

Corporate Life Cycle and Corporate Social Responsibility Performance: Empirical Evidence from Pharmaceutical Industry in China

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Abstract : The topic of corporate social responsibility (CSR) is significant for pharmaceutical companies in China at this current stage. This is because, as a rapid growth industry in China in recent years, the pharmaceutical industry in China has been undergone continuous and terrible incidents relating to CSR. However, there is limited research and practice of CSR in Chinese pharmaceutical companies. Also, there is an urgent call for more research in an international context to understand the implications of corporate life cycle on CSR performance. To respond to the research need and research call, this study examines the relationship between corporate life cycle and CSR performance of Chinese listed companies in pharmaceutical industry. This research studies Chinese listed companies in pharmaceutical industry for the period of 2010-2017, where the data is available in database. Following the literature, this study divides CSR performance with regards to CSR dimensions, including shareholders, creditors, employees, customers, suppliers, the government, and the society. This study uses CSR scores of HEXUN database and financial measures of these CSR dimensions to measure the CSR performance. This study performed regression analysis to examine the relationship between corporate life cycle stages and CSR performance with regards to CSR dimensions for pharmaceutical listed companies in China. Using cash flow pattern as proxy of corporate life cycle to classify corporate life cycle stages, this study found that most (least) pharmaceutical companies in China are in maturity (decline) stage. This study found that CSR performance for most dimensions are highest (lowest) in maturity (decline) stage as well. Among these CSR dimensions, performing responsibilities for shareholder is the most important among all CSR responsibilities for pharmaceutical companies. This study is the first to provide important empirical evidence from Chinese pharmaceutical industry on the association between life cycle and CSR performance, supporting that corporate life cycle is a key factor in CSR performance. The study expands corporate life cycle and CSR literatures and has both empirical and theoretical contributions to the literature. From perspective of empirical contributions, the findings contribute to the argument that whether there is a relationship between CSR performance and various corporate life cycle stages in the literature. This study also provides empirical evidence that companies in different corporate life cycles have difference in CSR performance. From perspective of theoretical contributions, this study relates CSR and stakeholders to corporate life cycle stages and complements the corporate life cycle and CSR literature. This study has important implications for managers and policy makers. First, the results will be helpful for managers to have an understanding in the essence of CSR, and their company's current and future CSR focus over corporate life cycle. This study provides a reference for their actions and may help them make more wise resources allocation decisions of CSR investment. Second, policy makers (in the government, stock exchanges, and securities commission) may consider corporate life cycle as an important factor in formulating future regulations for companies. Future research can explore the "process-based" differences in CSR performance and more industries.

Keywords : China, corporate life cycle, corporate social responsibility, pharmaceutical industry

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