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Do CSR Activities Improve Short-Term Financial Performance? Competitive Mediating Effects of Job Satisfaction

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Abstract

Companies are increasingly performing corporate social responsibility (CSR) as part of their strategic plans, but the effect of CSR activities on short-term financial performance is disputed. Researchers have found ambiguous relationships through mediating factors, but few studies have investigated internal stakeholders in this context and the firm characteristics that moderate these relationships. This study uses a competitive mediating model that examines job satisfaction as a mediator in the relationship between CSR and short-term financial performance for Korean companies. For the analysis, data from 195 companies covering 2014 to 2017 were collected and analyzed via panel regression. The findings indicate that CSR activities had a negative effect on short-term financial performance but a positive effect on job satisfaction; however, the larger the firm, the smaller the positive effect of CSR activities. Moreover, job satisfaction positively affects short-term financial performance, and this relationship is stronger in service firms.

Keywords: CSR, Job satisfaction, Firm size, Service, Competitive mediation

1. Introduction

Companies are increasingly incorporating corporate social responsibility (CSR) activities as key elements of their strategic planning (e.g., Bansal 2005; Wang and Bansal 2012). CSR activities are expanding in ways that benefit not only external stakeholders but also internal stakeholders (Barauskaite and Streimikiene 2021). One of the most widely used definitions is "the commitments of business firms to seek those strategies, to settle on those decisions, or to pursue those lines of activity that are according to social values and expectations" proposed by Carroll (2008).

As the use of CSR activities to influence financial performance increases, the related research also increases (Aguinis and Glavas 2012). Most scholars have studied how corporate CSR activities affect financial performance (e.g., Galbreath and Shum 2012; Rowley and Berman 2000; Wood and Jones 1995). Despite these efforts, however, no definitive conclusion as to how CSR activities affect financial performance has been reached (e.g., Margolis and Walsh 2003; Mishra and Suar 2010). Many studies have suggested that CSR activities have positive effects, but some studies have claimed that they have no effect (Margolis and Walsh 2003) or a negative effect on financial performance (e.g., Barnea and Rubin 2010).

Other researchers have attempted to explain the ambiguous relationship between CSR activities and corporate financial performance through mediating factors (e.g., Galbreath and Shum 2012). Several studies on the role of CSR activities in financial performance have examined potential mediating factors such as corporate reputation, customer satisfaction, and brand equity (e.g., Mulki and Jaramillo 2011; Salmones, Perez, and Bosque 2009; Walsh and Beatty 2007). However, a CSR meta-study by Aguinis and Glavas (2012) found that only 4% of all studies included a discussion of mediating factors and that most studies on CSR have focused on consumer

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perceptions (e.g., Brown and Dacin 1997; Sen and Bhattacharya 2001).

Studies on internal stakeholders are far fewer than those on external stakeholders such as consumers (Korschun, Bhattacharya, and Swain 2014; Ng, Yam, and Aguinis 2019), yet employees (who are internal stakeholders) are an important competitive resource for companies (Barney 1986). Researchers have analyzed the effect of CSR activities on individual performance variables such as employee attachment (Lee, Park, and Lee 2013), self-esteem (Ng, Yam, and Aguinis 2019), and job satisfaction (Lee, Lee, and Li 2012). However, it is necessary to analyze more closely how investment in CSR activities affects financial performance as mediated by employee performance. CSR activities represent direct costs for firms (e.g., Barnett and Salomon 2006; Roberts 1992; Ullmann 1985) and are very likely to offset the positive effects of employee performance on company performance (e.g., Edmans 2012). Moreover, most previous studies have not rigorously tested the relevant cause-and-effect relationships because they have used survey methods (e.g., Lee, Lee, and Li 2012; Korschun, Bhattacharya, and Swain 2014).

This study analyzes the competitive mediating effects of job satisfaction (c.f., Zhao et al. 2010), an employee performance variable, in the relationship between CSR activities and short-term financial performance for Korean companies. In competitive mediating effects, both direct and mediating effects are observed, but in opposite directions. This study suggests that CSR activities have a negative impact on short-term financial performance (e.g., Barnea and Rubin 2010) but contribute to financial performance through internal stakeholder performance (e.g., Lee, Lee, and Li 2012). We demonstrate our findings by integrating previous research results in a competitive mediation model.

Studying CSR in the Korean context can provide implications that differ from those provided in Western research. Studies have shown that results obtained in a Western context do not always apply in non-Western contexts (e.g., Tsui 2007). Korea is a long-term-oriented and collectivist society, while Western nations are short-term-oriented and individualist. The impact of CSR activities on employee performance will vary depending on the cultural orientation (e.g., collectivism versus individualism) of employees. Therefore, this study's findings can supplement the results of research done on Western societies. In addition, Korea experienced a financial crisis in the 1990s, and Korean companies have received strong pressure to make social contributions (Chang et al. 2017); many of these companies were recently included in the Dow Jones Sustainability Indices. Therefore, the Korean context is a suitable one for research on CSR and its relationship to corporate performance.

2. Theoretical background and hypotheses

2.1. *CSR activities and corporate performance*

CSR has received much attention from researchers and has evolved into an important concept in business administration (e.g., Dobers 2009). Research on CSR began when Bowen and Johnson (1953) argued that corporate decisions should be made to meet socially desirable values and objectives, and that such decisions were the responsibility of businesspeople. Carroll (1979) then divided CSR into economic, legal, ethical, and discretionary dimensions. A number of researchers have used this categorization (e.g., Galbreath and Shum 2012; Shum and Yam 2011). Researchers have measured CSR activities using the scores announced by external organizations (e.g., Luo and Bhattacharya 2006; Servaes and Tamayo 2013; Turban and Greening 1997) or have measured corporate donations (e.g., Lev, Petrovits, and Radhakrishnan 2010). Seok, Lee, and Kim (2018) measured public relations (PR) for CSR activities based on the agenda-setting theory (Lippmann 2017).

Research on CSR is focused on the relationship between CSR and corporate performance. Researchers have studied stock prices, Return on assets(ROA), and firm value as financial performance variables (Aguinis and Glavas 2012), and many positive relationships have been reported (e.g., Arya and Zhang 2009; Brammer and Millington 2008; Luo and Bhattacharya 2006; Waddock and Graves 1997). Margolis and Walsh (2003) conducted a meta-analysis of 109 studies on the relationship between CSR activities and firms' financial performance and discovered that 54 studies found a positive relationship, seven found a negative relationship, and the remaining 28 found an insignificant relationship.

Stakeholder theory has been used to argue that CSR activities positively affect performance (Berman et al. 1999). Several studies find that companies can build positive relationships with customers (Bhattacharya and Sen 2003), and investors (Barnett and Salomon 2006) by making decisions that are profitable for stakeholders, ultimately contributing to corporate performance. Other studies have explored the effects of CSR by applying resource-based theory. These have found that, through CSR activities, companies can contribute to financial performance by contributing to human resources (Russo and Harrison 2005), innovation resources (Klassen and Whybark 1999), and customer satisfaction (Saeidi et al. 2015).

However, a small number of prior studies suggest that there may be a negative relationship between CSR and a corporate short-term performance. Researchers have hypothesized that CSR activity incurs a direct cost to the firm based on neoclassical economics theory (e.g., Barnett and Salomon 2006; Ullmann 1985). As CSR activity can represent a significant cost to the firm, it is likely to be a financial disadvantage in a competitive environment (Friedman 1970; Jensen 2002; McWilliams and Siegel 1997). Thus, CSR activities increase costs and negatively affect short-term performance such as profitability (Preston and O'bannon 1997). For example, Moore (2001) reported a negative relationship between CSR activities and financial performance in the UK supermarket industry, and López, Garcia, and Rodriguez (2007) reported a negative relationship between the Dow Jones Sustainability Index and financial performance.

Therefore, researchers who have examined the relationship between CSR activities and short-term financial performance recognize both positive and negative bilateral relationships (e.g., Griffin and Mahon 1997; Marom 2006). According to Marom (2006), the negative aspects of CSR activities emerge in the short term, while the positive responses of stakeholders are realized in the long term. In addition, studies that have analyzed the positive effects on stakeholders from the long-term perspective have shown that innovative resources (Klassen and Whybark 1999), organizational culture (Howard-Grenville and Hoffman 2003), and brand equity (Saeidi et al. 2015) are important factors. Thus, negative effects are likely to occur in between CSR activities and short-term financial performance (e.g., ROA) rather than through indirect mediation via non-tangible organizational resources. We thus propose the following:

H1. *Corporate social responsibility activities have a direct negative impact on corporate short-term financial performance.*

2.2. Job satisfaction antecedents and consequences

Job satisfaction is the pleasure or positive emotional state at work or in a work experience (Locke 1976). Employee satisfaction is considered a major firm concern because it is very important to performance (Spector 1997). Previous studies have discussed the antecedents of job satisfaction in terms of three relationships (Alegre, Mas-Machuca, and Berbegal-Mirabent 2016). First, employees' congruence with corporate strategy and goals can affect employee satisfaction (e.g., Allen, Shore, and Griffeth 2003). Second, factors such as autonomy and leader evaluations can influence employee satisfaction (e.g., Fila et al. 2014). Third, relationships between employees and peers have also been studied as important factors affecting satisfaction (e.g., Kirkman and Shapiro 2001).

However, few studies have explored how corporate CSR activities affect job satisfaction. Previous studies have found that employees' corporate identity becomes more positive (Brown and Dacin 1997) and their corporate identification intensifies (Kim et al. 2010) as the firm's CSR activities increase. This process strengthens employees' organizational commitment (Brammer, Millington, and Rayton 2007). Thus, we can explain the positive effects of CSR activities on job satisfaction by exploring their paths through employees' personal perceptions and their relationships to their organizations.

First, corporate CSR activities positively affect employees' psychological safety. People tend to minimize the costs and maximize the compensation in relation to their organization (Thibaut and Kelley 1959), which involves a dilemma of cooperation and competition (Gintis et al. 2005). CSR activities have a positive effect on employees' psychological safety by serving as a signal to them that the firm is committed to moral rules (Bauman and Skitka 2012). According to signal theory, people deduce the necessary information in a market situation based on the available information (Wanous 1992). Thus, employees will infer the firm's unknown future risk situation (e.g., restructuring) based on the firm's ethical behavior (e.g., CSR investment). Therefore, CSR activities will positively affect the psychological safety of employees.

Second, increasing CSR activities makes employees feel proud and enhances their job satisfaction. People want to have a positive image of themselves (e.g., Maslow 1943; Sedikides and Strube 1997), and employees can obtain self-esteem and value through their corporate affiliation (e.g., Ashforth and Mael 1989; Dutton, Roberts, and Bednar 2010). Bartel (2001), in a study of Filsbury employees, found that employees who participated in CSR activities felt a sense of self-esteem and organizational unity. Therefore, highly active CSR will affect job satisfaction positively by increasing employees' self-esteem.

Third, CSR activities can provide meaning to work. Traditional motivational studies reveal that employees strive to achieve meaning in their lives rather than just material benefits (McClelland 1965). However, it is very difficult to obtain meaning from work, except in jobs where employees are physically close to those they are benefitting, such as nurses or firefighters (e.g., Grant 2007). CSR activities can fulfill employees' need for meaning (Bauman and Skitka 2012). Therefore, CSR activities will positively affect job satisfaction by providing employees with meaning in their work. We thus propose the following:

H2. *Corporate social responsibility activities have a positive impact on job satisfaction.*

Employees are valuable firm assets. Several studies have reported that job satisfaction contributes to financial performance (Koys 2003). Marketing research on the effect of job satisfaction has focused on the service environment. According to the service-profit chain theory, satisfied employees are more productive and provide better customer service. Customers who receive these services become more satisfied and enhance the company's profits (Heskett, Sasser, and Schlesinger 1997). In addition, emotional contagion theory (Hatfield, Cacioppo, and Rapson 1993) and service climate theory (Isen and Simmonds 1978) also find positive relationships between job satisfaction and corporate performance. The service environment features frequent interactions between employees and customers. In this process, employees' positive emotions can be communicated to customers, thereby satisfying them and ultimately contributing to short-term financial performance.

A number of empirical studies have found positive relationships between job satisfaction and financial performance (e.g., Schneider et al. 2003; Edmans 2011; Guiso, Sapienza, and Zingales 2015). Schneider et al. (2003) conducted a survey of 35 US companies and found that employee satisfaction was positively associated with short-term financial performance (i.e., ROA). In addition, Guiso, Sapienza, and Zingales (2015) reported that employee satisfaction increased Tobin's q using survey data taken from the Great Place to Work Institute. We thus propose the following:

H3. *Job satisfaction has a positive impact on short-term financial performance.*

2.3. Moderating effect of firm characteristics

Researchers have studied factors such as financial performance (e.g., Brammer and Millington 2004; Turban and Greening 1997), slack resources (Graves and Waddock 1994), and debt ratio (Graves and Waddock 1994; Waddock and Graves 1997) as variables moderating the relationship between CSR and corporate performance. Firms with low debt ratios and high financial performance and slack resources have sufficient investment capacity, which indicates good CSR performance. The moderating effects of firm size (e.g., Buehler and Shetty 1974; Godfrey, Merrill, and Hansen 2009) have been investigated in this context. The findings suggest that larger companies have more redundant resources and visibility, which reinforces the relationship between CSR activities and financial performance.

Based on these preceding studies, we predict the negative moderating effect of company size between CSR activities and job satisfaction. Based on these preceding studies, we predict the negative moderating effect of company size between CSR activities and job satisfaction. First, as the company size increases, the psychological safety and self-esteem of employees discussed in Hypothesis 2 will increase, and the effect of CSR will decrease relatively. For example, since the working conditions of large corporations are more stable than those of small and medium-sized enterprises, psychological safety is relatively high, and the effect of improving psychological safety through CSR will decrease.

Second, as the size of the company increases, the sincerity of CSR activities felt by employees will decrease. The mechanism between CSR activities and job satisfaction discussed in Hypothesis 2 can be strengthened when the sincerity of motivation for CSR activities is high. As the size of the company increases, as the CSR standards demanded by external stakeholders increase, there is a high possibility that the sincerity of motivation for CSR among employees will decrease. In recent years, corporate activity has come under increasing monitoring (except in some developing countries), and companies have been criticized for failing social standards (e.g., Hou et al. 2016). In such an environment, the larger the firm, the greater its social impact, which in turn makes the stakeholders more responsible for the company (Cowen, Ferreri, and Parker 1987). For example, Udayasankar (2008) reported that the marginal utility of legitimacy decreases as the CSR demands of stakeholders increase in larger firms, while the effect on financial performance decreases. Seok, Lee, and Kim (2018) reported that the effect of CSR activities on firm value decreased as firm size increased. The larger the company, the greater become the demands and expectations for CSR activities among internal stakeholders. Therefore, the positive effects of corporate CSR activities on employees' psychological stability, self-esteem, and organizational commitment will decrease. We thus propose the following:

H4. *The positive effects of CSR activities on job satisfaction decrease as the size of the corporate increases.*

The role played by staff is more important for financial performance in the service industry than in the product industry because of the heterogeneity and intangibility of services (Zeithaml, Parasuraman, and

Berry 1985; Keh and Pang 2010). Theories explaining the positive relationship between job satisfaction and financial performance are usually discussed in the service context (e.g., Isen and Simmonds 1978; Hatfield, Cacioppo, and Rapson 1993). The emotional contagion theory and service climate theory involve the interactions between employees and customers in the service environment. In such a situation, employees communicate their positive emotions to the customers, which can enhance company performance via customer satisfaction. This transfer process is more likely to occur in service companies than in product companies. Therefore, the positive effect of job satisfaction on financial performance should be stronger in service companies than in product companies. We thus propose the following:

H5. *The positive effects of job satisfaction on short-term financial performance are stronger in service firms than in product firms.*

2.4. Competitive mediating effect

Researchers examining the relationship between CSR activities and short-term financial performance have found both positive and negative bilateral relationships (e.g., Griffin and Mahon 1997; Marom 2006). As discussed earlier, CSR activities have a direct negative impact on short-term financial performance but an indirect positive impact through employee satisfaction.

Both resource-based theory and stakeholder theory recognize the mediating role of non-tangible resources in the relationship between CSR activities and corporate performance. Studies from the resource-based perspectives have suggested that CSR activities can have a positive effect on firms through innovative resources (Klassen and Whybark 1999), human resources (Russo and Harrison 2005), organizational culture (Howard-Grenville and Hoffman 2003), brand equity (Saeidi et al. 2015), and reputation (Seok, Lee, and Kim 2020). Stakeholder theory explains that CSR activities can contribute to financial performance through positive relationships with internal and external stakeholders (e.g., Wang and Sengupta 2016; Tajvidi and Karami 2017). For example, Wang and Sengupta (2016) reported that customer relationship quality positively influencesd financial performance through brand equity. Tajvidi and Karami (2017) found that a hotel's online network had a positive effect on financial performance through brand equity. Most studies have described the relationship between CSR activities and financial performance through relationships with external stakeholders. However, CSR activities are expected to contribute to employee stability and pride through relationships with internal stakeholders as well.

On the other hand, in the direct relationship between CSR activities and short-term financial performance, CSR activity represents a significant cost, which can be a financial disadvantage in a competitive environment (Friedman 1970; Jensen 2002; McWilliams and Siegel 1997). For example, Moore (2001) reported a negative relationship between CSR activities and short-term financial performance in the UK supermarket industry, and López, Garcia, and Rodriguez (2007) reported a negative relationship between the Dow Jones Sustainability Index and financial performance.

Therefore, although CSR activities have a negative impact on short-term financial performance through a direct path, they affect financial performance positively by mediating job satisfaction. Zhao et al. (2010) described competitive mediation as a situation in which both the direct and indirect effects between independent and dependent variables are significant but in opposite directions. Job satisfaction mediates the relationship between CSR activities and short-term financial performance competitively. We thus propose the following:

H6. *Job satisfaction will competitive mediate the relationship between CSR activities and short-term financial performance.*

A research model was constructed to test the hypothesis above (i.e., that CSR activities positively affect financial performance by mediating job satisfaction). Variables such as asset size, debt ratio, market type, R&D expenditure, and advertisement ratio—all factors affecting corporate performance—were set as control variables (e.g., Huang et al. 2015). Average length of service and average salary, which have been reported to have a positive effect on job satisfaction, were set as control variables (e.g., Judge et al. 2010). The research model is shown in Fig. 1.

3. Methods

3.1. Samples and measurements

We analyzed data drawn from 780 observations of 195 companies listed on the Korean stock market from 2014 to 2017. We sought to clarify the causal relationships between CSR activities, job satisfaction, and corporate financial performance by examining data on CSR activities and job satisfaction collected for t period and on corporate financial performance collected for $t+1$ (e.g., Luo and Bhattacharya 2006; Sen, Bhattacharya, and Korschun 2006).

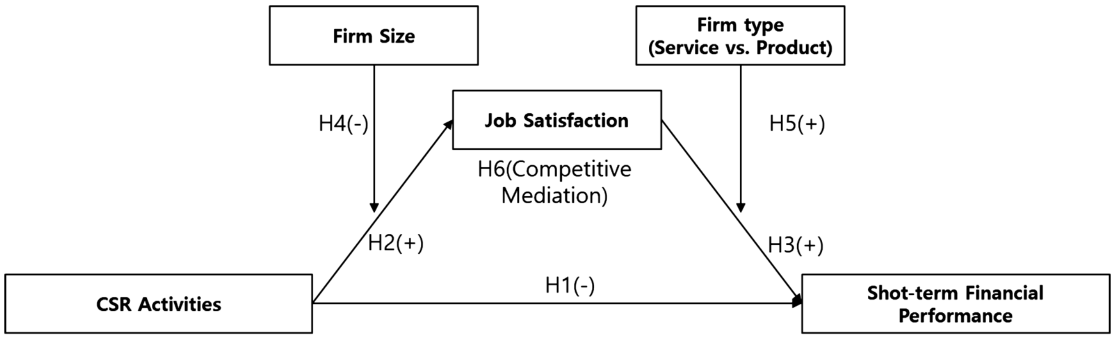

Fig. 1. Research model.

Job satisfaction data were collected by crawling online reviews on the Job Planet website, an internet platform where former and current employees can write reviews of their workplace. Many studies have used data from Glassdoor (e.g., Symitsi, Stamolampros, and Daskalakis 2018; Huang et al. 2015), which is similar to Job Planet. Each review was assessed on a five-point Likert scale measuring job satisfaction. Companies with fewer than 10 reviews per year were excluded from the analysis due to potential reliability issues.

Next, CSR activities were measured by assessing the number of news reports on CSR published in major newspapers (e.g., Rhou, Singal, and Koh 2016; Wigley 2008; Seok, Lee, and Kim 2018). Lippmann's (2017) agenda-setting theory posits that the public tends to believe the media, and Mccombs and Shaw (1972) argue that the media influence the public's cognitive processes. We can therefore assume that, in addition to CSR activities, PR regarding CSR activities will also positively affect corporate performance, following the stakeholder theory (e.g., Seok, Lee, and Kim 2018). According to McWilliams and Siegel (2001), knowledge of CSR activities must be communicated to stakeholders in order for those activities to be effective, and news reporting can be used as a proxy for such knowledge (Rhou, Singal, and Koh 2016).

Next, the short-term financial performance variable was calculated by collecting data from firms' financial statements at public company councils. For the financial performance variables, ROA and ROE were analyzed based on previous studies (e.g., Wang and Sengupta 2016). Finally, firm size, used as a regulatory variable, was set at 1 for Korea Composite Stock Price Index (KOSPI) firms and 0 for non-KOSPI firms.

We took the natural logarithm of variables such as asset size, CSR activity, job satisfaction, asset size, firm age, R&D expenditure, and salary. The natural log can reduce the influence of the unit of measure when the skewness appears to be a positive value. We also confirmed that the collected variables were normal distributions.

4. Results

4.1. *Verification of measurement model*

First, basic statistics and correlation analysis of the measured variables were conducted (Table 1). CSR activities showed a strong positive correlation with asset size ($\rho = .519$) and a negative correlation with debt ratio ($\rho = -.252$). The CSR activity and short-term financial performance variables, ROA ($\rho = .129$) and ROE ($\rho = .087$), both showed a positive correlation. The variance index factor (VIF) of each variable was analyzed because a high correlation between variables may cause a multicollinearity problem. An OLS regression analysis with all the study's independent variables indicated that the VIF value of the highest variable was 5.0, which is under 10, the threshold for potential multicollinearity. In addition, the VIF average of all independent variables was 1.85, which was a good level. Therefore, the panel regression analysis was judged appropriate for verifying the study's hypotheses.

4.2. *Hypothesis testing*

This study used random effects panel regression analysis to test its hypotheses. Panel regression analysis uses both cross-sectional data and time-series data, thus providing additional information that cannot be quantified by cross-sectional or time-series analysis (Wooldridge 2015). Panel regression analysis is more rigorous than OLS regression because it estimates the dynamic relationships between variables and allows for unobserved heterogeneity. A Hausman test was used to assess the fixed and random effects models; it indicated that the random effects model was suitable at $p > 0.05$. We thus used a random effect panel regression method.

Table 1. Descriptive statistics and correlation analysis of variables.

Variable	1	2	3	4	5	6	7	8	9
1. Ln(CSR Activities)	1								
2. Ln(Job Satisfaction)	.274**	1							
3. ROA	.129**	.134**	1						
4. ROE	.087**	.092**	.764**	1					
5. Ln(Asset Size)	.519**	.320**	.257**	.208**	1				
6. Deb Ratios	−.252**	−.185**	−.201**	.035	−.226**	1			
7. Ln(R&D Expenditure)	.215**	.203**	.082**	.071**	.269**	−.087**	1		
8. Ln(Length of Service)	.269**	.268**	.186**	.161**	.498**	−.119**	.235**	1	
9. Ln(Average Salary)	.251**	.370**	.179**	.148**	.496**	−.117**	.320**	.486**	1
Min	0	0.41	−0.85	−26.38	17.2	0.02	0	0	9.68
Max	7	1.5	1.24	45.31	26.01	2.62	23.3	3.02	11.67
Mean	1.89	1.07	0.03	0.01	20.95	0.38	10.11	1.98	10.89
SD	1.89	0.17	0.11	2.17	1.88	0.36	8.05	0.53	0.33
Obs.	780	780	780	780	780	780	780	780	780

Specifically, the dependent variable is set as job satisfaction, and hypotheses 2 and 4 are tested by inputting CSR activities and the interaction term between CSR activities and company size (Table 2). Then, with ROA set as the dependent variable, CSR activity, job satisfaction, and interaction terms between job satisfaction and the service industry are input to test Hypotheses 1, 3, 5 and 6. The analysis results are as follows.

First, we analyzed the effect of CSR activities on job satisfaction. The results showed that CSR activities had a significant positive effect on job satisfaction ($\beta = .009$; $p < .009$). Therefore, Hypothesis 2 was supported. In addition, the positive effect of CSR activities on job satisfaction decreased as firm size increased ($\beta = -019$; $p < .031$). Therefore, Hypothesis 4 was supported.

In addition, when job satisfaction was applied as individual variable in Model 2 (Table 3), the negative effect of CSR activities on short-term financial performance (ROA) was strengthened ($\beta = -.005$; $p < .003$), and job satisfaction had a positive effect on short-term financial performance (ROA; $B = .048$; $p < .000$). In Model 3, firm type (product versus service) was used as a moderating variable, and the effect of job satisfaction on financial performance (ROA) was enhanced ($\beta = .080$; $p < .000$).

Next, ROE was used as a dependent variable (Table 4). The result showed that CSR activities had a negative direct effect on ROE ($\beta = -.005$; $p < .001$), and the negative effect was strengthened when job satisfaction was applied ($\beta = -.006$; $p < .005$); job satisfaction had a positive effect on short-term financial performance ($\beta = .065$; $p < .002$). In addition, the positive effects of CSR activities on short-term financial performance (ROE) in service companies are strengthened ($\beta = .091$; $p < .014$). Therefore, although CSR activities had a direct negative effect on ROA and ROE, they had a positive mediating effect on job satisfaction.

A Sobel test was conducted to analyze the statistical significance of the mediation effects. The median effect is judged to be significant if the Sobel test value (Z) is greater than 1.96 or less than −1.96 (Baron and Kenny 1986). Our results showed that CSR activities had a significant influence on job satisfaction through

Table 2. Panel regression analysis of CSR activities on employee job satisfaction.

	Model 1			Model 2		
DV: Job satisfaction	Est.	Std.	p	Est.	Std.	p
CSR Activities	.009**	.003	.009	.025**	.008	.002
Firm Size				.011	.028	.689
CSR Activities * Firm Size				−.019*	.008	.031
Firm Age	−.009	.015	.523	−.010	.015	.517
Asset Size	.021**	.006	.002	.018*	.007	.019
Debt Ratio	−.070**	.019	.000	−.066**	.019	.000
R&D Expenditure	.001	.001	.087	.001	.000	.060
Average Length of Services	.002	.020	.893	−.003	.021	.863
Average Salary	.076*	.029	.009	.084**	.029	.004
Industry/Year		Yes			Yes	
R^2		.14586			.15198	
Adj. R^2		.13476			.13871	
N		780			780	

Table 3. Panel regression analysis of CSR activities and job satisfaction on financial performance (ROA).

	Model 1			Model 2			Model 3		
DV: ROA	Est.	Std.	p	Est.	Std.	p	Est.	Std.	p
CSR Activities	−.004**	.001	.003	−.005**	.001	.003	−.004**	.001	.004
Job Satisfaction				.048**	.014	.000	.001	.020	.985
Firm Type (Service)							−.006	.006	.335
Job Satis. * Firm Type							.080**	.024	.000
Firm Age	−.001	.004	.933	.001	.004	.921	−.001	.004	.960
Asset Size	.013**	.002	.000	.012**	.002	.000	.012**	.002	.000
Debt Ratio	−.029**	.007	.000	−.027**	.007	.000	−.026**	.006	.000
R&D Expenditure	−.001	.000	.0789	−.001*	.000	.042	−.001	.000	.837
Average Length of Services	−.005	.007	.431	−.007	.007	.312	−.006	.007	.324
Average Salary	.001	.010	.884	−.004	.010	.647	−.004	.010	.678
Industry/Year		Yes			Yes			Yes	
R^2		.432			.441			.449	
Adj. R^2		.424			.432			.439	
N		780			780			780	

Table 4. Panel regression analysis of CSR activities and job satisfaction on financial performance (ROE).

	Model 1			Model 2			Model 3		
DV: ROE	Est.	Std.	p	Est.	Std.	p	Est.	Std.	p
CSR Activities	−.005**	.002	.007	−.006**	.002	.005	−.005**	.002	.007
Job Satisfaction				.065**	.021	.002	.010	.031	.727
Firm Type (Service)							−.009	.009	.332
Job Satis. * Firm Type							.091*	.037	.014
Firm Age	−.001	.007	.883	.000	.007	.980	−.001	.007	.930
Asset Size	.018**	.003	.000	.017**	.003	.000	.017**	.003	.000
Debt Ratio	−.033**	.010	.001	−.031**	.010	.002	−.030**	.010	.003
R&D Expenditure	−.001	.000	.127	−.000	.000	.077	−.001	.000	.126
Average Length of Services	−.006	.010	.530	−.008	.010	.403	−.008	.010	.413
Average Salary	−.009	.015	.541	−.018	.015	.241	−.018	.015	.251
Industry/Year		Yes			Yes			Yes	
R^2		.364			.370			.377	
Adj. R^2		.354			.361			.365	
N		780			780			780	

the dependent variable ROA ($Z = 2.070$; $p = .038$) and ROE ($Z = 1.970$; $p = .048$). Therefore, Hypotheses 4, 5 and 6 were all supported.

5. Conclusion and implications

5.1. Discussion

This study analyzed the mediating role of job satisfaction in the relationship between corporate CSR activities and short-term financial performance. The results are as follows (Table 5). First, CSR activities have negative direct effects on short-term financial performance because the costs of CSR activities can be interpreted as a financial disadvantage in a competitive environment (e.g., Friedman 1970; Jensen 2002; McWilliams and Siegel 1997; Preston and O'bannon 1997). Although many studies find a positive relationship between CSR activities and corporate performance, recent meta-studies have questioned those

Table 5. Results of hypothesis testing.

Hypotheses	Results
H1: Corporate social responsibility activities have a direct negative impact on corporate short-term financial performance.	Supported
H2: Corporate social responsibility activities have a positive impact on job satisfaction.	Supported
H3: Job satisfaction has a positive impact on short-term financial performance.	Supported
H4: The positive effects of CSR activities on job satisfaction decrease as the size of the corporate increases.	Supported
H5: The positive effects of job satisfaction on short-term financial performance are stronger in service firms than in product firms.	Supported
H6: Job satisfaction will competitive mediate the relationship between CSR activities and short-term financial performance.	Supported

results (e.g., Hang, Geyer-Klingeberg, and Rathgeber 2019; Plewnia and Guenther 2017). For example, Hang, Geyer-Klingeberg, and Rathgeber (2019) found that the difference in measurement period between CSR activities and financial performance was lowest in the one-year period and highest in the three-year period; this suggests that CSR activities are not effective in the short term. In addition, Plewnia and Guenther (2017) found that the positive effect of CSR activities on financial performance was not significant when firm size and industrial effects were controlled for. This study measured financial performance by allowing a one-year delay between it and CSR activities, and found negative impacts through panel regression analysis after controlling for firm size and industry effects.

Second, the study found that CSR activities have a positive effect on job satisfaction. CSR activities can influence not only external stakeholders such as customers but also internal stakeholders such as employees, as they positively affect psychological safety, self-esteem, and the meaningfulness of work. In addition, this relationship was weakened as the size of the company increased. Previous studies show that the larger the firm, the more positive the relationship between CSR activities and financial performance (e.g., Buehler and Shetty 1974; Godfrey, Merrill, and Hansen 2009). In recent years, corporate activity has come under increasing monitoring (except in some developing countries), and companies have been criticized for failing social standards (e.g., Hou et al. 2016). Therefore, high visibility is likely to weaken the positive relationship between CSR activities and short-term financial performance by increasing the surveillance and expectations regarding CSR. Udayasankar (2008) reported that the marginal utility of legitimacy decreases as stakeholders' CSR demands increase in larger firms, which in turn decreases the effect on short-term financial performance. The results of this study also show that the positive effect of CSR activities on employee satisfaction weakens as firm size increases (e.g., Hou et al. 2016).

Third, job satisfaction competitively mediates the relationship between CSR activities and short-term financial performance. CSR activities have a direct negative impact on short-term financial performance but have a positive indirect effect through employee performance. In addition, the positive effect of job satisfaction on financial performance is stronger in service firms than in product firms. According to the service profit chain theory and service climate theory, employees communicate their positive emotions and moods to customers, thereby contributing to short-term financial performance via customer satisfaction. Thus, the positive effect on financial performance is likely stronger in service companies because this atmosphere-transfer process occurs more frequently in the service context than in the product-firm context.

5.2. Theoretical implications

This study makes an important theoretical contribution to research on how the mediating role of internal stakeholders affects the relationship between CSR activities and corporate performance. A few researchers have attempted to explain the ambiguous relationship between CSR activities and financial performance through mediating factors such as customer satisfaction, corporate reputation, competitive advantage, and brand equity (e.g., Mulki and Jaramillo 2011; Salmones, Perez, and Bosque 2009; Walsh and Beatty 2007). However, Aguinis and Glavas (2012) found that only 4% of CSR studies included mediating factors in their analyses. Thus, exploring mediating factors is a necessary task. In particular, the role of employees has not been well-researched, even though they are internal stakeholders and an important competitive resource for companies (Korschun, Bhattacharya, and Swain 2014; Ng, Yam, and Aguinis 2019). This study addresses that gap by analyzing job satisfaction as a mediator between CSR activities and short-term financial performance.

The literature has found that the effects of CSR activities are strengthened when a firm's financial performance (e.g., Brammer and Millington 2004) and free resources (e.g., Bansal 2003; Graves and Waddock 1994) are high and when its debt ratio is low (e.g., Graves and Waddock 1994; Waddock and Graves 1997). Given that media and states are closely monitoring corporate activities (e.g., Cowen, Ferreri, and Parker 1987; Hou et al. 2016), larger companies are burdened with greater CSR responsibilities. This study provides the important finding that the positive effect of CSR activities on job satisfaction decreases as company size increases.

Marom (2006) found that the negative effects of CSR activities are short-term, while the responses of stakeholders emerge over the long term. Researchers examining the relationship between CSR activities and financial performance have all found positive or negative bilateral relationships (e.g., Griffin and Mahon 1997; Marom 2006). This study suggests that CSR activities have a negative impact on financial performance (e.g., Barnea and Rubin 2010) but can contribute to financial performance through internal stakeholder performance (e.g., Lee, Lee, and Li 2012). This study makes an important contribution by integrating and explaining prior results through its competitive mediation model.

5.3. Practical implications

This study offers several important implications. First, corporate CSR activities have a negative effect on short-term financial performance but have a positive effect on financial performance through the mediation of job satisfaction. Therefore, corporate practitioners should not only evaluate CSR activities from an accounting point of view; they should also evaluate the effects on various non-tangible assets. Previous studies found that CSR activities contribute to financial performance by improving corporate innovation resources (Klassen and Whybark 1999), human resources (Russo and Harrison 2005), and customer satisfaction (Saeidi et al. 2015). This study found that CSR activities have a positive effect on short-term financial performance by positively influencing job satisfaction. Therefore, the planning and evaluation of CSR execution must include an assessment of the effects of various non-tangible firm resources.

Second, the effect of corporate CSR activities on short-term financial performance weakens as firm size increases. Employees of large corporations have increased expectations and demands regarding CSR activities. Therefore, the smaller the company, the more effectively CSR activities can be used as a strategy for increasing job satisfaction among employees. In addition, since these effects are caused by the difference between the employees' expectation levels and the perceived level of execution, it is necessary to predict this effect based on employee's perceptions when planning CSR activities. In addition, social responsibility activities that encourage employee participation can enhance employees' perceptions of CSR performance. For example, Bartel (2001) studied Filsbury employees and found that those who participated in CSR activities felt more self-esteem and organizational unity than those who did not.

Third, the effect of job satisfaction on short-term financial performance is stronger in service firms than in product firms. A service environment features frequent interaction between employees and customers as well as co-production. In this service delivery process, the mood and feelings of the employees are transmitted to the customers, making the effect of job satisfaction stronger than it is in the product-company context. The results of this study show that most CSR activities are carried out by PR departments, but the effect of CSR activities is realized through employees who interact with customers, such as sales staff and counselors. Therefore, CSR activities should be actively advertised and promoted to firms' sales staff. In addition, planning CSR activities in which such employees can participate will strengthen the positive effects on short-term financial performance.

5.4. Limitations of research and future directions

This study has several limitations. First, its results may not be generalizable to companies in other countries because the research was conducted on Korean companies only. In addition, since the sample of this study analyzed the data of listed companies, caution is needed when applying the research results to small companies. Second, we measured the number of CSR activity news stories as a proxy for CSR activities. However, future research should measure and analyze actual CSR activities rather than use a proxy. Third, we analyzed only job satisfaction as a mediator. Future research should analyze the impact of CSR activities on company performance together with external stakeholders as well as employees.

Fourth, this study has a limitation in that it analyzed the impact of CSR activities on short-term financial performance. Contrary to the results of this study, in the case of mid- to long-term performance, most studies suggest a positive relationship. Therefore, it will be necessary to analyze the effect of CSR activities over time from short to long term.

Fifth, this study is not free from the problem of endogeneity. For example, as the managerial opportunism hypothesis suggests, managers with poor financial performance may increase their CSR activities to obscure these performances. It is possible that the negative relationship between CSR activities and short-term financial performance appeared due to the opportunistic behavior of these managers. In future studies, it is necessary to conduct research with an analysis method that can control endogeneity more.

Conflict of interest

There is no conflict of interest.

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