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The impact of corporate social responsibility on strategic risk: The moderating effect of ethical decision-making

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ABSTRACT

In the context where sustainable development and corporate social responsibility have become universally accepted principles in the international community with moral requirements in market dynamics, corporate social responsibility (CSR) is not only a hidden moral pursuit and realistic transformation, but also the optimal strategic choice to expand market share and gain competitive advantages. However, there are still some enterprises which blindly prioritize corporate interests over social responsibility, resulting in a significant decline in corporate reputation, and even incurring major costs like risk of bankruptcy. Thus, to examine the impact of corporate social responsibility on strategic risk and the moderating effect of ethical decision-making have practical significance for promoting the practice of CSR and realizing the sustainable growth for enterprises. This research was conducted in Mainland China, where the researchers collected 423 samples using questionnaires through the field investigation of 35 enterprises in Henan, Ningxia and Guangdong provinces. The findings indicate that corporate social responsibility, both internal and external stakeholder responsibilities, can considerably decrease the strategic risks faced by enterprises, including operational, asset, competitive, and reputation risks. Additionally, with the moderating effect of ethical decision-making, internal and external stakeholder responsibilities have distinct impacts on the various dimensions of strategic risk. These findings not only deepen the theoretical knowledge of CSR but also offer valuable insights for the strategic risk management of enterprises in China.

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1.0 INTRODUCTION

Currently, the accelerated implementation of the internationalization strategy of the Chinese enterprises has led to critical issues surrounding social responsibility and strategic risks in the international community. These issues are of great importance considering the government's "going out" policy, which encourages the Chinese companies to invest overseas. The dynamic business environment, both internally and externally, has resulted in ambiguity, discontinuity, and high-risk behaviors in the strategic planning and implementation of enterprises. Phenomena such as wage arrears, malicious theft, environmental pollutions, the proliferation of shoddy products, and the emergence of toxic and harmful products are prevalent. These events have garnered significant attention from the global community. The literature on crisis and risk management and business ethics has found that scholars and researchers attribute these crises to a lack of corporate social responsibility (CSR) (Mai et al., 2015; Yan & Kong, 2022). Realizing the importance of CSR, businesses across the globe are strategically integrating CSR with their business strategy to address the social and environmental concerns of the stakeholders (Mathur & Poddar, 2023). CSR initiatives have been found to exhibit a strong, positive relationship with the strategic risk management processes of various organizations (Al Bakri et al., 2021).

Corporate Social Responsibility (CSR) is a critical and comprehensive concept in the operations of businesses. According to strategic management theory, CSR is a business strategy that merges core business objectives and competencies to generate both financial gains and social benefits in the daily operations of a company (McElhaney, 2009). Stakeholder theory, conversely, argues that the accomplishment of corporate objectives is influenced by all stakeholders, and thus, CSR performance should be evaluated from their viewpoints (Freeman, 2022). Gallo (2004) also suggests that CSR can be examined from both internal and external perspectives. Internal CSR involves the provision of essential goods or services, the creation of economic wealth, the development of employees, and the sustainable growth of the enterprise. External CSR, on the other hand, pertains to maintaining good social order. Given the logical relationship and conceptual implications of the two aspects, it can be inferred that companies with low CSR performance are more likely to encounter strategic risks.

Strategic risk refers to the risk that can potentially compromise or undermine an organization's development goals, corporate culture, performance, and overall viability (Slywotzky et al, 2005). In accordance with previous research findings, Aumann and Dreze (2005) categorize strategic risk into four types from the management perspective: operational risk, asset risk, competitive risk, and goodwill risk. It is worth noting that goodwill risk represents the combined effects of the other three types of risk. In that sense, CSR is seen as a means of value generation, based on the claim that it is a differentiation strategy, and an approach of lowering strategic risk (Albuquerque et al., 2019). Hence, it can be inferred that organizations with low CSR performance are more likely to be in a position of strategic risk, considering both their internal and external relationships and the conceptual implications of the issue.

Prior research has primarily investigated and acknowledged CSR as a crucial strategic resource for businesses and a vital element for the sustainable growth of enterprises (Abdullah et. al, 2023; ; Chondough, 2023; Mai et al., 2016). The review of the existing literature shows that the connections between CSR and corporate competitiveness, brand reputation, and organizational reputation have been extensively studied (Forstmoser & Herger, 2006). However, comparatively few studies have explored the relationship between CSR and strategic risk. Therefore, it is essential to further investigate the impact of CSR on the strategic risk of businesses. Furthermore, various scholars posit that the prevention of strategic risks is influenced by the risk awareness and decision-making mechanisms of managers or teams. Payne and Joyner (2006) argued that CSR activities are, in essence, a strategic decision-making process. The ethical decision-making judgment of the senior management team of a successful enterprise pays more attention to the utilitarian decisions taken by the enterprise in the future and takes responsibility for the corresponding results. Nevertheless, authoritative leadership can increase decision-making power and concentration, leading to inefficiencies and failures in strategic decision-making and even causing the emergence of business risks

(Yang et al., 2016). CSR disclosures enhance stakeholder information, reduce information asymmetry about management policies and mitigate the risk associated with operational uncertainties (Shahzad et al., 2024). These findings suggest that the ethical decisions of enterprise executives can impact the implementation of CSR and the prevention of strategic risks. Still, it remains unclear whether ethical decision-making also puts CSR at risk.

In view of the above discussions, this research aims to meet two main objectives. First, to examine the role of CSR (internal stakeholder responsibility and external stakeholder responsibility) on strategic risks (operational risk, asset risk, competitive risk and reputational risk). Second, to examine the moderating effect of ethical decision-making (utilitarian decision-making and egoistic decision-making) on the relationship between CSR and strategic risks. As shown in Figure 1 below, CSR is the independent variable while strategic risk is the dependent variable and ethical decision-making, the moderator. This study intends to identify the ways in which CSR can be used to avoid strategic risk and to offer new insights and future research directions on this topic.

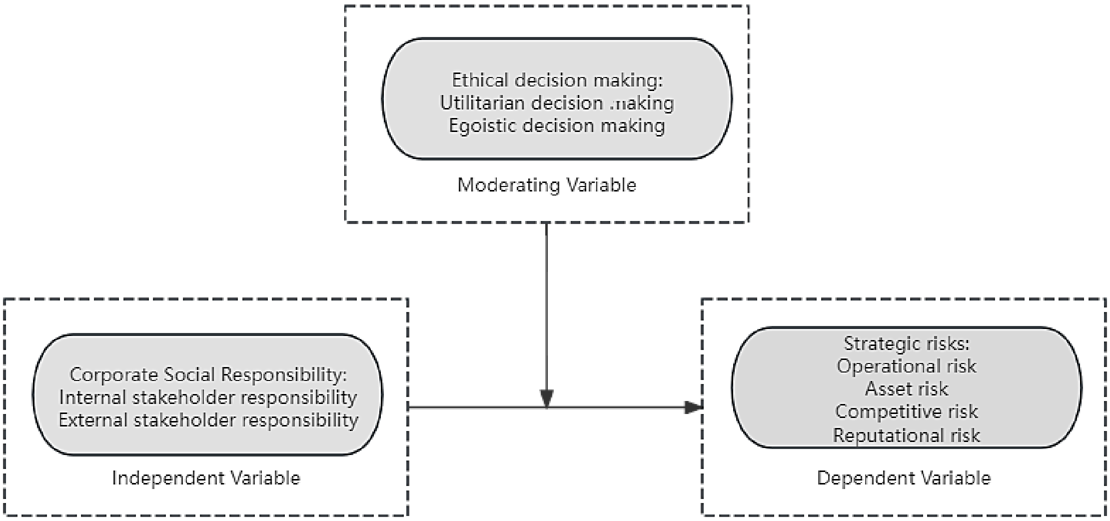

Fig. 1. Research framework

2.0 LITERATURE REVIEW

2.1 Corporate Social Responsibility and Strategic Risks

The origin of the concept of CSR can be traced back to 1924, before the Second World War. Sheldon(1924), an American scholar proposed the theoretical category of CSR in his book “The Philosophy of Management” that CSR should not only meet the needs of business operators but also the needs of various people inside and outside the enterprise, and this should also include moral responsibility. Later, Bowen(1953), another American scholar who published his book titled “The Social Responsibility of Businessmen” in 1953 was regarded as the first work to systematically study CSR. He clearly pointed out that the advocacy of corporate social responsibility is rooted in the best interests of promoting public interests. While seeking their own interests, enterprises should actively pay attention to the realization of social values and goals and take actions through their own decisions and specific behaviors, which formed the concept of CSR at that time. Bowen's preliminary study was on the assessment of the relationship between enterprises and society (Carroll, 1999).

Since entering the 21st century, with the continuous development and improvement of stakeholder theory, more and more scholars and organizations have begun to understand CSR from a comprehensive perspective. Stakeholders refer to those individuals and organizations that can influence the achievement of corporate goals, including not only shareholders, employees, suppliers, competitors, consumers, but also non-profit organizations such as media, environmental activists and government agencies (Rendtorff,2019). Hence, stakeholder theory has been one of the basic theories of social responsibility research. Stakeholders respond positively and resonate with enterprises demonstrating a strong sense of social responsibility, not only in the aspect of consumption, but also of employee satisfaction and shareholder investment (Sen et al., 2006). Li and Du (2022) suggested that businesses can facilitate the mutual transformation of tangible and intangible assets by fulfilling their social responsibilities, ultimately fostering sustainable development and shared prosperity. From the views of stakeholders, Yan and Kong (2022) emphasized that CSR not only serves as a valuable risk management tool, but also enables enterprises to establish positive interactions with certain stakeholders, thereby assisting them in overcoming financial challenges. Strategic risk, as it pertains to enterprise management, has its roots in decision theory. As defined by decision theory, strategic risk encompasses a multitude of internal and external uncertainty factors, as well as the intricate complexity of the strategic decision-making process within enterprises (Andrew, 1987; Mccullough & Barton, 1991). Consequently, strategic decision-making is a significant indicator of strategic risk.

Corporate social responsibility (CSR) has garnered significant attention in recent years, and it is imperative for businesses in all industries to fulfill their CSR obligations. Research on the relationship between CSR and strategic risk began with Ackerman's social pressure response model (Ackerman & Bauer, 1976), which posits that significant shifts in an enterprise's external environment require it to reevaluate its relationship with society and respond to external social and environmental issues to prevent relevant risks and avoid business failure. Moreover, the improvement of internal governance structure and the divergent interest demands among internal stakeholders, such as shareholders and managers, also present varying degrees of risk pressure on the formulation and implementation of corporate strategy. Hence, businesses must consider the demands of both internal and external stakeholders and determine their strategic development direction through cooperation and mutually beneficial outcomes. CSR may be used as a normative tool by management to create initiatives that benefit both shareholders and other stakeholders (Marhfor et al., 2021). Neubaum et al. (2012) highlighted the significant influence of internal and external stakeholder responsibilities on the financial performance of companies. By fulfilling their environmental responsibilities, firms can reap greater benefits, and by effectively leveraging the power of internal stakeholders, they can gain a competitive advantage in the market and minimize competitive risks. Besides, research conducted by Yang and Lan (2015) indicated that responsibilities towards shareholders, employees, customers, environment, and community development can mitigate unique risks faced by companies. Additionally, Daniel et al. (2012) illustrated that proactive communication and interaction with both internal and external stakeholders can enhance the flow of information, promote a positive reputation, broaden brand image, and decrease the likelihood and severity of corporate reputation crises. Hence, having done a comprehensive examination of factors including market dynamics, competitor behaviors, and technological innovation trends, organizations can identify potential risks that could adversely impact their strategic objectives. Through the identification and evaluation of these risks, businesses can make better-informed strategic decisions and refrain from making hasty or reactive choices. Once the potential risks are identified and evaluated, organizations can employ strategic risk management to formulate effective risk response strategies (Liu, 2024). Considering the above, the following hypotheses are proposed:

H1: The enterprise performance of internal stakeholder responsibility can significantly reduce strategic risks (operational risk, asset risk, competitive risk and reputational risk):

H1a, H1b, H1c, H1d hypothesize that the enterprise performance of internal stakeholder responsibility can significantly reduce operational risk, asset risk, competitive risk and reputational risk, respectively.

H2: The enterprise performance of external stakeholder responsibility can significantly reduce strategic risks:

H2a, H2b, H2c, H2d hypothesize that the enterprise performance of external stakeholder responsibility can significantly reduce operational risk, asset risk, competitive risk and reputational risk, respectively.

2.2 The Moderating Effect of Ethical Decision-making

Business ethics theory posits that there are two types of decision-making behaviors: egoism and utilitarianism. Egoistic decision-making asserts that the outcome which provides the greatest benefit to the organization is morally permissible, and subsequently, it will opt to maximize its own interests even if it means incurring short-term or medium-term disadvantages that affect the public or society as a whole. Conversely, utilitarianism focuses on reconciling the conflicting interests between the organization and others by considering the welfare of the majority of people (Xu, 2009). The research of Godos-Diez et al. (2018) indicates that ethical decision-making is vital in the implementation of corporate social responsibility (CSR). When companies make decisions that serve their own interests, they often neglect environmental protection and consumer rights and interests (O'Rourke, 2010), which can lead to external stakeholder dissatisfaction and resistance. This can result in a loss of public trust and pose significant risks for the company. Additionally, companies that fail to provide their employees with a safe and healthy working environment, neglect employee health and safety protections, and violate human rights can also face operational risks due to employee turnover (Hollingworth & Valentines, 2014). This is because such actions can lead to reduced recognition and job satisfaction among employees and other internal stakeholders. Under the influence of utilitarian decision-making, while pursuing economic interests, enterprises will pay attention to social pressure and respond to the social environment, actively explore various methods to meet the needs of internal and external stakeholders, which then will obtain the joint support of internal and external stakeholders to achieve good image building and reputation cultivation, hence reducing all types of risks (Zhu et al., 2014). In view of the above discussions, it can be inferred that ethical decisions will have a certain impact on the correlation between CSR and strategic risks. Therefore, the following hypotheses are formulated:

H3: As a moderating variable, utilitarian decision-making will significantly strengthen the degree of internal stakeholder responsibility to reduce the occurrence of strategic risks:

H3a, H3b, H3c, H3d hypothesize that utilitarian decision-making will significantly strengthen the degree of internal stakeholder responsibility to reduce the occurrence of operational risk, asset risk, competitive risk and reputational risk, respectively.

H4: As a moderating variable, utilitarian decision-making will significantly strengthen the degree of external stakeholder responsibility to reduce the occurrence of strategic risks:

H4a, H4b, H4c, H4d hypothesize that utilitarian decision-making will significantly strengthen the degree of external stakeholder responsibility to reduce the occurrence of operational risk, asset risk, competitive risk and reputational risk, respectively.

H5: As a moderating variable, egoistic decision-making will significantly weaken the degree of internal stakeholder responsibility to reduce the occurrence of strategic risks:

H5a, H5b, H5c, H5d hypothesize that egoistic decision-making will significantly weaken the degree of internal stakeholder responsibility to reduce the occurrence of operational risk, asset risk, competitive risk and reputational risk, respectively.

H6: As a moderating variable, egoistic decision-making will significantly weaken the degree of external stakeholder responsibility to reduce the occurrence of strategic risks:

H6a, H6b, H6c, H6d hypothesize that egoistic decision-making will significantly weaken the degree of external stakeholder responsibility to reduce the occurrence of operational risk, asset risk, competitive risk and reputational risk, respectively.

3.0 METHODOLOGY

A cross-sectional survey design was employed to collect data from 35 enterprises across Henan, Ningxia and Guangdong provinces located in the west, middle and southeast of China which is believed to have a good geographical coverage. Each enterprise was distributed 20 questionnaires, hence a total of 700 questionnaires were distributed. After sorting out 517 questionnaires returned to the researchers, 423 questionnaires were valid, and the returned rate was 81.82%.
The questionnaire consists of 3 main sections. Section A requires the demographic profiles of the respondents such as gender, position held, and number of years serving the enterprise. Section B requires profiles of the enterprises under survey like the scale of the enterprise, years of establishment and the nature of enterprise ownership. Section C contains 38 items measuring CSR adapted from Neubaum et al. (2012) and incorporated the elements of CSR measurement proposed by Chen & Dou (2008), focusing on the basis of both internal and external stakeholder responsibilities. The scale developed by Aumann & Dreze (2005) was used to measure Strategic Risk, which is believed to comprehensively and objectively reflect the overall situation of strategic risk of enterprises from both internal and external perspectives. This includes operation risk (6 items), asset risk (5 items), competition risk (4 items), and reputation risk (4 items). In measuring Ethical Decision-making, the 8-item measurement scale constructed by Reidenbach and Robin (2013) was adapted to measure utilitarian decision dimension, while egoistic decision-making was measured using the 3-item measurement scale compiled by Xu (2014).

3.1 Reliability and Validity Test

As the CSR scale was adapted for this study, Cronbach's α coefficient was obtained to evaluate its internal consistency. SPSS version 23.0 was used to determine both the internal and external stakeholder responsibilities and the α value of CSR scale. The results obtained were 0.934, 0.947 and 0.961 respectively, indicating the reliability of the measurement items obtained. Then, principal component analysis and maximum variance direct rotation method were used to analyze the single dimension and convergence validity of CSR. The KMO value obtained was 0.963, which was suitable for factor analysis. In addition, after rotation, the cumulative explanatory variance of internal and external stakeholder responsibilities was 63.53%, and the single factor loading of each item was above 0.55. Furthermore, no cross-factor loading occurred, indicating that the scale has high convergence validity and discriminative validity.

After verifying the reliability and validity of the CSR scale, the validity and homologous variance of the entire scale were analyzed. The confirmatory factor analysis conducted using AMOS 17.0 showed that the standardized path coefficients of each variable of the key constructs namely, CSR, Strategic Risks and Ethical Decision-making were all greater than 0.5, indicating that the scales employed have high convergence validity. The square root of each variable AVE is greater than the value of the phase relationship between any two variables, confirming the discriminant validity of the scale. Additionally, Harman single factor test was used to conduct exploratory factor analysis on all items. Without rotation and without specifying the number of extraction factors, more than one common factor greater than 1 was extracted. Also, the total variance variation of the largest common factor was 29.708%, which is less than 50% of the total variance interpretation, indicating that the homologous variance problem in this study does not exist.

4.0 RESULTS AND DISCUSSIONS

4.1 Profile of the Respondents

Table 1. Profile of the respondents

Profiles	Total (Percent %)
Gender(n=423)	
Male	267 (63.1%)
Female	156 (36.9%)
Age(n=423)	
20-30	156 (36.88%)
30-40	137 (32.39%)
40-50	71 (16.78%)
Over 50	27 (6.38%)
Position (n=423)	
First line Managers	118 (27.9%)
Department Heads	200 (47.3%)
Senior Managers	105 (24.8%)
Years of Service (n=423)	
Less than 1 year	59 (13.9%)
1-3 years	125 (29.6%)
3-5 years	131 (31%)
5-9 years	67 (15.8%)
9-15 years	27 (6.4%)
More than 15 years	14 (3.3%)

As shown in Table 1 above, the respondents in this study comprised top management (directors/senior managers), middle managers (heads of department) and first line managers (supervisors) with the proportion of 2:3:2 to better reflect the representativeness of this survey. In this sample, male respondents accounted for 63.1% and female respondents accounted for 36.9%; first-line managers accounted for 27.9%, department heads accounted for 47.3%, and top managers accounted for 24.8%; Most of the respondents (31%) have served their respective enterprise for 3-5 years while 29.6% have served for 1-3 years. 13.9 % of them have only worked for less than one year while 15.8% for 5-9 years, 6.4% for 9-15 years and only 3.3% of the respondents have served for more than 15 years.

4.2 Profile of the Enterprises

As seen in Table 2 above, from the perspective of enterprise scale, enterprises with an annual turnover of less than 100 million Yuan accounted for 93.6%, enterprises with a turnover of 100 million to 500 million Yuan accounted for 5%, enterprises with a turnover of 500 million to 1 billion Yuan accounted for 0.9%, and enterprises with more than 1 billion Yuan accounted for only 0.5%.

In terms of enterprise year of establishment, 96 enterprises have been established for less than 3 years, accounting for 22.7% of the total sample. Additionally, 151 enterprises with a duration of 4 to 8 years, represented 35.7% of the sample. Furthermore, there were 124 enterprises with a duration of 9 to 15 years, accounting for 29.3%. Lastly, 52 enterprises have been established for more than 15 years, representing 12.3% of the total sample.

As for the nature of enterprise ownership, there were 252 wholly owned enterprises, accounting for 59.6% of the total sample. Additionally, 35 enterprises were state-owned, representing 8.3%. There were 59 state-holding enterprises, comprising 13.9%, 21 foreign capital and holding enterprises, accounting for 5% and lastly, 56 other enterprises, representing 13.2% of the total sample.

Table 2. Profile of the enterprises

Profiles	Total (Percent%)
Scale (n=423)	
Less than 100 million Yuan	396 (93.6%)
100 million to 500 million Yuan	21 (5%)
500 million to 1 billion Yuan	4 (0.9%)
Greater than 1 billion Yuan	2 (0.5%)
Years of Establishment (n=423)	
Less than 3 years	96 (22.7%)
4-8 years	151 (35.7%)
9-15 years	124 (29.3%)
Over 15 years	52 (12.3%)
The Nature of Enterprise Ownership (n=423)	
Wholly Owned Enterprises	252 (59.6%)
State-owned Enterprises	35 (8.3%)
State-holding Enterprises	59 (13.9%)
Foreign Capital and Holding Enterprises	21 (5%)
Other Enterprises	56 (13.2%)

4.3 Correlation Analysis

The data presented in Table 3 indicates the mean, standard deviation, and correlation coefficient for each variable under study. As depicted in the table, there is a noteworthy negative correlation between internal and external stakeholders' responsibility, utilitarian decision, and strategic risk, which encompasses operational risk, asset risk, competitive risk, and reputation risk. Furthermore, a positive correlation is observed between egoistic decision-making and strategic risk, which includes operational risk, asset risk, competitive risk, and reputation risk. These findings offer preliminary support for the theoretical hypothesis under investigation in this study.

Table 3. The mean, standard deviation and correlation coefficient of the variables

Variable	Mean Value	Standard Deviation	1	2	3	4	5	6	7	8	9	10	11	12
1 Nature	1.9	1.24	1											
2 Scale	1.08	0.35	-0.12*	1										
3 Position	2.05	0.88	-0.42*	-0.14**	1									
4 Gender	1.37	0.48	0.01	-0.03	0.04	1								
5 ISR	3.64	0.63	0.05	0.01	-0.01	0.01	1							
6 ESR	3.6	0.67	0.01	0.01	0.04	-0.03	0.07**	1						
7 UDM	3.54	0.59	-0.01	0.01	0.03	0.04	0.58**	0.07**	1					
8 EDM	2.76	0.66	0.07	0.02	-0.07	0.01	-0.15**	0.58**	-0.21**	1				
9 Operational Risk	2.12	0.71	-0.14**	-0.02	0.05	0.01	-0.42**	-0.15**	-0.42**	0.28**	1			
10Asset Risk	2.26	0.85	-0.08	0.05	0.04	-0.05	-0.42**	-0.42**	-0.35**	0.24**	0.39**	1		
11Competitive Risk	2.21	0.85	-0.08	-0.04	0.07	0.05	-0.40**	-0.42**	-0.36**	0.28**	0.41**	0.41**	1	
12 Reputation Risk	2.20	0.81	-0.08	-0.03	0.06	-0.03	-0.48**		-0.40**	0.24**	0.34**	0.36**	0.48**	1

Note: ISR (Internal Stakeholder Responsibility), ESR (External Stakeholder Responsibility), UDM (Utilitarian Decision-making), EDM (Egoistic Decision-making); N = 423, * $p < 0.05$; * * $p < 0.01$.

4.4 Hypothesis Testing

Firstly, the influence of CSR (internal stakeholder responsibility and external stakeholder responsibility) on strategic risk (operational risk, asset risk, competitive risk, and reputation risk) was tested by introducing four control variables: nature of enterprise ownership, enterprise scale, respondent position and gender. The results of the analysis are shown in Table 3 and Table 4. Both internal and external stakeholder responsibilities were found to have significant negative relations on operational risk, asset risk, competition risk and reputation risk. Hence, H1 (H1a-H1d) and H2 (H2a-H2d) are empirically supported.

Secondly, the moderating effect of ethical decision-making is examined through a hierarchical regression analysis. To address the issue of collinearity caused by the high correlation between the independent variable and the interaction term, centering operations were applied to both independent variable and the moderating variable prior to analysis. Furthermore, the control variables, independent variable, moderating variable, and their product interaction term were incorporated into the analysis. The results of the hierarchical regression analysis, presented in Table 4 and Table 5 indicate that utilitarian decisions exhibit a statistically significant negative effect on strategic risks, while egoistic decisions demonstrate a positive effect. Moreover, the partial interaction effect with CSR significantly affected strategic risk to varying degrees.

Table 4. Hierarchical regression results on the effects of CSR on strategic risk and the moderating effects of utilitarian decision-making mechanisms

Result Variable		Control Variable				Independent Variable		Moderating variable	Interaction Term		$R^{\square}$	ΔR^2	F
		Nature	Scale	Position	Gender	**ISR**	**ESR**	**UDM**	η^3	η^4			
Operational	Model	-0.14**	-0.04	0.00	0.01						0.20	0.01	2.14
Risk	Model	-0.12**	-0.03	0.01	0.00	-	-				0.21	0.20	18.37***
	Model	-	-0.03	0.01	0.02	-	-0.15**	-0.25***			0.25	0.24	19.52***
	Model	-0.12**	-0.03	0.02	0.01	-	-	-0.31***	-	-0.01	0.27	0.25	16.69***
	Model	-0.07	0.04	0.01	-0.05						0.01	0.01	1.02
Asset Risk	Model	-0.04	0.04	0.02	-0.06	-	-				0.22	0.21	19.09***
	Model	-0.05	0.04	0.03	-0.05	-	-	-0.12**			0.24	0.21	17.16***
	Model	-0.03	0.03	0.04	-0.06	-	-	-0.20***	-	-0.10	0.26	0.24	15.82***
	Model	-0.07	-0.05	0.05							0.01	0.01	1.38
Competitive	Model	-0.04	-0.05	0.07	0.04	-	-				0.20	0.19	17.58***
Risk	Model	-0.05	-0.05	0.07	0.05	-0.14**	-	-0.17**	0.22			0.21	16.66***
	Model	-0.04	-0.06	0.08	0.04	-0.15**	-	-0.22***	-0.03	-0.14*	0.22	0.22	14.07***
	Model	-0.07	-0.04	0.04	-0.03						0.01	0.01	1.08
Reputation	Model	-0.04	-0.03	0.06	-0.04	-	-				0.28	0.27	27.39***
Risk	Model	-0.05	-0.04	0.06	-0.04	-	-	-0.14***			0.30	0.28	24.96***
	Model	-0.03	-0.04	0.07	-0.04	-	-	-0.19***	0.00	0.14**	0.31	0.29	20.44***

Note: ISR (Internal Stakeholder Responsibility), ESR (External Stakeholder Responsibility), UDM (Utilitarian Decision-making); η1 = Internal stakeholder responsibility * Utilitarian decision-making, η2 = External stakeholder responsibility * Utilitarian decision-making.

The interaction of the utilitarian decision with internal stakeholder responsibility notably attenuated operational and asset risks but had with no significant influence on competitive and reputation risks. Conversely, the interaction of the utilitarian decisions with external stakeholder responsibility exhibited a significant mitigating impact on competitive and reputation risks, while not significantly effect on operational risk and assets risks. This supports the hypothesis H3(H3a-H3b), H4(H4c-H4d), while H3 (H3c-H3d) and H4 (H4a-H4b) are not supported. The interaction between egoistic decision-making and internal stakeholder responsibility has a noticeable mitigating impact on operational risk, asset risk, and competitive risk. However, it has no significant influence on reputation risk. Conversely, the interaction between utilitarian decision-making and external stakeholder responsibility has a significant mitigating effect on reputation risk but has not significantly impact operational risk, asset risk, or competitive risk. Therefore, hypotheses H5(H5a-H5b-H5c) and hypotheses H6 (H6d), are verified but hypotheses H5 (H5d) and H6 (H6a-H6b-H6c) are not be supported.

In order to further compare the differences between the effect models of independent variables and the outcome variables under the adjustment of different ethical decision-making mechanisms, the mean plus or minus one standard deviation (±1SD) of utilitarian decision-making and egoistic decision-making are grouped to draw the relationship effect diagram between CSR and strategic risk under the adjustment effect of ethical decision-making. As shown in Figure 2 and Figure 3 below, this paper only presents the relationship effect diagram between external stakeholder responsibility and reputation risk at high and low ethical decision-making levels which will be given more emphasis in the discussions later.

Table 5. Hierarchical regression results on the effects of CSR on strategic risk and the moderating effects of egoistic decision-making mechanisms

Result Variable		Control Variable				Independent Variable		Moderating variable	Interaction Term		R□	ΔR^2	F
		Nature	Scale	Position	Gender	**ISR**	**ESR**	**UDM**	η^3	η^4			
Operational Risk	Model	-0.14**	-0.04	0.00	0.01						0.02	0.01	2.14
	Model	-0.12**	-0.03	0.01	0.00	-	-				0.21	0.20	18.37***
	Model	-	-0.04	0.02	0.00	-	-0.19**	0.23***			0.26	0.25	21.07***
	Model	-	-0.03	0.03	0.00	-	-	0.26***	0.11**	-0.04	0.28	0.27	18.05***
Asset Risk	Model	-0.07	0.04	0.01	-0.05						0.01	0.01	1.02
	Model	-0.04	0.04	0.02	-0.06	-	-				0.22	0.21	19.09***
	Model	-0.06	0.04	0.03	-0.06	-	-	0.18**			0.25	0.23	19.35***
	Model	-0.06	0.04	0.03	-0.06	-	-	0.20***	0.14**	-0.02	0.26	0.25	16.27***
Competitive Risk	Model	-0.07	-0.05	0.05	0.05						0.01	0.01	1.38
	Model	-0.04	-0.05	0.07	0.04	-	-				0.20	0.19	17.58***
	Model	-0.06	-0.05	0.08	0.04	-	-	-0.22***	0.25			0.24	19.82***
	Model	-0.07	-0.05	0.08	0.04	-	-	0.26***	0.14**	0.04	0.28	0.26	17.13***
Reputation Risk	Model	-0.07	-0.04	0.04	-0.03						0.01	0.01	1.08
	Model	-0.04	-0.03	0.06	-0.04	-	-				0.28	0.27	27.39***
	Model	-0.05	-0.04	0.07	-0.05	-	-	0.17***			0.31	0.30	26.90***
	Model	-0.06	-0.04	0.07	-0.04	-	-	0.19***	-0.04	-	0.32	0.30	21.41***

Note: ISR (Internal Stakeholder Responsibility), ESR (External Stakeholder Responsibility), UDM (Utilitarian Decision-making); η3 = Internal stakeholder responsibility * Egoistic decision-making, η4 = External stakeholder responsibility * Egoistic decision-making.

As illustrated in Figure 2, at the high utilitarian decision level, the effect of external stakeholder responsibility on reputation risk is substantial, whereas at the low utilitarian decision level, the effect is relatively weak. Additionally, Figure 3 demonstrates that at both the high egoistic decision level and the low egoistic level, the level of reputation risk experienced by external stakeholders is lower.

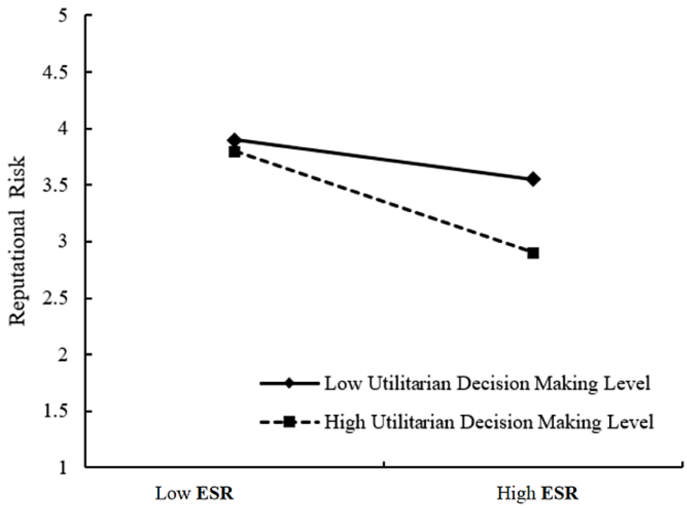

Fig. 2. The moderating effect of utilitarian decision-making on external stakeholder responsibility and reputation risk

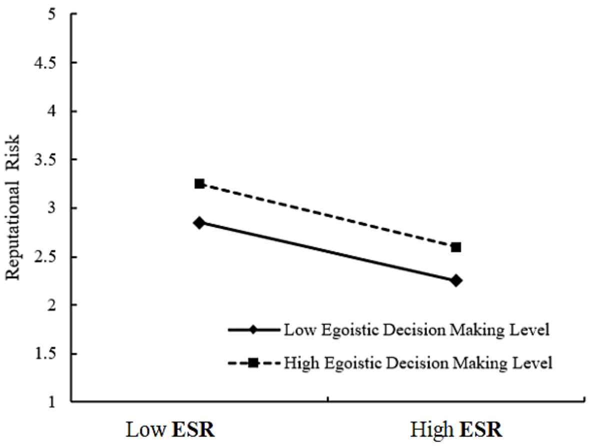

Fig. 3. The moderating effect of egoistic decision-making on external stakeholder responsibility and reputation risk

5.0 DISCUSSION AND CONCLUSION

The findings of this research indicate that both internal and external stakeholder responsibilities can effectively reduce corporate strategic risks, including operational risk, asset risk, competitive risk, and reputational risk. Additionally, there are significant differences in the impacts of internal and external stakeholder responsibilities across the various dimensions of strategic risks. This not only validates the findings of the previous research (e.g. Neubaum et al., 2012; Yang & Lan, 2015; Daniel et al., 2012; Chondough, 2023; Marhfor et al., 2021; Albuquerque et al., 2019) on the relationship between CSR and strategic risk, but also enhances the conclusion that corporate social responsibility has a predictive effect on strategic risk as a whole. Hence, fulfilling the responsibilities of internal and external stakeholders can better create a good cultural atmosphere, establish a good brand image and reputation to win the trust and support of managers, employees, consumers, governments, and other internal and external stakeholders. This approach contributes to the continuity and sustainability of the enterprises' overall operations, gain competitive advantages, and eventually reduce the incidence of strategic risks. Furthermore, the findings on the varying impacts of CSR on weakening the four dimensions of strategic risks (operational risk, asset risk, competition risk and reputational risk) provide useful references and guidelines for enterprises to reasonably fulfill their social responsibility and intentionally avoid various strategic risks.

In addition, the findings on the ethical decision-making mechanism as a moderating variable which will regulate the impact of CSR on strategic risks to some extents have shed light on the impact of CSR on strategic risk specifically in the context of enterprises management in the Republic of China. Utilitarianism with the elements of "altruism" and "inclusiveness" is in line with China's traditional culture of benevolence, justice and integrity. This decision-making approach emphasizes people-oriented, harmonious and win-win situation. It comprehensively considers the needs and expectations of internal and external stakeholders while balancing the relationships between economy, environment and society development. Therefore, prioritizing on ethical considerations and showing a stronger willingness to co-create values help reduce stakeholders' pressure, enhance the social influence and image of enterprises and ultimately reduce strategic risks.

Conversely, the profit-maximizing approach of profit-driven enterprises often leads to the implementation of various egoistic strategies that disregard social responsibility. , This results in the conflicting development of economy and society, reflecting the "two-sided" nature of egoistic decision-making. On the one hand, it will enable enterprises to accumulate a lot of wealth and achieve the ultimate goals of operation. On the other hand, it may commit decision-making errors due to the failure in considering a series of hazards brought by enterprises to the environment and society., This oversight can create dissatisfaction and resistance among internal and external stakeholders which may eventually lead to the risk of bankruptcy.

Finally, the implications of this research are significant. Firstly, effective prevention and reduction of strategic risks in enterprises require proactive fulfilment of CSR. This includes clearly defining the scope and beneficiaries of CSR, addressing the interests of both internal and external stakeholders, and solidifying the fundamental principles guiding CSR implementation. Secondly, while CSR performance can mitigate strategic risks, its effectiveness is contingent upon specific conditions and influenced by the decision-making framework within enterprises. For enterprises in the Republic of China operating under the "new normal" policy, adopting a utilitarian decision-making approach characterized by benevolence and harmony is crucial. Such an approach enhances CSR performance and effectively reduces strategic risks. Therefore, enterprises are encouraged to adopt a utilitarian decision-making mechanism, which prioritizes collective interests over individual gains to optimize CSR outcomes and minimize strategic risks effectively.

However, this study is not without its limitation. The findings of this research may not be readily generalizable to enterprises operating in different contexts mainly due to the distinct government policies imposed by various countries.

6.0 CONTRIBUTION OF AUTHORS

Zhang Ye and Wang Tianqi carried out the research. Zhang Ye and Kuan Siaw Vui wrote and revised the article. Kuan and Zhang conceptualized the central research idea and provided the research framework for this paper; Dewi Tajuddin performed similarity and grammar check; Kuan anchored the review, revisions for article submission.

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8.0 CONFLICT OF INTEREST STATEMENT

All authors declare that they have no conflicts of interest.

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