HOW CAN HUMAN RESOURCE MANAGEMENT PRACTICES LEAD TO INCREASED CORPORATE SOCIAL PERFORMANCE? INSTITUTIONAL THEORY PERSPECTIVE

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Abstract:
Increased emphasis is being placed on corporate social responsibility (CSR), with companies not only implementing CSR strategies but also considering whether CSR benefits them. CSR is also a principal subject of practical and academic discussion. The main objective of this study was to investigate the relationships between socially responsible human resource management (SR-HRM) practices, CSR, institutional pressure, and corporate social performance (CSP) from institutional theory perspectives. In addition, this study verified the mediating effect of CSR and the moderating effect of institutional pressure. A total of 782 questionnaires were collected from employees of small- and medium-sized Taiwanese enterprises. The results revealed that HRM practices have a significantly positive effect on CSR and CSP; CSR has a mediating effect between HRM practices and CSP; and both normative and coercive pressures have a moderating effect between CSR and CSP.

Keywords: human resource management practices, corporate social responsibility, institutional pressure, corporate social performance

1. INTRODUCTION

Corporate social responsibility (CSR) is currently the principal topic of interest in both business practice and academia. With the rise of environmental protection and ethical awareness, CSR is increasingly recognized and demanded by the international community. Companies increasingly employ more responsible methods of conducting business to establish their social responsibility. CSR refers to a broad mixture of strategies and operational practices that companies hope address and create relationships with stakeholders and the natural environment (Waddock, 2004). CSR requires organizations to look beyond profitability and assume roles within environmental protection, education support, and community involvement (Crane & Matten, 2007).

To date, most CSR-related studies have concentrated on large businesses rather than small- and medium-sized enterprises (SME) (Perrini, Russo, & Tencati, 2007). Thus, the CSR conclusions drawn by studies that focused on large organizations have been applied to SMEs (Morsing & Perini, 2009), which has led to flawed logical deductions. Despite the smaller effect of SMEs on the business world, their economic contribution in Taiwan cannot be overlooked because SMEs account for 97.64% of all Taiwanese enterprises and employ 72.40% of work force. Cornelius, Todres, Janjuha-Jivraj, Woods, and Wallace (2008) revealed the importance of SME human resources (HR) practices for ensuring the economic, social, and environmental bottom lines of CSR. The role of HR is often overlooked while establishing CSR and an ethically responsible leadership (Bhattacharya, Korschun, & Sen, 2009). Greenwood (2002) begin to apply ethical stances to HRM is to make significant assumptions about the purpose of the organization, the roles and responsibilities of managers, and the rights and obligations of employees (and other stakeholders). Most ethical analysis, at the very least, assumes that employers have positive moral obligations towards their employees.

Mohr and Webb (2005) reported that the majority of studies on CSR have focused on financial performance and consumer response. Increased corporate reputation not only increases financial performance and attracts a high-quality workforce, but also improves employee morale and loyalty (Branco & Rodrigues, 2006). Although CSR implementation improves corporate reputation, there is a dearth of research on CSR from the perspective of employees (who are also stakeholders in a company). Therefore, this study investigated this critical issue from the stakeholders’ perspective.
SMEs in Taiwan are constrained by a lack of resources, environmental concerns, emerging consumer awareness, and changes to employees' moral values in addition to the passing of numerous laws and regulations that compel corporate adherence. Economic performance remains the number one priority for SMEs, but CSR-related performance is becoming increasingly crucial. However, there is a dearth of research on both the relationship between CSR and corporate social performance (CSP) for SMEs in Taiwan and whether the relationship is affected by various institutional pressures. This study thus used institutional theory to interpret the relationship between CSR and CSP. Institutional theory has been proven to be of potential value in research on manufacturing strategies, but empirical evidence of the moderating effect of CSR on CSP for SMEs is lacking (Ketokivi & Schroeder, 2004). The present study addresses this gap in the research and indicates to SMEs the implications of CSR management. Therefore, the overall objective of the present study was to investigate the relationships between HRM practice, CSR, CSP, and institutional pressure.

2. LITERATURE REVIEW AND HYPOTHESES

Shen and Zhu (2011) found that three components of an SR-HRM system as follows: legal compliance HRM; employee-oriented HRM and general CSR facilitation HRM. Legal compliance HRM involves mainly equal opportunity, health and safety, working hours, minimum wage and the use of child labour and forced labour (Rhoades and Eisenberger 2002). Employee-oriented HRM addresses employees' personal and family needs that are above and beyond legal minima. It focuses on employee needs for personal development, such as training, feedback, mentoring, career and managerial development and the adoption of workplace democracy, such as employee participation and involvement and power sharing (Waring and Lewer 2004). General CSR facilitation HRM is about the application of HRM policies and practices that help firms engage in general CSR initiatives. These components ensure that the organization takes care of the interests of both employees and external stakeholders, and achieves both short-term effectiveness and long-term sustainability.

Preuss, Haunschild, and Matten (2009) revealed that for many companies, HRM plays a minimal role in CSR. Fenwick and Bierema (2008) reported that HRM involvement in CSR activities was minimal in large companies in North America. Pless et al. (2012) identified that a growing number of companies use HR development (HRD) as a driver of CSP and use new methods to prepare their managers for current social, ecological, and ethical issues. Kwaramba (2012) also reported that because HRD typically focuses on knowledge, skills, and attitudes, HRD can play a major role in developing individual techniques to build relationships with a variety of stakeholders and to understand the effect of an organization on various dimensions of society.

Jenkins (2006) stated that SMEs must recruit and create talent if they are to ensure the success of their CSR activities. Particularly, organizations can ensure the assimilation of newly hired employees in a team if they recruit employees with similar values and CSR identification. Kwaramba (2012) affirmed that employee CSR training, particularly increasing CSR awareness, reinforces employee understanding of a company’s sustainability goals. Redington (2005) also revealed that HR practices such as capacity development can help CSR become embedded in an organization. Therefore, this study proposed the following hypothesis:

**H1: The extent to which HRM is perceived to be socially responsible will be positively related to CSR awareness.**

There has been much empirical research on the relationship between CSR and financial performance from two perspectives (Adewale & Rahmon, 2014; McWilliams & Siegel, 2001). The studies adopting the first perspective have assessed the effect of companies' socially moral or immoral actions on their short-term financial performance using event studies. They have reported mixed long-term outcomes. Wright and Ferris (1997) reported a negative relationship between CSR and financial performance; Teoh et al. (1999) determined no relationship between the two; and McWilliams and Siegel (2001) identified an inconsistent relationship between them. The studies adopting the second perspective have examined the relationship between CSP and long-term financial performance using return on assets (ROA), also revealing mixed results between CSR and accounting measures. Waddock and Graves (1997) reported a significant positive relationship between CSP indicators and financial measures (e.g., ROA in the subsequent year).
Stakeholder theory proposes that CSR improves corporate performance because business success depends on the fulfillment of key stakeholder expectations. It also suggests that CSR involves diverse stakeholder management (Freeman, 1984). Zhang, Fan and Zhu (2014) reported that improving CSR can reduce operational risk by generating positive ethical capital among stakeholders; thus, companies have a strong incentive to garner stakeholders’ recognition and support by reducing any negative events that could damage their corporate image. CSR activities can help companies establish a trustworthy and mutually beneficial corporate image and accumulate reputational capital among stakeholders, thereby establishing channels through which close relationships can be built (Gardberg & Fombrun, 2006). Previous studies have identified CSR as companies’ crucial strategy through which to satisfy stakeholders and grow sustainably, and numerous companies still strive to improve their CSR practices and maximize social benefits and corporate profitability (Porter & Kramer, 2006). This leads us to the following hypothesis:

**H2: CSR awareness will be positively related to CSP.**

HRM practices are designed to enhance employee skills, commitment, and productivity as a means to give the company a competitive advantage (Datta, Guthrie, & Wright, 2005). From a behavioral perspective, scholars have argued that HRM practices can induce employee commitment and corporate citizenship behaviors, leading to high organizational performance (Delbridge & Keenoy, 2010). Tsai (2001) suggested that companies that empower their employees are more likely to perform well in nonfinancial performance measures. Theriou and Chatzoglou (2009) concluded that commitment-oriented HRM leads to more favorable financial and nonfinancial outcomes. Zhang, Fan, and Zhu (2014) revealed that high-performance work systems have a significant positive effect on CSP. These findings further supported the conclusion that companies’ CSR efforts result in positive HR outcomes rather than harming corporate survival or development. Companies should recognize that CSR is a form of strategic investment (McWilliams, Siegel, & Wright, 2006) and pay more attention to their ethical performance. Therefore, the present study proposed the following hypothesis:

**H3: The extent to which HRM is perceived to be socially responsible will be positively related to CSP.**

Moneva, Rivera-Lirio, and Muñoz-Torres (2007) revealed that socially responsible corporations demonstrate their commitment to stakeholders through their mission statement, thereby improving organizational performance. Kwaramba (2012) concluded that companies must recognize that employee training, well-being, and commitment all lead to CSR success, in addition to well-implemented CSR development, supervision, and execution by HR professionals. Chang, Oh, and Messersmith (2014) indicated that corporate financial performance depends on cooperation between CSR strategies and HRM practices and processes. Therefore, HRM practices can effectively integrate companies’ social and environmental efforts and achieve organizational objectives by vertically integrating HR strategies and organizational orientation. Shen and Zhu (2011) argued that CSR is crucial to organizational competition and sustainability and that understanding HRM development can help companies establish internal and external ethical environments for improved organizational performance. Shen (2011) revealed that HRM practices encourage CSR to positively affect employee behavior and may increase organizational performance. Therefore, the present study proposed the following hypothesis:

**H4: CSR affect mediates the relationship between SR-HRM and CSP.**

Institutional theory states that organizations are subject to external pressures and must attempt to deal with these pressures if they are to survive. Campbell (2007) stated that organizations’ CSR awareness and strategy selection may be dependent on institutional elements including a variety of government regulations, industry norms, civil organizations, and social groups. DiMaggio and Powell (1983) proposed three types of institutional pressure that lead to organizational isomorphism: coercive, mimetic, and normative pressures. Coercive isomorphism involves laws and regulations or the holders of key resources; mimetic isomorphism refers to the imitation of a successful organization as an indeterminate response criterion; and normative isomorphism is driven by pressures brought about by professions and their respective institutions. Pedersen, Neergaard, Pedersen, and Gwozdz (2013) stated that the coercive pressure of government affects CSR policies and encourages companies to reveal their CSR and environmental information in their annual reports; furthermore, the study reported that mimetic isomorphism inspired a homogenization in CSR-reporting practices.
Jennings and Zandbergen (1995) extended institutional theory to interpret corporate environmental management strategies and argued that because coercive forces (through the enforcement of statutes and ordinances) are the primary pressures on environmental management strategies, similar strategies are implemented by companies within the same industry. For Taiwanese SMEs, the government’s recent greater environmental pressure has forced the SMEs to adopt increasing environmental strategies, thereby leading to improved corporate environmental performance. Zhu and Sarkis (2007) employed market, governmental, and competitive sources of institutional pressure as moderating variables to investigate the relationship between organizational performance and green supply-chain-management practices (e.g., internal environmental management, green purchasing practices, eco-design, and vendor–supplier cooperation). The results revealed that market (i.e., normative) and regulatory (i.e., coercive) pressures led to improved environmental performance, particularly due to eco-design and green purchasing practices; in addition, competitive (i.e., mimetic) pressure was discovered to substantially improve the economic benefits of green supply-chain-management practices without deleterious effects on environmental performance. Therefore, the present study proposed the following hypothesis:

**H5: Institutional pressures (coercive, mimetic, and normative) have a moderating effect on the relationship between CSR awareness and CSP.**

### 3. RESEARCH METHODOLOGY

#### Sample and Procedure

According to statistics from the Small and Medium Enterprise Administration of The Ministry of Economic Affairs, the percentage of total enterprises made up by small and medium enterprises (SMEs) in Taiwan was 97.64% at the end of 2016 (2016 White Book of Small and Medium Enterprises) and the percentage of employees working for SMEs was 72.40%. Through purposive and convenience sampling, this study invited 196 SMEs located in Taiwan industrial zones to participate in our research. Only 120 companies were willing to participate in the study. Letters were sent out to companies, explaining the research purpose of this study, accompanied by 5-15 questionnaires each company. To avoid the potential problem of common method biases (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), data for this study were collected over two time periods. During the first wave of data collection, respondents completed the first questionnaires, measuring human resource management practices, corporate social responsibility and institutional pressure. One month later, respondents completed a second questionnaire, which measured the dependent variables of corporate social performance. All participants were volunteers, and the completed questionnaires were returned anonymously and directly to the university in pre-stamped envelopes.

A total of 753 respondents completed both the first and the second questionnaires. After deleting samples missing huge amounts of data, 750 respondents from 120 SMEs remained. The valid returned rate was 75%. Some further background information about the samples is as follows. The sample's gender composition was 52% male and 48% female. Of the respondents, 54.8% were married and 45.2% were single. In terms of education, 12.3% of respondents had a high-school degree, 83.2% had a bachelor's degree and 4.5% had a master's or doctoral degree. The average age of the respondents was 34.87, and their average tenure at their present company was 4.95 years.

#### Measures

**SR-HRM**

We introduced a three-component model of SR-HRM. (1) Legal compliance HRM was measured by six items: compliance with labour laws regarding health and safety, minimum wage, working hours, no use of child or forced labour (Shen et al. 2009) and appointing adequate employees to monitor labour standards (Aguilera et al. 2007). (2) Employee-oriented HRM was measured using four items: flexible working hours and employment programmers for achieving work-life balance; adequate training and development opportunities; workers’ organizations participating in determining labour terms; employee involvement and participation. We proposed three items to measure general CSR facilitation HRM: appointing CSR staff; appraising and rewarding employees' contribution to CSR.

**CSR**

CSR activities are manifested in organizational programs that protect and improve societal welfare,
ranging from cause-related marketing, employee benefits, community outreach, to eco-friendly or sustainable business practices (Du et al. 2013). We adopted Mattingly and Berman (2006) 12 items to measure institutional CSR for this study. These items represent included CSR activities targeting community and environment to measure institutional CSR practices and two dimensions: institutional CSR practices targeting and technical CSR practices. Institutional CSR instead covers a firm’s CSR activities in the community and environment domains, such as giving back to local communities (e.g., education, arts, and culture) and incorporating environmental concerns in business decisions (e.g., clean technology, and recycling). The measure for institutional CSR is highly reliable, with a Cronbach’s α of .94.

**Corporate Social Performance**

CSP are the extent to which businesses meet the legal, ethical, and discretionary responsibilities imposed on them by their stakeholders (Zhang, Fan & Zhu, 2014). Based on existing studies, especially the work of Maignan and Ferrell (2000), a 9-item scale was developed to measure a firm’s social performance as perceived by its employees. Two sample items were ‘our company does not tolerate unethical business behaviour’ and ‘our company actively participates in community activities’. Cronbach’s α for the measure was 0.92, suggesting that this measure was internally consistent.

**Institutional Pressure**

Institutional pressures are based on the distinction between Delmas and Toffel (2004) on institutional isomorphism pressure, which is divided into coercive pressure, mimetic pressure and normative pressure. The Delmas and Toffel (2004) 19-item scale was adapted to measure institutional pressures. A sample item is “The operational management of our business is affected by the health and safety laws and regulations promulgated by the government”. The scale reliability is 0.89.

All participants responded using a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). The means, standard deviations, reliability coefficients, and correlations between all of the main study variables are presented in Table 1.

Table 1: Descriptive statistics and correlations among main study variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>mean</th>
<th>SD</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>SR-HRM</td>
<td>2.91</td>
<td>0.53</td>
<td>(0.89)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>corporate social responsibility</td>
<td>3.28</td>
<td>0.70</td>
<td>.81**</td>
<td>(0.94)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>corporate social performance</td>
<td>3.51</td>
<td>0.75</td>
<td>.74**</td>
<td>.72**</td>
<td>(0.92)</td>
<td></td>
</tr>
<tr>
<td>institutional pressure</td>
<td>3.46</td>
<td>0.52</td>
<td>.60**</td>
<td>.55**</td>
<td>.57**</td>
<td>(0.89)</td>
</tr>
</tbody>
</table>

Notes: Number in parentheses are the Cronbach’s α. **significance at the 0.01 level.

4. DATA ANALYSIS AND RESULTS

Data analysis was conducted in two steps. In the first step confirmatory factor analysis was undertaken using AMOS 20.0 to examine the discriminant validity of study’s variables. The goodness-of-fit statistics of four-factor model where items were forced to load on their respective constructs of SR-HRM, corporate social responsibility, corporate social performance, and institutional pressure were compared to a series of nested models. The results of the analyses are presented in Table 2.

As can be seen, the goodness-of-fit indices indicate that the proposed four-factor model fitted the data extremely well (χ² = 4352.7, df = 1059, RMSEA =0.063, IFI = 0.88, CFI =0.88), whereas alternative nested models showed poorer fit. Based on the fit index recommendations of Hu & Bentler (1999), it was concluded that the measurement model was good enough to proceed with hypothesis testing. To test for common method bias, we also performed a Harman’s one-factor test. A χ² difference test indicated that the one-factor model was significantly poorer than the four-factor model (χ² difference (df = 1065) = 5580.82, p<0.01), suggesting that common method bias is not a significant problem in this study.
Table 2: Results of confirmatory factor analyses

<table>
<thead>
<tr>
<th>Model</th>
<th>( \chi^2 )</th>
<th>df</th>
<th>IFI</th>
<th>CFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four-factor model</td>
<td>4352.70</td>
<td>1059</td>
<td>0.88</td>
<td>0.88</td>
<td>0.06</td>
</tr>
<tr>
<td>Three-factor model: SR-HRM and CSR combined</td>
<td>4999.88</td>
<td>1062</td>
<td>0.86</td>
<td>0.86</td>
<td>0.07</td>
</tr>
<tr>
<td>Two-factor model: SR-HRM, CSR, and CSP combined</td>
<td>5392.85</td>
<td>1064</td>
<td>0.84</td>
<td>0.84</td>
<td>0.07</td>
</tr>
<tr>
<td>One-factor model</td>
<td>5580.82</td>
<td>1065</td>
<td>0.84</td>
<td>0.84</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Notes: IFI, is the incremental fit index; CFI, the comparative fit index; RMSEA, the root-mean-square error of approximation

A regression analysis was performed to test whether CSR has a mediating effect between SR-HRM cognition and CSP (Table 3). Model 2 demonstrated that SR-HRM practices were significantly and positively correlated with CSR (\( \beta = 0.807, p < .001 \)); thus, H1 was supported. Model 4 demonstrated that CSR had a significant and positive correlation with CSP (\( \beta = 0.705, p < .001 \)); thus, H2 was also supported. SR-HRM practices were discovered to be significantly and positively correlated with CSP (Model 3; \( \beta = 0.727, p < .001 \)); thus, H3 was supported. Model 5 tested the mediating effect of CSR. Table 3 shows that the effect of SR-HRM practices on CSP (i.e., \( \beta \)) was decreased from 0.727 to 0.442 (\( p < .001 \)) and that CSR was significantly and positively correlated with CSP (\( \beta = 0.352, p < .001 \)). Hence, it can be deduced that CSR had a partial mediating effect between SR-HRM practices and CSP and thus H4 was supported.

Table 3: Results of regression analyses for CSR as mediator

<table>
<thead>
<tr>
<th>Variables</th>
<th>CSP</th>
<th>CSR</th>
<th>CSP</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>0.010</td>
<td>-0.031</td>
<td>0.022</td>
<td>0.041</td>
<td>0.033</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>-0.036</td>
<td>0.016</td>
<td>-0.006</td>
<td>-0.024</td>
<td>-0.011</td>
<td></td>
</tr>
<tr>
<td>Position</td>
<td>0.132**</td>
<td>0.032</td>
<td>0.015</td>
<td>0.018</td>
<td>0.004</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>0.181**</td>
<td>-0.027</td>
<td>0.080*</td>
<td>0.121**</td>
<td>0.089*</td>
<td></td>
</tr>
<tr>
<td>SR-HRM</td>
<td>0.807***</td>
<td>0.727***</td>
<td></td>
<td>0.442***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td></td>
<td></td>
<td>0.705***</td>
<td>0.352***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>13.112***</td>
<td>302.346***</td>
<td>198.098***</td>
<td>180.236***</td>
<td>196.074***</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.063</td>
<td>0.661</td>
<td>0.561</td>
<td>0.537</td>
<td>0.603</td>
<td></td>
</tr>
</tbody>
</table>

Note: * \( p < 0.05 \); ** \( p < 0.01 \); *** \( p < 0.001 \)

Second, the study’s hypotheses were tested using hierarchical regression analysis. The finding are presented in Table 4. In order to deal with potential multicollinearity between study variables all independent, moderating, and control variables were mean-centered prior to analysis, following the recommendations of Aiken & West(1991).

Initially we investigated the relationship between CSR and CSP, and the moderating influence of on institutional pressure (coercive, mimetic and normative) on this relationship. In Model1 the control variables were entered into the first step of the regression. Two control variables, position (\( \beta = 0.132, p < .01 \)) and tenure (\( \beta = 0.181, p < .01 \)) were significantly but weakly related to CSP. This suggested that managerial position level and senior employees are more likely to promote CSP. The independent variable, CSR, and moderating variable, institutional pressure, were then entered into the second step of the regression (model 2). We found that coercive pressure (\( \beta = 0.113, p < .001 \)), mimetic pressure (\( \beta = 0.119, p < .001 \)), normative pressure (\( \beta = 0.077, p < .001 \)) were positively related to CSP. Finally, in the third step the interaction term, CSR × institutional pressure (coercive, mimetic and normative), were entered into the regression (model 3). This interaction between CSR and mimetic pressure was significantly and positively related to CSP (\( \beta = 0.925, p < .001 \)), indicating that the positive relationship between CSR and CSP was stronger when employees perceived mimetic pressure to be higher. This interaction between CSR and normative pressure was significantly and negatively related to CSP (\( \beta = -0.560, p < .01 \)), indicating that the negative relationship between CSR and CSP was stronger when
employees perceived normative pressure to be higher. Therefore, H5 was partially supported.

Following the recommendations of Aiken & West (1991) regression equations were plotted at different levels of mimetic pressure and normative pressure (i.e. one standard deviation above and below the mean) to better interpret the moderating effects of mimetic pressure and normative pressure on the relationships between CSR and CSP. These are presented graphically in figures 1 and 2. Figure 1 shows the relationship between CSR and CP was stronger than when mimetic pressure is high. Figure 2 shows the moderating influence of normative pressure on the relationship between CSR and CSP. As can be seen, when normative pressure was high the relationship between CSR and CSP was stronger than when normative pressure was low.

Table 4: Results of regression analyses for institutional pressure as moderator

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>0.010</td>
<td>0.031</td>
<td>0.028</td>
</tr>
<tr>
<td>Age</td>
<td>-0.036</td>
<td>-0.029</td>
<td>-0.013</td>
</tr>
<tr>
<td>Position</td>
<td>0.032**</td>
<td>0.004</td>
<td>0.010</td>
</tr>
<tr>
<td>Tenure</td>
<td>0.181**</td>
<td>0.113**</td>
<td>0.097**</td>
</tr>
<tr>
<td>CSR</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coercive pressure (CP)</td>
<td>0.113***</td>
<td>0.308***</td>
<td></td>
</tr>
<tr>
<td>Mimetic pressure (MP)</td>
<td>0.119***</td>
<td>-0.373***</td>
<td></td>
</tr>
<tr>
<td>Normative pressure (NP)</td>
<td>0.077***</td>
<td>0.438***</td>
<td></td>
</tr>
<tr>
<td>CSR × CP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR × MP</td>
<td>-0.268</td>
<td>0.925***</td>
<td></td>
</tr>
<tr>
<td>CSR × NP</td>
<td>-0.560**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F value</td>
<td>13.112***</td>
<td>132.020***</td>
<td>103.608***</td>
</tr>
<tr>
<td>R²</td>
<td>0.063</td>
<td>0.577</td>
<td>0.597</td>
</tr>
<tr>
<td>ΔR²</td>
<td>0.063</td>
<td>0.514</td>
<td>0.030</td>
</tr>
</tbody>
</table>

Note: * p<0.05; ** p<0.01; *** p<0.001

5. CONCLUSION AND SUGGESTION

From the perspective of stakeholder theory, a company seeking to increase its sustainability must pay attention to not only shareholders’ interests but also those of employees, clients, communities, and other related individuals or groups (Freeman, 1984). Therefore, companies must internally develop quality SR-HRM practices while promoting their CSR externally if they are to accommodate the demands of communities, the environment, and clients. After companies have established sound SR-HRM and exhibit adequate capability to develop outward, they may then account for the interests of external stakeholders. Additionally, employee participation in company-organized CSR training strengthens their understanding of sustainability goals and their CSR awareness (Kwaramba, 2012). The present study again confirmed the significantly positive correlation between HRM practices and CSR awareness.
Stakeholder theory further proposes that CSR can improve CSP because business success depends on the fulfillment of key stakeholders’ expectations (Freeman, 1984). Zhang et al. (2014) also maintained that improving CSR can decrease operational risk by generating positive ethical capital among stakeholders; thus, companies have a strong incentive to garner stakeholders’ recognition and support by reducing any negative events that can damage the corporate image. The empirical results of the present study were consistent with those reported by Zhang et al. (2014), in which CSR awareness had a significantly positive effect on CSP.

Previous studies have emphasized the positive effect of SR-HRM practices on organizational performance (Wright et al., 2005). Storey (1989) stated that SR-HRM can influence organizational performance by affecting employee attitude and behavior. Another study proposed that ethical SR-HRM practices enhance corporate reputation, motivate employees, and improve financial performance (Wilson, 1997). The empirical results of the present study were consistent with the theories proposed in the literature, in which SR-HRM practices have a significant positive effect on CSP. Therefore, companies must develop and implement quality SR-HRM practices to not only increase employees’ CSR awareness but also improve their CSP. Companies can gain multiple benefits simultaneously including increasing CSP while, improving the perceptions of external stakeholders ensuring their employees welfare. Companies should recognize that CSR is a form of strategic investment (McWilliams et al., 2006) and pay more attention to their ethical performance.

The present study also revealed the moderating effect of mimetic and normative pressure on the relationship between CSR and CSP. Under low mimetic pressure and high normative pressure, CSP substantially increased as CSR increased. However, SMEs can be difficult to regulate as they are both reluctant to adopt voluntary regulation but are also distrustful of bureaucracy, and are less responsive to coercive pressure (Dex & Scheibl, 2001). Coercive pressure was a weak force in persuading companies to undertake CSR for SMEs. No doubt the competitor benchmarking and industrial regulations could and should motivate SMEs to engage in CSR, but its success may depend on how much SMEs trust the motivations of external organizations. Therefore, increased business association norms and regulations will force SMEs to address their CSR, thereby increasing their CSP.

The present study had three limitations due to various constraints. First, the sampling method was restricted to lists of raffle winners, acquaintances of the authors, and SMEs who were open to office visits, and thus the questionnaire could not be evenly distributed to Taiwanese SMEs. Due to geographical constraints, most questionnaires were collected from SMEs in Southern Taiwan, which may limit the contribution of the present study. Second, this study had a limitation regarding subject selection, with employees from different departments of SMEs selected as respondents. In response to the comprehensive nature of the questionnaire items, numerous respondents expressed that they were unsure of whether their company implemented CSR practices. This demonstrated that Taiwanese SMEs must strengthen their HRM, employee awareness, and CSR implementations. Future research can design questionnaires for high-level managers that would lead to more accurate outcomes. Third, the clarity of the questionnaire items was possibly a factor. Because the CSR-related questionnaires used were developed in foreign countries, the questionnaire items in the present study were all translated from English into Chinese. Although the semantics had been adjusted for clarity and latest news events were added to ensure appropriate responses, the respondents may not have immediately and comprehensively understood the implications of the questionnaire items. In addition, East–West cultural differences may have led to the misunderstanding of questionnaire items, and items designed for assessing large companies may not have been applicable to SMEs. To address these problems, future research can reconsider the appropriateness of using questionnaire scales developed in foreign countries. If such scales must be used, discussion with experts and scholars and pretests can help improve the semantics for increased clarity.

REFERENCE LIST


