

# The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power

Ting-Yun Shih, Shieh-Liang Chen

Department of Business Administration, Asia University, Taiwan

*\*Corresponding Author: Ting-Yun Shih, Department of Business Administration, Asia University, Taiwan*

## ABSTRACT

*In the past 10 years, the goals of enterprises for "sustainable development" have increased the concept of environmental, social and corporate governance. Corporate social responsibility has also become one of the important factors in the sustainable development of corporate operations. Extending the theory of stakeholders to explain how companies generate corporate value through corporate social responsibility. When the company's key decision-maker (CEO) has high power and ability, it can create corporate value through the implementation of CSR.*

*The sample data of this study uses the listed companies listed on the Taiwan Stock Exchange for 7 years from 2011 to 2017 as the main research object, and the sample is taken from the Taiwan Economic Newspaper Database (TEJ). It will explore how CEO capabilities and power affect the company's investment in corporate social responsibility and the impact on company value.*

*The expected results of this study are: First, the positive correlation between corporate social responsibility performance and corporate value. Secondly, the ability of CEOs to positively regulate the relationship between CSR and corporate value. Third, the power of CEO to have a relationship between CSR and corporate value Positive regulatory effect. At last, CEO capabilities and powers have a positive regulatory effect on CSR and company value.*

**Keywords:** *Corporate social responsibility (CSR), CEO capabilities, CEO power, company value.*

## INTRODUCTION

This chapter is divided into three outlines. Based on these three outlines, a research framework and research process are established to discuss the contribution and value of the CEO of corporate social responsibility in discussing the sustainable development of the company.

### Background and Motivation

Over the past 10 years, the company's goal of "sustainable development" has continuously increased the concept of corporate environmental, social and corporate governance (CSR) information disclosure. Corporate social responsibility will become one of the most important factors in the competition of the company's operation. The sustainable development of the company is often the most important key for the company's survival. This is also the CEO's greatest contribution. The CEO's pursuit of shareholders is done by the CEO, in addition to its own In addition to the company robustness and corporate goals and visions, the most important thing is to achieve social responsibility, and the World Business Sustainability Association (WBCSD) defines

CSR: "Corporate social responsibility is the company commitment to abide by ethics and do economic development. Make contributions and improve the quality of life of employees and their families, the local community as a whole, and society. "In addition to achieving the best interests of shareholders as their business objectives, companies must also improve the quality of the entire ecological environment to achieve contributions to achieve the environment The most important goal of sustainable development, and finally give back to the society, and take care of social care and public welfare; nowadays, Europe and the United States are advocating that companies should fulfill their "corporate social responsibility", "Corporate social responsibility" for sustainable management of society and corporate governance is the long-term development goal.

According to the United Nations (UN) Sustainable Stock Exchange (SSE) plan, all major companies are expected to report their impact on environmental and social practices by 2030 (SSE, 2015). Eccles, Serafeim, and Krzus scholars showed in 2011 that the market's

interest in corporate CSR performance and transparency of practice is great and growing. In recent years, it has also focused on requiring companies to allocate important resources to improve the sustainability of multiple stakeholders, especially in today's continuously improving corporate environment, corporate social responsibility has received considerable attention, and more and more literature Provides important insights on how CSR investment affects company activities and company value (McWilliams and Siegel, 2001; Bénabou and Tirole, 2010; Kitzmueller and Shimshack, 2012; Ferrell et al., 2016; Liang and Renneboog, 2016). In addition, Mosley et al. (1996) emphasized that corporate social responsibility means that managers have an obligation to make policies, make decisions and follow action guidelines that exceed legal requirements, which is expected from social values and goals. In 2014, the Executive Yuan of Taiwan was designated as the "First Year of Social Enterprise", a news magazine of the Republic of China-Foresight Magazine, which was the earliest promotion of "corporate social responsibility" evaluation by Chinese media worldwide, and actively promoted corporate social responsibility for many years. Since 2015, the Corporate Social Responsibility Award has entered its fifteenth term. It is the most authoritative and credible award for Taiwan Magazine in addition to its longest history. According to the above, corporate social responsibility can clearly see that the combination of CSR and business strategy will be the future trend at home and abroad. It is also an important key to how companies can enhance the value of the company. The development of technology, the reduction of the global village, and the current corporate and consumer The distance of the person can be far away from the horizon, so the plan of social enterprise responsibility action is very different from the past. The era changes the progress of various technologies, the future blueprint of artificial intelligence, and the emerging industry of the 5G industry The most important thing of the business model is to solve the pain points and inconveniences of consumers in order to improve the future life. Technology comes from human nature. How to make the future development of an enterprise become a competitor that can never be imitated and always surpass the enterprise. The core question is how to be closer to the value of society to solve social problems! This is the most important reason why the CEO will be hard to

find! Against this background, some studies have shown that corporate social responsibility is related to the characteristics of CEO CEOs, such as altruism, confidence, and materialism (eg, Borghese et al., 2014; Davidson et al., 2016; McCarthy et al., 2017).

Despite this high level of concern, given the importance of corporate social responsibility in corporate strategy, this study still knows little about the role of CEOs in formulating corporate social responsibility activities at the corporate level. Many important issues remain unresolved: Since CSR promotes company value creation, what are the key factors? The existing literature has not yet provided a definite answer (Madsen & Rodgers, 2015). Early research on voluntary disclosure of financial information documents shows that the chief executive officer (CEO) has a positive correlation with the disclosure of information, and information disclosure increases the company's value (Hui & Matsunaga, 2015). However, according to this research, there is no literature to discuss the role of CEO capabilities and power in corporate social responsibility (CSR) disclosure to corporate value. In the past, scholars Hui and Matsunaga (2015) suggested that CEOs should not only Responsible for interaction, but also responsible for various actions of other stakeholders. But in today's society, the key issues that CEOs have to solve are not only to pursue the interests of shareholders, but also to pay attention to whether the company is beneficial to the social environment? Has the company improved consumers' quality of life? Has the company done something unethical in the process of creating its own value? (For example: environmental pollution, employee overtime, etc.) This study aims to investigate the role of chief executive officer CEO under CSR on company value, especially whether the power and ability of CEO will affect the relationship between CSR and company value. The theoretical development of social value and social responsibility is still divergent. Regarding the gap of this theory, this study attempts to clarify the value of this truth. How does the power and ability of the CEO implement the value of the company? The expectations of shareholders and the explanation of the board of directors, the CEO not only creates profits for the company, but more importantly, how to escape from the red sea of competition in this blue ocean and create an infinite blue ocean. The value of the CEO has not only been so simple for the company to make profits. The

most important thing is to be the leader of the global enterprise in the future, lead the industry, and create an endless blueprint for the future. The most important thing for these CEOs is to find problems, solve problems, and improve the habits of the entire market and global consumption. This is the most important social responsibility of the CEO. When profit is no longer a challenge, the greatest difficulty is the responsibility on the shoulder, and it is to make the entire society live better and more convenient, and the social responsibility is greater than ever. Not the same.

The motivation of this study in this paper is to use a comprehensive CSR investment and a relatively large sample size to prove this relationship. In addition, we investigate the potential drivers of this relationship by investigating the role of the chief executive officer (CEO) in CSR. CEO and CSR are the most important roles pursued by the latest companies, but unfortunately, research and theory are still not. Therefore, this research must make up and clarify the gaps in this theory and the truth, in order to bestow it, which is more in line with the responsibilities and missions of today's corporate CEOs, so that companies can achieve the fulfillment of social responsibility. Enhance the most important company value that changes the future today. Therefore, based on the current situation and the existing theoretical framework, this research constructs a framework for cost research to solve the following problems: To explore whether corporate social responsibility is an investment, when more investment is made, is the company's value better? Discuss how to extract the CEO's ability from the efficiency value, as an indicator to measure the CEO's ability? And discuss whether the ability of CEO will affect the relationship between CSR and company value? Let's discuss whether the power of CEO will affect the relationship between CSR and company value. Summarize and discuss whether a CEO with high capabilities and powerful power will affect the relationship between CSR and company value.

### Research Purposes

Based on the above research background and motives, this research aims at the current social responsibility development background and its current situation. (CEO), with greater power and ability, can create company value through the implementation of CSR. This study summarizes the following research questions for discussion:

1. Discuss if CSR is an investment, the more the investment, the better the company's value?
2. Explore whether the CEO's ability has a positive adjustment effect on CSR and company value?
3. Discuss whether CEO power has a positive adjustment effect on CSR and company value?
4. Discussing the capabilities and power of the CEO, does it have a positive effect on CSR and company value?

## LITERATURE DISCUSSION

### Corporate Social Responsibility

As early as the 1970s, corporate social responsibility has gradually become a global trend. In addition to pursuing the best interests of shareholders (stockholders), the company's operating goals must also take into account other stakeholders, socially disadvantaged groups, participate in community public welfare activities, and environmental protection to make people's living environment better. According to the definition of Business for Social Responsibility (BSR), "a business operates in a way that meets or exceeds society's moral, legal, commercial, and public expectations of them." Corporate social responsibility refers to the conduct of a company's operations that must conform to social ethics. Companies not only create the best interests for shareholders, but also pay attention to the rights and interests of stakeholders, such as employees' lives and welfare, human rights, and product and service quality. Customers, manufacturers, protection of consumer rights, social welfare, the entire country's natural environment to avoid causing pollution, etc. It is not just responsible to shareholders. Kacperczyk (2009) found that corporate social responsibility has improved the relationship between companies and stakeholders in a time-consuming process, thereby contributing to financial performance in the long run.

The CSR discussed in this study emphasizes that companies must comply with social ethics. In addition to pursuing profits, their business objectives must also strengthen their own competitiveness by establishing an effective and systematic corporate social responsibility framework. In 1997, John Elkington scholars first proposed the concept of triple bottom line, namely: economic bottom line, environmental bottom line and social bottom line, using the triple bottom line to measure whether the

business operation meets the prescribed standards of CSR. In terms of corporate responsibility for the economy, as early as 1912, American economist Milton Friedman believed: "If an enterprise does not achieve its profit target by deception and fraud, it will seek the greatest benefit for the entire society." This shows that economic growth was the most basic social responsibility of an enterprise. Then the background came to the 1950s. Companies began to value stakeholders, and the CEO's responsibility was to strive to achieve the interests of the relevant groups of the company, such as: taking care of customer feelings, employee benefits, suppliers and shareholders and Related interests of the entire community. Until now, companies must strictly abide by all legal provisions, and they must also be responsible for the investment and income of shareholders. Moreover, companies must honestly provide true information to shareholders, and the information should be disclosed transparently, and investors must not be concealed or cheated. In terms of employee responsibilities, the company's pursuit of high financial performance brings serious problems such as serious overtime work for employees, and at the same time shows the company's lack of governance policies and the lack of attention to corporate social responsibility. According to international labor statistics, the total working hours of Taiwan's laborers in 2018 was 2033 hours, which was 2 hours less than last year's 2035 in 2017, ranking fourth in the world compared to other major countries. Enterprises must pay attention to employee treatment and satisfaction. Taking Southwest Airlines as an example, from the beginning of its establishment, it put "employees first" and treated employees with the same value as its beloved customers. The company's market value is higher than the total value of all US airlines combined. It can be proved that enterprises should pay attention to the responsibility of employees.

Therefore, in order to realize the expectations of investors and the general public, more and more companies have begun to actively invest in corporate social responsibility. For example: Hon Hai Group, a major electronics company, provides information to the public for review by the public, and Mr. Guo Taiming is on the front line. , Pointed out that green manufacturing is not only a responsibility, but an indispensable DNA for enterprises. (Joint Finance, 2016). In addition, the world-renowned Apple, Inc. took

the lead in publishing the Supplier Supplier Responsibility 2012 Progress Report in 2012, and fully adopted renewable energy in 2018, allowing Apple's supply chain to The goal of 100% greening was completed in April 2018. Apple's active involvement in the entire context of corporate social responsibility shows that this is not just an environment, but an important issue that involves the transformation of enterprises around the world and changes in the entire business model. In summary, the above statements have indeed proved that corporate social responsibility is definitely the current social trend. Although the enterprise brings a good prosperity to human society, it also causes a natural disastrous destruction of the environment. The enterprise should bear the responsibility of no longer harming the environment and then protect the environment with a positive attitude. Integrate the concept of environmental protection into the production and operation activities of enterprises, pay attention to the management of resources and environment, and achieve sustainable development of enterprises by conserving resources and controlling pollution.

In terms of corporate responsibility to society, when the Hualien Earthquake occurred in 2019, the love of all parties poured in, and many companies donated money and materials. For example: Ruizhu Construction Company, especially for two seriously damaged schools (Guofeng Junior High School and Meilun Junior High School), provides repair services for free, so that school children can return to a safe campus without waiting for government funding to repair the campus Continue to study. This is the best example of CSR in social participation. Enterprises investing in public welfare will never make less money. Taking Ruizhu Construction as an example, it has been profitable for more than 10 years. In addition to the good management of the industry and the long-term voluntary contributions to social welfare, CSR is not only a good image. , Can indeed create profit. Because of the charity image of Ruizhu, many cases will take the initiative to invite bids, so that the probability of winning bids is also very high. The enterprise's responsibility to society is to give back to the community, pay attention to public welfare, and get a win-win concept.

The Taiwan Stock Exchange and the Republic of China Securities Counter Trading Center announced in February 99 the "Code of Practice for Corporate Social Responsibility of Listed

OTC Companies", which clearly stated: "Encourage listed OTC companies to actively practice corporate social responsibility while engaging in corporate operations. To meet the international trend of balanced environmental, social and corporate governance development, and to increase the national economic contribution through corporate citizenship, improve the quality of life of employees, communities, and society, and promote a competitive advantage based on corporate responsibility. "With the changes of the new generation, it has been found in the literature on corporate social responsibility that since the 2010s, it is no longer just a discussion of the financial aspects of companies. The most influential publication in the world of international business, Harvard Business Review, is published in "Global CEO 100 In the

"strong" survey, the first English "ESG" for "environmental, social" and "governance" was added in 2018. KeChengen, a professor of management at National Taiwan University, pointed out that this reflects the expectation and support of countries in the world for enterprises to assume more social responsibility, and regards it as the basis for long-term economic development, and this idea has become mainstream. Most of the literature in the past has explored the relationship between ESG performance and corporate value. However, recent research topics have become more diverse and updated with a wide range of trends, and they have begun to focus on analysis from the perspective of stakeholders such as corporate governance, environment and society. The relevant literature on corporate social responsibility is summarized in Table 2-1:

Table 2-1

Carrol(1991)	Put forward the pyramid model theory, and summarize the functions of corporate social responsibility into four types: legal responsibility, economic responsibility, moral responsibility and charity responsibility, emphasizing that the function of the company is no longer mainly to make profits for shareholders, but also must take into account the above Item of corporate social responsibility.
Vogel(2005) 及Mohan(2008)	It is pointed out that since the 1990s, the scope of corporate social responsibility has been expanded to include environmental protection, assisting the sustainable development of enterprises in developing countries, emphasizing corporate ethics, taking care of local community welfare, employee voluntary services and charity. Enterprises should also abide by the above matters in order to achieve stable development in the future.
Reinhard (2006)	It pointed out that sustainable development, environmental protection and human rights care in developing countries are the main research directions of corporate social responsibility in the 21st century, and emphasized that companies should pay attention to environmental protection and human rights.
Jones & Haigh, (2007)	Corporate social responsibility may affect corporate governance, corporate culture, management methods and organizational structure of multinational companies and companies in developing countries.。
Frederick ( 2008 )	It is proposed that enterprises should cultivate an ethical corporate culture, so that the main axis of research enters the stage of corporate ethics.
Malik (2015)	It is believed that the definition of corporate social responsibility will enable companies to develop their own behaviors with different stakeholders (consumers, suppliers, governments, employees, investors, and communities).

Source: collated by this study

### CEO Ability

Sustainability is an important vision for entrepreneurs, and CEO management ability and leadership are the key factors that affect the success or failure of the entire enterprise. Therefore, by observing CEO management ability, we can assess whether it can create maximum performance for the enterprise and achieve sustainable growth and operate. Yang Shuting (2013) research pointed out that managers with higher capabilities have a higher probability of profitability and effectiveness of

the company. Therefore, the better the CEO's ability, the lower the cost of obtaining funds. Therefore, the ability of managers is very important for the company's future operations.

Demerjian et al. (2015) found that CEOs with stronger capabilities can better balance profits and benefit shareholders, rather than managers with weaker capabilities. The father of management Peter F. Drucker (Peter F. Drucker) in 1999 book "The Practice of Management" (The Practice of Management) put forward a point of view, the ability of

managers and their performance will affect the success or failure of enterprises. And the ultimate test of management is organizational performance, which shows that managers play a pivotal role in corporate organizations. At present, many enterprises in various countries around the world use top management team (TMT) to manage the company's operations, and manage their professional projects through professional personnel in various fields, with the goal of obtaining the largest profits for shareholders and creating the largest for themselves. Income. Gaines-Ross (2003) pointed out that managerial ability is an important intangible asset of an enterprise, so it is quite difficult to quantify it as a measurable indicator. Therefore, many scholars have proposed different agency variables to measure managerial ability. Milbourn (2003) research believes that in the perception of company shareholders, the reputation of managers is a key factor in judging their ability, because managers with good reputation are usually regarded as experts in the field, who are interviewed or in the media. The exposure rate is naturally higher than other managers, so the study uses the number of media citations as an agent variable for managers' capabilities. Fee & Hadlock (2003) believes that managers are the decision makers of enterprise development strategies, and their capabilities will directly affect the performance of the organization. Carpenter & Sanders (2002) research found that when the salary income of managers and shareholders' returns are positively correlated, their salary levels will change in the same direction as organizational performance. Cai Liuqing and Yang Zhaoxu (2004) pointed out that when the company's operating conditions change, the manager's salary income will also change. Therefore, in the pursuit of self-interest humanity, managers will use a variety of different policies to achieve company performance. It is also expected that the target will be able to obtain a higher salary income. Such as the most famous software company in the United States-Microsoft, France's largest telecommunications company-France Telecom and Taiwan's largest semiconductor manufacturing company-TSMC, the above companies are through the actual management of the company's CEO and CFO and other important people. Because the leadership style and management ability of managers are the key factors that affect the success or failure of an enterprise, and the success or failure of an enterprise will directly affect the performance of

the organization, the business owner will observe whether the ability of the manager can assess whether it can create the greatest performance for the organization. Hambrick & Mason, a 1984 study pointed out that the senior management of a company can evaluate its operating results by observing the characteristics of the manager's age, ability performance, career experience, education and financial status, and the manager has the power to decide the direction of the company's development. Its personality characteristics will directly affect the performance of the organization, and because of this research result, it has led to the extension of related research topics. Li Minru (2014) studied the relationship between corporate governance and managerial capabilities and found that the better the managerial capabilities, the better the company's financial performance. Therefore, the ability of managers is of high importance in the company. Therefore, in order to measure the CEO's ability in this study, it must be able to be transformed into a representative measurement variable. In the past, many academic scholars have proposed different variables to measure the CEO's ability. Because of the performance of the CEO's ability, it is impossible to express the CEO's ability specifically, because the CEO's ability belongs to different individuals, so it is difficult to determine the appropriate agency variable to measure for this.

According to the above literature compilation, most of the past academic research used agency variables to measure managerial capabilities. However, some managerial capabilities measured through this method may be affected by external factors that make the measured value is not the ability of the manager itself. In terms of the rate of return on assets, in addition to the ability of managers, there are also changes in the market environment and the direction of government policies. These are the key factors that lead to the performance of returns, not just managers. Because of the ability, therefore, using the asset return rate as the agent variable of the manager's ability is prone to bias, and it is impossible to objectively measure the manager's ability. Measures currently available for assessing the capabilities of managers (Malmendier and Tate, 2009; Demerjian et al., 2012). Using their management ability measurement, Demerjian et al. (2013) Research on the relationship between management capabilities and profitability quality. They found that more capable managers were associated with fewer subsequent restatements, higher

earnings and accrued profits, lower bad debt preparation errors, and higher quality accrued estimates. Baik, Farber, and Lee (2011) found that there is a positive correlation between CEO capabilities and the significance of management earnings prediction. Managerial capabilities are significantly positively correlated with corporate social responsibility, and corporate social responsibility is also positively correlated with earnings quality, Fang Kang (2015). Demerjian et al. (2012) introduced a new measure of management ability based on the efficiency of managers' income generation. A set of indicators called MA-Score is designed to measure the ability of managers. Propose a specific method to measure the capabilities of managers. They believe that managers have a specific style and a more comprehensive explanation. It first involves the use of Data Envelopment Analysis to calculate the efficiency of the company. Because the value range generated by the data envelopment analysis method is 0 to 1, which limits the degree of freedom of the dependent variable, Tobit regression analysis is used to extract the manager's ability from the efficiency value of the financial statement and use it as a measure of the manager Capability indicators. The concept is to estimate the manager's ability through quantitative analysis, so as to avoid the manager's ability being influenced by subjective consciousness, and then objectively expressed. One of the most influential publications in the world of international business-the Harvard Business Review's "Top 100 Global CEOs" survey, for the first time this year joined "environmental, social (governance)" and the English abbreviation ESG. KeChengen, a professor of management at National Taiwan University, pointed out that this reflects the expectation of all countries in the world that enterprises should assume more social responsibility, and regards it as the basis for long-term economic development. This idea is now mainstream. However, most of the literature discusses the relationship between ESG performance and corporate value, but the results are ambiguous due to measurement issues or data limitations. Therefore, this study will use more data to extract the CEO's ability from the efficiency value as an indicator to measure the CEO's ability, and explore whether the CEO's ability will affect the relationship between CSR and company value.

### CEO Power

BOyd (1995) pointed out that CEO power may have a positive impact on company value,

because CEO power dominates many important key decisions in business operations, such as capital structure, compensation decisions, and company information quality. Finkelstein (1992) divides CEO power into four categories: structural power, ownership, expert power and prestige power. However, Tang, Crossan, and Rowe (2011) believed that prestige power was a poor measure of managerial power, and subsequently removed this category. American scholars have suggested that CEO holdings (Riahi-Belkaoui and Pavlik, 1993; Daily and Johnson, 1997; Fredrickson, 1998) and the duality of CEOs (Baliga et al., 1996) can be regarded as important reference indicators of CEO power. Regarding the role of CEO capabilities and CEO power in improving company performance, previous research did not consider the effects of both, which may be essential for more capable managers to make full use of their talents to achieve positive company results. , But managers with sufficient power are also very important. Therefore, it was found in the previous literature that the company's performance impact may not only be attributed to the CEO's ability. For example, Hambrick and Quigley (2014) show that although top management is more likely to affect company performance, they have considerable limitations in fully utilizing their capabilities. Boyd and Gove (2006) and Ge et al. (2011) point out that One such constraint that leads to changes in the cross-section of a manager 's specific influence is that the manager 's rights can be freely determined. In addition, Hambrick (2007) pointed out that the management discretion framework has a moderating effect on how managers affect company performance. Agarwal (2011) and others further emphasized the role of management discretion, suggesting that more capable managers can only make full use of their abilities to produce better results when providing higher levels of discretion. Similarly, Finkelstein and Boyd (1998) claim that a higher level of management discretion will increase the impact of management on organizational results, because in this state, the common constraints of the management organization are usually less severe. In addition, Chang, Dasgupta and Hilary (2010) documented a mechanism through which CRS revealed relevance to CEO compensation. In addition, the greater the power of the CEO, the more likely it is to inspire directors to provide advice and resources, and increase investment in research and development to improve the company's ability to innovate

## The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power

(Chen, 2014). Previous foreign studies have also found that CEO power may have an impact on corporate governance or pay performance sensitivity (Canyon, 1997; Lippert and Porter, 1997; Benito and Canyon 1999; Lin, 2005; Sapp, 2008). According to scholars Canyon and He; Ntim (2012) also pointed out that when the CEO power is greater, the CEO has more control power. Therefore, according to the above literature, it can be understood that the CEO power exerts potential economic and competition on corporate social responsibility. The environment is more vigorously implemented and changed, and anticipates how the company will succeed in investing in corporate social responsibility.

Finkelstein (1992) divides CEO power into four categories: structural power, ownership, expert power and prestige power. However, Tang, Crossan, and Rowe (2011) argued that prestige power is not a perfect measure of managerial power, and subsequently removed this category. This study uses expert power, reputation power, organizational power, and all power (Han, Nanda, and Silveri, 2016) to measure CEO power. Referring to Finkelstein's power model, this paper uses archive data to measure the CEO's power dimensions, and its proxy variable selection mainly refers to the measurement tools of scholars QuanXiaofeng and Wu Shinong.

As of now, there is little literature exploring whether the relationship between CEO power and CEO ability will affect the relationship between CSR and company value. Therefore, on the basis of the above literature argument, this study infers that the CEO's ability and power will affect the relationship between CSR and company value.

### RESEARCH METHODS

This chapter is divided into four subsections. The first section explains the establishment of research hypotheses, the second section introduces the definition and measurement methods of variables, the third section explains how to select samples, and the fourth section counts statistics.

#### The Establishment of Research Hypothesis

The purpose of this study is to explore the extent of CSR's impact on company value, and to examine the relative role of CEOs in CSR and company value, especially whether CEO power and ability will affect the relationship between company value and CSR investment. In order to answer the above questions, this study proposes the research framework Figure 3-1 and illustrates the following hypotheses developed:

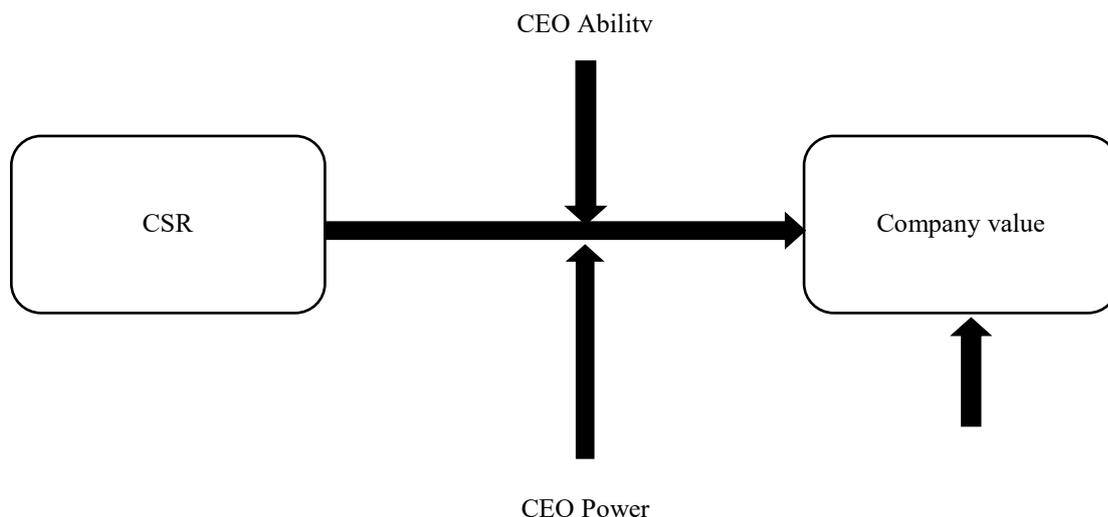


Figure 3.1 Research architecture

Barney et al. Clearly pointed out in 2012 that corporate ethics and CSR are important application areas of resource-based view (RBV), because good corporate social responsibility performance can eventually be transformed into important strategic resources and capabilities of the company. A high level of CSR can help companies shape a good business philosophy

and operating environment, help companies change public perception of organizational legitimacy, establish good public relations, improve corporate image, motivate employees, reduce operating costs, and increase revenue. Based on the above points, this study proposes Hypothesis 1.

**H1: Under other similar conditions, the better the CSR performance, the better the company's value.**

The investment risk of an enterprise is determined by the ability of the CEO to influence the profitability of the entire company. Since a highly capable chief executive officer can improve the company's future performance, Demerjian et al. (2013) found that managerial ability is positively related to the company's profitability. CSR is not just a company's value but a business strategy for some companies. Some scholars pointed out that the more companies invest in CSR, the higher social performance will affect financial performance (Tsoutsoura, 2004). If a highly capable CEO will understand the company's needs, Make correct judgments, and meet the needs of shareholders to solve problems. Therefore, this study believes that the greater the CEO's ability, the greater the impact of CSR on the company's value.

**H2: CEO's ability has a positive adjustment effect on CSR and company value**

Not to be ignored, the chief executive officer (CEO) is also often regarded as the most powerful member of the organization. Whether it is in academic research or in the mass media, CEOs with powerful power in major companies have a potential influence on the company's decision-making and business direction! CEOs with greater power tend to invest more in corporate social responsibility activities. (Huang Wanqi, 2016). Therefore, this study believes that the greater the CEO's power and the more CSR invested, the greater the impact on the company's value.

**H3: CEO power has a positive regulating effect on CSR and company value**

Appropriate investment in CSR If it can effectively help the relationship between the company's value, the CEO's ability to allocate

resources and decision-making power determine the efficiency of the company's solution to social issues. In addition, the CEO has the ability of rich management experience, and has the knowledge and power of intelligent leadership, can more effectively invest in CSR strategies to maximize the interests of shareholders and the value expected by the public. Therefore, this study believes that a visionary CEO has both power and high ability, and is inclined to implement CSR investment, which is conducive to CSR and the long-term sustainable development of the company, so that the company has better performance and creates more powerful value.

**H4: CEO capabilities and power have a positive effect on CSR and company value.**

**Sample selection:** The sample data of this study adopts the listed companies in Taiwan from 2011 to 2017 as the main research object, and the sample is taken from the Taiwan Economic Newspaper (TEJ). The sample data for 7 years includes the equity of listed companies in Taiwan For structural and financial information, all samples were removed from those whose company information was incomplete or missing, with a total of 13,286 samples.

**VARIABLE DEFINITION AND MEASUREMENT**

**Variable definition and description**

(1) Definition and explanation of corporate social responsibility variables In this paper, in order to test the impact of CSR on company performance, this study is taken as a measure of corporate social responsibility, based on the financial report data of the TEJ database. 3-1 to explain exactly how the individual phenomena of each variable are. For human rights, environmental protection, government, individual enterprises, etc., the compliance index is set to 1, otherwise it is 0, as shown in

Table 3-1 :

**Table3.1. CSR Dimension Index**

Definition	Indicator Meaning
Inadequate amount of disabled persons in enterprises	Less than 50% is 1, otherwise 0
carbon emission	Add up the company's factories, and use the year as the division, if the median is lower than 1, otherwise it will be 0
Business violations	No offense is 1, offense is 0
MIT product mark certification	There is a certification of 1, otherwise 0
Enterprise obtains ISO certification	There is a certification of 1, otherwise 0
Enterprise donation situation	There is a donation of 1, otherwise 0

Source: collated by this study

**Definition and Description of CEO Capability Variables**

Most companies in Taiwan are operated by management teams, and the decisions made by Chief Executive Officer (CEO) among the team members are the key factors that affect the value of the company, and the decisions made by managers depend on They have their own capabilities and powers, but due to the lack of relevant literature on managers' personal capabilities (Merkle and Weber, 2011). Generally speaking, the more knowledge the CEO has, the more knowledge he has. Therefore, they can more accurately analyze the company's growth and industry trends and other related judgments, and have excellent forward-looking views. This study will use the Tobit regression proposed by Demerjian et al. (2012) to extract CEO capabilities from efficiency values, use industry-adjusted ROA as an indicator to measure CEO capabilities, and explore whether the level of capabilities will affect CSR and The relationship between company values.

**Definition and Description of Power Variables**

The measurement of CEO power is based on Veprauskaite and Adams (2013) scholars constructing variables of CEO compensation to represent CEO power. This definition is the annual salary of the CEO divided by the total annual salary of all directors of the board of directors. Boyd (1995) pointed out that a strong CEO may successfully persuade members of the compensation committee to design a generous compensation plan that has little to do with actual financial performance.

Bebchuk, Cremers, and Peyer (2011) pointed out that the CEO's salary may reflect its relative importance and ability to withdraw rent. Therefore, this study chose to measure the CEO's salary ratio in the manner of Veprauskaite and Adams scholars (2013), and defined an indicator variable to represent higher and lower CEO power. If the CEO's salary ratio is 1, the CEO power will be set to 1, otherwise it will be set to 0.

**Table 3-2** CEO Power Dimensions Index

Variable Name	Measurement Dimension	Indicator Meaning
Expert power	Education level	Whether you have a high degree, 1 for master and above, 0 for others
	job	Whether it has a high professional title, it is taken as 1, otherwise it is taken as 0
Reputation power	Working time	Whether the working time exceeds the industry average, take 1; otherwise take 0
	Outside part-time job	Whether there are other positions outside the company, it is taken as 1, otherwise it is taken as 0
Organizational power	Concurrent chairman	Whether the general manager or the president also serves as the chairman is 1; otherwise 0
	Part-time internal director	Whether the general manager or president also serves as an internal director is to be taken as 1, otherwise 0
All power	Holding corporate shares	Whether the general manager or president holds corporate shares is 1; otherwise 0
	Institutional investor holdings	The shareholding ratio is at the level of the industry in which it is held.

**Source:** Veprauskaite and Adams Scholar (2013)

Therefore, this study will explore whether CEO capabilities and power will have a positive regulatory effect on the relationship between CSR investment and company value.

**Company Value**

Company value is a performance index commonly used by enterprises. There are many domestic literatures on company value evaluation, which are aimed at financial information as a research analysis, or based on the stock returns of listed companies.

In empirical research, Tobin's Q value is generally used to measure the company's value. According to the definition of Tobin (1969), Tobin's Q value is the ratio of the company's equity capital market value to the replacement cost of tangible assets. Its advantage is that it can measure the value of the company's intangible assets. , Which is closely related to the company's operational performance and considers the company's future growth opportunities. Therefore, the index used to measure company performance in this study was

## The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power

taken from the Taiwan Economic News (TEJ), using the formula developed by Chung and Pruitt (1994) to measure corporate value.

### The Calculation is as Follows

Tobin's Q = [stock price at the end of the year \* number of shares outstanding at the end of the

year + (long-term liabilities + short-term liabilities-current assets)] / total assets

### STATISTICAL ANALYSIS

According to the definition of the above variables, this study will use linear regression to test the hypothesis, as shown in Table 3-3:

Table3.3.

<b>Assumption 1: Under other identical conditions, the better the CSR performance, the better the company's value</b>
$TobinQ_{it} = b_0 + b_1CSR_{it} + b_2R \& D_{it} + b_3SaleGrowth_{it} + b_4Leverage_{it} + b_5CashHoldin g_{it} + b_6ROA_{it} + b_7PPE_{it} + b_8FirmSize_{it} + b_9OCF_{it} + b_{10}FCF_{it} + IndustryFE + YearFE + e_{it}$
<b>Hypothesis 2: CEO ability has a positive adjustment effect on the relationship between CSR and company value</b>
$TobinQ_{it} = b_0 + b_1CSR_{it} + b_2ROAadj_{it} + b_3CSR_{it} \times ROAadj_{it} + b_4Leverage_{it} + b_5R \& D_{it} + b_6SaleGrowth_{it} + b_7PPE_{it} + b_8FirmSize_{it} + b_9OCF_{it} + b_{10}FCF_{it} + IndustryFE + YearFE + e_{it}$
<b>Hypothesis 3: CEO power has a positive adjustment effect on the relationship between CSR and company value CEO</b>
$TobinQ_{it} = b_0 + b_1CSR_{it} + b_2PowerJ_{it} + b_3CSR_{it} \times PowerJ_{it} + b_4Leverage_{it} + b_5ROA_{it} + b_6R \& D_{it} + b_7SaleGrowth_{it} + b_8PPE_{it} + b_9FirmSize_{it} + b_{10}OCF_{it} + b_{11}FCF_{it} + IndustryFE + YearFE + e_{it}$
<b>Hypothesis 4: CEO capabilities and power have a positive adjustment effect on CSR and company value.</b>
$TobinQ_{it} = b_0 + b_1CSR_{it} + b_2PowerJ_{it} + b_3ROAadj_{it} + b_4CSR_{it} \times PowerJ_{it} + b_5CSR_{it} \times ROAadj_{it} + b_6CSR_{it} \times PowerJ_{it} \times ROAadj_{it} + b_7Leverage_{it} + b_8R \& D_{it} + b_9SaleGrowth_{it} + b_{10}PPE_{it} + b_{11}FirmSize_{it} + b_{12}OCF_{it} + b_{13}FCF_{it} + IndustryFE + YearFE + e_{it}$

## EMPIRICAL RESULTS AND ANALYSIS

### Basic Statistics Analysis

#### Industry and Sample Narrative Statistics

This study uses Taiwan listed OTC companies as the main research sample, and is limited to listed companies with relevant accounting information required for the study. In order to obtain statistical data with a comparable and consistent level, all data in this study are taken from Taiwan The Taiwan Economic Journal (TEJ), taken from 2011 to 2017, has a total of 13,286 valid samples in 7 years. In the data

source section, this study subdivides the research industry of listed companies in Taiwan into the main 20 industry categories, with the electronics industry accounting for the highest proportion (50%), followed by medical consumables (9.37%) and automotive components (6.96%), The product life cycle of the electronics industry is short, and the market competition is fierce. Therefore, new products are launched and launched within a short period of time. At least glass ceramics (0.36%), industry and sample statistics are shown in Table 4-1

Table4.1. Industry and sample analysis

	Tej Industry Classification	Samples	%
1	Cement manufacturing	95	0.72%
2	Beverage dairy	235	1.77%
3	Petrochemical	293	2.21%
4	Nonwoven	523	3.94%
5	Automotive components	925	6.96%
6	wire	72	0.54%

7	Medical Supplies	1,245	9.37%
8	Glass ceramic	48	0.36%
9	pulp	56	0.42%
10	Metal basic	475	3.58%
11	Tire	101	0.76%
12	Car manufacturer	126	0.95%
13	Electronic components	6,643	50.00%
14	Building	688	5.18%
15	Shipping	240	1.81%
16	Restaurant	279	2.10%
17	Domestic bank	288	2.17%
18	Department Store Wholesale	219	1.65%
19	Securities	80	0.60%
20	Other	655	4.93%
Total		13,286	100.00%

**Descriptive Statistical Analysis**

As can be seen from the narrative statistics table in Table 4-2, the industrial analysis result of this study is the number of Liability analysis samples of 18603, the average value is 0.0590, the standard deviation is 0.2360, the maximum value is 1, and the minimum value is 0; The number of samples analyzed is mostly 18604, but the number of samples analyzed is different. The variables are responsibility (18,603), total growth (14,537), and Capm\_Beta value (16,179); in terms of average analysis, the average OCF is- 0.0300, others are positive values, and most of them are between 0 ~ 1, except that Capm\_Beta value is 3.6720, FCF is 132.1530, R & D is 6.5520, and Cash Holding is 2.3350. In terms of standard deviation analysis, total leverage (0.0170) and PPE (0.0290) with less than 0.05 are highly significant. Those with

less than 0.5 have the most; for the analysis of the maximum and minimum values, most of the variables have a maximum value of 1 and a minimum value of 0 ((responsibility, total leverage, total growth, Pricebook, Tobins Q, ROA, corporate social responsibility, PPE ), Where the maximum value of total leverage is 0.5776, the minimum value is -0.1314, the maximum value of market value is 2.9769, the minimum value is -0.2688, the maximum value of Capm\_Beta is 12.9405, and the minimum value is -2.1547; the maximum value of CFI is 0.3321 and the minimum value is -1.1010; The maximum value of OCF is 3.8723 and the minimum value is -4.4003; the maximum value of FCF is 13948.000 and the minimum value is -0.5150; the maximum value of R & D is 13.5694 and the minimum value is -0.8278;

**Table 4-2** Descriptive Statistics

Variable	Sample	Average	Standard deviation	Q1	Median	Q3	Minimum value	Maximum
Liability	18,603	0.0590	0.2360	0.0000	0.0000	0.0000	0.0000	1.0000
Leveragetotal	18,604	0.0000	0.0170	-0.0060	0.0000	0.0060	-0.1314	0.5776
Grossgrowth	14,537	0.1390	0.3460	0.0000	0.0000	0.0000	0.0000	1.0000
Pricebook	18,604	0.5010	0.5000	0.0000	1.0000	1.0000	0.0000	1.0000
Tobins Q	18,604	0.6300	0.4830	0.0000	1.0000	1.0000	0.0000	1.0000
Mb	18,604	0.1300	0.4480	-0.0800	0.0080	0.1560	-0.2688	2.9769
ROA	18,604	0.3700	0.4830	0.0000	0.0000	1.0000	0.0000	1.0000
Capm_Beta	16,179	3.6720	2.1330	1.8670	3.6680	5.4710	-2.1547	12.9405
CFI	18,604	0.0300	0.2130	0.0180	0.0790	0.1290	-1.1090	0.3321
CSR	18,604	0.1750	0.2160	0.0000	0.0960	0.2710	0.0000	1.0000
OCF	18,604	-0.0300	0.8220	-0.0860	0.0720	0.1600	-4.4003	3.8723
FCF	18,604	132.1530	726.5920	0.0000	0.9180	26.6190	-0.5150	13948.000
R&D	18,604	6.5520	2.2050	4.9740	6.5320	8.0340	-0.8278	13.5694
PPE	18,604	0.0010	0.0290	0.0000	0.0000	0.0000	0.0000	1.0000
CashHolding	18,604	2.3350	53.3720	1.1810	2.0900	3.7350	-4129.4420	1539.9830

**Correlation Coefficient Analysis**

Table 4-3 lists the Pearson correlation coefficients of the variables in this study to examine the correlation between the variables. As far as liability total is concerned, it is negatively correlated with Tobins Q, Mb, CFI, CSR, R & D, Cash Holding, and the rest is positively correlated. Among them, Gross growth, Tobins Q, Mb, ROA, CSR, OCF, FCF, R & D PPE, Cash Holding; as far as Leverage is concerned, it is positively related to Leverage, Gross growth, Mb, and PPE. Others are all negatively related. Gross growth, Mb, CFI, CSR, and PPE are highly significant. As far as Gross growth is concerned, there is a significant correlation. As far as price books are concerned,

only CSR is significantly related to R & D. As far as Tobins Q is concerned, it is significantly related to CFI, CSR, OCF and PPE. As far as Mb is concerned, except FCF, R & D, and Cash Holding, they all show a highly significant correlation. As far as ROA is concerned, there is no significant correlation. As far as Capm\_beta is concerned, FCF and PPE (0.010) are significantly correlated. As far as CFI is concerned, OCF and PPE have no significant correlation. As far as CSR is concerned, there is a significant correlation. As far as OCF is concerned, only R & D is significantly correlated; as far as R & D, PPE and Cash Holding are concerned, there is no significant correlation.

	2	3	7	9	12	13	14	16	17	18	19	21	22	23	24
Liabilitytotal	1.000														
Leverage	0.201	1.000													
Grossgrowth	0.001	0.002	1.000												
Pricebook	0.127	-0.107	0.004	1.000											
Tobins Q	-0.057	-0.227	0.007	0.143	1.000										
Grossgrowth	-0.011	0.001	0.006	0.067	0.662	1.000									
ROA	0.020	-0.165	0.027	0.355	0.179	0.041	1.000								
Capm_beta	0.073	-0.061	0.003	0.160	0.098	0.035	0.130	1.000							
CFI		-0.032	-0.001	-0.087	-0.019	-0.013	-0.105	-0.063							
	-0.435	1.000													
CSR		-0.014	-0.010	-0.037	-0.031	-0.099	-0.157								
	-0.043	0.033		0.046			1.000								
OCF	0.022	-0.196	0.017	0.234	0.046	-0.035	0.621	0.104	-0.084	-0.029	1.000				
FCF	0.014	-0.085	0.000	0.104	-0.088	-0.160	0.232	0.010	-0.008	0.007	0.299				
R&D	-0.048	-0.224	-0.019	0.000	0.275	0.157	-0.127	0.173	0.015	0.005	-0.077	-0.203	1.000		
PPE				-0.063	-0.055	-0.051									
	0.000	0.059	0.007	0.090			0.010	-0.116	-0.043	0.146	0.099	-0.186	1.000		
CashHolding		-0.398	-0.014												-0.335
0.058		0.174		0.268	0.135	0.142	0.127	0.019	0.003	0.194	-0.232	0.337	1.000		

**Note:** 2=liabilitytotal, 3=Leverage, 7=grossgrowth, 9=pricebook, 12=tobinsq, 13=mb, 14=ROA, 16=capm\_beta, 17=CFI, 18=CSR, 19=OCF, 20=FCF, 22=R&D, 23=PPE, 24=CashHolding p<0.1, \* P<0.05, \*\* P<0.01

**Correlation between Corporate Social Responsibility and Company Value**

With regard to Test Hypothesis 1, from Table 4-4, we can see that CSR and company value have a positive and significant relationship, indicating that the larger the CSR, the greater the company's value, and the company's operating performance. The greater the ROA, the greater the company's value, the company The higher

the R & D investment, the greater the company's value, and the higher the MB in the company's growth opportunities, the greater the company's value. This research result is in line with the research surveys of scholars at home and abroad ((Spicer, 1978; McConnell and Servaes, 1990; Porter & van der Linde, 1995; Chung et al., 2002; Liu Jiahui, 2004). This empirical result supports Preston (2017) It is believed that corporate social responsibility can satisfy

## The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power

different stakeholders of the company, including employees and customers, can enhance the reputation of the company, and will bring good financial performance. Therefore, Hypothesis 1 is supported. This confirms that the company

has not only The creation of shareholder wealth is maximized as the greatest responsibility, and the objects of care should be expanded to the entire society, community, environment and ecology to make the world a better place.

**Table 4-4** Relationship between CSR and company value

Tobin's Q	Estimated coefficient	t value	P value
CSR	<b>0.0298</b>	<b>1.68</b>	<b>0.093</b>
R&D			<b>0.000</b>
SaleGrowth	0.0000	0.21	0.834
ROA	<b>0.0210</b>	<b>22.64</b>	<b>0.000</b>
PPE	0.2094	4.59	0.000
BETA	0.1200	7.05	0.000
MB	<b>0.2410</b>	<b>88.58</b>	<b>0.000</b>
Cashratio	0.9742	17.29	0.000
OCF	-0.6319	-7.72	0.000
CFI	-0.0000	-0.17	0.866
_cons	0.0963	2.86	0.004
Industry		included	
Year		included	
R-squared	0.5346		
Adj R-squared	0.5337		
Observations	11,227		
F statistic	585.03		
Prob>F	0.000		

### The Relevance of CEO Ability to CSR and Company Value

In terms of testing hypothesis 2, from Table 4-5, we can see that the effect of CEO ability on the relationship between CSR and company value is positively and significantly related. The greater the ability, the greater the company value; , The greater the company's value; the higher the company's R & D investment, the greater the company's value; the company's growth opportunities, the higher the MB, the greater the company's value. This study is consistent with

Balk et al. (2013) to measure the relationship between managerial competence and corporate social responsibility activities. Therefore, Hypothesis 2 is supported. According to the Baron and Kenny (1986) test for intermediary effect, CSR has a partial intermediary effect on managerial competence, and this study is to influence the relationship between company value and CEO 's ability to invest in corporate social responsibility. The results prove that CEO capabilities play a very important role in the relationship between CSR and company value.

**Table 4-5** The influence of CEO ability on the relationship between CSR investment and company value

Tobin's Q	Estimated coefficient	t value	P value
CSR	<b>0.0388</b>	<b>2.03</b>	<b>0.042</b>
R&D	<b>3.9266</b>	<b>24.35</b>	<b>0.000</b>
ROAadj*CSR	-0.0010	-1.42	0.156
ROA	<b>0.0221</b>	<b>3.89</b>	<b>0.000</b>
ROAadj	<b>0.0018</b>	<b>0.34</b>	<b>0.731</b>
MB	<b>0.23994</b>	<b>86.75</b>	<b>0.000</b>
SaleGrowth	0.0000	0.20	0.841
CFO	-0.5888	-7.01	0.000
PPE	0.1997	4.35	0.000
BETA	0.1197	7.00	0.000
Cashratio	0.9659	16.95	0.000
CFI	-0.0000	-0.09	0.931
FCF	-0.0852	-2.18	0.029
_cons	0.0888	1.26	0.208
Industry			
Year			
R-squared	0.5337		

## The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power

Adj R-squared	0.5327		
Observations	11,182		
F statistic	510.82		
Prob>F	0.000		

The relevance of CEO power to CSR and company value

**Table4.6.** *The influence of CEO power on the relationship between CSR and company value*

Tobin's Q	Estimated coefficient	t value	P value	Estimated coefficient	t value	P value
CSR	<b>0.0358</b>	<b>1.92</b>	<b>0.055</b>	<b>0.0354</b>	<b>1.92</b>	<b>0.055</b>
R&D	<b>4.6461</b>	<b>29.43</b>	<b>0.000</b>	<b>4.6123</b>	<b>29.14</b>	<b>0.000</b>
Power1*CSR	0.0003	0.02	0.985			
Power2*CSR				0.0002	0.05	0.959
ROA	<b>0.0219</b>	<b>23.27</b>	<b>0.000</b>	<b>0.0219</b>	<b>23.14</b>	<b>0.000</b>
Power1	-0.0194	-0.44	0.657			
Power2				0.0057	0.69	0.487
MB	<b>0.2442</b>	<b>88.50</b>	<b>0.000</b>	<b>0.2440</b>	<b>88.42</b>	<b>0.000</b>
SaleGrowth	0.0000	0.02	0.988	0.0000	0.00	1.000
PPE	-0.0890	-2.06	0.040	-0.0786	-1.81	0.070
BETA	0.1284	7.41	0.000	0.1289	7.44	0.000
CFO	-0.3828	-4.66	0.000	-0.3804	-4.64	0.000
CFI	-0.0000	-0.16	0.875	-0.0000	-0.25	0.802
_cons	0.3198	9.27	0.000	0.3026	8.77	0.000
Industry	included			included		
Year	included			included		
R-squared	0.5211			0.5213		
Adj R-squared	0.5201			0.5203		
Observations	11,111			11,111		
F statistic	524.55			524.85		
Prob>F	0.000			0.000		

In terms of testing hypothesis 3, from Table 4-6, we can see that the relationship between CEO power and CSR and company value, the greater the CSR, and the greater the company's value; the company's operating performance, the greater the ROA, the greater the company's value; company R & D The higher the investment, the greater the company's value; the higher the company's growth opportunity MB, the greater the company's value. Therefore, Hypothesis 3 is supported

**Table4.7.** *The impact of capabilities and power on the relationship between CSR and company value*

Tobin's Q	Estimated coefficient	t value	P value	Estimated coefficient	t value	P value
CSR	<b>0.0367</b>	<b>2.02</b>	<b>0.044</b>	<b>0.0322</b>	<b>1.77</b>	<b>0.076</b>
R&D	<b>4.6364</b>	<b>29.26</b>	<b>0.000</b>	<b>4.5800</b>	<b>28.88</b>	<b>0.000</b>
Power1*CSR*ROAadj	-0.0003	-0.60	0.549			
Power2*CSR*ROAadj				<b>0.0003</b>	<b>3.22</b>	<b>0.001</b>
ROA	<b>0.0243</b>	<b>4.51</b>	<b>0.000</b>	<b>0.0236</b>	<b>4.39</b>	<b>0.000</b>
ROAadj	-0.0021	-0.40	0.692	-0.0030	-0.55	0.584
Power1	-0.0124	-0.68	0.493			
Power2				-0.0001	-0.04	0.968
MB	<b>0.2440</b>	<b>87.91</b>	<b>0.000</b>	<b>0.2445</b>	<b>88.45</b>	<b>0.000</b>
SaleGrowth	0.0000	0.01	0.991	0.0000	0.01	0.995
PPE	-0.0898	-2.07	0.038	-0.0760	-1.75	0.080
BETA	0.1291	7.44	0.000	0.1278	7.38	0.000
CFO	-0.3810	-4.64	0.000	-0.3840	-4.68	0.000
CFI	-0.0000	-0.16	0.876	-0.0000	-0.36	0.720
_cons	0.2910	4.27	0.000	0.2920	4.30	0.000
Industry	included			included		
Year	included			included		
R-squared	0.5211			0.5217		

Adj R-squared	0.5201	0.5207
Observations	11,111	11,111
F statistic	502.7	503.85
Prob>F	0.000	0.000

**The Relationship between CEO Ability and CEO Power on CSR and Company Value**

In terms of testing hypothesis 4, as can be seen from Table 4-7, the greater the company's operating performance ROA, the greater the company's value; the higher the company's R & D investment, the greater the company's value: the higher the company's growth opportunities MB, the greater the company's value Big: The greater the company's power, the stronger its ability, the stronger the positive correlation between CSR and company value, because the larger the coefficient, the higher the P value. So hypothesis 4, get support.

**CONCLUSION**

This research is taken from the measurement sample of the listed companies listed on Taiwan as the main research object during the 7 years from 2011 to 2017 to explain how companies generate corporate value through corporate social responsibility. The company's key decision-maker, CEO, has high power and ability, through the implementation of CSR to create company value. The regression analysis method was used to verify the model and the following conclusions were drawn.

In this paper, in order to test the impact of CSR on company performance, this study is taken as a measure of corporate social responsibility, based on the financial report data of the TEJ database. The ability and power of the CEO of the important role of the company's operations. Among the capabilities, this research uses Tobit regression analysis to extract the manager's ability from the efficiency value of the financial statements and use it as an indicator to measure the manager's ability. The concept is to estimate the manager's ability through quantitative analysis, so as to avoid the manager's ability being influenced by subjective consciousness, and then objectively expressed; the power part of this study chose Veprauskaite and Adams scholars (2013) to measure CEO Pay ratio and define an indicator variable to represent higher and lower CEO power.

Hypothesis 1 of this study: Under the same conditions, the better the CSR performance, the better the company's value, which is confirmed by the empirical results of this study. The

research results of H1 in this paper are in accordance with the research surveys of scholars at home and abroad (Spicer, 1978; McConnell and Servaes, 1990; Porter & van der Linde, 1995; Chung et al., 2002; Liu Jiahui, 2004). This empirical result supports Preston (2017) 's belief that corporate social responsibility can satisfy the different stakeholders of the company, including employees and customers, can enhance the reputation of the company, and will bring good financial performance.

The empirical results of this study also support Hypothesis 2: CEO ability has a positive adjustment effect on the relationship between CSR and company value. The empirical results of H2 in this paper are consistent with the results of Balk et al. (2013) to measure the relationship between managerial competence and corporate social responsibility activities. According to the Baron and Kenny (1986) test for intermediary effect, CSR has a partial intermediary effect on managerial competence, and this study is to influence the relationship between company value and CEO 's ability to invest in CSR. The results prove that CEO capabilities play a very important role in the relationship between CSR and company value.

The empirical results also support Hypothesis 3: CEO power has a positive regulatory effect on the relationship between CSR and company value, and the higher the CEO power, the greater the CSR and the greater the company value. According to the empirical results of Hypothesis 1 and Hypothesis 2 above, the better the CSR performance, the better the company's value, and the CEO's ability has a positive adjustment effect on the relationship between CSR and company value. The preference will affect the company's value. The results are consistent and are different from the domestic scholars Ding Xiuyi (2013) and Huang Wanqi (2016). The scholar Huang Wanqi found that corporate social responsibility investment does help the company's value increase, but the CEO's power will be destroyed. There is a positive relationship between corporate social responsibility performance and company value.

The empirical results support Hypothesis 4: CEO capabilities and power have a positive adjustment effect on CSR and company value.

And when the CEO's ability and power are higher, the CSR will have a stronger impact on the company's value. When the CEO has high ability and high power to implement CSR for the company to enhance the company's value, if the company fulfills its good social responsibilities, it can obtain profit and have a positive effect on social development. Haynes and Hillman (2010) When a CEO has strong influence, he will take action to make the company's value increase consistent.

### Section 1 Research Contribution and Management Connotation

The company's "corporate social responsibility" is deeply embedded in its operation strategy, and its contribution to the company and society will also increase. This has very practical significance for the transformation of Taiwanese companies. This article studies the listed OTC companies in Taiwan as the main research object, and proposes the following suggestions for the corporate management practices of listed OTC companies:

#### Research Contribution

Compared with previous studies that explored the relationship between Corporate Social Responsibility (CSR) and company performance, less research was conducted on similar studies such as CEO power and capabilities, and the sample is not limited to a single industry to provide companies in various industries. References to consider when making decisions.

#### The Meaning of Management Practice

(1) CSR has become a "world trend" in the global corporate world, but "The Economist" reminds companies to confirm their CSR policy and move in the right direction. Over the past 20 years, CSR has gradually been valued. In addition to publicizing and teaching the importance of CSR, government authorities should speed up the promotion of enterprises to engage in CSR by means of rewards. When Taiwanese companies are doing CSR management, they can refer to the new concepts and new practices accumulated in the experience of these advanced countries, which will be more helpful for giving back to society and the sustainable operation of enterprises. In this study, under the same conditions, the better the CSR performance, the better the company's value, which is confirmed by the empirical results of this study. Therefore, companies should also think about and discuss how to

create a sustainable business environment, and respond to the needs of stakeholders (including: employees, suppliers, shareholders, governments, non-governmental organizations, community members, etc.) to create for the company A more favorable operating environment, improve operating efficiency and create corporate value.

(2) From the above, good corporate social responsibility can enable the company to maintain stable growth in the era of fierce competition; however, the ability and power of the CEO are also very important. This study proposes that the high ability and power of the CEO The value of the company has a positive adjustment effect. It can be seen that the establishment of the core person of the CEO will definitely be a clever innovation of enterprise management. It is owned by the company. It is the long-term accumulation of human, material and financial resources of the company. . When the CEO has strong capabilities and power, he can face the fierce competition in the external environment and continue to bring new resources and different industry messages to the company itself.

#### SUGGEST

The sample collection period of this study is from 2011 to 2017. In total, all listed companies in Taiwan for 7 years are the sample parent. The evidence is slightly weak. Future studies may consider expanding the study period to understand whether the changes in time are correct. The results also have different effects.

#### REFERENCES

- [1] Aier, J., J. Comprix, M. Gunlock, and D. Lee (2005), "The financial expertise of CFOs and accounting restatements," *Accounting Horizons*, 19(3), 123–135.
- [2] Balk B., B. F. David, and S. Lee (2013), "CEO ability and corporate social responsibility activities," Working Paper.
- [3] Baron, R. M. and D. A. Kenny (1986), "The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations," *Journal of Personality & Social Psychology*, 51(6), 1173–1182.
- [4] Barr, R. and T. Siems (1997), "Bank failure prediction using DEA to measure management quality," *Interfaces in Computer Science and Operations Research*, 7(1), 341–365.
- [5] Becker, C. L., M. L. De Fond, J. Jiambalvo, and K. R. Subramanyam (1998), "The effect of audit quality on earnings management," *Contemporary Accounting Research*, 15 (1), pp.1–24.

- [6] Bertrand, M. and A. Schoar (2003), "Managing with style: The effect of managers on firm policies," *Quarterly Journal of Economics*, 118 (4), 1169-1208.
- [7] Bowen, H. (1953), "Social responsibilities of the businessman," New York: Harper.
- [8] Bricke, R., G. Previts, T. Robinson., and S. Young (1995), "Financial analyst assessment of company earnings quality," *Journal of Accounting Auditing and Finance*, 10(3), 541-554.
- [9] Carlson, S. J. and C. T. Bathala (1997), "Ownership differences and firm's income smoothing behavior," *Journal of Business Finance & Accounting*, 24(2), 179-196.
- [10] Chih, H., C. Shen, and F. Kang (2008), "Corporate social responsibility, investor protection, and earnings management: some international evidence," *Journal of Business Ethics*, 79(1), 179-198.
- [11] Cornell, B. and A. C. Shapiro (1987), "Corporate stakeholder and corporate finance," *Financial Management*, 16(1), 5-14
- [12] Carroll, A. B. (1979), "A three-dimensional conceptual model of corporate social performance," *Academy of Management Review*, 4(4), 497-505.
- [13] Dechow, P. M., R. G. Sloan, and A. P. Sweeney (1995), "Detecting earning management," *The Accounting Review*, 70 (2), 193-226.
- [14] Demerjian, P., B. Lev, and S. McVay (2012), "Quantifying managerial ability: A new measure and validity tests," *Management Science*, 58 (7), 1229-1248.
- [15] Demerjian, P., M. Lewis, B. Lev, and S. McVay (2013), "Managerial ability and earnings quality," *The Accounting Review*, 88(2), 463-498.
- [16] Dechow, P. and I. Dichev (2002), "The quality of accruals and earnings: the role of accrual estimation errors," *The Accounting Review*, 77(supplement), 35-59.
- [17] Fombrun, C. and M. Shanley (1990), "What's in a name? Reputation building and corporate strategy," *Academy of Management Journal*, 33(2), 233-258.
- [18] Francis, J., A. Huang and S. Zang (2006), "CEO reputation and earnings quality," *Contemporary Accounting Research*, 25(1), 109-147.
- [19] Francis, J., R. La Fond, P. Olsson, and K. Schipper (2004), "Costs of equity and earnings attributes," *The Accounting Review*, 79(4), 967-1010.
- [20] Ghosh, A. and D. Moon (2005), "Auditor tenure and perceptions of audit quality," *The Accounting Review*, 80(2), 585-612.
- [21] Griffin, J., and J. Mahon (1997), "The corporate social performance and corporate financial performance debate: twenty-five years of incomparable research," *Business and Society*, 36(1), 5-31.
- [22] Grow, B., S. Hamm, and L. Lee (2005), "The debate over doing good," *Business Week*, 394(7), 76-78.
- [23] Guay, W., S. Kothari, and R. Watts (1996), "A market-based evaluation of discretionary accrual models," *Journal of Accounting Research*, 34(Supplement), 83-105.
- [24] Hribar, P. and D. Nichols (2007), "The use of unsigned earnings quality measures in tests of earnings management," *Journal of Accounting Research*, 44 (5), 1017-53.
- [25] Jones. T. M. (1995), "Instrumental stakeholder theory: A synthesis of ethics and economics," *Academy of Management Review*, 20(2), 404-437.
- [26] Keith. R. J. (1960), "The marketing revolution," *Journal of Marketing*, 24(3), 35-38.
- [27] Kiat B. and J. Lee (2013), "Internal governance and real earnings management," Singapore Management University: School of Accountancy.
- [28] Klein A. (2002), "Audit committee, board of director characteristics, and earnings management," *Journal of Accounting and Economics*, 33(1), 375-400.
- [29] Kim Y., M. S.Park and B. Wier (2012), "Is earnings quality associated with corporate Social responsibility?" *The Accounting Review*, 87(3), 761-796.
- [30] Kothari S.P., A. J. Leone, and C. E. Wasley (2005), "Performance matched discretionary accrual measures," *Journal of Accounting and Economics*, 39 (1), 163-197.
- [31] Leverty, T. and M. Grace (2012), "Dupes or incompetents? An examination of management's impact on firm distress," *Journal of Risk and Insurance*, 79(3), 751-783.
- [32] Linthicum, C., A. Reitenga, and J. Sanchez (2010), "Social responsibility and corporate reputation. The case of the Arthur Andersen Enron audit failure," *Journal of Accounting and Public Policy*, 29(2), 160-176.
- [33] McGuire, J., A. Sundgren, and T. Schneeweis (1988), "Corporate social responsibility and firm financial performance," *Academy of Management Journal*, 31(4), 854-872.
- [34] McWilliams, A. and D. Siegel (2001), "Corporate social responsibility: strategic implications," *Journal of Management Studies*, 21(5), 603-609.
- [35] Milbourn, T. (2003), "CEO reputation and stock-based compensation," *Journal of Financial Economics*, 68(2), 233-262.
- [36] Molloy, L., H. Erikson, and R. Gorman (2002), "Exploring the relationship between environmental and financial performance," Working Paper.

## The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power

- [37] Neubaum, D. O. and S. A. Zahra (2006), "Institutional ownership and corporate social performance: the moderating effects of investment horizon, activism, and coordination," *Journal of Management*, 32(1), 108-131.
- [38] O'glove, T. (1987), "Quality of Earnings," New York: The free press.
- [39] Petrovits, C. (2006), "Corporate-sponsored foundations and earnings management," *Journal of Accounting and Economics*, 41(3), 335– 361.
- [40] Prior, D., J. Surroca, and J. A. Tribó (2008), "Are socially responsible managers really ethical? Exploring the relationship between earnings management and corporate social responsibility," *Corporate Governance*, 16(3), 160-177
- [41] Rajgopal, S., T. Shevlin, and V. Zamora (2006), "CEOs' outside employment opportunities and the lack of relative performance evaluation in compensation contracts," *The Journal of Finance*, 61(4), 1813-1844.
- [42] Roman, R., S. Hayibor, and B. Agle (1999), "The relationship between social performance and financial performance," *Business and Society*, 38(1), 109–125.
- [43] Servaes, H. and A. Tamayo (2013), "The impact of corporate social responsibility on firm value: the role of customer awareness," *Management Science*, 59(5), 1045-1061.
- [44] Schipper, K. (2003), "Principles-based accounting standards," *Accounting Horizons*, 17(1), 61-72.
- [45] Toutsoura, M. (2018), "Corporate social responsibility and financial performance," Working Paper.
- [46] Tobin. James (2008), "A General Equilibrium Approach To Monetary Theory" *Journal of Money, Credit and Banking*, Vol. 1, No. 1 (Feb., 1969), 15-29
- [47] Tre' bucq S., and R. Russ (2005), "The case of earnings and stakeholder management: towards an integrated theory of managerial behaviour," Working Paper.
- [48] Veprauskaite, Adams(2013), "The authors analyze the moderating impact of the CEO power model "Strategic Management Journal, 20(4), 33-39.
- [49] Verschoor, C. (2005), "Is there financial value in corporate values? " *Strategic Finance*, 87(1), 17–18.
- [50] Waddock, S. A. and S. B Graves (1997), "The corporate social performance-financial performance link," *Strategic Management Journal*, 18(4), 303-319.
- [51] Watts, R. and J. Zimmerman (1990), "Positive accounting theory: a ten year perspective," *The Accounting Review*, 65(1), 131–157.
- [52] Chi, W. and H. Huang (2005), "Discretionary accruals, audit-firm tenure and audit-partner tenure - empirical evidence from Taiwan," *Journal of Contemporary Accounting and Economics*, 1(1), 65-92.

**Citation:** Ting-Yun Shih, Shieh-Liang Chen. "The Impact of CSR on Corporate Value: The Ability of the CEO and the Role of Power" *International Journal of Research in Business and Management*, 7(2), 2020, pp. 12-30

**Copyright:** © 2020 Ting-Yun Shih, Shieh-Liang Chen, This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.