

Summary of Corporate Social Responsibility, Corporate Reputation and Corporate Performance Research

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Abstract: The disclosure of corporate social responsibility information in China is relatively late, probably from 2007. In 2008, Runling Global independently developed China's first CSR report rating standard and tool. After several years of development, Chinese enterprises gradually realized the importance of undertaking social responsibility, and gradually disclosed corporate social responsibility reports from 2009. It has been more than ten years since 2007, China's social responsibility information disclosure has formed a relatively complete process, and many scholars have begun to study the impact of corporate social responsibility information disclosure on corporate performance, but most scholars have studied the impact of corporate social responsibility information disclosure on corporate performance, or the impact of corporate reputation on corporate performance, but few articles have studied the intermediary effect of corporate reputation between the two. This paper attempts to sort out the research on the impact of corporate social responsibility on corporate performance at home and abroad, the research on the impact of corporate reputation on corporate performance, and the research on the relationship between the three.

1. Introduction

With the development of the economic environment, the society of the importance of the sustainable development and awareness, more and more companies began to attach importance to corporate social responsibility, enterprises began to increase investment in corporate social responsibility, in the past decade or so, enterprises addicted to corporate social responsibility (CSR) practice tendency received more attention by enterprises and scholars. During this period, the popularity of corporate CSR in enterprises has increased significantly, but it raises a question in personal mind, that is, why enterprises also choose to assume social responsibility and deviate from their pure profit maximization goal. Therefore, it is very important to analyze the economic benefits produced by the practice of corporate social responsibility and its basic mechanism. In the current literature, CSR engagement is usually explained by "doing good and well", which basically means that the company's profitability is enhanced as a result of CSR activities, thereby increasing the value creation of the company. Considering the management risk aspect of the company strategy, the stability of the company's cash flow increases with CSR activities, reducing the chances of bankruptcy, and CSR activities are also insurance for the company during adverse events. In the previous empirical literature, we found a consistent finding that corporate reputation is improved by

corporate CSR initiatives. On the other hand, corporate reputation is an important resource for the company, creating opportunities for sustained profitability, providing goodwill and ethical capital for the company, thus reducing the negative valuation of stakeholders. In this context, this paper tries to study the study of the influence of CSR on corporate performance, the influence of corporate reputation on corporate performance and the relationship between the three.

2. Research on the relationship between corporate social responsibility and corporate performance

2.1 Corporate social responsibility is related to corporate performance

Cantele and Zardini (2018) believe that environmental and social CSR investments give focus companies legitimacy and strengthen stakeholder recognition of them, thus improving corporate performance. Jia (2020) concluded that increasing CSR participation in highly competitive industries can improve corporate performance. Yang Wansu and Yang Shanlin (2016) found that enterprise size affects the relationship between CSR disclosure and corporate performance, the relationship between CSR disclosure of relatively large companies and the negative correlation between the two^[16]. The research of Zhu Naiping (2014) found that the impact of CSR information disclosure on corporate performance will be different due to different periods. CSR information disclosure will improve the long-term performance of enterprises, but in the short term, the improvement effect on performance is not obvious. Fan Qi (2013) found that the impact of CSR information disclosure on enterprise performance will be different due to the different nature of enterprises. For central enterprises, CSR information disclosure will not improve the performance of enterprises, but also increase the cost, leading to a decline in profit^[5].

2.2 CSR is not related to corporate performance

Gonzalez-Rodriguez et al. (2019) believe that CSR information disclosure may not have an impact on corporate performance, and only when enterprises can obtain sufficient benefits from these CSR investments to cover the cost, environmental protection actions and social CSR can play a beneficial role. Chen and Khuangga (2021) stated that a combination of high levels of internal and external CSR can induce positive employee behavior, and alone, neither of them can impact^[1-17]. Hu Yamin et al. (2016) studied 30 food enterprises and carefully analyzed the content of the CSR report of these 30 enterprises. The study found that the impact of CSR on corporate performance is insignificant. Therefore, Chen Jia believed that CSR is not related to corporate performance^[14].

2.3 Corporate social responsibility and corporate performance show a non-linear relationship

Miras-Rodriguez (2015) found that there is a U-shaped relationship between CSR information disclosure and corporate performance, that is, only when the level of CSR information disclosure reaches a certain degree, the level of CSR information disclosure improves in Xiongan. Before this, it was a^[3] with reverse change. Dou Xinfeng (2015) analyzed 955 listed companies in China, and found that CSR information disclosure did not have a very positive impact on the financial performance of enterprises, and the relationship between the two had a certain lag effect, showing an inverted U-shaped relationship^[4]. He Xiaogang and Lu Yiting (2008) conducted A principal component analysis on A-share listed companies, and found that there is a U-shaped relationship between corporate social responsibility information disclosure and corporate financial performance^[7].

By summarizing the domestic and foreign research on the relationship between CSR information disclosure and corporate performance, it is found that domestic and foreign scholars have not reached a unified conclusion on the correlation between CSR and financial performance, and further research is needed.

3. Study on the relationship between corporate social responsibility and corporate reputation

The European Union Commission defines corporate social responsibility as "the concept of a company voluntarily incorporating social and environmental issues into its business operations and interactions with stakeholders". Generally speaking, social obligations are divided into four categories, and a socially responsible organization wants to fulfill these obligations. These include legal, economic, philanthropic, and ethical responsibility. CSR activities describe the social preferences of an organization to demonstrate good behavior and capture the efforts of enterprises to address certain externalities. Kitzmueller and Shimshack (2012) believe that CSR has now become the mainstream activity of many organizations. According to Lai et al (2010), the company's reputation is "reflecting the overall impression perceived by collective stakeholder groups" in. Liu Xuexin et al. (2019) have collectively recognized the company's ability to successfully meet the interests of all stakeholders, increased media attention, and the company's reputation has been improved. Li Xinyue and Peng Huagang (2010) believe that some stakeholders view the company's reputation as the company's ability to provide quality goods and services to ^[11]. In general, a company's reputation improves if it not only does good for its stakeholders, but also does so. In general, it is believed that corporate participation in corporate responsibility activities is one of the ways companies build their reputation. Wang et al (2015) used a questionnaire and found that the reputation of the company has improved due to their participation in corporate CSR activities, and they believed that the corporate CSR engagement paralleled the commitment of employees and enhanced the reputation of the company ^[15].

Furthermore, an analytical review of the impact of CSR relationships on the company indicates that corporate reputation and goodwill increase with the CSR activities initiated by the company. Lee et al. (2013) believe that if a company acts in a socially responsible way, it can successfully improve its reputation and gain the trust of consumers. From an employee's perspective, company participation in CSR activities enhances employee pride, increases their commitment to the organization, and improves ratings on the company's reputation. Furthermore, in the buyer-supplier relationship, the supplier reputation is influenced by the buyer's perception of the supplier's involvement in CSR activities. Considering the above research results, we also believe that CSR activities can improve corporate reputation. Corporate reputation is best understood as the collective and subjective assessment, perception, and recognition of the organization by all stakeholder groups over a period of time, based on certain aspects of the company, such as communication, past behavior, quality, etc. Here, CSR plays an important role in achieving and maintaining a good corporate reputation, which can be a competitive advantage for the company, as it is seen as a key strategic resource.

4. Research on the relationship between corporate reputation and corporate performance

According to economist Milton Friedman (Milton Friedman), the main purpose of a business is to maximize the ^[6] of profits while serving its owners and stakeholders (e. g., shareholders, employees and customers). Therefore, ensuring financial output is the most practical measure to measure enterprise performance. Zheng Xiujie and Yang Shu-e (2009) believe that corporate image can increase customers' spending, make them more loyal to the company, and have a positive impact on corporate performance. Liu Zhihui and Zhang Luxiu (2018) believe that in the long-term

development process, the company's improved reputation will bring more extraordinary business results to ^[12]. The Company's reputation is a reliable indicator of customer satisfaction and customer retention. Similarly, the company's reputation significantly influences establishing the competitive advantage that separates it from its competitors. Zhu et al. (2014) believe that corporate reputation is a more comprehensive indicator to measure the effect of corporate social responsibility, and plays a key role in improving corporate performance and reducing corporate risks. On the one hand, in previous empirical literature, we found a consistent finding that corporate reputation is improved by corporate CSR initiatives. On the other hand, corporate reputation is an important resource for the company, creating opportunities for sustained profitability, providing goodwill and ethical capital for the company, thus reducing the negative valuation of stakeholders.

Therefore, the company's reputation will gradually improve, followed by an increase in sales, competitive advantage, and finally the company's performance. In addition, supportive studies show that, both financial and non-financial, corporate reputation and corporate performance are decisively relevant.

5. Corporate social responsibility, corporate reputation, and corporate performance

We can say that corporate reputation and corporate performance improve by the disclosure of social responsibility information. On the one hand, HuoBin and Zhou Yanhua (2014) that corporate social responsibility helps to create and improve the reputation of the company, and on the other hand, according to the point of view based on resources, the company reputation is an important resource of the company, significantly influence consumer loyalty, actively affect the willingness of stakeholders to exchange resources, and create opportunities for the company to maintain profitability in the future ^[9]. CAI Yuexiang et al. (2015) believe that the company's CSR initiatives improve its reputation, including employees, customers and investors, by responding to stakeholders' expectations of stakeholders, which ultimately lead to an improvement of the company's performance. Zhou Liping et al. (2016) believe that improving the company's reputation due to CSR participation can create indirect economic benefits for the company, such as the new market opportunity. Considering the empirical evidence, we also believe that the corporate reputation will have a positive impact on corporate social responsibility corporate performance relationship, because the social responsibility information disclosure can significantly improve corporate reputation, establish a positive view, and enhance the goodwill of stakeholders, thus have a positive impact on the profitability of the enterprise.

6. Conclusion

In the current literature, CSR engagement is usually explained by "doing good and doing it well", which basically means that the profitability of the company improves due to CSR activities, thereby increasing the value creation of the company. Considering the management risk aspect of the company strategy, the stability of the company's cash flow increases with CSR activities, reducing the chances of bankruptcy, and CSR activities are also insurance for the company during adverse events. Recently, most studies have focused on factors mediating or mediating the relationship between CSR and corporate financial performance. Although many research has focused on CSR and its impact on corporate performance, there are four important issues to be further addressed. First, although most empirical studies have predicted the positive impact of CSR on corporate performance, the empirical evidence is mixed. Advocates of CSR that have a positive impact on corporate performance believe that CSR enables the company to achieve the dual goals of maximizing shareholder wealth and achieving the goal of social responsibility. However, the contrary argument asserts that the CSR only describes the governing body issue. Furthermore, there

are other studies that have found no significant effect of CSR on company performance. Therefore, the results of empirical studies in this area are inconclusive, and further investigations in this field are necessary to better understand the relationship of the company with performance.

Although CSR activities have indeed produced some positive economic results, the underlying CSR mechanisms and how they operate remain unresolved. In this regard, some empirical studies do indeed attempt to explain the logic behind CSR activities and its benefits. For example, CSR has a positive impact on company performance through customer satisfaction, management interpretation, and brand loyalty^[10]. However, most of these studies used CSR from very narrow perspectives and failed to capture the full picture. Therefore, further research in this field is necessary to help us better understand the black box between CSR practice and its impact on corporate economic performance. In particular, corporate reputation is a more comprehensive indicator to measure the effect of CSR, and plays a key role in improving corporate performance and reducing corporate risk. On the one hand, in previous empirical literature, we found a consistent finding that corporate reputation is improved by corporate CSR initiatives. On the other hand, corporate reputation is an important resource for the company, creating opportunities for sustained profitability, providing goodwill and moral capital for the company, thus reducing the negative valuation of stakeholders. Therefore, we believe that participating in CSR activities is very important to improve the corporate image and reputation among the stakeholders. A good reputation earned through CSR activities will not only receive positive reviews by stakeholders, but also have a positive impact on the profitability of the company, as customers generally prefer to buy products from socially responsible companies. Furthermore, satisfied and loyal customers generated through corporate CSR engagement will help to reduce corporate risk, especially in a recession, when companies rely on a loyal customer base. Underreputed companies will suffer the most during the recession. Therefore, it is of great significance to guide the role of social responsibility on performance to disclose social responsibility information and the harmonious and healthy development of society.

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