THE EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE REPUTATION, EMPLOYEE JOB SATISFACTION AND CORPORATE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN CHINA

by

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TABLES OF CONTENTS

CHAPTER ONE INTRODUCTION

CHAPTER TWO LITERATURE REVIEW

CHAPTER THREE FRAMEWORK AND HYPOTHESES

CHAPTER FIVE DATA ANALYSIS AND THE RESULTS

CHAPTER SIX DISCUSSION

CHAPTER SEVEN CONCLUSION

LIST OF TABLES

LIST OF FIGURES

Page

LIST OF ABBREVIATIONS

ACT	Self-actualization Satisfaction
AVE	Average variance Extracted
B2B	Business to Business
BEL	Belongingness Satisfaction
BSC	Balanced Scorecard
CASS	Chinese Academy of Social Sciences
CED	Committee for Economic Development
CEO	Chief Executive Officer
CFP	Corporate Financial Performance
CNKI	China National Knowledge Internet
COP	Corporate Operational Performance
CP	Corporate Performance
CR	Corporate Reputation
CSD	Corporate Social Disclosure
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CUS	Customer Responsibility
ECHP	European Community Household Panel
ECSR	External Corporate Social Responsibility
EMP	Employment responsibility
ENV	Environmental Responsibility
ES	Esteem Satisfaction
EPS	Earning per Share

FRS	Fortune Reputation Survey
FJ	Fairness/Justice
GDP	Gross Domestic Product
GF	Good Faith
GOF	Goodness of Fit
HR	Human Resource
HRM	Human Resource Management
ICSR	Internal Corporate Social Responsibility
INP	Input to Work
JDI	Job Descriptive Index
JP	Physiological Satisfaction on Job
JS	Job Satisfaction
KLD	Kinder, Lynderberg, and Domini & Co., Inc
KMO	Kaiser-Meyer-Olkin
LAW	Law/Legal Responsibility
LCSI	Large Cap Social Index
LQ	Life Quality of Employee
MBA	Master of Business Administration
MGA	Multi-group Analysis
MNCs	Multinational Corporations
MSQ	Minnesota Satisfaction Questionnaire
NFP	Non Financial Performance
NGO	Non Government Organization
NSMEC	National Small and Medium Enterprise Council
NSQ	Porter Need Satisfaction Questionnaire

PLS	Partial Least Squares
R & D	Research and Development
RBV	Resource Basic View
REL	Relationship Factor
RMB	Ren Min Bi (Chinese currency)
ROA	Return on Assets
SAF	Safety Satisfaction
SD	Standard Deviation
SDC	Social Donation and Charity
SE	Standard Error
SEM	Structural Equation Modelling
SIC	Stakeholder Influence Capacity
SIT	Social Identity Theory
SH	Safety and Healthy
SIC	Stakeholder Impact Capacity
SIT	Social Identity Theory
SME	Small and Medium-sized Enterprise
SOC	Social Stability and Progress
SOE	State-owned Enterprise
SPSS	Statistical Product and Service Solutions
ST	Stakeholder Theory
TR	Training
WBCSD	World Business Council for Sustainable Development
WTO	World Trade Organization

LIST OF SYMBOLS

β Path Coefficient

p Probability of Type I Error

t Test Statistic

R^2 Coefficient of Determination (predictive accuracy)

f^2 Effect Size of R^2

Q^2 Cross-validated Redundancy (predictive relevance)

q^2 Effect Size of Q^2

KESAN TANGGUNGJAWAB SOSIAL KORPORAT KE ATAS REPUTASI KORPORAT, KEPUASAN PEKERJA DAN PRESTASI KORPORAT DALAM PERUSAHAAN KECIL DAN SEDERHANA DI CHINA

ABSTRAK

Kajian ini bertujuan menyelidik kesan Tanggungjawab Sosial Korporat (TSK) ke atas reputasi korporat, kepuasan kerja pekerja dan prestasi korporat dalam kalangan Perusahaan Kecil dan Sederhana (PKS) di China. Kajian dicetuskan oleh isu yang belum selesai berkaitan hubungan antara TSK dan prestasi korporat serta kekurangan kajian lepas dalam topik ini. Penelitian ke atas literatur menunjukkan literatur tentang isu ini melaporkan penemuan kajian-kajian lepas yang tidak konklusif. Hal ini, antara lain, disumbangkan oleh isu berkaitan metodologi kajian seperti ketidakcukupan pengukuran, ketidaksepadanan pemegang taruhan dan pengabaian terhadap faktor ketiga. Maka, kajian ini meneliti secara berasingan pemegang taruhan luaran dan pemegang taruhan dalaman, membangunkan alat pengukuran yang sesuai dengan konteks kajian dan mengambilkira reputasi korporat dan kepuasan kerja pekerja sebagai pembolehubah pemoderat dalam hubungan antara TSK dan prestasi korporat. Model kajian dibangunkan berdasarkan Teori Pemegang Taruhan dan Teori Identiti Sosial. Selain daripada itu, kesan saiz firma dan usia firma ke atas pembolehubah utama dalam model juga dikaji. Kajian ini berbentuk tinjauan soal selidik ke atas PKS di Wilayah Hebei di China. Sejumlah 309 data telah berjaya dikumpul dan dianalisis dengan menggunakan pendekatan Pemodelan Persamaan Berstruktur – PLS. Hasil kajian menunjukkan bahawa TSK mempunyai hubungan positif dengan reputasi korporat dan kepuasan kerja. Selain

itu, kepuasan kerja didapati menjadi pemoderat kepada hubungan antara TSK dan prestasi korporat. Walau bagaimanapun, penemuan kajian adalah lebih kompleks jika mengambilkira faktor saiz dan usia firma serta apabila analisis dilakukan terhadap hubungan antara pembolehubah peringkat rendah. Hubungan antara TSK, reputasi korporat, kepuasan kerja dan prestasi korporat pada tahap pembolehubah peringkat tinggi adalah berbeza antara firma mengikut usia firma yang berbeza. Seterusnya, hubungan antara pembolehubah pada tahap pembolehubah peringkat rendah didapati berbeza antara firma kecil dan firma sederhana. Sumbangan utama kajian ini ialah penambahbaikan model hubungan antara TSK dan prestasi korporat dengan menambah faktor kepuasan kerja sebagai pembolehubah pemoderat dalam meneliti kesan TSK ke atas prestasi korporat untuk pemegang taruhan dalaman dan luaran. Selain itu, analisis ke atas pembolehubah peringkat rendah memberikan kefahaman yang mendalam tentang hubungan antara TSK dan prestasi korporat. Hal ini dapat memberi panduan yang spesifik kepada pengurus untuk membuat keputusan berkaitan isu TSK. Implikasi utama kajian ini ialah PKS terutama yang bersaiz kecil dan baru dari segi usia, patut melaksanakan aktiviti TSK dalaman dan luaran untuk memberi kesan baik kepada kepuasan kerja dan prestasi korporat.

THE EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE REPUTATION, EMPLOYEE JOB SATISFACTION AND CORPORATE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN CHINA

ABSTRACT

Motivated by unresolved issue of the relationship between corporate social responsibility (CSR) and corporate performance and a lack of relevant research, this study aims to investigate the effects of CSR on corporate reputation, job satisfaction, and corporate performance of small and medium enterprises (SMEs) in China. Literature suggested the measurement inadequacy, mismatch of stakeholders, and the absence of essential third factor led to the inconclusive findings. Therefore, this study distinguished external stakeholders from internal stakeholders, developed measurements considering the context of the study, and introduced corporate reputation and job satisfaction as mediating variables between CSR and corporate performance based on stakeholder theory and social identity theory. In addition, the effects of firm size and firm age on the abovementioned relationships were also taken into consideration. A questionnaire survey on small and medium-sized manufacturing enterprises was conducted in Hebei province, China. Partial least squares structural equation modeling approach was used to analyze data of 309 samples which were randomly selected. The results showed that CSR positively related to corporate reputation and job satisfaction. Moreover, job satisfaction was found mediating the relationship between CSR and corporate performance. However, the findings were

more complicated when firm size and firm age were taken into account and when the investigation went deep into the relationships between lower-order variables. The relationships between CSR, corporate reputation, job satisfaction and corporate performance at the higher-order variables were found different among enterprises of different age, while the relationships between lower-order variables were found different between small enterprises and medium ones. The major contribution of this study is the introduction of the job satisfaction factor into the relationship between CSR and corporate performance as a mediator to construct a systematical mechanism of CSR affecting corporate performance via both internal and external stakeholders. In addition, the analysis on lower-order variables provides an in-depth understanding about the relationship between CSR and corporate performance, and provides more specific guidance or offers a useful basis for managers of SMEs to make decision on CSR issues. The main implications of the findings are that SMEs, especially for small enterprises or those at their early age, should conduct internal and external CSR initiatives that could enhance employee job satisfaction to improve corporate performance.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

Corporate performance (CP) is always the most concerned issue of business. How to improve corporate performance is hereby the objective of every function of management as well as strategic management. Therefore, managers need to estimate the direct and indirect effects of their decisions to corporate performance. However, the effects of some factors including corporate social responsibility (CSR) are still uncertain, while the uncertainty perplexes managers' decision making. This study focuses on how corporate social responsibility affects corporate performance.

Corporate social responsibility is a concept that has progressively attracted much attention by researchers since the early 1930s, when the longstanding Berle-Dodd debate began. The dispute centred on to whom—the shareholder or the stakeholder—a company should be accountable, and was settled when Berle accepted Dodd's argument that corporations have a social responsibility to their employees, other constituencies, and the wider public interest. The recognition of the significant role of CSR to practitioners surged with the social movement of human right and consumer protection in 1960s and beyond (Carroll & Shabana, 2010). In recent years, CSR has continually developed and evolved in academic and practitioner communities all over the world to an extent that people cannot pick up a newspaper or journal without encountering some discussion on the CSR issue,

whether it is about what a business is doing or about a new conference is holding (Carroll & Shabana, 2010). To date, it continues to gain high regard by scholars (Hack, Kenyon, & Wood, 2014) and is considered as a strategic imperative in the competitive environment by practitioners (Bai & Chang, 2015).

The relationship between CSR and corporate performance has been a focal point due to the economic nature of enterprises and, hereby, the intent to treat CSR as a business case (Barnett & Salomon, 2012). It was also the most debated issue in CSR studies (Fassin et al., 2015) because of the inconclusive results after too many studies had been conducted in the past decades (Wood, 2010) (A further review on these will be discussed in Section 2.6.1). The lack of definitive conclusions of studies has motivated scholars to continue the intellectual debate on the theoretical underpinnings and methodological variability of such research (Carroll & Shabana, 2010; Griffin & Mahon, 1997; Marom, 2006; Rowley & Berman, 2000; Ullmann, 1985; Wood & Jones, 1995). Rowley and Berman (2000) satirized such research as the CSR advocates' aspiration of finding a positive connection in order to highlight the benefits of CSR. However, this aspiration was not strongly backed up by theoretical foundation. Moreover, scholars pointed out many flaws in previous research, such as the negligence of contingency (Rowley & Berman, 2000; Ullmann, 1985), stakeholder mismatch (Wood & Jones, 1995), measurement error (Rowley & Berman, 2000; Waddock & Graves, 1997), interpretation bias (Roman, Hayibor, & Agle, 1999), and the absence of mediating variables (Galbreath & Shum, 2012;

Pivato, Misani, & Tencati, 2008). All these lead to further pertinent research endeavours.

A universal relationship between CSR and corporate performance is untenable because many factors, including that have been discussed in the literature, may potentially affect it (Rowley & Berman, 2000). Therefore, rather than testing a simple linear direct relationship, recent direction had called researchers to consider the third factors type, namely mediator or moderator, which may influence the CSR-CP link. In other words, the mechanism through which and the condition under which CSR is related to corporate performance has become the subject of interest of current researchers. However, the limited research findings on this direction are far from enough to scientifically uncover the mechanism and conditions of the CSR-CP link. A broad gap is left for further researchers to investigate.

This study attempts to fill in this research gap by exploring a systematic mechanism by which CSR affects corporate performance based on stakeholder theory and social identity theory. This chapter presents a broad overview of the study at first. Then the background of this study is described in Section 1.2. After that, Section 1.3 presents the problem statement of the study. Next, Section 1.4 and Section 1.5 highlight the research objectives and research questions of this study, respectively. The significance of the study is discussed in Section 1.6, followed by Section 1.7, in which definitions of main terms of this study are listed. The last section of this chapter, Section 1.8, provides the organisation of the dissertation regarding the main content in each chapter.

1.2 Background of the Study

This study focused on the mechanism by which CSR affects corporate performance, set against the context of small and medium size enterprises (SMEs) in China. Studies on CSR in Asia, more so in China, are under-researched as compared to those set in the Western context. CSR research on SMEs is even more lacking when compared with research based on large corporations. However, there is a need in researching CSR in the SMEs context considering the important status of SMEs in economic development, such as their major contribution to gross domestic product (GDP), employment, and tax of various countries. In order to provide the context in which the research gap is identified, this section describes the background of study from two aspects: an era of CSR from both practitioner and academic community perspectives worldwide and the rise of CSR practice and research, as well as the status of SMEs in China where this study was conducted.

1.2.1 An Era of CSR

CSR has been of great concern by both practitioners and researchers for several decades due to its importance to business practice and the perplexity it brings to research. In practice, enterprise managers and decision makers employ CSR voluntarily as a differential strategy to meet diversified consumer needs and to enhance reputation in the competitive climate. They are also forced to pursue CSR to avoid disrepute in modern society where enterprises are under more scrutiny and often criticised by the media and consumer watchdog groups (Ramasamy, Yeung, &

Au, 2010). As a consequence, CSR has become an issue of strategic management that cannot be neglected when managers make business decisions. In addition, CSR has influenced the society widely in many aspects, such as academic research and economic development. For example, specific news magazines, websites, and blogs discuss CSR on a regular basis (Carroll & Shabana, 2010). Many organisations related to CSR have been established, such as Business for Social Responsibility, The London-based Ethical Corporation, and Ethical Corporation, and etc. Regulations, guidelines, as well as CSR index have been issued by state sectors or non-government organisations (NGOs) to encourage CSR practices in organisations. Even the recession of the United States in 2008 was attributed to the irresponsible practices of business (Carroll, 2009).

Meanwhile in the research arena, there are specialised journals, books, discussion forums, and conferences that discuss or publish articles on CSR themes. Furthermore, thousands of articles with "corporate social responsibility" in the title have been published in academic journals of various disciplines, such as Business, Management and Accounting, Economics and Finance, Social Sciences, Arts and Humanities, and many other fields. Various theories and diversified approaches that are related to CSR conception, such as stakeholder theories, social contract theory, legitimacy theory, enlightened self-interest approach, neo-classical economic approach, and moral approach (Moir, 2001), had been put forth by various researchers. Garriga and Melé (2004) classified these theories into four groups,

namely instrumental theories, political theories, integrative theories, and ethical theories.

CSR has attracted attention from both researchers and practitioners. CSR influences the society widely and is explained by diversified theories, which has led it to become an important research field (Crance, McWilliams, Matten, Moon, & Segel, 2008). The concept of CSR has travelled not only in meaning and application, but also in cultural and institutional contexts (Moon & Shen, 2010). However, many CSR themes need further investigation, such as the unclear and not unified conceptualisation and theories (Crance et al., 2008), the diverse measurements, the ambiguous consequences, and etc. Among so many under-researched themes, the effect of CSR on corporate performance, which this study had intended to investigate, is one of the most noticeable topics that require further research.

1.2.2 The Rise of CSR Research and Practice in China

Though originating in Western countries, the global focus on CSR is growing in Asia (Wright, 2008), especially with the economic globalisation tendency and rapid economic growth in this area. Many factors such as socio-political environment, legal system, and cultural climate have a significant effect on the understanding of CSR conceptions as well as the applicability of CSR theories (Tilt, 2016). China has been leading a rapid economic growth since the reform and opening-up policy that was adopted at the end of the 1970s. The reform has led the country to step into a market-oriented economy from a planning economy. However, the rapid economic

development is accompanied by a number of CSR related problems in the business area, such as consumer fraud and "sweatshop" practices (labourers forced to work long working hours under poor conditions and receive very low wages). Hence, there is an urgent need for CSR, which is widely discussed in the literature as a significant driver of business and social environment improvement.

The concept of CSR was introduced into China by the end of the 1980s (Li & Gong, 2009). In the mid-1990s, multinational corporations (MNCs) conducted social responsibility audits on their suppliers in China and thus sparked the need to practise CSR. In 2001, when China joined the World Trade Organisation (WTO), the CSR issue was taken more seriously due to the criticism about the questionable practices of Chinese suppliers and the severe situation of irresponsible social behaviour of businesses in China, e.g., "sweatshop", environmental contamination, and customer cheating (Gao, 2009). As a result, CSR grabbed the utmost attention from the government, academia, and managers of enterprises in China (Xu & Yang, 2010) within the first decade of the new millennium.

The Company Law of the People's Republic of China, which was amended in 2005, forces every company to fulfil their CSR. On 25 September 2006, the Shenzhen Stock Exchange launched ''Social Responsibility Guidelines for Listed Companies'' which requires all listed companies to contribute to good social causes, to protect the rights and interests of their stakeholders, and to protect the environment and natural resources. In a follow-up in 2008, the Shanghai Stock Exchange further issued "Environmental Information Disclosure Guidelines for

listed Companies in Shanghai Stock Market". In August 2009, the two Chinese stock exchange houses launched their respective Social Responsibility Indices. The universal purpose of all these guidelines and indices is to encourage listed companies to fulfil their CSR. Consequently, many listed companies began to disclose their CSR information on their websites, annual reports, or even standalone CSR reports. The number of listed companies that disclose CSR reports increased significantly in the following years (Zhong, 2014).

However, it was observed that most regulations or guidelines are mainly directed at large companies. Research on CSR is also mainly focused on listed companies or large corporations, among others, because of the available public information or their obvious influence on society. Relatively less attention has been given to SMEs, even though they form a large percentage of business and contribute significantly to the economy and job opportunities. According to Zheng (2014), the Director General of Department of SMEs, there were about 15 million SMEs and 45 million individual business entities (all small in size) by the end of 2013. SMEs made up more than 99% of Chinese enterprises, created approximately 60% of total GDP, about 50% of tax, 80% of job opportunities, 70% inventive patents, and 80% new products in China (Zheng, 2014). However, statistics from Chinese National Knowledge Infrastructure (CNKI, a widely used database in China) showed that among the 13,880 articles under the subject "CSR" published from 1997 to 2014, only 118 are on "CSR of SMEs". Furthermore, these studies on CSR relating to SMEs have only been conducted within the recent decade. In conclusion, research on

CSR of SMEs does not match its significant proportion of contribution to the economy. Therefore, there is a great need to study more on the CSR of SMEs in China.

Compared to large companies, SMEs have relatively limited financial and non-financial resources. There are more barriers for SMEs to implement CSR than large companies because pursuing CSR activities requires a huge amount of resources while direct or short-term economic return are not readily visible (Mandl, 2008). However, the existence of more barriers for SMEs to implement CSR does not hinder SMEs to be involved in CSR, as many had perceived (Mandl, 2008). The wrong impression of SMEs avoiding CSR issue mainly comes from the fact that many SMEs do not report their CSR activities like their larger counterparts (Mandl, 2008), which may result from, among others, the lack of awareness and resources of SMEs as well as the limited influence that SME CSR activities may exert on society. Therefore, research on CSR of SMEs is even more significant and faces more challenges when compared to studies on large companies, due to the limited available published data and research. The situation is believed to be more severe in China where CSR research has been very much lagging behind the West. Empirical research on CSR of SMEs that is based on the particular social and cultural background in China is even urgently needed but still inadequate either in quantity or quality.

1.3 Problem Statement

When it comes to the relationship between CSR on corporate performance, in addition to saving transaction costs, increasing sales, and facing fewer counterproductive events in their operational process due to the contribution of CSR to the relative stakeholders and to the society as a whole, CSR can enhance corporate performance by effective usage of energy, waste reduction of raw materials (CSR and performance, 2016; Welford & Frost, 2006), and positive effect on consumer's behaviour (Lacey & Kennett-Hensel, 2010; Perrini, Castaldo, Misani, & Tencati, 2010; Rahim, Jalaludin, & Tajuddin, 2011). However, CSR also negatively affects corporate performance by waste of resources (Izzo & Magnanelli, 2012). Hundreds of studies on the relationship between CSR and corporate performance have been published since 1970s (Barnett & Salomon, 2012), but the results of these studies can be considered inconclusive. In a review paper by Griffin and Mahon (1997), 61 articles about the relationship between CSR and corporate performance published from 1972 to 1997 were studied and found that 33 out of the 61 results were positively related, 19 of them were negatively related, and 9 of them were not related. Moreover, Beurden and Gössling (2008) reviewed 34 articles and revealed that 68% (23 studies) of them reported a positive relationship, 26% (nine studies) reported no relationship, and 6% (two studies) found a negative relationship between CSR and corporate performance. While the study by Bowman and Haire (1975) found a U-shaped relationship between CSR and corporate performance.

In facing the mixed findings of studies on the relationship between CSR and corporate performance, some scholars pointed out flaws in previous studies as an explanatory point to shed light on this issue (Pivato et al., 2008; Roman et al., 1999; Rowley & Berman, 2000; Ullmann, 1985; Waddock & Graves, 1997; Wood & Jones,

1995). Other scholars questioned the scientific accurateness of such studies, even satirized them as the CSR advocates' theoretically untenable aspiration to find a positive connection to show the profitability of CSR (Rowley & Berman, 2000; Wood & Jones, 1995). The direct test between CSR and corporate performance was argued to be spurious (Galbreath & Shum, 2012; Saeidi, Sofian, Saeidi, Saeidi, & Saaeidi, 2015). Still other scholars suggested that the consideration of mediation can drive studies away from the theoretically untenable direct relationship (Galbreath & Shum, 2012; Servaes & Tamayo, 2013; Wood, 2010). Therefore, recent studies have turned to focus on the mediator or mechanism through which CSR affects corporate performance, rather than the study on the direct relationship between CSR and corporate performance.

In response to this tendency, several factors that play a mediating role on the relationship between CSR and corporate performance had been suggested, such as innovation, and research and development (R&D) (Hull & Rothenberg, 2008; McWilliams & Siegel, 2000; Wagner, 2010), customer satisfaction (Alafi & Al Sufy, 2012; Galbreath & Shum, 2012; Luo & Bhattacharya, 2006), intangible resources (Surroca, Tribó, & Waddock, 2010), corporate reputation (Galbreath & Shum, 2012; Lai, Chiu, Yang, & Pai, 2010; Saeidi et al., 2015), industry and sales revenue (Galbreath & Shum, 2012), social capital (Saeed & Arshad, 2012), stakeholder influence capacity (Barnett & Salomon, 2012), customer awareness (Servaes & Tamayo, 2013), and marketing competence (Bai & Chang, 2015). However, the factors suggested above are not theoretically related to each other, and cannot form the whole picture of the mechanism of CSR affecting corporate performance. In other words, a systematic mechanism is not yet uncovered through previous studies.

Stakeholder is the central to CSR (Maon, Lindgreen, & Swaen, 2009). Many researchers emphasised stakeholders as channels through which CSR influences corporate performance (Barnett, 2007; Henisz, Dorobantu, & Nartey, 2014; Servaes & Tamayo, 2013). Previous studies on CSR tended to focus on external stakeholders and their outcomes rather than its impact on internal stakeholder, such as employees (Hansen, Dunford, Boss, Boss, & Angermeier, 2011) while CSR can really affect employee (Ferreira & Oliveira, 2014). Corporate reputation (CR), which is the projection of an enterprise to the external stakeholders (Whetten & Mackey, 2002) and reflects the effects of an enterprise on external stakeholders, has been treated as a mediator in the CSR-CP relationship more often than other factors in previous studies while limited study has considered internal stakeholders, i.e., employees, as a channel of CSR affecting corporate performance through.

Job satisfaction (JS) is the result of an enterprise affecting employee. A positive relationship between CSR and job satisfaction has been supported (Brammer, Millington, & Rayton, 2007; Jones, Jones, Latreille, & Sloane, 2009; Lv & Wang, 2009; Valentine & Fleischman, 2008), and the relationship between job satisfaction and corporate performance has also been reported (Ostroff, 1992; Ostroff, 1993; Ostroff & Schmitt, 1993) previously. Nelling and Webb's (2009) study suggested that CSR is not driven by corporate performance but by unobservable characteristics, which lead enterprises to invest in aspects of CSR devoted to employee relations. However, no study was found introducing job satisfaction as a mediator of the CSR-CP link. Nevertheless, the mediating roles of job satisfaction and corporate reputation on the relationship between CSR and corporate performance represent two mechanisms, which set up a mechanism system of CSR affecting corporate performance via affecting both internal and external stakeholders. These

mechanisms are underpinned by stakeholder theory and social identity theory which suggest that corporate performance will be affected by the effect of CSR on stakeholders. However, few studies have empirically tested the effects of CSR on corporate performance through affecting both internal and external stakeholders, especially in the context of SMEs in China.

In addition to the mechanism, the vague relationship between CSR and corporate performance is also attributable to the negligence of condition. The lack of knowledge on the effects of firm size and firm age that potentially moderate the relationship between CSR and corporate performance leaves SMEs at a loss while facing decision making on CSR too.

Chinese SMEs has been found as "low level" (Yang, 2012) and "unwilling" (Jin & Hu, 2011) in fulfilling CSR. The main reason for this situation lies in the requirement of huge amount of resources and the uncertainty outcome of fulfilling CSR. It is necessary to clarify the mechanism and condition of CSR affecting corporate performance to help the decision making of SMEs on CSR.

1.4 Research Objectives

The objective of this study is to investigate the effects of corporate social responsibility (CSR) on corporate reputation (CR), job satisfaction (JS), and corporate performance (CP) of small and medium enterprises (SMEs) in China in conditions of different firm size and firm age. The mechanism refers to mediator through which CSR affects corporate performance while the conditions act as moderators. The first mediator is job satisfaction which related to the internal stakeholder, while the second mediator is corporate reputation which related to the

external stakeholder. The two moderators are firm size and firm age. The objectives of this study were to examine the following relationships related to the above mentioned mediations and moderations: (1) the relationship between CSR and corporate performance in different firm size and firm age, (2) the relationship between CSR and job satisfaction in different firm size and firm age, (3) the relationship between CSR and corporate reputation in different firm size and firm age, (4) the relationship between job satisfaction and corporate performance in different firm size and firm age, (5) the relationship between corporate reputation and corporate performance in different firm size and firm age, (6) the relationship between corporate reputation and job satisfaction in different firm size and firm age, (7) the mediating role of job satisfaction on the relationship between CSR and corporate performance, in different firm size and firm age, and (8) the mediating role of corporate reputation on the relationship between CSR and corporate performance in different firm size and firm age.

CSR is divided into internal CSR (ICSR) and external CSR (ECSR) according to the stakeholder being benefited by the CSR initiatives. ICSR here refers to the CSR initiatives, which are conducted to benefit or satisfy the needs of internal stakeholders of the enterprise. ECSR refers to the CSR initiatives that are conducted to benefit or satisfy the expectations of external stakeholders of the enterprise. Corporate performance consists of corporate financial performance (CFP) and corporate operational performance (COP) that measures non-financial performance of an enterprise. In order to understand in detail the influences of CSR on corporate performance via corporate reputation and job satisfaction respectively, this study also examined the effects of ICSR and ECSR on COP and CFP separately. Thus, the eight

specific objectives established for this study were:

(1) To investigate the relationship between corporate social responsibility (internal and external corporate social responsibility) and corporate performance (financial and operational performance) as well as the moderating effects of firm size and firm age on the relationships;

(2) To test the relationship between corporate social responsibility (internal and external corporate social responsibility) and job satisfaction as well as the moderating effects of firm size and firm age on the relationships;

(3) To test the relationship between corporate social responsibility (internal and external corporate social responsibility) and corporate reputation as well as the moderating effects of firm size and firm age on the relationships;

(4) To assess the relationship between job satisfaction and corporate performance (financial and operational performance) as well as the moderating effects of firm size and firm age on the relationships;

(5) To assess the relationship between corporate reputation and corporate performance (financial and operational performance) as well as the moderating effects of firm size and firm age on the relationships;

(6) To examine the effect of corporate reputation on job satisfaction as well as the moderating effects of firm size and firm age on the relationships;

(7) To determine whether job satisfaction mediates the relationship between corporate social responsibility (internal and external corporate social responsibility) and corporate performance (financial and operational performance) as well as the moderating effects of firm size and firm age on the relationships, and

(8) To determine whether corporate reputation mediates the relationship between

corporate social responsibility (internal and external corporate social responsibility) and corporate performance (financial and operational performance) as well as the moderating effects of firm size and firm age on the relationships.

1.5 Research Questions

In order to achieve the above research objectives, the research questions of this study include:

(1) Does corporate social responsibility (internal and external corporate social responsibility) influence corporate performance (financial and operational performance) in the condition of different firm size and firm age?

(2) Does corporate social responsibility (internal and external corporate social responsibility) influence job satisfaction in the condition of different firm size and firm age?

(3) Does corporate social responsibility (internal and external corporate social responsibility) influence corporate reputation in the condition of different firm size and firm age?

(4) Does job satisfaction influence corporate performance (financial and operational performance) in the condition of different firm size and firm age?

(5) Does corporate reputation influence corporate performance (financial and operational performance) in the condition of different firm size and firm age?

(6) Does corporate reputation influence job satisfaction in the condition of different firm size and firm age?

(7) How does job satisfaction mediate the relationship between corporate social

responsibility (internal and external corporate social responsibility) and corporate performance (financial and operational performance) in the condition of different firm size and firm age?

(8) How does corporate reputation mediate the relationship between corporate social responsibility (internal and external corporate social responsibility) and corporate performance (financial and operational performance) in the condition of different firm size and firm age?

1.6 Significance of the Study

This study investigated the mediating effects of corporate reputation and job satisfaction on the relationship between CSR and corporate performance, and examined the direct relationships among these variables as well in SMEs in China. It established a research model that examined the internal and external mechanism by which CSR affects corporate performance. In addition, this study had taken a significant step further from previous studies to investigate the relationship both between high-order variables (CSR, corporate performance) and between low-order variables (ICSR and ECSR, CFP and COP), hereby exploring the relationship between variables in greater depth and thus enriching the current literature. Furthermore, this study has academic and practical merit under the condition that SMEs make up a substantial part of the economy, but CSR of SMEs had been neglected for a long time by researchers and practitioners, particularly in China. The results of the current study are significant as a reference for researchers from other

economies and other settings. The succeeding paragraphs discuss the significance in greater detail from theoretical, practical, and methodological aspects.

1.6.1 Theoretical Significance

Theoretical significance of this study lies in two aspects. Firstly, this study has enriched the CSR literature by introducing job satisfaction as a mediator into the theoretical relationship between CSR and corporate performance in which the mediating role of job satisfaction has not been examined previously. Moreover, job satisfaction is a core concept of motivation theories in organisational behaviour, management psychology, and human resource management (HRM) disciplines. This study enriched the knowledge of the three research fields by joining CSR into job satisfaction.

Secondly, this study explored two mechanisms by which CSR influences corporate performance, namely internal mechanism and external mechanism, and examined the effects of ICSR and ECSR on dependent variables CFP and COP. A few concepts of ICSR and ECSR have been mentioned by previous studies (Brammer et al., 2007; Crane & Ruebottom, 2011), but even fewer studies had investigated their influences on corporate performance, respectively. ICSR and ECSR initiatives were thoroughly different issues concerning the resources needed, the procedure of conducting, or the objects (stakeholders) they acted on. Therefore, this study on the effects of ICSR and ECSR on job satisfaction, corporate reputation,

and corporate performance separately and comparatively had revealed different roles of CSR initiatives and contributed to CSR literature as well as to CSR practice.

1.6.2 Practical Significance

The practical significance of this study mainly lies in its guidance on CSR strategy decision of SMEs in China. Managers or decision makers may choose appropriate CSR initiatives by referring to the results of this study. For example, this study found that ICSR influences corporate performance more significantly than ECSR. Therefore, to invest more resources to ICSR activities might be strategically a more profitable choice. Furthermore, it was found that CSR affects COP and CFP differently through job satisfaction regarding SMEs of different sizes and ages. As a result, managers can plan CSR initiatives according to the size and age of the enterprises in order to maximise the output of CSR initiatives.

1.6.3 Methodological Significance

Methodological significance of this study can be described from two aspects. One is the development of measurements for CSR, corporate reputation, job satisfaction, and corporate performance variables, while the other is the statistical analysis on two levels.

Firstly, this study developed the modified measurements of CSR, corporate reputation, job satisfaction and corporate performance. Even though there is a plethora of CSR ratings available from the published literature, utilising an appropriate measurement and specification of CSR is still currently a challenge

(Burbano, 2014). The widely used CSR rating, KLD Stata Database as established by Kinder, Lyndenberg, and Domini & Co., Inc., is considered as noisy aggregate measurements (Chatterji, Levine, & Toffel, 2009; Entine, 2003) that made the results difficult to be interpreted (Burbano, 2014). Another popular CSR rating in the Western nations is the Fortune (Fortune Reputation Survey, FRS), which is a tool mainly for evaluating CSR of large companies. Moreover, both KLD and Fortune databases do not include Chinese enterprises and their dimensions are inappropriate for Chinese SMEs or overlap with other variables. For example, "nuclear power" dimension in KLD measurement is not relevant to Chinese SMEs. The dimension "financial soundness" in Fortune index is not suitable for studies on the relationship between CSR and corporate performance because it itself is an indicator of corporate performance as well. Therefore, it is difficult to find a suitable CSR measurement that is specifically developed for Chinese SMEs. This study contributed to the literature by developing reliable measurements for CSR, job satisfaction, and corporate performance in the context of China.

In addition, in order to explore the potential functions of different mechanisms of CSR influencing corporate performance, this study developed a comprehensive hierarchical CSR measurement that contains two dimensions, ICSR and ECSR, which are further composed of several respective sub-dimensions. The sub-dimensions of CSR measurement were fully developed for the Chinese context and based on the data of Chinese SMEs. The corporate reputation variable was measured by the perceptions of the employees rather than external stakeholders while considering the importance of employees to the SME. Furthermore, this study developed a measurement of job satisfaction by using the factor analysis procedure on data from Chinese SMEs and items were chosen based on hierarchy of needs

theory. The measurement of job satisfaction is theoretically and statistically reliable and valid for this study, and the method of developing job satisfaction measurement can be referred to in other research.

Secondly, this study conducted two levels of data analyses separately, namely the relationship between the high-order constructs, and relationship between low-order constructs. The relationship between low-order constructs might be inconsistent with the relationship between high-order constructs. For example, this study reported the insignificant relationship between CSR and corporate performance. However, the relationship between their dimensions, ICSR and CFP was significant. Both the relationship between high-order constructs and relationship between low-order constructs would be meaningful for managers. The study on high-order constructs would make it easier to grasp the relationship between variables in general, while the relationship between low-order variables provides greater details. This study has successfully explored and provided invaluable insight about the relationships at both levels.

1.7 Definitions of Terms

Corporate social responsibility (CSR) is defined as "an enterprise [that] pursues actions and policies in a responsible manner with the intension of benefiting its internal and external stakeholders beyond its own economic interests". CSR are divided into internal corporate social responsibility (ICSR) and external corporate social responsibility (ECSR) according to the stakeholder being benefited by the CSR initiatives.

Internal corporate social responsibility (ICSR) refers to the CSR initiatives conducted to benefit or satisfy the needs of internal stakeholders of the enterprise.

External corporate social responsibility (ECSR) refers to the CSR initiatives conducted to benefit or satisfy the expectations of external stakeholders of the enterprise.

Corporate performance (CP) is "subset of overall concept of organisational effectiveness which reflects perspective of strategic management" (Venkatraman & Ramanujam, 1986, p. 803). Corporate performance consists of corporate financial performance and corporate operational performance.

Corporate financial performance (CFP) is the centre of corporate performance and uses *"*simple outcome-based financial indicators that are assumed to reflect the fulfilment of the economic goals of the firm" (Venkatraman & Ramanujam, 1986, p. 803) such as sales growth and profitability.

Corporate operational performance (COP) is a broader conceptualisation of corporate performance that measures non-financial performance such as market-share, new product introduction, and product quality of an enterprise.

Job satisfaction (JS) is an emotional response to a job or specific aspects of the job he or she was engaged in. In this study, JS is operationalized at an organizational level rather than individual level. It is evaluated as to what degree a middle manager perceive employees' satisfaction toward various needs related to aspects of their job within the enterprise

Corporate reputation (CR) is defined, by combining previous definitions, as the perceptions of the extent to which an enterprise is to be held by its external stakeholders in high esteem or regard because of its contributions to its different stakeholders.

1.8 Organisation of the Dissertation

This dissertation is composed of seven chapters. Chapter 1 is an introduction about the background of the research and the problem statement of the study. In addition, the research objectives and research questions are presented, followed by the significance of this study.

Chapter 2 reviews previous literature related to this study, including an overview of CSR; research on CSR in China; CSR of SMEs; the relationship between CSR and corporate performance, the relationship between CSR and JS, as well as CSR and corporate reputation; literature about job satisfaction and performance; and discussion about the mediating roles of job satisfaction and corporate reputation on the relationship between CSR and corporate performance.

Chapter 3 reviews stakeholder theory and social identity theory, which led to the theoretical framework of the study. Eight sets of hypotheses were developed and discussed toward the end of this chapter.

Chapter 4 focuses on the research methodology where the research design is elaborated upon before a discussion on population and sampling is presented. The procedures of questionnaire development are described in greater detail in this

chapter. A description of the data collection process is also provided at the end of this chapter.

Chapter 5 presents results of data analysis conducted based on 309 samples using PLS-SEM modelling. This study built a hierarchical model and analysed the data at two levels. Mediation and moderation were tested at both levels as well, and the results are reported at the end of this chapter. Meanwhile, Chapter 6 discusses the findings of the study. Chapter 7 presents the conclusion of the study and its contributions and limitations. Suggestions for future research are also provided in this chapter.