

An Empirical Examination of Corporate Citizenship in Taiwan

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Abstract

This study explores the effects of corporate citizenship on business performance in the Taiwanese hospitality industry. Based on a survey of international hotels in Taiwan, the results show that corporate citizenship has positive influences on business performance, while corporate citizenship also has indirect positive influences on business performance through the mediating roles of innovation and customer loyalty. The theoretical and practical implications are discussed.

Keywords: corporate citizenship; business performance; innovation; customer loyalty

Corporate citizenship and business performance

Corporate citizenship is attracting an increasing amount of attention in the modern business world [1-3]. Citizenship behaviors are when people take more active roles to work together to improve society [4], and the concept of corporate citizenship was defined by Maignan et al. [5] with the following four dimensions: economic responsibilities, ethical responsibilities, legal responsibilities, and discretionary responsibilities. According to this perspective, good corporate citizens work towards meeting their economic, ethical, legal and discretionary obligations to society. Prior research has provided evidence of a positive relationship between corporate citizenship and business performance [1, 5-7]. For example, Kusku and Zarkada-Fraser [7] found that corporate citizenship has positive relationships with customer loyalty, organizational commitment and business performance, based on an empirical investigation in Australia and Turkey. Maignan and Ferrell [6] also showed that corporate citizenship is positively associated with business performance from a study of French companies. That is, the implementation of corporate citizenship not only contributes to company benefits, but further provided perceptions for hotelier that corporate citizenship can promote the company's social as well as financial positions. Consequently, we thus propose the following hypothesis:

Hypothesis 1. Corporate citizenship is positively related to business performance.

The mediating roles of innovation capability and customer loyalty

Based on Amabile's [8] componential theory of organizational creativity and innovation, resources, management practices and organizational motivation are three key elements that promote innovation. Following this perspective, firms with good corporate citizenship can use every resource available to assist organizational development of innovative works, implement all management practices to encourage employees for innovative ideas, and raise organizational motivation to participate in innovative community activities. This viewpoint

links the positive relations between corporate citizenship and innovation. That is, companies with high perceptions of corporate citizenship are more willing to improve their innovation abilities in the organization. For instance, Busch [9] revealed that corporate citizenship has positive influences on organizational learning and innovation. Fabling and Grimes [10] also showed the existence of a positive relationship between corporate citizenship and innovation based a survey of New Zealand firms. In other words, if organizations have more abilities to develop and implement innovations, they can thus achieve more knowledge-intensive business services regarding their processes, products, delivery systems, and competitive strategies [8]. Moreover, innovations tend to arise in environments that support creative ideas, and the successful fulfillment of these novel ideas can lead to enhanced business performance [11, 12]. For example, Bellou and Andronikidis [13] reported that a better innovative climate is positively related to improved business performance based on a survey of 24 Greek hotels. Tajeddini and Trueman [14] examined 96 Swiss hotels and found a positive relationship between innovativeness and business performance. Tsai et al. [2] also suggested that more effective corporate citizenship behaviors can significantly enhance corporate performance through greater innovation, using survey data from hotels in Hong Kong. Integrating these viewpoints, innovation is a key driver of excellent business performance, and companies that have more focus on corporate citizenship can thus have more innovative products, processes and services, thus leading to greater customer satisfaction and sustainable competitive advantages. Accordingly, we therefore argue that corporate citizenship influences business performance through innovation, and propose:

Hypothesis 2. Innovation mediates the relationship between corporate citizenship and business performance.

Customer loyalty means customers have a positive impression of a company regarding its services, products and brands, and intend to continue to buy its products or services [15, 16].

In this vein, companies with proactive corporate citizenship can produce high quality products or services that are valued by customers, participate in social activities that are supported by customers, and highlight the importance of social issues that are related to corporate as well as customers, thus promoting customer loyalty [5]. That way, with this good reputation of corporate citizenship, customers will express their loyalty to support organizations by joining their activities for the community, purchasing more products, and recommend their brands to others. The positive relationship between corporate citizenship and customer loyalty is well documented. Kusku and Zarkada-Fraser [7] found that corporate citizenship practices can increase customer loyalty based on an empirical survey. Maignan, et al. [5] also revealed that corporate citizenship is positively associated with employee commitment and customer loyalty according to an empirical investigation. In addition, if a company provide services that create customer value and raise customer switching costs, the resulting loyal customers can have a great impact on profitability such as introducing new customers with word-of-mouth communication thus decreasing the costs of advertising [17]. Most important of all, high customer loyalty can ultimately improve business performance, due to high levels of customer trust and satisfaction with the service quality provided [18-20]. Previous studies have revealed that there is a positive relation between customer loyalty and company profitability. Hallowell [21] showed the influence of increased customer satisfaction and loyalty on corporate profitability in an empirical study. Cater and Cater [22] also showed the relationship between customer loyalty and business performance based on 477 customer samples. Moreover, Maignan, et al. [5] also found that proactive corporate citizenship is positively associated excellent business performance through improved levels of customer loyalty. Combining these arguments, companies with better corporate citizenship can promote customer loyalty by providing high value added services and products, offering good recovery solutions, and having high involvement with community affairs, and these can all help to improve the profitability and performance of the business. Therefore, we propose:

Hypothesis 3. Customer loyalty mediates the relationship between corporate citizenship and business performance.

Methods

Research setting, participants, and procedures

We collect research data via a convenience sampling method using 46 international tourist hotels listed by the Taiwan Tourism Bureau. The original version of questionnaire was translated from English to Chinese by one bilingual professor, and the back-translated version was then translated back into English by another bilingual professor to ensure the translation quality [23]. In addition, the human resource departments in these hotels were contacted and asked to participate in this study, with the respondents needing to have full-time jobs and have been with the hotel for more than a year. The survey is not limited to the specific working level of the hotel, instead, and cover letters and instructions were distributed along with the questionnaires to explain the aims of this study and guarantee the confidentiality the responses. Finally, out of the 1,200 questionnaires that were mailed, 62 were returned undelivered, and 626 were completed, thus giving a response rate of 52.17%. In our survey data, 63.10% of the respondents were female, and 65.31% were frontline employees (including employees from the Rooms, Food & Beverage and Front Office Departments). Meanwhile, the employees' average tenure in the company was 5.34 years, and 75.01% had a bachelor's degree or above.

Measures

Corporate citizenship. Corporate citizenship was measured with 12 items based on Maignan et al. [5], and responses were made using a seven-point Likert-type scale (ranging from 1, "strongly disagree," to 7, "strongly agree"). Sample items for the four dimensions in the survey are as follows: economic responsibilities (e.g., "My company strives to lower

operating costs”), ethical responsibilities (e.g., “My company is recognized as a trustworthy company”), legal responsibilities (e.g., “My company seeks to comply with all laws regulating hiring and employee benefits”), and discretionary responsibilities (e.g., “My company encourages employees to join civic organizations that support our community”). The Cronbach’s alpha for corporate citizenship was 0.96, giving satisfactory reliability (alpha > 0.70).

Innovation. We measured organizational innovation using three items reported by Ibarra [11], and responses were made using a seven-point Likert-type scale (ranging from 1, “strongly disagree,” to 7, “strongly agree”). Sample items were “Employees in my company always suggest new ways to achieve goals or objectives”, and “Employees are encouraged to adopt innovative administration in planning procedures in my company”. The Cronbach’s alpha for innovation was 0.72, indicating satisfactory reliability (alpha > 0.70).

Customer loyalty. Customer loyalty was assessed using the three items developed and validated by Maignan et al. [5], and responses were made using a seven-point Likert-type scale (ranging from 1, “strongly disagree,” to 7, “strongly agree”). Respondents were asked to indicate the loyalty of customer with items such as “The large majority of our sales in my company are made up of repeat purchases” and “Customer loyalty is a major strength of our business.” The Cronbach’s alpha for customer loyalty was 0.77, demonstrating satisfactory reliability (alpha > 0.70).

Business performance. Business performance was measured with four items adapted from Maignan et al. [5], and responses were made using a seven-point Likert-type scale (ranging from 1, “strongly disagree,” to 7, “strongly agree”). Sample items were “Relative to our competitors, our return on investment has been much better”, and “Relative to our competitors, our profit growth has been much better”. The Cronbach’s alpha for business performance was 0.89, revealing good reliability (alpha > 0.70).

Analytical strategy

To examine the hypotheses proposed in this work, structural equation modeling (SEM) using maximum-likelihood estimation was therefore conducted with AMOS 17.0 [24]. Following the suggestions of Anderson and Gerbing [25], we adopted a two-stage approach to investigate our hypothesized model. In the beginning, the overall model chi-square (χ^2) value, degrees of freedom (df), the value of χ^2/df , standardized root mean square residual (SRMR), comparative fit index (CFI), Bollen's incremental fit index (IFI), Tucker-Lewis index (TLI), noncentrality parameter (NCP), and minimum value of the discrepancy (FMIN) were used to measure the model fit, with the results shown in Table 1 [26, 27].

Table 1. Fit indices.

Fit indices	Model value	Reference value	Overall model fit
χ^2/df	5.3	< 5.00	Acceptable
Standardized RMR	0.05	< 0.05	Yes
CFI	0.90	> 0.90	Yes
IFI	0.90	> 0.90	Yes
TLI	0.90	> 0.90	Yes
NCP	1140.07	> NCP saturated (.00) < NCP independence (11357.58)	Yes
FMIN	2.25	> FMIN saturated (.00) < FMIN independence (18.65)	Yes

Results

Table 2 presents the means, standard deviations, reliabilities, and correlations of the variables examined in this work.

Table 2. Means, standard deviations and intercorrelations among variables

	Mean	S.D.	1	2	3	4
1. Corporate citizenship	5.57	0.54	-			
2. Innovation	4.67	0.57	0.42**	-		
3. Customer loyalty	5.83	0.38	0.11**	0.18**	-	
4. Business performance	5.78	0.39	0.11**	0.29**	0.50**	-

Note: ** p < 0.01 (two-tailed); N = 626

Hypotheses testing

In order to examine our hypotheses, we adopted Baron and Kenny's [28] suggestion of using a causal steps strategy to investigate the condition of mediation. For Hypothesis 1, the correlation coefficients in Table 2 reveal that corporate citizenship is positively and significantly related to business performance ($r = 0.11, p < 0.01$), thus Hypothesis 1 was supported. For Hypotheses 2, and Hypotheses 3, as can be seen in Table 2, corporate citizenship has a positive relation with innovation ($r = 0.42, p < 0.01$), and innovation has a positive relation with business performance ($r = 0.29, p < 0.01$). In addition, corporate citizenship has a positive relation with customer loyalty ($r = 0.11, p < 0.01$), while customer loyalty has a positive relation with business performance ($r = 0.50, p < 0.01$). Therefore, the mediating roles of innovation and customer loyalty on the relation between corporate citizenship and business performance were supported. To further explore these indirect effects, we conducted bias-corrected percentile bootstrap with a 95% confidence interval and 5,000 bootstrap samples from the hypothesized model [29]. As shown in Table 3, the results of the bootstrap examinations verify the existence of significant mediating effects of innovation (standardized indirect effect = 0.07, $p < 0.01$), and customer loyalty (standardized indirect effect = 0.06, $p < 0.01$) with regard to the relationship between corporate citizenship and business performance. Therefore, Hypotheses 2 and Hypotheses 3 were supported.

Table 3. Bootstrap Analyses of the Statistical Significance of Indirect Effects

Independent variable	Mediator variable	Dependent variable	Standardized indirect effect	SE of mean	95% CI mean indirect effect (lower and upper)		Two Tailed Significance
CC →	IN →	BP	$(0.39) \times (0.19) = 0.07$	0.03	0.04	0.07	**
CC →	CS →	BP	$(0.13) \times (0.46) = 0.06$	0.02	0.02	0.06	**

Note: (1) Standardized estimation of 5,000 bootstrap samples, $N = 626, * p < 0.05; ** p < 0.01$

(2) CC = Corporate citizenship; BP = Business performance; IN = Innovation; CS = Customer loyalty.

Discussion

Over the last decade, business have been facing increasing pressure to balance behave well and maintain business profitability in the society. As the concept of corporate citizenship has caught the most attention recently [1-3], companies with efforts to meet various economic, ethical, legal and discretionary responsibilities can thus be regarded as a source of competitive advantage. That is, with proactive corporate citizenship behaviors, companies are better able to provide customers with high quality products, motivate employees with better promotion opportunities, offer stakeholders enhanced moral value, and achieve better overall business performance [6]. Therefore, the fulfillment of corporate citizenship behaviors can not only improved the performance of company, but also enhance the reputation of the hotels involved.

Furthermore, innovation refers to the fulfillment of novel ideas with successful products or excellent services [30, 31]. Therefore, companies with good corporate citizenship can better utilize the resources they have to promote innovative ideas, carry out management practices to encourage employee involvement in creative work, and raise organizational motivation to participate in innovative community activities. In other words, if firms are engaged in organizational innovation, they can provide more knowledge-intensive business services with novel processes, products and delivery systems, and thus maintain their competition advantages [8]. Most importantly, the results of this study supported the view of prior research that positive relations exist among corporate citizenship, innovation and business performance [2, 13, 14]. That is, the implementation of innovation is a driver of business performance, and companies with a greater sense of corporate citizenship can have more innovative products and services, and ultimately achieve great customer satisfaction as well as business effectiveness.

Last but not least, companies with proactive corporate citizenship can deliver high quality products, participate in more socially beneficial activities, stress important social issues

associated with corporate and customers, and thus promote customer loyalty [5]. With this good reputation, customers will express their loyalty to support companies by joining their activities and purchasing more products, and tend to recommend their brands or services to others, and ultimately promote the excellent business performance. Confirmed with prior studies, the positive relationships among corporate citizenship, customer loyalty and business performance are supported based on our empirical study [5, 18-20]. That is, companies with proactive corporate citizenship can improve customer loyalty by high value services and product, desirable recovery solutions, and high involvement with community activities, and all these contribute to the business performance.

Limitations and directions for future research

This research has some limitations that present directions for future work. First, this study used self-report data, and this may be affected by common method variance [32]. Although Harman's one factor test also showed that the largest factor accounted for only 28.68% of the variance, we suggest that future studies can collect more objective data to reduce this concern, such as business performance figures from financial databases. Another limitation is that study did not attempt to include the influences of organizational culture in the proposed model, and further works can add factors such as market, humanistic and competitive orientations to better understand how they relate to corporate citizenship and business performance. Finally, this study only used the data obtained from international tourist hotels in Taiwan, and future research can also gather data from Mainland China, Hong Kong and Macau, as this will contribute to a broader understanding of the implementation and influences of corporate citizenship practices in Asian contexts.

References

References available upon request from Chung-Jen Wang, e-mail: wchungzen@gmail.com