate procedures for handling and prioritizing social responsibility demands. Only this way, companies can contribute to the community and can align these activities with other objectives of the company. This type of social role of business involvement is not for short-term performance, but for long-term relationships to market goals.

[31] concluded that certain human resource practices that are not only directly related to employees' job outcomes but also to the responsible behavior of organization and to the well-being of their employees can play a great role in bonding the human resources of an enterprise to form a cohesive workforce. A prevailing logic on the relationship between human resource development, social capital and organizational productivity in an emotional intelligence perspective is the importance of intangible assets over tangible ones. [31] proposes that the dimensions of CSR are closely linked and reinforce each other to maintain a smooth working environment in organizations through bonding and bridging employee connections, which leads to the creation of social capital.

Hypothesis 1: There is a positive relationship between CSR practices and social capital.

F. Social Capital and CFP

As discussed above, corporate social capital is a concept which is explained by a network of relationships that facilitates resource building and resource development categorized as an intangible asset. [21] studied the relationship between social capital and organizational performance and concluded that social capital to be a strong predictor of firm performance. For decades, for example in the work of [32], [33], the relationship between social capital and firm performance has been consistent, and which leads to the conclusion that networking and its related resources are an important contribution to the economic performance of a firm.

Hypothesis 2: There is a positive relationship between social capital and corporate financial performance.

G. CSR, Social Capital, and CFP

A strong emphasis on the value of intangible resources for increased organizational performance has been established for a long time. The RBV of organizations argues that variation in the heterogeneity of organizations resources can affect the performance of organization. In the modern world, due to new technological innovations, information creation and knowledge sharing are becoming more powerful tools to run a business. Although we cannot negate the importance of physical facilities, the intangible facilities are coming to the forefront.

According to [31], social responsibility activities with internal and external stakeholders help an organization build certain intangible resources to the organization, such as social capital. Moreover, researchers explored a strong link between strategic management of human resources to social capital creation, which is made possible through responsible behavior toward employees. Similarly, many researchers have concluded that good reputations and an increased legitimacy as a result of a responsible citizenship behavior of a firm are an important intangible resource for an organization, which can increase organizational productivity.

Hypothesis 3: Social capital will mediate the relationship between CSR and corporate financial performance.

III. METHODOLOGY

A. Samples

This research selectively focused on the companies that are engaged in CSR activities in Taiwan. We search for the names of the sample constituents in the CommonWealth Magazine and Taiwan Economic Journal (TEJ) which consisted of Taiwanese listed companies. The sample components are from high-technology and traditional manufacturing industries.

During the period of 2008-2012, the constituents that appear in the CommonWealth Magazine Top 50 Corporate are classified as CSR firms, otherwise NON-CSR firms. Those firms which do not appear in the CommonWealth Magazine Top 50 Corporate list are chosen according to their capital scale and industry group. We screen the TEJ database for these firms to obtain the required financial data covering the years 2009-2013. Our search, based upon these criteria, provided a final sample of 43 CSR firms and 43 NON-CSR firms, giving a total of 86 firm-year observations

B. Measures

1) *Dependent variables*

During 2007-2013, CommonWealth Magazine's Survey of Taiwan's Top Corporate Citizens adopted international indicators and evaluation methods used by the U.N. Global Compact, the OECD Guidelines for Multinational Enterprises and the U.S. Dow Jones Sustainability Index to select Taiwan's best corporate citizens. The selection criteria are based on four major categories: corporate governance, corporate commitment, community involvement and environmental protection. Corporate governance mainly gauges the independence of the board of directors and a company's transparency. Corporate commitment considers a company's commitment to consumers, and how it nurtures and treats its employees, and its commitment to innovation and R&D. Community involvement measures whether a company has taken a long-term interest in a specific issue and made an impact in that area. Environmental protection involves whether a company has tangible goals and strategies to protect the environment and save energy.

Based on the previous rankings of CommonWealth Magazine Top 50 Corporate Citizens, the researcher initially suggests (or adopted) the matched sample technique. The CSR firms are coded as "1", and NON-CSR firms are coded as "0".

2) *Independent variables*

Various corporate financial performance measurements have been used in previous corporate social responsibility- corporate financial performance studies. Accounting-based and stock-market-based measurements are the most common approaches. Both measures focus on different aspects of financial performance, and both are subject to particular biases. Accounting-based measures focus only on the historical aspects of firm performance [34]. Stock-market-based measures have some advantages over accounting-based measures. They are less susceptible to differential accounting rules and managerial manipulation, and stock price can represent investors' evaluations for firm's ability to generate future economic earnings rather than historical record [35].

Following the works of [36], Return on Assets (ROA) and Tobin's Q were used separately to measure a corporate financial performance. Data on accounting-based and stock-market-based measures of firm performance, and risk were obtained from the TEJ database for the years 2009-2013.

3) *Mediating variable*

About the social capital mean through the network to obtained a lot of resources [37]. Some scholar regard the interlocking directorates as "relation" of comprise social network [38]. The companies can share resources and exchange information through this "relation". Therefore, this study uses the interlocking directorates to measure social capital.

We followed [39] for operationalizing social capital by using four variables to measure the extent of the board of directors' links. The first is the total number of member of the board of directors who also serves as directors of other companies at the same time. The second is the total number of member of the board of directors who also works in other companies at the same time. The third is the total number of members of the board of directors who also serves as directors of other companies in other industry at the same time. The fourth is the total number of member of the board of directors who also has companies in other industry at the same time. In this study, we used exploratory factor analysis for these four variables to obtain a proxy variable [40],[41]. We got factor scores of proxy variable for the social capital, which has the eigenvalues of 3.887, and its cumulative variance explained is 97.163%.

4) *Control variables*

Previous studies found that size, risk, industry, and sales growth rate to be important factors that affect both CSR and CFP [42]. All of these variables are included in this study as control variables. The studies on social capital and firm performance often includes firm's age and firm size as control variables [43]. There is evidence that smaller firms may not exhibit as much socially

responsible behaviors as do larger firms. We measured firm size as the natural logarithmic transformation of the number of full-time employees [44]. As a proxy for the riskiness of a firm, we used the total debt to total assets ratio. The sales growth rate measures the rate of change in sales from period to period. Generally, sales growth should be considered within the context of industry conditions and trends.

IV. RESULTS

TABLE I. CONSTRUCT MEANS, STANDARD DEVIATIONS AND CORRELATION COEFFICIENTS

Construct	M.	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) CSR	0.50	0.50	1	0.425**	0.005	0.612**	0.000	-0.023	0.286**	-0.151	0.202
(2) ROA	7.12	6.42	0.425**	1	-0.183	0.171	0.059	-0.169	0.375**	-0.226*	0.510**
(3) Tobin's Q	0.48	0.26	0.005	-0.183	1	0.249*	-0.077	0.025	0.349**	0.622**	0.043
(4) Social Capital ^a	0.00	1.00	0.612**	0.171	0.249*	1	-0.085	0.134	0.238*	-0.083	0.163
(5) Industrial	0.65	0.48	0.000	0.059	-0.077	-0.085	1	-	0.115	0.038	-0.073
								0.721**			
(6) Age	32.71	13.47	-0.023	-0.169	0.025	0.134	-	1	0.020	-0.077	-0.122
							0.721**				
(7) Size	7.21	1.40	0.286**	0.375**	0.349**	0.238*	0.115	0.020	1	0.442**	0.340**
(8) Debt to Total Assets Ratio	36.97	16.28	-0.151	-0.226*	0.622**	-0.083	0.038	-0.077	0.442**	1	0.175
(9) Rate of Change in Sale	1.60	11.07	0.202	0.510**	0.043	0.163	-0.073	-0.122	0.340**	0.175	1

N=86, *P<0.05, **P<0.01, ***P<0.001; a: social capital is a proxy variable

B. Exams of Hypothesis

This study employs regression analysis to test the hypotheses. In this regression, the effect of industrial, age, firm size, debt to total assets ratio, and rate of change in sale are the control variables. Firstly, this study exams the relations between CSR and social capital. The analysis results are displayed in Table II. The pressures from CSR ($\beta = 0.591$; $P < 0.05$) has significant positive impact on social capital. The empirical results support H1. This implies that the CSR creates reliable social networks for organizations.

TABLE II. REGRESSION ANALYSIS OF CSR AND SOCIAL CAPITAL

	Dependent variable: Social Capital ^a			
	Model 1		Model 2	
	β	P-value	β	P-value
<i>Control variables</i>				
Industrial	-0.027	0.871	0.053	0.699
Age	0.105	0.521	0.192	0.164
Size	0.301	0.023*	0.034	0.708
Debt to Total Assets Ratio	-0.226	0.059	-0.010	0.922
Rate of Change in Sale	0.112	0.350	0.058	0.557
<i>Independent variable</i>				
CSR			0.591	0.000***

N=86, *P<0.05, **P<0.01, ***P<0.001; a: social capital is a proxy variable

Secondly, this study exams the relationship between social capital and corporate financial performance.

A. Descriptive Analysis

The descriptive statistics for all the variables included in this study are shown in Table I. There is a relative high correlation between social capital and the other independent and dependent variables. On the other hand, firm size, debt to total assets ratio, and rate of change in sale are significantly correlated to independent, dependent and moderating variables. Thus the result of correlation analysis verifies that it is necessary to control the effect of these variables in this study.

Considering the effect of CSR to corporate financial performance may be deferred, thus, this study considers adopting 1 year- lag model to examine the relationship between social capital and corporate financial performance. The analysis result in Table III shows that only Tobin's Q ($\beta = 0.392$; $P < 0.05$) has significant impact on firm performance. The ROA ($\beta = -0.167$; $P = 0.084$) is not significantly related to social capital. Social capital has significant and positive effects on Tobin's Q, not on ROA. The empirical results partially support H2.

In order to investigate if social capital mediates the effect of CSR on corporate financial performance, this study adopts CSR and social capital as predictors of corporate financial performance by conducting hierarchical regression. The mediating analysis is presented in Table VI. The analysis result indicates that CSR ($\beta = 0.244$; $P < 0.05$) significantly impacts firm performance. This implies that the CSR creates reliable short-term firm performance. However, Tobin's Q ($\beta = -0.167$; $P = 0.084$) does not significantly impact on firm performance, which suggests that the pressure from CSR cannot lead to better long-term firm performance. On the other hand, the social capital also affects CSR by improving its long-term corporate financial performance (t for Sobel test = 2.996, $p < 0.05$). Thus it indicates that social capital is the complete mediator between CSR and corporate financial performance.

TABLE III. REGRESSION ANALYSIS OF SOCIAL CAPITAL AND CFP

	Dependent variable: ROA				Dependent variable: Tobin's Q			
	Model 3		Model 4		Model 5		Model 6	
	β	P-value	β	P-value	β	P-value	β	P-value
<i>Control variables</i>								
Industrial	-0.137	0.245	-0.128	0.271	-0.183	0.174	-0.204	0.102
Age	-0.265	0.027*	-0.233	0.050	-0.079	0.555	-0.155	0.222
Size	0.439	0.000***	0.466	0.000***	0.130	0.255	0.113	0.248
Debt to Total Assets Ratio	-0.478	0.000***	-0.480	0.000***	0.605	0.000***	0.609	0.000***
Rate of Change in Sale	0.373	0.000***	0.383	0.000***	-0.148	0.132	-0.171	0.061
CSR	0.146	0.085	0.244	0.017*	0.088	0.361	-0.144	0.179
<i>Independent variable</i>								
Social Capital ^a			-0.167	0.084			0.392	0.000***

N=86, *P<0.05, **P<0.01, ***P<0.001; a: social capital is a proxy variable

TABLE IV. REGRESSION ANALYSIS OF CSR AND CFP

	Dependent variable: ROA				Dependent variable: Tobin's Q			
	Model 7		Model 8		Model 9		Model 10	
	β	P-value	β	P-value	β	P-value	β	P-value
<i>Control variables</i>								
Industrial	-0.157	0.188	-0.128	0.271	-0.187	0.134	-0.204	0.102
Age	-0.282	0.020*	-0.233	0.050*	-0.125	0.314	-0.155	0.220
Size	0.513	0.000***	0.446	0.000***	0.073	0.470	0.133	0.284
Debt to Total Assets Ratio	-0.539	0.000***	-0.480	0.000***	0.644	0.000***	0.609	0.000***
Rate of Change in Sale	0.390	0.000***	0.383	0.000***	-0.175	0.056	-0.171	0.016***
Social Capital ^a	-0.035	0.667	-0.167	0.084	0.315	0.000***	0.392	0.000***
<i>Independent variable</i>								
CSR			0.244	0.017*		0.221	-0.144	0.179

N=86, *P<0.05, **P<0.01, ***P<0.001; a: social capital is a proxy variable

V. CONCLUSION

A. Discussion and Implications

This article makes a contribution by constructing a comprehensive model, which explores antecedents and consequences of CSR, social capital and CFP. With an empirical application to Taiwan's firms of Commonwealth Magazine Top 50 Corporate Citizens, results show that the mediating effect of social capital adoption does exist between CSR and long-term firm performance. This study also demonstrates the CSR would influence short-term company finance performance.

In today's highly competitive global business market, how to building the sustainable competitive is the important issue. The study shows using its CSR activities for development of intangible resources considered indispensable for a sustained competitive advantage position in today's highly competitive business environment, because CSR can contribute to building organizational-level social capital, which can serve as a useful resource to develop sustained competitive advantage for organizations.

CSR creates reliable social networks for organizations and social capacity [45]. Corporate activity that benefits the community can increase the level of social

participation and generate positive attitudes in the business, and can be a critical component in economic prosperity and sustainable development. And CSR can let company has a good reputational, it can facilitate strong network ties and norms, which boost cooperation and collective action. The network of relationship can be developed consciously by the people and also by other social activities [23]. The value of intangible resources for increased organizational performance. The RBV of organizations attribute that variation in the heterogeneity of organizations resources can expedite the performance of organization [46].

B. Management Implications

Although CSR domain is widely investigated by many scholars, the strategic use of CSR activities has been less explored. Both of business strategy and philosophy of managers are the critical factors to affect the adoption of CSR. And researchers haven't established that how CSR can bring strategic outcomes for the company.

This research would add to the knowledge and understanding of the area of CSR, particularly the importance of building social capital for company. Especially, the study focuses on investigating the strategy that CSR activities would play in yielding better company performance or profitability through development of intangible company resources (social capital).

In today's highly dynamic business landscape, where managers are finding it hard to achieve and sustain a competitive advantage, the results of the study can certainly work as a major guiding force on their way to success in a world increasingly becoming complex and competitive with every other day. This study has explained how CSR activities can help company to develop intangible resources and have better company outcomes. The results would contribute to the literature of strategic management.

C. Limitations and Directions for Future Research

Limitations of this study should be recognized. First, in this study, the samples are limited to Taiwan's high-technology and traditional manufacturing company of Common Wealth Magazine Top 50 excellence in corporate social responsibility. Hence, conclusions of the present study cannot be generalized to the manufacturers investing in other developing countries. Additionally, owing to every industry has different ways of CSR implementation and environmental characteristics, there might have different empirical results. Researcher could develop a better research model to investigate use the social capital variable and environmental variables in relation to the CSR and CFP. Many previous studies which are on CSR adopt financial performance. We strongly suggest future studies could investigate those effects of these activities based on sound theoretical foundations that might be built up through qualitative studies.

REFERENCES

- [1] Apple Inc., *Supplier Responsibility 2011 Progress Report*, 2011, pp. 18.
- [2] A. McWilliams, D. S. Siegel, and P. M. Wright, "Corporate social responsibility: Strategic implications," *Journal of Management Studies*, vol. 43, no. 1, pp. 1-18, 2006.
- [3] H. Matthew and T. J. Marc, "The drivers of corporate social responsibility: A critical review," *The Business Review*, vol. 5, no. 2, pp. 245-251, 2006.
- [4] L. Andy, J. Moon, and W. Visser, "Corporate social responsibility in management research: Focus, nature, salience and sources of influence," *Journal of Management Studies*, vol. 43, no. 1, pp. 115-136, 2006.
- [5] A. McWilliams and D. Siegel, "Corporate social responsibility: A theory of the firm perspective," *Academy of Management Review*, vol. 26, no. 1, pp. 117-127, 2001.
- [6] J. Surroca, J. A. Tribo, and S. Waddock, "Corporate social responsibility and financial performance: The role of intangible resources," *Strategic Management Journal*, vol. 31, no. 2, pp. 463-490, 2010.
- [7] A. McWilliams and D. Siegel, "Corporate social responsibility and financial performance: Correlation or misspecification?" *Strategic Management Journal*, vol. 21, no. 5, pp. 603-609, 2000.
- [8] J. D. Margolis and J. P. Walsh, "Misery loves companies: Rethinking social initiatives by business," *Administrative Science Quarterly*, vol. 48, no. 2, pp. 268-305, 2003.
- [9] A. B. Carroll, "Corporate social responsibility evolution of a definitional construct," *Business and Society*, vol. 38, no. 3, pp. 268-295, 1999.
- [10] H. R. Bowen, "Social responsibilities of the businessman," *Harper and Brothers*, 1953.
- [11] M. Friedman, *Capitalism and Freedom*, University of Chicago Press, 2009.
- [12] W. C. Frederick, "The growing concern over business responsibility," *California Management Review*, vol. 2, no. 4, pp. 54-61, 1960.
- [13] C. C. Walton, *Corporate Social Responsibilities*, Wadsworth Publishing Company, 1976.
- [14] K. Davis, "Can business afford to ignore social responsibilities?" *California Management Review*, vol. 2, no. 3, pp. 70-76, 1960.
- [15] J. W. McGuire, *Business and Society*, New York: McGraw-Hill, 1963.
- [16] A. B. Carroll, "A three-dimensional conceptual model of corporate performance," *Academy of Management Review*, vol. 4, no. 4, pp. 497-505, 1979.
- [17] K. Davis, "The case for and against business assumption of social responsibilities," *Academy of Management Journal*, vol. 16, no. 2, pp. 312-322, 1973.
- [18] W. C. Frederick, "From CSR sub 1 to CSR sub 2: The maturing of business and society thought," *Business and Society*, vol. 33, no. 2, pp. 150-166, 1978.
- [19] R. E. Freeman, *Strategic Management: A Stakeholder Approach*, Boston, MA: Pitman Publishing, 1984.
- [20] D. J. Wood, "Corporate social performance revisited," *Academy of Management Review*, vol. 16, no. 4, pp. 691-718, 1991.
- [21] C. R. Leana and H. J. Van Buren, "Organizational social capital and employment practices," *The Academy of Management Review*, vol. 24, no. 3, pp. 538-555, 1999.
- [22] S. Adler and W. Kwon, "Social capital: Prospects for a new concept," *Academy of Management Review*, vol. 27, no. 1, pp. 17-40, 2002.
- [23] J. Coleman, "Social capital in the creation of human capital," *American Journal of Sociology*, vol. 94, pp. S95-S121, 1998.
- [24] M. Freedman and J. Bikki, "An analysis of the impact of corporate pollution disclosures included in annual financial statements on investors' decisions," *Advances in Public Interest Accounting*, vol. 1, no. 2, pp. 193-212, 1986.
- [25] R. Ingram, and K. Frazier, "Environmental performance and corporate disclosure," *Journal of Accounting Research*, vol. 18, pp. 614-622, 1980.
- [26] S. A. Waddock and S. G. Graves, "The corporate social performance-financial performance link," *Strategic Management Journal*, vol. 8, no. 4, pp. 303-319, 1997.
- [27] L. E. Preston and D. P. O'Bannon, "The corporate social-financial performance relationship: A typology and analysis," *Business and Society*, vol. 36, no. 4, pp. 419-429, 1997.
- [28] L. Mahoney and R. W. Roberts, "Corporate social performance, financial performance and institutional ownership in Canadian firms," *Accounting Forum*, vol. 31, no. 3, pp. 233-253, 2007.
- [29] L. Sacconi and D. A. Giacomo, "A theoretical analysis of the relationship between social capital and corporate social responsibility: Concepts and definitions," *Knowledge in the Development of Economies*, Institutional Choices under Globalisation, Edward Elgar Publishing Ltd, London, 2009.
- [30] J. Moon, "The contribution of corporate social responsibility to sustainable development," *Sustainable Development*, vol. 15, no. 5, pp. 296-306, 2007.
- [31] M. M. Saeed and A. Faria, "Corporate social responsibility as a source of competitive advantage: The mediating role of social capital and reputational capital," *Journal of Database Marketing & Customer Strategy Management*, vol. 19, no. 4, pp. 219-232, 2012.
- [32] R. D. Putnam, "The prosperous community," *The American Prospect*, vol. 4, no. 13, pp. 35-42, 1993.
- [33] C. Bowman and V. Ambrosini, "Value creation versus value capture: Towards a coherent definition of value in strategy," *British Journal of Management*, vol. 11, no. 1, pp. 1-15, 2000.
- [34] J. McGuire, S. Thomas, and H. Joanne, "An analysis of alternative measures of strategic performance," *Advances in Strategic Management*, vol. 4, no. 2, p. 1986, 1986.
- [35] J. B. McGuire, S. Alison, and S. Thomas, "Corporate social responsibility and firm financial performance," *Academy of Management Journal*, vol. 31, no. 4, pp. 854-872, 1988.
- [36] I. Goll and A. A. Rasheed, "The moderating effect of environmental munificence and dynamism on the relationship between discretionary social responsibility and firm performance," *Journal of Business Ethics*, vol. 49, no. 1, pp. 41-54, 2004.
- [37] P. Bourdieu and L. Wacquant, *An Invitation to Reflexive Sociology*, Chicago: University of Chicago Press, 1992.

- [38] Z. C. Young, D. S. Staurt, and G. Hung, "The relationships between strategy network organization, corporate risk, and corporate financial performance: An empirical study of strategy of interlocking directorates," *Management Review*, vol. 7, pp. 131-151, 1988.
- [39] L. Yunshi, "The analysis of interlocking directorates of Taiwan's listed companies," *Journal of Management*, vol. 19, no. 5, pp. 901-925, 2002.
- [40] W. P. Wan and W. Y. Daphne, "From crisis to opportunity: Environmental jolt, corporate acquisitions, and firm performance," *Strategic Management Journal*, vol. 30, no. 7, pp. 791-801, 2009.
- [41] W. Weitzle and E. Jonsson, "Decline in organizations: A literature integration and extension," *Administrative Science Quarterly*, vol. 34, no. 1, pp. 91-109, 1989.
- [42] A. H. Ullman, "Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of US firms," *Academy of Management Review*, vol. 10, no. 3, pp. 540-557, 1985.
- [43] A. Zaheer and Bill McEvily, "Bridging ties: A source of firm heterogeneity in competitive capabilities," *Strategic Management Journal*, vol. 20, no. 12, pp. 1133-1156, 1999.
- [44] J. R. Kimberly, "Organizational size and the structuralist perspective: A review, critique and proposal," *Administrative Science Quarterly*, vol. 21, no. 4, pp. 571-597, 1976.
- [45] T. Goddard, "Corporate citizenship: Creating social capacity in developing countries," *Development in Practice*, vol. 15, no. 3&4, pp. 433-438, 2005.
- [46] J. Barney, "Firm resource and sustained competitive advantage," *Journal of Management*, vol. 17, no. 1, pp. 99-120, 1991.



Peng, Yu-Shu was born in Taiwan on 13 November. He received his Ph.D. in Business Administration from the National Chengchi University in Taiwan, R.O.C. He is an Associate Professor in the Department of International Business in the School of Management, National Dong Hwa University in Taiwan, R.O.C. His latest publications, "The Level of

Concern about Feng Shui in House Purchasing: The Impacts of Self-efficacy, Superstition, and the Big Five Personality Traits", *Psychology & Marketing*, vol.29, no.7, 2012. "Local Responsiveness Pressure, Subsidiary's Resources, Green Activities Adoption and Overseas Subsidiary's Performance –Evidence from Taiwanese Manufactures, *Journal of Business Ethics*, vol. 79, no.1, 2008. His current research interest would international business, strategic management, technology management, and business ethics.



Huang, Chyi-Lin was born in Taiwan on July, 7 1989. She is a graduate student in the Department of International Business in the School of Management, National Dong Hwa University in Taiwan, R.O.C. Her research topics focus on strategic management.



Dashdeleg, Altan-Uya was born in Mongolia on July, 7 1989. He is a Ph.D. student in the Department of International Business in the School of Management, National Dong Hwa University in Taiwan, R.O.C.