

ENGAGEMENT, INNOVATION, AND IMPACT

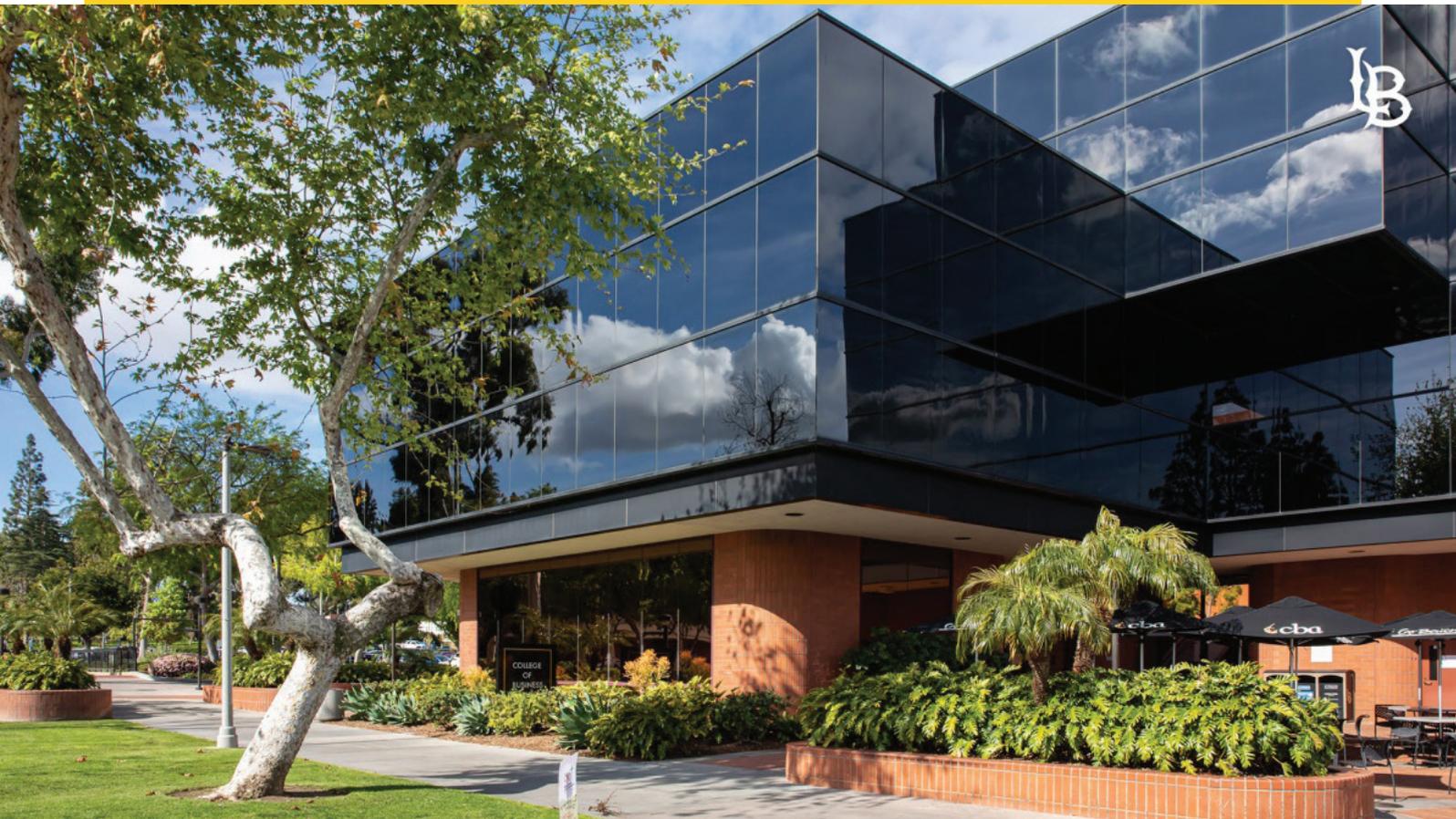


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EVASIVE SHAREHOLDER MEETINGS AND CORPORATE FRAUD



PUBLISHED DECEMBER 4, 2020
DR. HOJONG SHIN, FINANCE

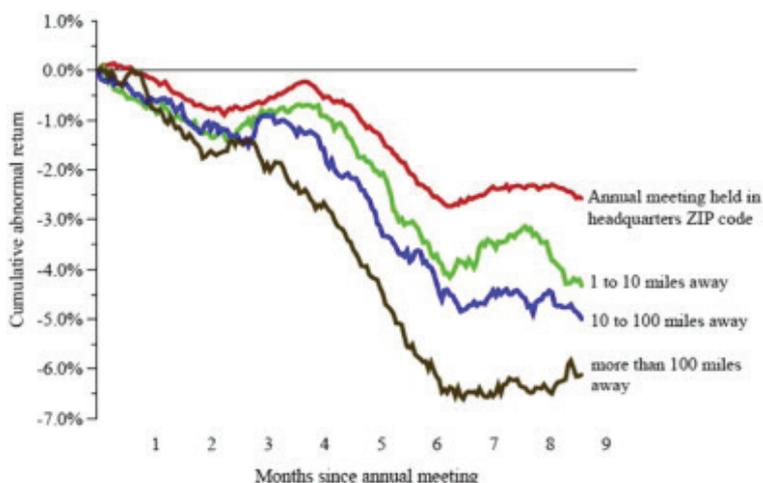
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The Wall Street Journal, March 13, 2014
“Do Korean Companies Conspire to Avoid Their Shareholders?”

We examine how the strategic scheduling of AGMs to evade shareholders is related to the likelihood of committing corporate fraud.

Globally, the presence and the economic cost of corporate fraud is significant. Dyck et al. (2017) find that one-eighth of publicly traded firms in the United States are engaged in fraud, undermining these firms' economic value by 22%. A large body of literature indicates that incidences of corporate fraud are associated with corporate governance factors, including composition of the audit committee (Beasley, 1996; Persons, 2005; Uzun et al., 2004) and audit committee meetings (Farber, 2005), CEO connectedness (Khanna et al., 2015), and ownership structures/board characteristics (Agarwal and Chadha, 2005; Chen et al., 2006). Despite a considerable body of research on the influence of corporate governance on fraud, detailed evidence that links evasive shareholder meetings and fraud is missing from the literature. Our research explores how evasive scheduling by managers is related to the likelihood of corporate fraud.

EVASIVE SHAREHOLDER MEETINGS AND CORPORATE FRAUD



A large body of literature indicates that incidences of corporate fraud are associated with corporate governance factors, including composition of the audit committee (Beasley, 1996; Persons, 2005; Uzun et al., 2004) and audit committee meetings (Farber, 2005), CEO connectedness (Khanna et al., 2015), and ownership structures/board characteristics (Agarwal and Chadha, 2005; Chen et al., 2006). Despite a considerable body of research on the influence of corporate governance on fraud, detailed evidence that links evasive shareholder meetings and fraud is missing from the literature. Our research explores how evasive scheduling by managers is related to the likelihood of corporate fraud.

We measure the tendency of firms to evasively schedule their annual general meetings (AGMs) by holding them on certain popular dates—a behavior we refer to as clustering—so that managers can evade shareholders and any potential tension between shareholders and management that may arise in the AGM.

Clustering can make it physically impossible for individual shareholders to attend all meetings while making it difficult for institutional shareholders with limited human resources to fully and effectively participate.

The phenomenon of clustering has recently attracted attention in Asian countries. The Institutional Shareholder Services reports that, in 2011, AGMs were mostly clustered on three popular dates in Korea (69%), Japan (55%), Taiwan (47%), and Singapore (37%) based on the 2011 fiscal year. Although evasive scheduling practices exist globally, we focus on the extreme case of clustering in South Korea, where more than three-quarters of all public firms in sample years have scheduled their annual meetings on one of the three most popular dates.

Using a sample of 7,054 publicly listed firm-year observations on the Korea Composite Stock Price Index (KOSPI) or Korea Securities Dealers Automated Quotations (KOSDAQ) markets from 2009 to 2014, we observe that a sudden change in corporate policy toward clustering is positively correlated with the frequency of corporate fraud filings. Specifically, firms that had never held AGMs on clustering dates in previous years, but then changed to hold an AGM on one of the clustering dates were more likely to face a corporate fraud investigation filing in that year. For example, clustering firms have, on average, 26.7% higher corporate fraud cases than non-clustering firms. A similar pattern is also found for firms that changed their AGM schedule either from non-clustering to clustering dates or from clustering to non-clustering dates.

REVISITING FAMA-FRENCH'S ASSET PRICING MODEL WITH AN MCB VOLATILITY RISK FACTOR



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DR. CINDY CHEN, FINANCE

Journal of Risk Finance,
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Since the introduction of VIX to measure the spot volatility in the stock market, VIX and its futures have been widely considered to be the standard of underlying investor sentiment.

We introduce the term structure of VIX to Fama-French's Asset Pricing Model.

The magnitude of contango or backwardation (MCB volatility risk factor) derived from VIX and VIX3M identifies underlying configurations of investor sentiment. The sensitivities to this timing indicator will significantly relate to returns across individual stocks or portfolios.

The term structure of VIX futures implies the overall investors' risk sentiment into the future. As suggested by CBOE, using the VIX3M and VIX indices together provides useful insight into the term structure of VIX futures. Although some theoretical research has been done on the importance of the VIX and its applications to investment and portfolio management strategies, there is little research done to examine the effect of VIX relativity (VIX3M and VIX) on individual or portfolio stock returns.

This paper focuses on the statistical inference of three defined MCB risk factors when cross-examined with Fama-French's five factors:

REVISITING FAMA-FRENCH'S ASSET PRICING MODEL WITH AN MCB VOLATILITY RISK FACTOR



the market factor $R_m - R_f$, the size factor SMB, the value factor HML, the profitability factor RMW, and the investing factor CMA. As the first study adding the magnitude of contango or backwardation to asset pricing models, our cross-regression analysis among the six factors indicates that the addition of an MCB factor indeed improves the explanatory power for the variations of the total market return (less R_f) and the intercept gets smaller but is still statistically significant. It is also true once the alternative and more in-time HML-Dev factor (Asness, 2014) is applied in the cross-regression analysis.

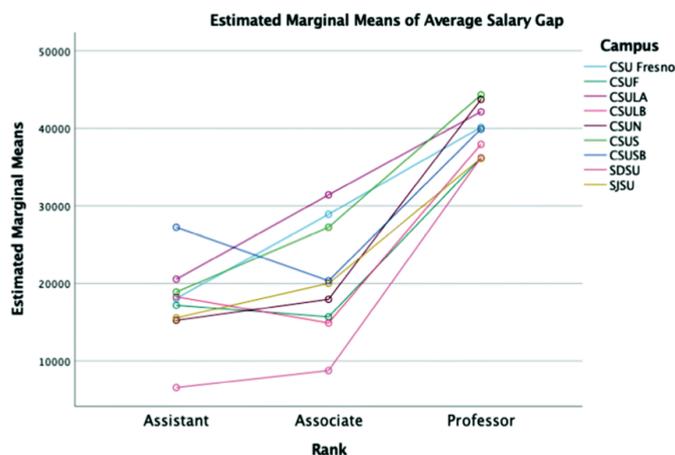
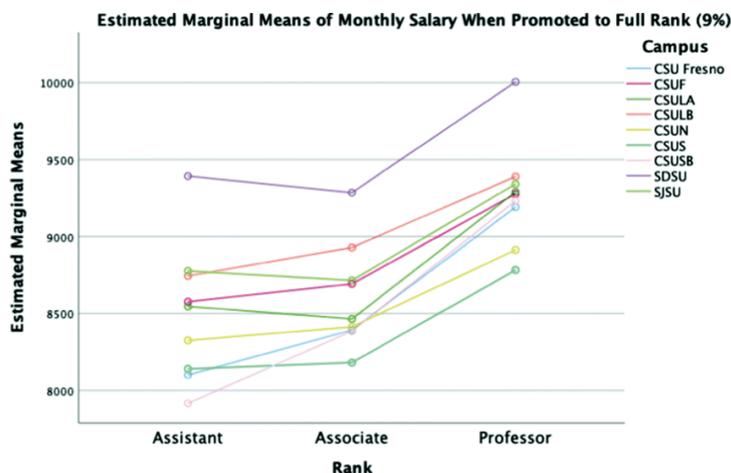
In addition, the MCB factor is found to have a strong and negative correlation with the value factor HML or HML-Dev, which implies that under a more relaxed and complacent market, derived from an increasing MCB factor, value portfolio usually underperforms to a greater extent. We also find that the investing factor CMA sometimes displays a significant and positive relationship with the new MCB factor, which might be counter intuitive. However, given an increasing MCB factor from the low end may indicate a recovery of market volatility sentiment from an extreme panic mood, e.g., $(VIX3M/VIX)_t$ increases from 0.70 to 0.80.

Such a significant and positive explanatory relationship may not be surprising since less invested firms usually outperform under such scenarios when the market is still stressed, though with relatively less panic.

Certainly, if an increasing $(VIX3M/VIX)_t$, which implies an increasing MCB risk factor, stems from the high end (e.g., from 1.20 to 1.30), a negative correlation will prevail. It is noticeable, though, that such a significant relationship does not exist if the HML-Dev factor is used in cross-examinations. Therefore, more detailed cross-sectional and firm-level analysis is needed in the future to shed more light on the implications of an MCB risk factor in asset pricing models.

Also, in this research, robustness checks are performed on a daily basis using a daily MA(50) instead of a monthly MA(20), as a daily MA(50) is the benchmark of moving average for daily trends. The results from the daily cross-examinations are largely similar with the monthly results, except that there are significant negative correlations between the MCB factor and the profitability factor RMW, implying that value firms tend to underperform their less profitable peers in an increasingly calm market (an increasing MCB risk factor) due to their lower growth potentials.

FACULTY SALARY INVERSION, COMPRESSION AND MARKET SALARY GAP IN CALIFORNIA STATE UNIVERSITY BUSINESS SCHOOLS



(Left) Estimated Marginal Means of Monthly Salary When Promoted to Full Rank (9%): Rank x Campus Effects for 9 CSU Campuses - Full Professor Salary (9%) (Right) Estimated Marginal Means of Average Salary Gap: COB Annual Salary GAP (Market - Current) by Rank for 9 CSUs

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DR. PAMELA HOMER
MARKETING

Employee Responsibilities and Rights Journal
(Currently In Press)

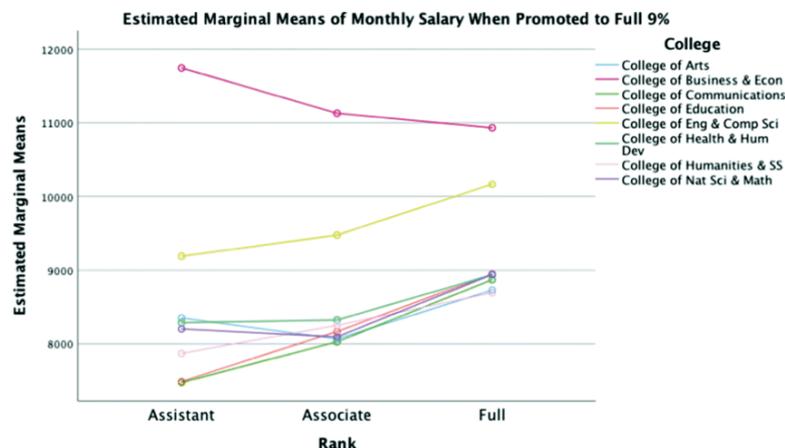
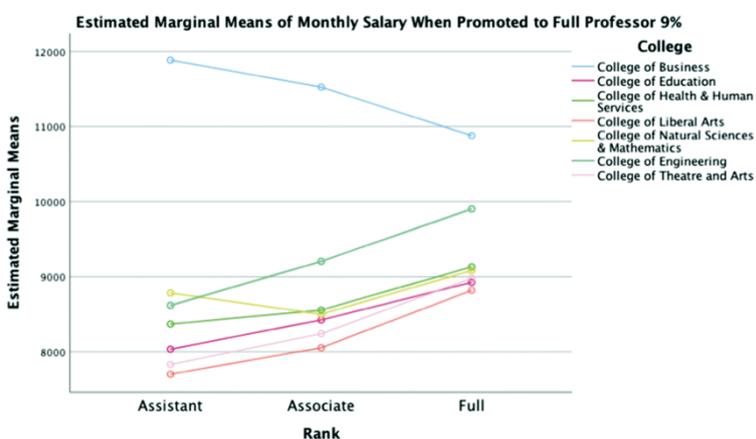
Extant literature has examined the relationship between seniority (or rank) and pay in tenure-granting academic institutions along with proposed remedies. This article examines faculty salary compression, inversion, and market salary gap in business schools in the California State University system.

Homer, Pamela Miles, Herbert G. Hunt, III, and Lowell Richard Runyon (2020), "Faculty Salary Inversion, Compression, and Market Salary Gap in California State University Business Schools," *Employee Responsibilities and Rights Journal*, in press.

The purpose of this study is to expand on previous faculty salary compression and inversion literature that offers limited insight into the situation faced by the CSU system.

We assess these phenomena via estimated full rank salaries (across nine campuses in the teaching-oriented California State University (CSU) system) based on the notion that in the absence of compression and inversion, forecasted full rank salaries should be comparable across faculty ranks. The CSU system offers a unique set of circumstances (e.g., Collective Bargaining Agreement (CBA) restrictions and mandates) that has enabled and perhaps nurtured salary compression and inversion in the field most impacted by increasing faculty market salaries. To date, to our knowledge, no other studies examine salary compression/inversion in an institutional system with a similar set of such restrictive characteristics. We first present findings that show a consistent pattern of salary inversion and compression in the Colleges of Business (COB) at nine CSU campuses not evident in other academic colleges. Specifically, the campuses for which we secured salary data (April 2019 pay warrants) are Fresno, Fullerton, Long Beach, Los Angeles, Northridge, Sacramento, San Bernardino, San Diego, and San Jose.

FACULTY SALARY INVERSION, COMPRESSION AND MARKET SALARY GAP IN CALIFORNIA STATE UNIVERSITY BUSINESS SCHOOLS



(Left) *Estimated Marginal Means of Monthly Salary When Promoted to Full Rank (9%): Rank x College Effects for CSU Long Beach - Full Professor Salary (9%)* (Right) *Estimated Marginal Means of Monthly Salary When Promoted to Full 9%: Rank x College Effects for CSU Fullerton - Full Professor Salary (9%)*

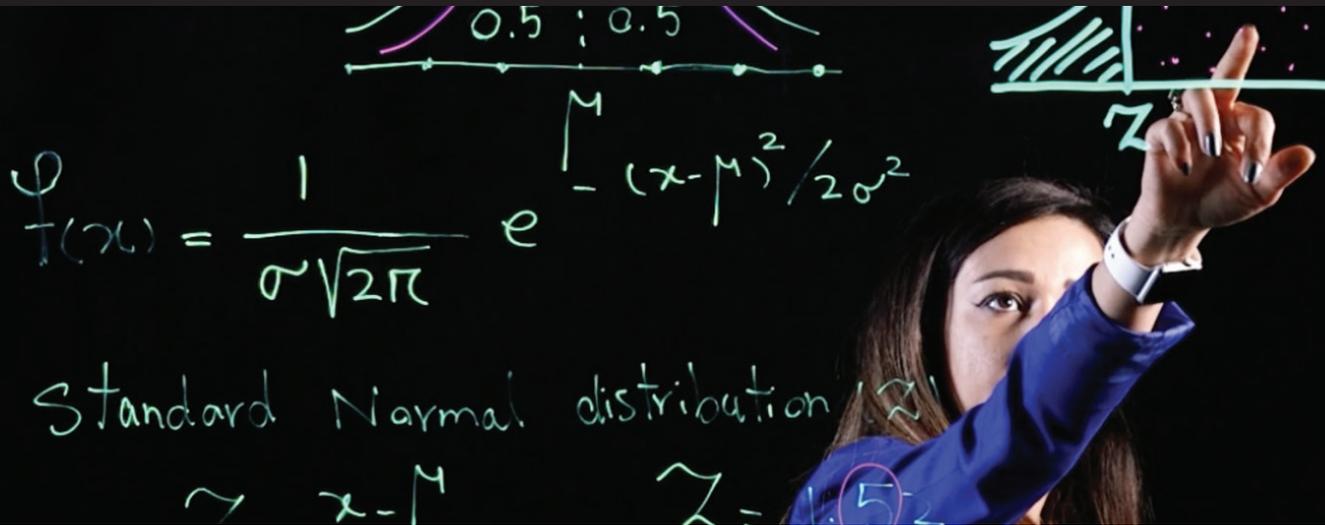
These nine campuses serve 60% of the CSU student population (N=481,929). Secondly, we present evidence that there is an increasing gap between market salaries and current salaries for COB faculty. Third, we show that the data for one of the largest CSU Colleges of Business suggests that this compression and inversion constitute a form of age discrimination. In addition, the patterns of compression support the notion that salaries in CSU COBs are becoming more inverted as the gap between market and current salaries increases.

From a theoretical perspective, our data are consistent with many of the underlying tenets of the internal market theory that predict that new hire salaries are driven most by the external market whereas salaries for senior faculty reflect internal traditions and budget constraints. As per this framework, new hire salaries in the CSU COBs are tied in part to the external market, but there are also secondary limits set by the administration (e.g., the Provost traditionally sets a maximum that any new assistant can earn).

Pay for existing faculty are driven more by internal university norms and the current negotiated CBA which prohibits merit raises.

Unlike well-endowed research-oriented institutions, the CSU COBs are constrained by university budgetary restrictions that prevent deans from offering higher than normal salaries to new assistant professor “superstars”. While CSU campuses have some flexibility to offer “perks” (e.g., summer support, graduate assistants), these typically are greatly lacking compared to incentives offered by elite schools. Our findings are also important in general for the literature examining empirical effects of monopsony in labor markets (Neuman and Wallace 2018). The fact that many senior faculty are willing to work for schools with inverted/compressed salary structures is consistent with past monopsony power and mobility cost arguments. The inequitable salary structure reported in this article is unfair to long-term faculty for the obvious financial reasons (e.g., it negatively impacts pension benefits) and it has a demoralizing impact that is difficult to estimate.

MINIMIZING HEALTH-COMPROMISING BEHAVIORS VIA SCHOOL-BASED PROGRAMS: AN OPTIMIZATION APPROACH



PUBLISHED DECEMBER 7, 2020
DR. BANAFSHEH BEHZAD,
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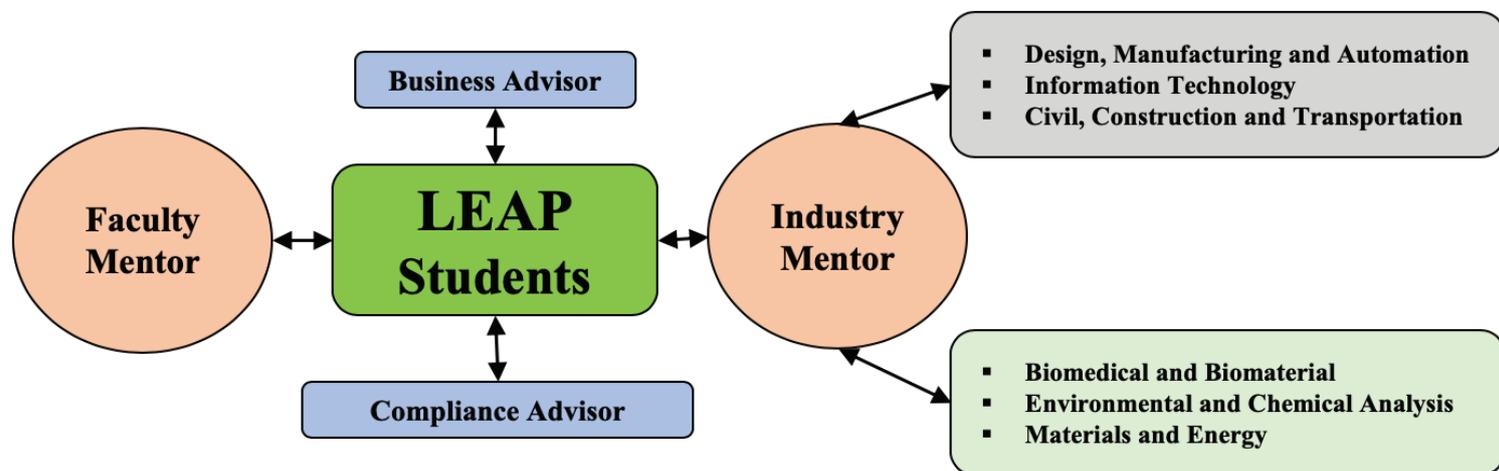
An Active Learning-based Educational Program for Hispanic STEM Students through Industry-University Partnership (LEAP)

With a \$2 million grant from the National Science Foundation, California State University Long Beach is launching a new research program to train a new generation of highly skilled Hispanic scientists and engineers.

Dr. Banafsheh Behzad, an Associate Professor in the Information Systems Department, is a Co-PI of this NSF funded grant. The objective of this grant is to increase the representation of Hispanic students in STEM fields. According to the NSF, while Hispanics make up 16 percent of the U.S. workforce, they account for only 6 percent of those working in Science and Engineering. LEAP is a collaboration between the colleges of Business, Engineering, and Natural Sciences and Mathematics.

Participating students will have a chance to conduct applied research, guided by a team of mentors from both academia and industry.

MINIMIZING HEALTH-COMPROMISING BEHAVIORS VIA SCHOOL-BASED PROGRAMS: AN OPTIMIZATION APPROACH



Mentorship Team and Program Advisors

Each student will receive a noticeable financial support by accomplishing the applied project. Each research team will have access to a business advisor and a compliance advisor as a supplemental tool to meet the established benchmarks of the research project. LEAP will carry out multiple projects over the next five years in close coordination with industry partners. For each project, a team of four undergraduate CSULB underrepresented minority students in STEM fields will work under the supervision of a CSULB faculty mentor from the College of Engineering or College of Natural Science and Mathematics, depending on the nature of the project.

Targeting Industries

Industry partners will have a chance to work in CSULB research facilities and help develop low-cost solutions to technological and economic challenges. In addition, a mandatory business course is offered to prepare students to better understand the economic aspects and business-related challenges in their future careers. With a multidisciplinary focus, LEAP will be aimed at solving societal problems in the areas of advanced manufacturing, energy, the environment, telecommunications, and transportation. Knowledge developed during the research will be shared with the public, presented at national conferences, and published in peer-reviewed educational journals.



National Science Foundation
WHERE DISCOVERIES BEGIN

IS TOO MUCH OF A GOOD THING BAD FOR YOU?

the journal of consumer affairs



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Essentially, how can having fun playing our favorite online game or staying connected with our friends on TikTok, ever be considered harmful? Most people don't think about how often or how much they use a product or service. Many of our actions over time become routinized and consumption levels tend to gradually increase. As our consumption of using our smartphone, training for a marathon, playing our favorite online game, and other behaviors increase, so does the potential for harm. We ask the question of how can overconsumption of everyday behaviors result in harm to ourselves as well as others?

Consumers may have an increased preoccupation to be connected and consume technology. This gradual increase in consumption can cause social, psychological, financial, and even physical harm. For example, technology overuse has been connected to increased stress on family and work relationships. The negative impact of engaging in such behavior is mainly due to the ordinary, but progressive, nature of consumption.

IS TOO MUCH OF A GOOD THING BAD FOR YOU?



Similarly, individuals do not often associate the potential risks of an accident or hurting themselves or someone else when deciding to respond to a quick text while driving.

When an individual engages in harmful behavior, the response is often “I’m not hurting anyone!”. Some consumers will continue to engage in the behavior even as they begin to experience adverse effects (e.g., the excitement and need to see your tweet shared and re-tweeted by hundreds of Twitter users). We have many online communication tools that we can jump between as consumers (e.g., Facebook, Snapchat, LinkedIn, texting, Instagram, Reddit, just to name a few). These platforms deliver many different ways to engage in virtually; as consumers create their identity through their social media use and immerse themselves in the platform. In the end, we must recognize that technology is not harmless, rather it has an impact on one’s well-being, both positively and negatively. Thus, it is important for marketers to take responsibility for self-regulation and/or for policymakers

to ensure consumers are educated and protected. To help consumers understand the progressive nature of overconsumption and potential harm, we argue that there are countervailing marketing strategies that socially responsible firms can implement for the public good and to support their own long-term economic health.

Seeking to increase consumption and customer loyalty is an important part of marketers’ strategies. Yet, companies must consider the long-term strategy of ethical design by making it easier for consumers to cut back on their usage because it is in the best interest of both consumers, society, and marketers. Google and Apple are leading the charge with the business philosophy of helping consumers form healthy, rather than addictive, habits around their devices. Additionally, there are many smartphone apps that provide consumers with ways to reduce and moderate their technology use (e.g., Moment, Google’s Wind Down).

IS TOO MUCH OF A GOOD THING BAD FOR YOU?

Google and Apple have seen that many of these third-party apps have attracted the attention and behavior of their customers, and these companies appear to understand that helping people consume in a healthy way is good for their long-term business and customer retention. Similarly, public policy makers and non-profit organizations have begun to realize the detrimental impact of excessive usage on some consumers' lives and have begun campaigns to educate.

For example, "Truth about Tech" and the UK's "Digital 5 a Day" raise awareness about potential technology addiction while emphasizing a healthy balance with digital usage. Such campaigns can help to stimulate adaptive behaviors directly in consumers by creating awareness of the harm and guidelines to avoid harmful consumption as well as stimulate change in consumption environments through consumer activism, media attention, policymaker actions, and industry engagement.

Ordinary consumption behaviors have the potential to progress in intensity and inappropriate ways until such behavior may become harmful and problematic. This research presents an initial attempt to identify the progression toward maladaptive consumption and its potential reversal towards adaptive levels. This work also raises important empirical questions and proposes strategic interventions to enhance consumer well-being.

There is more work to do in educating and moving consumers from overuse, to recognition, and finally towards healthier adaptive usage behaviors. This research establishes a foundation to direct the conversation of marketers, businesses and policymakers toward actions and interventions to modify such behavior.



AN A IS AN A”: THE NEW BOTTOM LINE FOR VALUING ACADEMIC RESEARCH



PUBLISHED JANUARY 20, 2021
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Academy of Management Perspectives
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In sports, the phrase “a win is a win” refers to the bottom line in those competitions: winning a game. How the game was won is not as important as the fact that it was won. In many ways, we have reached a similar point in the management field. The increased pressure to publish in “A” journals means the new bottom line for valuing academic research is “an A is an A.” This publication ethos has gradually become embedded in universities’ growing managerialism and economic rationality, or what some critics have referred to as the “McDonaldization” of academe. University performance management and resource allocation systems, for example, are increasingly driven by a corporate audit culture where resources and rewards are contingent on quantifiable measures of research value. Faculty recruiting committees and promotion and tenure panels readily discuss how many A’s a candidate

has published and how many A’s are needed for a favorable decision, while conversations about the distinctive intellectual value of a publication are often secondary to its categorical membership in journals.

The new bottom line for valuing academic research based on the “an A is an A” dictum has a significant impact, both positive and negative, on researchers, the knowledge they produce, and the business schools that employ them. The ostensible appeal of using A-journal counting to measure research value is inherent in its features. It is fast and easy to use and defend; enables evaluators to readily compare scholars’ research performance to one another and to standard benchmarks; and provides a straightforward, relatively conflict-free approach for making decisions about whom to hire, promote, and reward.

One of the most important seemingly positive outcomes of A-journal counting is the development of clear standards for judging the value of research independent of personal opinions. Like the use of other types of rankings, the use of journal ranking lists as the arbiter of research quality enables business schools to avoid having to translate subjective opinions about the quality of research into quantifiable ratings. Adopting this process increases the transparency of schools’ performance management systems as well as the actual and perceived fairness of the procedures used to make decisions about the allocation of rewards, key factors in ensuring perceptions of trust and organizational justice. Delineating the value of A-journal publications can also serve as a self-selection mechanism. Specifically, doctoral students and faculty who do not wish to compete under a performance management system based on a particular journal list can purposefully opt out of applying to or working for a particular business school.

AN A IS AN A”: THE NEW BOTTOM LINE FOR VALUING ACADEMIC RESEARCH

Instead, they can pursue opportunities in schools that consider more than the number of A-journal publications to allocate rewards. Finally, careful examination of A journals can provide information and exemplars about the type of theorizing, methodology, and reporting required to publish successfully in them.

Disconcertingly, however, are mounting concerns about unintended negative effects of using A-journal lists to assess research value. Among these deleterious outcomes are questionable research practices; narrowing of research topics, theories, and methods; and lessening of researcher care and intrinsic motivation for doing research, to name but a few. Arguably, one of the most pernicious outcomes of the “an A is an A” phenomenon is the rampant increase in the prevalence of questionable research practices (QRPs) employed with the purpose of presenting biased evidence in favor of an assertion. In addition, making salient rewards such as tenure and promotion contingent almost exclusively on publishing in A journals can incentivize researchers to produce as many A-journal articles as possible, without necessarily considering whether research results are reproducible, advance the broader conversation in the field, or have meaningful practical implications. Over time, the rewards that accrue from A-journal publication reinforce this emphasis of research over practice and contribute to the growing trend in the management field of doing and publishing research primarily for other researchers, not for the broader practice of the management profession. Moreover, emphasis on A-journal publication can also reduce the heterogeneity and innovation in management research through the preferred methodological approaches used to publish in these journals.

Much of their content is based on research using hypothetico-deductive methods and state-of-the-art analytical techniques aimed at precision, control, and testability of existing theory. These research methods are highly relevant to the exploitation of existing management knowledge—testing, refining, and extending it. They are less suited to the exploration of management knowledge, which seeks to discover novel phenomena and invent new theories.

From a researcher’s perspective, A-journal lists can lead to decreased emphasis on what researchers care about in doing management research. By focusing exclusively on research output in A journals, the locus of control for management research shifts from the researcher to the external market, thereby turning an intrinsically driven research process into one that is extrinsically motivated and controlled.

However, because the use of A-journal publications as a measure of research quality has certain benefits, we should build on them while seeking ways to ameliorate the negative effects. Journal lists are a reasonable initial tool to define research performance standards when none or very few exist. As mentioned earlier, they supplement purely subjective opinions of research quality with a clear measure that is verifiable. But to maximize the positive impact of journal lists, they need to be part of a more comprehensive performance management system that identifies, measures and develops researchers’ performance.

The current method for valuing research in business schools is not sustainable, yet we do not realistically see a radical change occurring in the near future.

AN A IS AN A”: THE NEW BOTTOM LINE FOR VALUING ACADEMIC RESEARCH

Rather, we offer recommendations for creating a performance management system that nudges management researchers beyond an obsession with A journals towards producing knowledge with relevance to a broad set of stakeholders, that openly reports methodological and analytical choices, and is innovative and heterogeneous. Our recommendations involve concrete proposals not just pious sentiments that cannot readily be translated into action. Also, some of them are forward looking and their full potential is likely to be realized once advancements in new ways of collecting and analyzing data, such as machine learning, artificial intelligence, and computer-adaptive text analysis, become more common. Nevertheless, our proposals address thorny and critical issues in business schools and the field of management.

We first suggest how to design performance management systems and measure research performance and then how to build research skills. Ideally, business schools' performance management systems should derive from strategic choices about how to compete, relate to key stakeholders, and acquire and deploy resources. Explicit and careful attention to management research in making those decisions can clarify the strategic role that research plays in how business school's function and compete. It can identify the value that key stakeholders place on research and determine how those values should be weighted in assessing and rewarding performance. For example, schools that strategically emphasize education and teaching are likely to weigh the pedagogical contributions of their research highly; others that choose to compete as elite research institutions would likely place a high value on the scientific contributions of their research.

Measures of research performance can include, in addition to citation analysis, multiple indicators of research's practical relevance such as publications in practitioner-oriented and bridging journals, media coverage, number of followers on social media, citations in textbooks and popular business books, and the like. Moreover, assessing the value of management research can be refined by measuring research quality as a continuous rather than a dichotomous "count" versus "does not count" variable. Finally, developing skills for producing high-quality research can include methods and analytical techniques for doing the kinds of exploratory research needed to create innovative and heterogeneous management knowledge.

In summary, our review and critique of the dominance of this new bottom line for valuing academic research provide a foundation for moving management research beyond A-journal strictures. We hope our analysis and forward-looking recommendations will spur further travel down this path. In particular, our insights can be useful to a variety of stakeholders, including (a) academics in all management and business school domains and from universities worldwide, (b) university administrators and funding agencies interested in evaluating research quality and impact, and (c) individuals dedicated to responsible scholarship and addressing the current credibility crisis in management research.

CSR-ENHANCING FACTORS FOR BUSINESS VS. PUBLIC STAKEHOLDERS: HONG KONG

Corporate Social Responsibility



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DR. SAM MIN, MARKETING

Journal of Asia Business Studies
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There are myriad factors that drive firms to increase corporate social responsibility (CSR) activities. For instance, some firms implement CSR as an instrument to seek eventual financial benefits, but others engage in CSR activities by the altruistic motivation to fulfill their social responsibilities. Organizational resources also influence firms to commit to CSR efforts. Specifically, whereas financial strength enables firms to implement CSR practices, an unstable financial status can divert the attention of a firm away from CSR activities and towards more imminent, profit-seeking investments that are critical to their ongoing business operation. Other CSR-driving forces include the pressures and influences arisen from outside of a firm that induces the firm to engage in CSR activities. Firms often engage in CSR to conform to industry-wide CSR practices. Associated regulatory pressures from central or local governments, nongovernmental organizations (NGOs), and media also give pressure to firms to engage in CSR actions.

CSR-ENHANCING FACTORS FOR BUSINESS VS. PUBLIC STAKEHOLDERS: HONG KONG



Although these CSR-enhancing factors are widely discussed in the literature, the relative impact of each factor on corporate social performance (CSP) for different stakeholders has not been explored. A specific CSR-enhancing factor that increases CSP for some stakeholders may not do so for the other stakeholders. This study submits that meaningful, differential CSR-related impacts should emerge from comparing CSR-enhancing factors for business vs. public stakeholders because of the different degree of interdependence between the firm and these two types of stakeholder groups. Business stakeholders, e.g., employees, investors, suppliers, customers, are those who all related directly into the firm's business operation whereas the public stakeholders are rather indirectly related to the firm's business operation. Public stakeholder group are the governments and communities that provide infrastructures and markets, whose laws

and regulations must be obeyed, and to whom taxes and other obligations may be due.

This study examines CSPs for four different business-stakeholder groups (i.e., investors, employees, suppliers, and customers) and two public-stakeholder groups (i.e., communities and the environment), and explores if CSR-enhancing factors have differential impacts on CSPs for business stakeholders vs. public stakeholders. A stark absence in research about the relative impact of CSR drivers for diverse stakeholders motivates this study. Building on the recent advance of stakeholder theory, which is grounded in a nature of a high interdependence between the focal firm and its business stakeholders, we build hypotheses about the differential impacts of CSR-enhancing factors on CSPs for business vs. public stakeholders.

CSR-ENHANCING FACTORS FOR BUSINESS VS. PUBLIC STAKEHOLDERS: HONG KONG

We test the hypotheses with a sample of small and medium size enterprises (SMEs) in Hong Kong. Our study finds an evidence that varied CSR-engaging factors in the literature do not uniformly affect CSP for diverse stakeholders of Hong Kong SMEs. In particular, this study finds firms perform CSR-related activities for public stakeholders (i.e., community and environment) more than for business stakeholders when (i) they have sufficient financial resources, (ii) peer firms adopt CSR practices, and (iii) governments, NGOs, media, and community activists exert pressure on them to do so. Although consistent with the hypotheses, it is striking that institutional conformity does not increase the CSR performances of firms in relation to any of the business stakeholders, after controlling other CSR-enhancing factors. This indicates that the CSR-related activities associated with business stakeholders is not significantly dependent upon other peer firms' adoption of CSR practices; however, a firm's institutional conformity plays a key role in its social- and environment-related CSR activities. These findings generally support the argument that business stakeholders have a stronger interdependent relationship with their focal

business, which influences the firm's CSR effort for its business stakeholders vs. public stakeholders.

Regarding public policy implications of our findings, this study submits that government policies/authorities to encourage firms' CSR activities in public environments or community issues are recommended to adopt a kind of stick-and-carrot approach. While exerting regulatory and peer-firm pressures on firms may increase their involvements with non-profit CSR activities, this is a possible option only when the private firms have remaining financial resources that could be used for those purposes. Therefore, in parallel with regulations/pressures, the government authorities may also need to provide financial incentives for firms in such ways as giving tax reductions, allowing priorities in using government facilities if necessary, and securing locational/transportation advantages in the firms' factory-building plans, etc. Considering that financial resources are the most comprehensive and important factor among all the CSR enhancing factors, this study argues that public policies providing financial incentives for CSR will distinctively improve firms' CSR efforts for communities.



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