Research on the impact of corporate social responsibility behavior on financial performance from the perspective of optimal differentiation

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INTRODUCTION

The purpose of empirical CSR research is that firms want to have a positive impact on performance through socially beneficial activities. CSR also helps to differentiate itself from its competitors and improves corporate financial performance by building reputation and gaining support from different stakeholders. However, previous studies on the relationship between CSR and corporate financial performance have found inconsistent findings, and the mechanisms by which CSR promotes financial performance are complex and go beyond direct causation. Whereas CSR is a multidimensional concept, most of the previous studies were conducted only from a single dimension and the conclusions obtained were somewhat one-sided, so this study combines network analysis to link the various areas of CSR and constructs a multidimensional network matrix for empirical analysis to make the findings more convincing and comprehensive.Carroll proposed the most influential pyramid model of CSR: economic, legal, ethical, and voluntary responsibility. Among them, economic responsibility requires that firms must enhance their corporate value by continuously striving to introduce new products, methods, and initiatives, for which this paper explains the complex relationship between CSR and financial performance by introducing corporate R&D investments.

MAIN PROCESS

This study explores the mechanism of the role of CSR on financial performance from the perspective of optimal differentiation. Based on the social responsibility practices of Chinese listed companies, the impact of CSR with different strategies on financial performance and the moderating role played by R&D investment are examined empirically. Based on the perspective of optimal differentiation theory, this paper provides new ideas for listed companies to balance the impact of CSR consistency and differentiation on financial performance, thus contributing to the development of optimal differentiation theory.

RESULTS AND ANALYSI

Overall, corporate R&D investment may lead to a decrease in corporate financial performance in a short period, but in the long run, the accumulated financial performance will eventually be transformed into unique core competitiveness of the enterprise, and stakeholders should be confident in the future development of the enterprise, and thus financial performance will continue to improve. Through empirical evidence, this paper argues that when companies tend to CSR consistent behavior in the long term, increasing investment in R&D changes the tendency of the company's financial performance, which originally did not form unique competitiveness and resulted in lower financial performance, into an increase in the company's financial performance and attracts more stakeholders' support and investment, thus continuously improving the company's financial performance. Thus, increasing R&D investment can weaken the inverted U-shaped effect of CSR's consistent behavior on financial performance. When firms tend to differential behavior of CSR in the long run, increasing investment in R&D will not change the negative impression that firms leave to stakeholders by neglecting CSR consistency, making it difficult to obtain external resources and thus failing to improve financial performance. Therefore, increasing investment in R&D does not have a moderating effect on the U-shaped relationship between CSR's differential behavior and financial performance.

CONCLUSION

The conclusions are as follows: (1) the consistency of CSR has an inverted U-shaped relationship with financial performance, and the difference of CSR has a U-shaped relationship with financial performance. (2) Increasing R&D investment will weaken the inverted U-shaped impact of CSR consistency on financial performance, but increasing R&D expenses and R&D personnel investment does not regulate the U-shaped relationship between CSR difference and financial performance.