

Analyzing the Factors that Affect the Implementation of CSR in Enterprises

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ABSTRACT

Since the establishment of the World Business Council for Sustainable Development (WBCSD) in 1995, numerous organizations around the world have actively discussed proposals and strategies to improve corporate social responsibility (CSR). CSR has not only become a basic operating principle for enterprises but also a core value that indicates the importance of human rights, safety and health, community participation and environmental protection in addition to a firm's business interests. However, in traditional economies, the primary purpose of an enterprise is to generate profits; therefore, what factors motivate enterprises to be concerned with CSR? In this study, the authors discuss factors that affect CSR implementation by exploring the literature and conducting field interviews with enterprises. We compile the results into four primary dimensions that include 15 sub-dimension factors. The Analytic Hierarchy Process (AHP) is used to guide the discussion and analysis of the weights among the various influencing factors. This study determines that "leader's intention" has the highest degree of influence followed sequentially by "corporate resources", "industrial environment" and "public motivation."

Keywords: corporate social responsibility (CSR), leader's intention, corporate resources, industrial environment, public motivation, Analytic Hierarchy Process (AHP).

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1. INTRODUCTION

In addition to pursuing profits to increase shareholders' wealth, enterprises should consider social justice and social responsibility. Fueled by globalization, enterprises have rapidly expanded while enhancing economic development and employment opportunities; however, they have also caused environmental pollution and damage. The

general public often demands that profit-making enterprises become socially responsible. What is Corporate Social Responsibility (CSR)? There is no fully recognized definition, but CSR generally implies that enterprises must comply with criteria that are required by morals, laws and public opinion and that address the impacts of commercial activities on various relevant stakeholders. CSR is based on the concept that business operations must align with sustainable development. To clarify, in addition to considering their own financial and operational conditions, enterprises should also consider their impact on society and the natural environment. Numerous authoritative institutions in the international community have committed to promoting CSR, including the World Business Council for Sustainable Development (WBCSD), the Organization for Economic Cooperation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the Asia-Pacific Economic Cooperation (APEC), and the European Union (EU). In the future, CSR will become a basic element of enterprises' sustainable operations. To survive global competition, enterprises must enhance their corporate image and maintain relationships with local communities through the implementation of CSR. Furthermore, governments should promote improving labor welfare and the environment to enhance their international image and achieve sustainable operations and development.

The Corporate Social Responsibility Theory originated from a reaction against enterprises' focus on solely making a profit. The original purpose of establishing an enterprise is interest-oriented, which focuses on increasing the wealth of the enterprise and its shareholders. However, increasingly, certain scholars believe that enterprises should be concerned with public interests in addition to making a profit, and subsequently, the Corporate Social Responsibility Theory was developed. However, certain problems exist. For example, the original intention of establishing an enterprise is to promote the interests of promoters or shareholders. If a firm pursues public interests at the expense of shareholders' interests, will it affect the enterprise's willingness to implement CSR? Is it necessary for an enterprise to respond to the expectations of society? To clarify these issues, we must first understand why enterprises need to engage in CSR. What is their motivation? Individuals engage in a variety of activities because of motivation. Following experimental study of animals, the American psychologist E. Tolman proposed Purposive Behaviorism, which refers to the motivation for behavior, such as expecting to obtain something or attempting to avoid something that is undesirable. Individuals expect to achieve the purpose of their actions through certain ways or means, which is the basis of Expectancy Theory. This study discusses enterprises and CSR issues and proposes that we must first clearly understand the mission and vision of an enterprise (Why?). Next, we must understand an enterprise's strategy and tactics (What?). Finally, we must understand how a firm allocates its

resources and develops its action plans (How: Who, When, Where, How much?). A complete CSR strategy can be constructed using this basic process. Based on the Expectancy Theory, this study explores the formation of a CSR strategy, which includes the factors that affect an enterprise's motivation for implementing CSR. An enterprise must determine which of these influencing factors are the most important. Therefore, this study has two primary goals: (1) to explore the factors that motivate an enterprise to implement CSR and (2) to provide a discussion and conduct an analysis regarding the weights of the influencing factors using the Analytic Hierarchy Process (AHP).

2. LITERATURE REVIEW

Michael E. Porter suggests that social welfare and corporate growth are not a zero-sum game. In this new era, if an enterprise has thoroughly implemented an effective CSR concept and strategies, then the enterprise is more likely to realize the win-win business opportunity with society. CSR should be perceived as an opportunity, rather than a tool for crisis management or public relations. This perspective has incited a revolution in enterprises, and it is very likely that this perspective is the key to surviving future competition. Over the years, studies regarding CSR-related theories can be described as a dazzling array of beautiful exhibits that are too numerous to mention individually. However, when submitting CSR reports, most enterprises that operate in Taiwan only focus on reports regarding environmental protections and annual financial statements that must be published as specified in government regulations. This phenomenon indicates that in the field of CSR, enterprises have room for improvement. From the perspective of social and cultural norms, although enterprises may engage in CSR for a variety of reasons, enterprises operate under various cultural restrictions and norms, similar to individuals' actions in society. When social norms change, enterprises' behaviors must also change. When the entire environment tends to require enterprises to perform social responsibility in addition to their economic functions, enterprises will inevitably be affected by this new norm; eventually, this new behavior must be internalized as a component of enterprise value.

What factors cause enterprises to invest in CSR? Because different perspectives and different dimensions have been discussed, experts and scholars have provided numerous arguments regarding this issue. For example, KPMG issued a survey in 2008 and determined that the factors that motivate global enterprises to engage in CSR include the following: (1) ethical considerations, (2) economic and financial considerations, (3) the enterprise's reputation and prestige, (4) innovation and learning, (5) labor considerations, (6) risk considerations and avoidance, (7) strengthening relationships with suppliers, (8) market positioning improvement, (9) improvements with government authorities, and (10) cost considerations. In addition, Galaskiewicz (1985) argued that CSR's short-term

strategic considerations can be divided into three motivations: (1) marketing motivation: enhancing consumer awareness of an enterprise or its products to promote product sales is the most typical short-term goal for an enterprise to engage in socially responsible activities; (2) competitive motivation: to respond to competitive pressures from enterprises in the same industry, an enterprise may passively invest in social responsibility activities to avoid consumers' negative perceptions that the firm does not care about public interests; and (3) tax-reduction motivation: relevant laws and regulations regarding tax concessions may reduce an enterprise's expenditures for social responsibility activities.

2.1 Impacts of a Leader's Intentions Regarding CSR

The impacts of enterprise owners and senior executives on the decision-making of an enterprise are often comprehensive and diverse. In addition, decision-makers can affect a firm's participation in public welfare activities through the corporate culture. Managers' values, ideas, preferences and backgrounds affect the enterprise's degree of support for sponsoring public welfare and the types of sponsored activities in which they engage. Generally, operators make decisions regarding whether enterprises will sponsor public welfare activities. Foreign enterprises are faced with similar situations. Useem (1988) noted that operators determine the scale and direction of a firm's contributions in accordance with their interests and commitments; their degree of support also affects the results of sponsored programs. Therefore, a leader's intention has a decisive and critical influence on whether the enterprise will implement CSR programs and the implementation methods that are used for these programs. In addition to enterprise owners and senior executives, the board of directors is a core internal governance mechanism of an enterprise; its primary function is to supervise managers' operational performance. When the percentage of shares that are held by directors and supervisors is higher, their financial dependency on the company is greater, and their motivation for supervising managers is enhanced, which subsequently causes enterprises to engage more actively in socially responsible activities (Berle & Means, 1932). In addition, Shahin and Zairi (2007) argued that corporate governance can drive enterprises to better fulfill their social responsibilities; the board of directors is one of the most important mechanisms in corporate governance; therefore, it may be inferred that the board of directors can have a positive impact on CSR performance. Tax avoidance is often a major consideration of Taiwanese enterprises when they make charitable contributions. Frank et al. (2011) determined that enterprises' financial and operating strategies are often related to tax avoidance behavior. Enterprises can identify deficiencies and loopholes in tax laws by hiring professionals who are proficient in tax laws. Although this practice does not violate legal norms in terms of the definition of tax avoidance in

Taiwanese taxation law, it does not align with social ethics and norms and violates the legislative spirit of tax laws. However, this concept undoubtedly increases the motivation for tax avoidance for companies that not only pursue increased after-tax earnings but also seek to successfully engage in CSR. Tax avoidance behavior has an important impact on the culture and decision-making of numerous enterprises; therefore, certain associations exist between CSR and tax avoidance behavior.

The operating strategies of enterprises are all encompassing; activities regarding social public welfare represent an important component of a firm's operation. Prior studies and surveys have determined that two methods can be used to classify the types of strategies that firms use to engage in public welfare activities. The first type of strategy is to divide activities into those that have a marketing-related purpose and activities that have a non-marketing-related purpose. Marketing-related goals generally include enhancing corporate image, promoting popularity, and addressing the deficiencies of advertisements; non-marketing-related goals include tax savings, motivating employees, community relations, environmental development, and fulfilling social responsibility (Grahn, Hannaford & Lavery, 1988). The second method of classifying strategies is to differentiate them according to the purpose of the activity, such as "self-interest" or "altruism" (Murray, 1991). "Self-interest" motivations include marketing-related purposes. "Altruistic" motivations are purely for social public welfare and include ideas and practices such as improving the community's environment, supporting public interest groups, etc. Murray (1991) and Grahn Hannaford & Lavery (1988) emphasized that decisions made by enterprises regarding their participation in public welfare activities should not be dichotomically classified because enterprises' motivations for engaging in public welfare activities may include both marketing-related and non-marketing-related goals and may include pursuing goals that are related to self-interests and altruism. CSR strategies are often directly associated with stakeholders and enterprises, and firms may find that when they consult and collaborate with stakeholders, these stakeholders influence the concept and model of the firm's CSR strategy (Bendell, 2005). Certain scholars have discussed the impact of stakeholders on CSR from the perspective of the Stakeholder Theory. For example, Freeman (1984) based his study on the Stakeholder Theory and argued that a company must not only take responsibility for shareholders but also must be accountable to such stakeholders as employees, society, suppliers, and a much-invested public. A firm's stakeholders must bear the risk of success or failure of the company. International organizations and local communities often insist that companies must not only be responsible for shareholders but also for all their stakeholders. In the past, numerous scholars have used the Stakeholder Theory and the perspective of corporate governance, which implies that stakeholders' supervision of corporate performance is an important factor regarding

whether a company engages in socially responsible behavior (Aguilera & Jackson, 2003; Driver, C. & Thompson, G., 2002). Therefore, enterprises must take the initiative and be responsible to society.

2.2 Associations between Corporate Resources and CSR

Academic studies include two types of inferences regarding whether CSR has a positive effect on corporate social performance or operating performance. The first is the social impact hypothesis, which indicates that a positive relationship exists. This hypothesis is based on the Stakeholder Theory and argues that similar to shareholders, other stakeholders also have an impact on a company and the company's social responsibility is used to meet the requirements of various stakeholders. Therefore, a company's inherent hidden costs can be reduced and reflected in the company's financial performance when it successfully engages in CSR (Freeman, 1984). However, the second inference implies that a negative relationship exists; because a firm has limited resources, it must make trade-offs among stakeholders, and the economic benefits of the company's shareholders will be affected and reflected in increased financial costs. A firm's financial performance is adversely affected when the company engages in social responsibility for other interest groups. From this perspective, a company is at a disadvantage compared to competitors that do not engage in social responsibility. Therefore, as a company increases its engagement in CSR, its financial performance will worsen (Shen & Chang, 2009).

The most important purpose of an enterprise is to create profits. In practice, even if numerous companies promised to engage in sustainable development, they may not have all of the necessary resources. A survey targeted all listed and OTC enterprises in Taiwan and determined that large enterprises who promoted CSR were still faced with difficulties related to funds and a lack of professionals and knowledge. The resources of small and medium-sized enterprises, whether in terms of manpower or capital, are not larger or more capable than the resources of large enterprises. Small and medium-sized enterprises are often more restricted when engaging in CSR-related activities. Therefore, when enterprises are considering undertaking CSR, they must consider if they have sufficient human resources and determine whether CSR can contribute to their profitability. An enterprise's actions while fulfilling social responsibility may have a significant impact on the staff turnover rate, loyalty and team spirit (Meyer, 1999). In addition to the abovementioned benefits for enterprises, when they engage in public welfare activities and enterprises' participation in art and cultural activities may improve employee satisfaction. Therefore, enterprises should actively participate in art and cultural activities. Enterprises' participation in public welfare activities has a significant effect on employees' loyalty, job satisfaction and morale (Nichols, 1990).

2.3 Importance of the Industrial Environment for Enterprises

Poduska et al. (1992) and Reilly (1992) demonstrated that environmental performance affects a firm's CSR performance. Environmental performance helps external stakeholders understand whether the company's practices and effects on environmental issues significantly contribute to the community. It is not necessary for certain companies that cause a large amount of pollution to demonstrate their concern about the environment through expenditures on environmental protection because these expenditures may exceed the burden they can afford. These companies can demonstrate their concern about the environment using approaches, e.g., resource reuse or conservation. Enterprises that have decreased environmental control performance may incur financial losses because of violating laws and regulations or damage compensation that is related to environmental protections (Chen, 2008). In addition, certain industries with poor social acceptance must consider their CSR performance. The empirical study conducted by Anand & Cowton (1993) targeted 125 moral investors and claims that five factors affect moral investors' willingness to invest in firms: industrial factors (e.g., nuclear energy), evil (e.g., alcohol), negative effects (e.g., public opinion), certain distrust factors (e.g., advertising), and concern about human rights and pacifists (e.g., South Africa). Although environmental control performance represents an expenditure, it has numerous benefits for enterprises. These benefits include enhanced customer loyalty, more contributions to the community, the ability to recruit outstanding employees and the ability to improve product quality and production efficiency. These allow the firm to avoid the risk of possibly harming their reputation, which may result from a firm's environmental pollution (Idowu, 2004).

Numerous prior studies have determined that as an enterprise becomes larger, it generally increases its participation in sponsoring public welfare activities (McElroy & Siegfried, 1985; Useem, 1988). If an enterprise's activities have an adverse impact on the environment or society, then it will harm the company's reputation, which results in poor operations and may damage creditors' rights and interests. Therefore, creditors are concerned regarding a firm's activities and hope that the enterprise is able to constantly disclose and engage in social activities to help them understand the dynamics of the enterprise. Engaging in CSR helps to promote the sustained support of outside stakeholders (David, 2001). Because the concept of social responsibility has become more popular, employees recognize that if the company has a poor reputation, then the rights and interests of the employees will also be damaged. Therefore, as a firm hires more employees, the pressure from those employees increases and the enterprise will more actively respond to social needs and fulfill their social responsibilities. From the perspective of competitors, Gale (1972) argued that vendors that have a higher market

share also have greater market power for controlling the market. This property indicates that as a firm increases its market share, it becomes more concerned regarding the outside world and an enterprise will engage in relevant social responsibility activities to maintain a good image and retain its competitiveness as the number of competitors increases.

2.4 Enterprises' Public Motivation for Implementing CSR

Public affairs refer to a series of social activities and norms that society must maintain within a scope of "order" to meet the common needs and demands of the members of the society while promoting social development. Government laws and regulations account for a large part of the reason that firms implement CSR. In addition, firms consider their relationships with their customers. National governments have different motivations for conducting CSR disclosure. For example, France, Norway and Romania emphasize market positioning; Japan, Mexico and Portugal emphasize innovation and labor factor consideration; and Norway considers relationships with government authorities (Petra Christmann and Glen Taylor, 2006). Foreign governments or organizations have developed certain policies regarding CSR. The US is the first country that has adopted coercive practices including laws, decrees and regulations to constrain enterprises in the implementation of their CSR. The European Union (EU) is the most active and effective group of nations that develop and promote the implementation of CSR. The EU has implemented a series of effective management methods and its primary measures include the following: (a) implementing social regulations; (b) strengthening the protection of employee rights and interests; (c) improving enterprises' disclosure of environmental accounting information; (d) announcing EU modernization directives; and (e) initiating the European Alliance of Corporate Social Responsibility. Most large enterprises that operate in the EU have formed a dedicated ethics department and hired an ethics director to address issues between enterprises and stakeholders. Enterprises have attached increasingly greater importance to the significant power of CSR on their brand image, which focuses on the firm's image rather than on price competition. Therefore, a government's involvement in CSR development is a universal international phenomenon.

CSR has become a global trend that cannot be ignored. Enterprises that operate all over the world have been unable to circumvent their obligation to implement corporate responsibility. The social value of an enterprise is not merely to pay taxes; the firm must protect the environment and safeguard the rights and interests of laborers. CSR does not refer to simply participating in charitable activities, but rather represents a potential opportunity for the enterprise to realize innovation and enhance its competitive advantages. When an enterprise decides to focus on an issue, it must determine whether

the issue will enhance their public image. Generally, enterprises are more willing to sponsor large-scale public welfare activities and popular issues (Nichols, 1990) because their impact level is broader and they are more socially significant. Successful public welfare marketing depends on selective support. When an enterprise “owns” an issue by using a long-term approach, the enterprise can build a reputation of morality and kindness and its long-term commitment will attract the media’s continuous attention and help consumers, employees, stakeholders and communities accept the enterprise (Cooper, 1997). Turban and Greening (1996) argued that when a firm has a higher rating regarding their engagement in CSR, it is more attractive, and its reputation is enhanced, which subsequently attracts potential employees and improves their competitive advantage. A CSR award-winning enterprise with multiple stakeholders can improve the production capacity of its employees and enhance the reputation of its goods. This type of firm enhances the trust of its customers in its goods and positively affects their purchase intentions. If a firm provides quality products, then it will create a difference for other competitors and its market share will increase accordingly; the firm’s overall operating performance will be enhanced, and its social value will increase.

In recent years, the US, Japan and the advanced countries in Europe have actively promoted full disclosure of an enterprise’s information. Ullmann (1985) argued that information disclosure is a tool that companies use to manage their relationships with stakeholders and the external environment. Environmental information disclosures represent a company’s response to stakeholders and is a communication channel between the company and the public. Ullmann (1985) proposed the framework of the Stakeholder Theory, which is the basis of relevance between a company’s environmental strategy and the extent of its social responsibility disclosure. Ramanathan (1976) argued that a CSR report is a social contract between an enterprise and society. Enterprises do not exist in isolation, but rather as a part of society, and society will not support enterprises that do not attach importance to socially important issues. Enterprises and organizations understand that society will not hesitate to use different mechanisms to punish enterprises for their irresponsible behavior or negligence. Therefore, as firms increase the amount of information that is provided in their environmental information disclosure, their CSR performance also improves. This aligns with Poduska, Forbes & Bober (1992), which determined that a positive interaction exists between the characteristics of board of directors and stakeholders and between the structure of equity and the extent of a firm’s environmental information disclosure.

3. RESEARCH METHODS

3.1 Research Design

The purpose of this study is to explore the factors that affect enterprises’ decisions

regarding the implementation of CSR. This study uses the Analytic Hierarchy Process (AHP) to analyze the weights between various influencing factors and uses these weights to demonstrate the order of priorities for enterprise decision-making regarding the implementation of CSR. However, prior studies have only provided limited discussions regarding this research topic and relevant studies generally discussed the importance of CSR or the impact of a CSR strategy on enterprises. In Chapter 2 Literature Exploration, we describe the aggregated and compiled preliminary results. Next, we discuss the four primary variable factors: (1) leader's intention, (2) corporate resources, (3) the industrial environment, and (4) public motivation. Furthermore, we discuss 13 sub variable factors: (1) tax-avoidance considerations, (2) equity structures, (3) operating strategies, (4) stakeholders, (5) profitability performance, (6) human resources, (7) community acceptance, (8) increasing popularity, (9) strengthening competitiveness, (10) laws and regulations, (11) current trends, (12) social values, and (13) information disclosure. However, the data that are aggregated and compiled from prior studies may include omissions and cannot reveal all of the factors that affect the implementation of CSR. Therefore, we include interviews in our research design and conduct a field survey. Interviews are conducted with enterprise owners and high-level executives that are responsible for CSR initiatives. We obtained more data by using the interviews and survey to balance the insufficiency of the literature review. We believe this method will help us to understand firms' level of concern regarding various factors.

After the field surveys and enterprise interviews were conducted, the operational definition table of various factors was sorted and compiled according to the collected data. The "architecture diagram" for influencing factors was constructed, and we distributed the questionnaire and conducted the quantitative study. After the questionnaires were collected, the Analytic Hierarchy Process (AHP) was used to calculate and analyze the data to determine the weight of each factor. An order scale was used to replace the digital scale ratio to demonstrate the relative importance between two elements.

3.2 Interviews with Enterprises

This study interviewed six Taiwan enterprises; A, B, C, D, E, and F represent the names of the enterprises. The profiles of the interviewed enterprises are provided in Table 1:

Table 1: Profile table of interviewed enterprises and interviewees

Enterprise Name	A Enterprise	B Enterprise	C Enterprise	D Enterprise	E Enterprise	F Enterprise
Profile of Interviewee	Head of General Management Office	CEO	General Manager	Person in charge of the enterprise	Associate Manager	Department Manager
Title of Interviewee	Head of General Management Office	CEO	General Manager	Person in charge of the enterprise	Associate Manager	Department Manager
Primary Products	Semiconductor lead frame and stationeries	Machine tools and fitness equipment	Board manufacturer and materials supplier	Construction tools and accessories, household hardware	Reinforced steel, section steel, and bar steel	Telecommunications information service industry

This interview adopted a pre-designed outline. The primary content of the interview included 8 key points: (1) What is the firm's perspective of CSR? (2) Should the enterprise introduce a CSR strategy? (3) Has the enterprise engaged in CSR? Why did the firm engage in CSR (4) What are the positive and negative impacts of CSR on the enterprise? (5) How are CSR outcomes assessed? (6) What is the future CSR strategy of the enterprise? (7) What factors affect the enterprise's implementation of CSR? and (8) what factors prevent the enterprise from attaching importance to CSR? After the interviews were conducted, we compiled four influencing factor primary variables and 13 sub variable factors to discuss with the interviewees. In this field survey, we determined that two factors were not mentioned in prior studies: "cognition level" and "financial capacity". After the interviews were conducted, these two factors were added to the research architecture as sub variables; the total number of primary variable factors remained 4, and the number of sub factors increased to 15.

3.3 Hierarchical Architecture

This study summarized all factors and compiled them into an operational definition table (Table 2) and a hierarchical architecture diagram (Figure 1) as follows:

Table 2: Operational definitions

Level 1: Primary variables

Primary Variable	Operational Definition	References
Leader's intention	An enterprise owner, the board of directors and senior executives has comprehensive and diverse effects on an enterprise's decision-making; similarly, decision-makers have an important impact on the participation in social public welfare activities.	Useem (1988)

Corporate resources	Corporate resources refer to the collection of all the elements (in whole or in part) that the company can use to create value for customers; this includes all materials and non-materials that can be transformed into support, help and an advantage.	Freeman (1984) Shen & Chang (2009) Meyer (1999)
Industrial environment	Environmental performance helps external stakeholders to understand the company's practices regarding environmental issues and examine whether the company makes a significant contribution to the public.	Poduska et al. (1992) Reilly (1992)
Public motivation	Public affairs refer to a series of social activities and norms that society must maintain within the scope of "order"; they are conducted to meet the common needs and demands of the members of a society when social development is promoted.	Christmann & Taylor (2006)

Level 2: Primary variables and sub-variables

Primary variable	Sub-Variable	Operational Definition	References
Leader's intention	Tax-avoidance consideration	Tax avoidance occurs when enterprises make use of loopholes in tax laws or use methods that are allowed by tax laws to conduct appropriate financial arrangements or tax planning to mitigate or decrease their tax burden under the premise of not violating the provisions of tax laws.	Frank et al. (2011)
	Equity structure	Equity structure refers to the proportions of the different types of shares in the total capital of the company and their mutual relationships; it is the basis of corporate governance structure and corporate governance can drive enterprises to fulfill their social responsibility.	Useem (1988) Berle & Means (1932)
	Operating strategy	An operating strategy may be adjusted because of changes in internal conditions or the external environment. Regardless of whether CSR is relevant to marketing or occurs because of self-interests and altruism, the focus is only on the differences in the proportion and extent of CSR.	Grahn, Hannaford & Laverty (1988) Murray (1991)
	Stakeholders	Stakeholders are defined as any group or individual that can influence an organization's decision-making or be affected by the execution of an organization's decisions. Stakeholders may influence the concept and model of a CSR strategy.	Freeman (1984) Bendell (2005)

	Cognition level	Refers to the process of the leader's mental activity during the formation of the concept of or judgments regarding CSR; it also refers to the mental function of processing information through individual thinking.	Data collected during the enterprise interviews
	Profitability performance	The "social impact hypothesis" argues that as a company engages in more CSR, its profitability will be enhanced. The shift of the focus hypothesis argues that fulfilling social responsibility is reflected in an increase in financial costs and the firm's profitability will suffer.	Freeman (1984) Shen & Chang (2009)
Corporate resources	Human resources	Everything, including organizational design, subordination and promotion methods that are related to the combination of the company and CSR must be carefully planned and implemented; therefore, an adequate professional team and professional knowledge are very important.	Michael E. Porter & Mark R. Kramer Meyer (1999) Nichols (1990)
	Financial capacity	Financial capacity is reflected in the controllable financial resources; the reasonable allocation of controllable financial resources will directly promote the formation of sustainable competitive advantages and the capability to implement CSR.	Data collected during enterprise interviews
	Community acceptance	The acceptance level of the community (refers generally to society) regarding the impacts (e.g., environmental impact) of an enterprise's activities.	Poduska et al. (1992) Reilly (1992)
Industrial environment	Increasing popularity	The greater the scale of an enterprise, the more attention that is paid to the company's image; CSR is one of the most important methods that can be used to increase the company's popularity.	McElroy & Siegfried (1985) Useem (1988)
	Strengthening competitiveness	The greater the market share of a firm, the easier it is to be concerned about the outside world; when the number of competitors increase, an enterprise will engage in relevant social responsibility activities to maintain a good image and enhance its competitiveness.	Gale (1972)
Public motivation	Laws and regulations	Government's involvement in CSR development is a universal international phenomenon; to promote enterprises engagement in social responsibility, the government's public administration must strictly enforce all legal norms.	Christmann & Taylor (2006)

Current trends	CSR has become a global trend that cannot be ignored and all enterprises throughout the world have been unable to circumvent the obligation to implement corporate responsibility.	Nichols (1990)
Social value	Social value refers to the contribution that is made by CSR and an enterprise's responsibility to meet the material and spiritual needs of a society or individuals through the activities of its business units.	Cooper (1997) Turban & Greening (1996) McWilliams & Siegel (2000)
Information disclosure	An enterprise is a part of society; therefore, the CSR report represents a social contract between the enterprise and society. When the enterprise's environmental disclosure is more detailed, its CSR performance will improve.	Ullmann (1985) Ramanathan (1976)

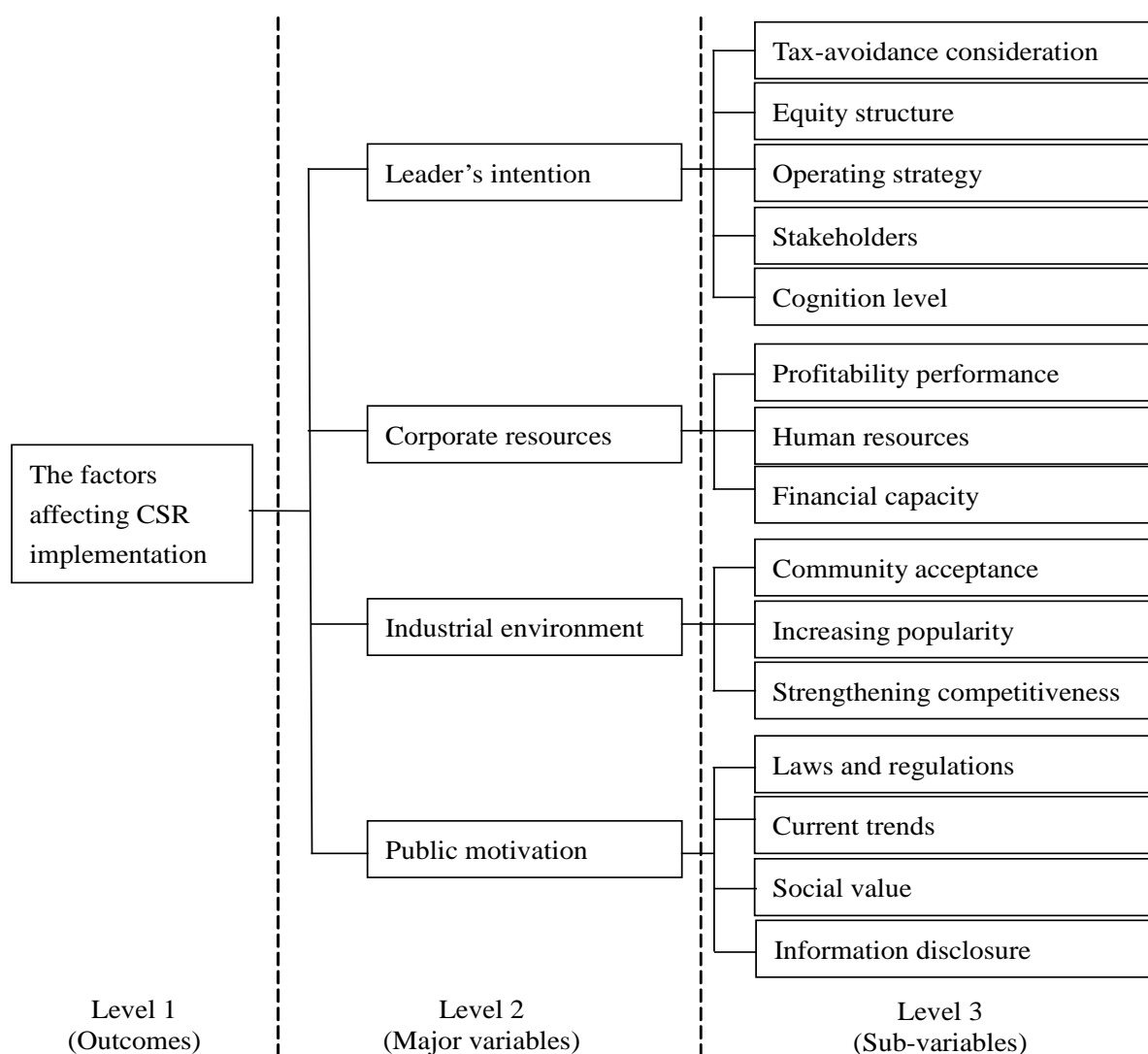


Figure 1: The factors that affect CSR implementation

3.4 Questionnaire Design, Distribution and Completion

The Analytical Hierarchy Process (AHP) refers to a set of decision-making methods that were proposed by Thomas L. Satty. AHP builds complex problems into a hierarchical system using the opinions of scholars and experts and then obtains results through the assessment of experts (using a questionnaire method) to calculate the contribution or weight of the constituent factors at various levels to their immediate upper level. AHP divides a complex situation into a set of several variables, assigns a numerical value to each variable with a subjective view and, finally, comprehensively judges the priority order of the variables. This method of analysis is primarily used for uncertain situations and to solve problems that include multiple criteria decision making. AHP systematizes the problem and is conducted in a pairwise manner, which may mitigate the burden of the decision maker. In addition, AHP is an effective and reliable tool for assessment and is easy to operate; therefore, it has been widely used by academic and practical communities.

AHP uses the pairwise comparison method to conduct an assessment. The questionnaire design adopts a nominal scale method to conduct the comparison. This nominal scale is divided into nine grades that range from “equally important” to “absolutely important” and later separately assigns a rating proportion from 1 to 9 to represent these grades, respectively. Interviewees complete the questionnaire, conduct a pairwise comparison for the elements on each level and assign different weights by assessing the level of their importance. In this manner, we can understand the assessors’ subjective perspective. This research population of this study included large, medium and small enterprises in Taiwan. The study objects that completed the questionnaire include the company’s senior (more than 5 years) middle and high-level management personnel or the owner of the enterprise. The questionnaires were anonymously conducted using paper and e-mail. The purpose of the study and the content of the questionnaire were explained in detail with the interviewed experts (face to face) to ensure the effectiveness of the questionnaire and improve the recovery rate.

4. RESEARCH RESULTS AND ANALYSIS

After collecting opinions by sending AHP experts the questionnaire, this study analyzed the questionnaire results and statistically calculated the weight of each item factor. Then, we derived the conclusions of this study according to the degree of influence of the weights.

4.1 Basic Data for the Questionnaire

This objects of this study included senior executive experts of large, medium and

small enterprises in Taiwan for completing the AHP questionnaire. A total of 32 questionnaires were distributed and 29 were recovered, of which 26 were valid questionnaires. The recovery rate was 81%, as provided in Table 3. In regard to the executives' years of service, 5-10 service years accounted for 4% of the sample, 11-15 service years accounted for 8% of the sample, and more than 15 service years accounted for 88% of the sample, as illustrated in Table 4.

Table 3: Overview of recovered questionnaire samples

Questionnaire Information	Number of Samples	Percentage
Distributed Questionnaires	32	100%
Recovered Questionnaires	29	91%
Invalid Questionnaires	3	9%
Valid Questionnaires	26	81%

Table 4: Overview of the interviewed experts' years of service

Service Years	Number of Samples	Percentage
5-10 Years	1	4%
11-15 Years	2	8%
More Than 15 Years	23	88%
Total	26	100%

4.2 Analysis Results of the Analytic Hierarchy Process

This study used Expert Choice 2000 software, which is a tool of the Analytic Hierarchy Process software to calculate the weights of the factors that affect enterprises' implementation of CSR. The weight of each factor was statistically calculated from the data that were obtained from the AHP expert questionnaire surveys (as illustrated in Table 5). The overall weight (dominant vector) is the product of the weight of the primary dimension multiplied by the relative weight of sub dimension, then sorted according to the overall weight to obtain a relative rank order.

Table 5: Analytic Hierarchy Process ~ weight order table of various dimensions

Primary Dimension	Sub Dimension	Overall Weight	Ranking
Leader's intention 0.453	Tax-avoidance consideration	0.054	9
	Equity structure	0.053	10
	Operating strategy	0.173	1
	Stakeholders	0.077	5
	Cognition level	0.094	4
Corporate resources 0.259	Profitability performance	0.105	2
	Human resources	0.056	8
	Financial status	0.097	3
Industrial environment	Community acceptance	0.042	12

0.153	Increasing popularity	0.047	11
	Strengthening competitiveness	0.064	6
Public motivation 0.135	Laws and regulations	0.061	7
	Current trends	0.020	14
	Social value	0.035	13
	Information disclosure	0.019	15

This study includes four main dimensions, which include “leader’s intention”, “corporate resources”, “industrial environment”, and “public motivation.” After analyzing the AHP expert questionnaires to calculate the statistics, this study calculated the individual weight rankings of the four primary dimensions, as illustrated in Table 6. The weight of each dimension was used to construct pairwise comparison matrix and conduct a consistency index test.

Table 6: Pairwise comparison matrix table of the primary dimensions

	Leader’s Intention	Corporate Resources	Industrial Environment	Public Motivation	Level Weight	Overall Weight	Ranking
Leader’s Intention	1	1.7173	3.0414	3.3365	0.453	0.453	1
Corporate Resources	0.5823	1	1.6614	1.9117	0.259	0.259	2
Industrial Environment	0.3287	0.6019	1	1.1451	0.153	0.153	3
Public Motivation	0.2997	0.5231	0.8733	1	0.135	0.135	4

The results of this study demonstrated that among the four primary factors in first level of the primary architecture, the weight value for leader’s intention is highest followed by the corporate resources factor. The third value is for the industrial environment factor, and the last is the public motivation factor. This result indicates that the leader has the highest decision-making power, and his/her intention naturally has the greatest influencing power on the enterprise regarding the process of implementing CSR. Corporate resources include enterprise profits and human and financial resources. CSR relates to the behavior capabilities of an enterprise; the promotion of CSR may be limited when resources are insufficient. In regard to the industrial environment, an enterprise that has higher degrees of popularity, competitiveness and social acceptance, will generally be more sustainable. Finally, the public motivation factor generally refers to an external expectation, pressure or constraint on an enterprise and tends to be a passive factor. Generally, enterprises regard this factor as an unavoidable moral or legal norm with the exception of certain industries with special factors (e.g., high environmental pollution industries), which must take necessary measures or actions

regarding these special factors or be subject to higher levels of attention and supervision.

We conducted an analysis of the sub-dimension factors of the four primary dimensions, including leader's intention, corporate resources, industrial environment, and public motivation as follows:

A. Weights and ranking analysis of the influencing factors for the "leader's intention" dimension

The sub-dimensions for the primary dimension, "leader's intention", include five influencing factors and the pairwise comparison matrix and weight rankings for each sub-dimension influencing factor are illustrated in Table 7.

Table 7: Sub dimension pairwise comparison matrix for the primary dimension, "leader's intention"

	Tax-Avoidance Consideration	Equity Structure	Operating Strategy	Stakeholders	Cognition Level	Level Weight	Overall Weight	Ranking
Tax-Avoidance Consideration	1	1.019	2.5853	1.6177	1.8099	0.121	0.0548	4
Equity Structure	0.9813	1	3.1687	1.335	1.9873	0.117	0.053	5
Operating Strategy	0.3868	0.3156	1	2.3548	2.1812	0.383	0.1734	1
Stakeholders	0.6181	0.749	0.4247	1	1.226	0.17	0.077	3
Cognition Level	0.5525	0.5032	0.4585	0.8156	1	0.208	0.0942	2

The results demonstrate that for leader's intention, the operating strategy is the most important component of an enterprise and promoting CSR is one component of the operating strategy, which corresponds to the highest weight. The leader's cognition level regarding CSR occupies the secondary weight status. One of the basic conditions of an enterprise is to meet the requirements and needs of stakeholders. Therefore, to a certain extent, CSR performance is an important component of an enterprise; stakeholders represent the third greatest weight. The weights of tax-avoidance consideration and equity structure are relatively low because in general, these are not key items when implementing CSR and are limited to a small number of enterprises with special circumstances.

B. Weights and ranking analysis for the influencing factors for the "corporate resources" dimension

The sub-dimensions of the primary dimension, "corporate resources", include three influencing factors, "profitability performance", "human resources" and "financial status". The pairwise comparison matrix and the weight rankings for each

sub-dimension influencing factor are illustrated as in Table 8.

Table 8: Sub-dimension pairwise comparison matrix for the primary dimension, “corporate resources”

	Profitability Performance	Human Resources	Financial Status	Level Weight	Overall Weight	Ranking
Profitability Performance	1	1.7524	1.1577	0.407	0.1056	1
Human Resources	1.5706	1	1.8363	0.218	0.0565	3
Financial Status	0.8638	0.5476	1	0.374	0.0967	2

The results demonstrate that “profitability performance” is the most important influencing factor for corporate resources and is followed by “financial status” and “human resources.” Because the most important purpose of an enterprise is to generate profits, this component is clearly the most important consideration factor when implementing CSR. The second highest weighted sub-dimension is financial status; if a firm’s financial capacity is poor, then its ability and willingness to implement CSR will naturally be relatively weak. The final sub-dimension is human resources; however, many small and medium enterprises may not have the ability or willingness to develop a dedicated CSR department and most of these firms adopt a part-time approach that is similar to the other departments. Therefore, the weight of human resources is relatively low when compared to the other two factors.

C. Weights and ranking analysis of the influencing factors for the “industrial environment” dimension

The sub-dimensions for the primary dimension, “industrial environment”, include three influencing factors, “community acceptance”, “increasing popularity” and “strengthening competitiveness.” The pairwise comparison matrix and weight rankings for each sub-dimension influencing factor are illustrated in Table 9.

Table 9: Sub-dimension pairwise comparison matrix of the primary dimension, “industrial environment”

	Community Acceptance	Increasing Popularity	Strengthening Competitiveness	Level Weight	Overall Weight	Ranking
Community Acceptance	1	1.1768	1.4878	0.272	0.0416	3
Increasing Popularity	0.8498	1	1.3913	0.31	0.0474	2
Strengthening Competitiveness	0.6721	0.7187	1	0.418	0.0639	1

The results demonstrate that “strengthening competitiveness” is the most important influencing factor for the primary dimension, industrial environment and is followed by “increasing popularity” and “community acceptance.” An enterprise’s competitiveness may have a positive impact on a company’s profitability and sustainability, which represents an important issue for all enterprises. The second most important sub-dimension is increasing popularity, particularly for larger enterprises because it is easier to retain society’s attention and a company’s image is naturally more important. Community acceptance tends to be an individual factor and is only considered by certain special industries. By using CSR, these industries may appease surrounding residents and various civil groups by engaging in environmental protectionism, which can reduce operating risks caused by protests or boycotts. Because these problems are not faced by most enterprises, its weight is lower than the other two factors.

D. Weights and ranking analysis for the influencing factors for the “leader’s intention” dimension

The sub-dimensions for the primary dimension, “public motivation”, include four influencing factors, “laws and regulations”, “current trends”, “social values”, and “information disclosure.” The pairwise comparison matrix and weight rankings for each sub-dimension influencing factor are illustrated in Table 10.

Table 10: Sub-dimension pairwise comparison matrix for the primary dimension, “public motivation”

	Laws And Regulations	Current Trends	Social Value	Information Disclosure	Level Weight	Overall Weight	Ranking
Laws And Regulations	1	2.8341	2.089	2.9256	0.454	0.0613	1
Current Trends	0.3528	1	1.9767	1.0877	0.147	0.0198	3
Social Value	0.4787	0.5059	1	1.97	0.26	0.0351	2
Information Disclosure	0.3418	0.9194	0.5076	1	0.14	0.0189	4

The results demonstrate that “laws and regulations” is the most important influencing factor for the primary dimension, public motivation and is followed by “social value”, “current trends” and “information disclosure”. In regard to the environment, firms are subject to the public’s supervision. In accordance with laws, firms must implement measures that are required by the government through the promulgation of decrees and other mandatory means; therefore, laws and regulations represent the highest weight. Next, an enterprise’s social value can ensure that customers rely on their goods to increase purchase intentions but it may also enhance the firm’s reputation. Therefore, constructing social value is important for a firm. Finally, in regard

to information disclosure, mandatory regulations are imposed on listed and OTC companies by the Stock Exchange. In addition, certain investors or consumers will choose excellent enterprises that have a high degree of transparency; this is one of the factors that must be considered by enterprises. However, the latter of these three factors refers to a lack of incentives for smaller enterprises; they have no significant positive correlation with operating performance; therefore, their weights have a larger gap with the first factor, “laws and regulations.”

5. CONCLUSIONS AND RECOMMENDATIONS

Based on the interviews and data analysis results, this study provides the following four conclusions and recommendations:

(A) Relevant organizations that are involved in corporate management and governance include the government, the board of directors, managers and shareholders and in a broader sense, other stakeholders, such as suppliers, employees, creditors, and customers. In addition, other stakeholders in the community may also be involved. However, in practice, the board of directors and the general manager are the most important roles in corporate governance because they are responsible for formulating strategies, enforcing orientation policies, appointing personnel, and supervising jobs. Therefore, for a vast majority of Taiwan enterprises, decision-making regarding CSR strategies stems from the intention of leader level. Among the 15 sub dimensions factors that are compiled in this study, “operating strategy” occupies the first place for overall weight, while “stakeholders” and “equity structure” have a relatively low degree of influence. In regard to the factors of the primary dimension leader’s intention, “cognition level” occupies the 4th place in the weight ranking for all sub dimension factors. This factor is rarely discussed in other studies, but it implies a problem we must be address with caution. In the interviews that were conducted in this study, we determined that the understanding of certain enterprise owners or senior leaders regarding CSR is actually quite limited. For example, when asked whether CSR had been implemented, one enterprise owner of a listed company clarified the purpose and primary theme and immediately answered, “We make donations every year”, but it may be inferred that he did not understand aspects of CSR other than donations. The problem revealed by this response indicates that not only the operator has an extremely limited understanding of CSR. Generally, when enterprises develop their CSR strategies, they have a perfunctory mentality. Therefore, the first recommendation of this study is “widely advocating the significance and importance of CSR and putting it into practice”. The most important factor that affects enterprises regarding their implementation of CSR is cognition. The second most important factor is the decision-making of the leader. Current international trends regarding CSR indicate that firms must ensure that the meaning and connotation

of CSR is more widely known. When firms are developing their operating strategies, they must take the initiative to incorporate CSR and implement it. This is an important topic that should be discussed by the government, enterprises and all members of society.

(B) Enterprises are for profit organizations that are engaged in production, circulation, the provision of services and other economic activities. Enterprises generally perceive making a profit as their ultimate purpose; this is also the starting point for all the activities of enterprises. Therefore, having sufficient “corporate resources” is an indispensable and important factor in the consideration of implementing CSR. Among the sub-dimensions, “profitability performance” factor is ranked high at 2nd place among all 15 sub-dimension factors. In addition, “financial status” and “human resources” factors are ranked high at 3rd and 8th places among all the sub-dimension factors. This result indicates that when considering implementing CSR, money and people are two indispensable and important factors for every enterprise. The experience of Company D is an example; after an experienced market red ocean competition threat and the 2008 global financial tsunami, Company D suffered a major threat and transformed their marketing strategy from B2B to B2C. This company was committed to establishing its own brand. In the interview, the enterprise owner did not deny that the implementation of CSR would enhance their popularity and social recognition, but it would also increase their expenditures and human burden; the owner doubted whether CSR would have a positive effect on the earnings of the enterprise. Therefore, most enterprises consider business development as their first priority and are often limited by a lack of professional CSR manpower. Often, firms plan to update their CSR goals and direction based on the firm’s capacity and strategic needs after their brand becomes stable in the market. This situation does not only occur in one enterprise, such as Company D. The proportion of small and medium enterprises in our country is very high; therefore, similar considerations will naturally affect the overall CSR implementation effectiveness of our country. Therefore, the second recommendation that is proposed by this study is “giving enterprises the niche points of implementing CSR.” To attract enterprises to focus more on CSR, a set of good market mechanisms or incentive measures must be established. In the meantime, we must respect that enterprises exist to pursue profits. Therefore, to ensure that enterprises can earn more profits, a balance must be achieved for a mutual win-win situation to exist between society and enterprises. For example, western countries have a profound tradition of a market economy and the government can effectively link the interests of enterprises with social interests. CSR is multi-level; therefore, to guide and stimulate enterprises to be motivated to assume social responsibility, we must use incentive systems such as tax concessions and

deductions and other materials to reward them. However, we should not use too much administrative power to require enterprises to practice too much social responsibility because a better result will be achieved by promoting CSR.

(C) The two factors, “strengthening competitiveness” and “raising popularity”, in the primary dimension industrial environment are key issues for enterprises, particularly when there is an increase in the number of competitors and the market competition has become stronger. Brand image is generally the focus of enterprises that have a larger market share; companies must create a popular brand to attract customer’s attention and enhance their purchase intention because the success of a brand is directly reflected in sales and profits. To strengthen competitiveness, most enterprises engage in socially responsible activities to increase their popularity and maintain a good brand image. Strengthening competitiveness and increasing a firm’s popularity will affect firm’s strategies and the implementation of CSR. “Community acceptance” exists only in certain special industries. For example, in our country, environmental protections and economic development are often in direct conflict. In the past, society did not pay attention to environmental issues because there was a lack of concepts regarding environmental protections. However, during decades of economic development, certain industries have had a considerable impact on the domestic environment. In addition to an increase in civic awareness, environmental protection has gradually become the focus of attention. However, one result of overkill is that certain groups are interested in the environment and frequently resort to mass protests to veto all development plans, which cause conditions such that the community and enterprises cannot rationally coexist. During the decision-making process, the government is often caught in the contradictory dilemma of how to “make a choice” or “which should be first priority.” As a result, many of the backbone enterprises in Taiwan (e.g., TSMC and Formosa Plastics) may stall their investment plans or transfer to other locations abroad due to the problem of a repeatedly delayed environment evaluation schedule. Clearly, this is a three-pronged loss for the country, society and enterprises. Therefore, the third recommendation of this study is “replacing opposition and conflict with tolerant and rational attitude and measures”. In antagonistic situations that are similar to the above situation and have formed because of environmental issues, decisions should be based on an economic analysis and the firm should compare benefits and costs, including whether the investment may be profitable in the long-term profitable. Do other peripheral benefits exist? How many jobs can be added to the country or local region? In the meantime, firms should also consider the investment’s social costs and environmental loading capacity. The momentum of the earth is generous and smooth and gentlemen should consider their virtues and all things. This concept of “thickening virtues and including

all things” implies a profound ecological awareness, but in this study, it will be extended to imply being generous to other individuals. Therefore, it is expected that enterprises and society will abandon their stereotypes and consider economic growth while also protecting the environment and seeking the optimal balance between the two, rather than only considering their own perspective until the remaining value is gone.

(D) The primary emphasis of CSR is public interests. Enterprises rely on society for development. Clearly, enterprises must strive for the realization of social public interests. The essence of governments and public administration is the implementation of public affairs; therefore, enterprises must follow laws and regulations under the framework of government management. Otherwise, these firms will violate laws and will be subject to punishment. This study conducted an AHP analysis and determined that the weight value of the factor “laws and regulations” for the primary dimension of public motivation is higher and the weight rankings of “current trends”, “social value” and “information disclosure” are lowest because smaller enterprises lack incentives, have less binding agreements and do not have a significant positive correlation with operating performance. This result indicates that enterprises have a positive impact on the implementation of CSR when they must take action. Therefore, to ensure that enterprises assume social responsibility and are aware of the importance of CSR, the government should strengthen relevant legislative systems and their ability to implement regulations. The fourth recommendation of this study is “developing appropriate laws and norms and implementing them thoroughly.” Western countries generally restrain the social responsibility of enterprises through a sound and rigorous legal system. For example, the US Federal Environmental Protection Agency separates CSR into such categories as service responsibility, compensatory responsibility, fines, punitive responsibility, indemnifying responsibility, disciplinary responsibility, and natural resource loss responsibility. However, CSR related laws in Western countries are mutually supportive and conflicts do not erupt between the provisions of different laws. In addition, support for CSR regarding the different provisions is consistent and includes a layered dependency. Therefore, governments should act as “the advocate of advanced ideas”, “the bearer of public responsibility”, “the guide of value choice”, “the coordinator of value conflict” and “the supervisor of market behaviors.” Appropriate and constructive decrees are vitally important for promoting CSR. In addition, outdated or impractical norms may cause problems for enterprises and are not beneficial for promoting CSR. For example, currently, the entire Taiwan society is disturbed by the “one fixed day off and one flexible rest day”, although its origin is a law that was enacted to improve the rights and interests of enterprise labors. Ultimately, this law has caused employers, laborers and the public to be confused about which course to follow because it was

poorly conceived. This is only one indication that a major goal of our country is ensuring that enterprises fulfill their social responsibility. This is an important issue that must be more carefully considered by enterprises and all relevant parties, including the government and all other stakeholders.

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