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HONG KONG BAPTIST UNIVERSITY

Master of Philosophy

THESIS ACCEPTANCE

DATE: May 12, 2017

STUDENT'S NAME: SONG Wenwen

THESIS TITLE: How International Strategy Influences the Relationship between Resource Slacks and CSR? A Perspective of Transaction Costs Theory

This is to certify that the above student's thesis has been examined by the following panel members and has received full approval for acceptance in partial fulfillment of the requirements for the degree of Master of Philosophy.

Chairman: Prof. Huang Xu
Professor, Department of Management, HKBU
(Designated by Dean of School of Business)

Internal Members: Dr. Young Michael
Associate Professor, Department of Management, HKBU

External Members: Dr. Qian Gongming
Associate Professor
Department of Management
The Chinese University of Hong Kong

In-attendance: Prof. Li Ji
Professor, Department of Management, HKBU

Issued by Graduate School, HKBU

**How International Strategy Influences the Relationship
between Resource Slacks and CSR? A Perspective of
Transaction Costs Theory**

SONG Wenwen

A thesis submitted in partial fulfillment of the requirements

for the degree of

Master of Philosophy

Principal Supervisor: Prof. Li Ji

Hong Kong Baptist University

May 2017

DECLARATION

I hereby declare that this thesis represents my own work which has been done after registration for the degree of Mphil at Hong Kong Baptist University, and has not been previously included in a thesis or dissertation submitted to this or any other institution for a degree, diploma or other qualifications.

I have read the University's current research ethics guidelines, and accept responsibility for the conduct of the procedures in accordance with the University's Committee on the Use of Human & Animal subjects in Teaching and Research (HASC). I have attempted to identify all the risks related to this research that may arise in conducting this research, obtained the relevant ethical and/or safety approval (where applicable), and acknowledged my obligations and the rights of participant.

Signature: 

Date: May 2017

Abstract

The current research of slack-performance relationship pays attention mainly to a set of overlapping slack natures, such as being sticky or liquid, without sufficient consideration of variables related to the internal structure of a given organization. I posit that this weakness may prevent us from further understanding how different slack resources (the slacks) influence firm performance. Moreover, the research on slack-performance relationship has pay insufficient attention to firm's performance in terms of corporate social responsibilities or CSR.

Combing the transaction cost theory of the firm with a perspective of international strategy (Taylor, Beechler, & Napier, 1996), I propose a new model explaining how organizational-structure-related variables may interact with the slacks and influence firms' corporate social responsibility. In the study, I propose that with the international strategy, the positive relationship between liquid slack of a given MNE and its corporate social performance will become stronger. Meanwhile, with the international strategy, the negative relationship between the sticky slack of a given MNE and its corporate social performance will become weaker.

After analyzing data from publicly listed US firms (2000-2012), I obtain evidence supporting the importance of organizational integration structure for understanding slack-performance relationship. The results show that the international strategy has negative effects to moderate the relationship between the slacks and corporate social responsibilities.

Keywords: Sticky slack, Liquid slack, Corporate social performance, Corporate social irresponsible, International strategy

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CHAPTER ONE: Introduction

1.1 What are the Issues?

The relationship between firm slack resources (the slacks) and firm performance (slack-performance relationship) has been extensively studied, and empirical evidence has shown that the slacks can have significant effects on the performances of business organizations or firms (e.g., Penrose, 1959; Cyert & March 1963; Child, 1973; March & Olsen, 1976; Moch & Pondy, 1977; Bourgeois & Singh, 1983; Nohria & Gulati, 1996; Sharfman et al., 1998; Tan & Peng, 2003; Mishina, 2004; Voss, 2008; Lecuona & Reitzig, 2014; Lungeanu, 2015). In spite of the research, the slack-performance relationship remains unclear. One of the major research gaps here is that the current research of slack-performance relationship pays attention mainly to set of overlapping slack natures, such as being sticky or liquid (i.e., Lecuona & Retiz), and ignores variables related to internal structure of given organization. As a result, the research findings of slack-performance relationship have been mixed. For instance, while some authors argued that there is a linear relationship between slack resources and firm performance (e.g., Coff, 1999; Wang, 2013 Lecuona & Reitz, 2014), others reported evidence that does not support a linear relationship. Also, some studies have shown a curvilinear relationship between slack resources and performance (George, 2005), such as firm's innovation performance (Nohria & Gulati, 1996; Geiger & Cashen, 2002). Finally, the extant empirical studies are mainly focusing on the effects of the slacks, such as HR slack or Financial slack, on firms' financial, operational or marketing performances (Bradley, 2011a, 2011b; George, 2005; Greve, 2003; Love &

Nohria, 2005; Mellahi & Wilkison, 2010; Natividad, 2013; Lecuona & Reitzig, 2014) or different types of slack (Mishina et al., 2004; Mousa & Reed, 2013; Vanacker et al., 2013; Verbeke & Yuan, 2013; Voss et al., 2008), and they paid insufficient attention to firms' social performance, which refers to corporate social responsibility (CSR).

To address the research gaps regarding slack-performance relationship, this thesis proposes a new theoretical model that considers not only the natures of the slack but also an organization-structure-related variable, i.e., organizational integration structure/strategy. Combining the transaction cost theory of the firm with a view of international strategy (Taylor, Beechler & Napier, 1996). It seeks to extend the research on slack-performance relationships by focusing on one insufficiently-studied dimension of firm performance, i.e., CSR. Based on prior research, this construct can have two dimensions. The one is firms' corporate social performance (CSP), which can be referred as a construct which can measure the firm's responsibilities to different stakeholders, such as firm's employees, the social communities and economic shareholders. Sometimes, the firms' stakeholders should include the government. (Sethi, 1979; Ullmann, 1985; Miles, 1987; Wood, 1991; Clarkson, 1995; Hubbard, 2017). Another dimension of CSR is firms' corporate social irresponsibility (CSiR), which can be defined as

“a socially irresponsible act is a decision to accept an alternative that is thought by the decision maker to be inferior to another alternative when the effects upon all parties are considered. Generally speaking, this involves a gain by one party at the expense of the total system”. (Turban & Greening, 1996: p658).

As I will argue later in this thesis, both CSP and CSiR can have significant effects on other dimensions of firm performance, including their finance and marketing performance.

1.2. Significance of the Research

As mentioned above, the research on slack-performance relationship so far has paid insufficient attention to firm performance in terms of corporate social responsibilities or CSR, which turns to be more important in today's business world. This can be seen as a significant research gap because, according to prior research, different kinds of slack resources are more likely to have different effects on the corporate social responsibilities. To address this research gap, I will conduct an empirical study, the finding from which should contribute to the literature of slack-performance relationship. Specifically, based on the perspective of transaction-cost theory (Coase, 1937; Williamson, 1971; 1985; 1996) and that of international strategy (Taylor, Beechler & Napier, 1996), this study seeks to extend the research on the relationship between firm slack resources (sticky slack & liquid slack) and their performance in terms of corporate social responsibility. Proposing a theoretical model based on prior research, it considers the effects of two types of slack resources, i.e., sticky slack and liquid slack, on two dimensions of firm performance., corporate social performance (CSP) and their social-irresponsible one (CSiR). In addition, this study will also take into account the moderating effect of international strategy (IN-strategy) on the relationship between the slacks and firms' CSR performance.

Theoretically and practically, this study should be of significance. Theoretically, this study can make several contributions. First, it provides a new theoretical model based on the literature of transaction-cost and international strategy (Taylor, Beechler & Napier, 1996). This theoretical model can provide important new insights on the relationship between the slacks and CSR for firm management, particularly for that of

multi-national enterprises (MNEs). Specifically, MNEs often adopt one of the two different international strategies, i.e., the multi-domestic strategy and the global one (Taylor, Beechler & Napier, 1996). The former can be defined as a strategy of low intra-organizational integration, and the latter can be defined as the one of high intra-organizational integration. An obvious difference between a multi-domestic strategy and global strategy is the level of interdependence. In other words, the difference is resource exchange among the organizational subunits (Collis, 1991; Gupta & Govindarajan, 1991; Porter, 1986). For example, the multi-domestic strategy places much less demands on the intra-organizational integration and cooperation than does a global strategy on the transaction costs, or management of firm resources. This difference in intra-organizational integration and co-ordination implies different transaction costs, which can affect the relationship between firm slack resources, including both liquid slack and sticky slack, on the one hand, and firm performances, including firm performance in terms of CSR; on the other hand, insufficient research has been conducted theoretically explaining the relationship between firm slack resources and CSR. To address this problem, our current study provides an alternative theoretical model from perspective of transaction-cost theory, which should help further understanding the relationship between MNEs' slack resources and CSR.

Next, while prior research has considered the effects of the slack on other dimensions of firm performance, such as market and product expansion (e.g., Mishina, 2004) and innovation (Nohria & Gulati, 1996), it failed to study sufficiently whether and how the slack may affect such a dimension of firm performance as CSR, which has two independent sub-dimensions. Specifically, firm performance related to their social responsibility can be considered as two independent constructs. One

construct is named corporate social performance (CSP), which, according to prior research (e.g., Griffin & Mahon, 1997; Wartick & Cochran, 1985; Wood, 1991), can be defined as

“a construct that emphasizes a company’s responsibilities to multiple stakeholders, such as employees and the community at large, in addition to its traditional responsibilities to economic shareholders” (Turban & Greening, 1996: 658).

Another construct is called socially irresponsible performance (CSiR), which, according to Strike and co-authors (2006), can refer to the set of corporate actions that are socially irresponsible and can have the negative effects on the identifiable social stakeholder’s rights in the long time. While both CSP and CSiR are related to firm performance in corporate social responsibility (CSR), these two constructs are independent from each other. For instance, a tobacco company may promote smoking throughout the world, but make donations to charity or education at the same time. Many interesting questions can be asked here. For example, should the relationship between the slack and CSP be the same as that between the slack and CSiR? Moreover, should these relationships be influenced by organization structure? Finally, if the relationship is influenced by organization structure, should it be positive effect or negative effect?

Finally, recent research has shown that firm slack resources can be divided into two types, i.e., liquid slack and sticky one (see Table 1). The former can be defined as those that are related to liquid resources with which managers can have a high degree of freedom in re-allocation or resource allocation, and the latter refers to those that are related to sticky resources with which managers can have a low degree of freedom in re-allocation or resources allocation. It remains unclear whether and how these two types of slack resource may influence a firm’s CSR, which includes both

CSP and CSiR, and several issues can be studied here. For instance, should these different types of slack resources have effects on the two constructs of CSR in the same direction? Should the relationship between the slacks and CSR be linear or curvilinear? And, should the effects of the slacks be influenced by some moderators in the same way? Our current study can help address these issues by testing the effects of these two types of slack on the two CSR constructs, i.e., CSP and CSiR.

Practically, the findings from our current study should also be helpful as these findings should help firm managers to understand better the relationship between their slack resource and their CSR. Moreover, as many firms are competing in different international markets today, firm managers should also understand better how their global market diversification may affect the relationship between their slack resources and CSR. Several important strategic issues can be considered here. For instance, to have good firm performance in terms of CSP, should firm managers increase their slack resources when entering new international markets? Similarly, to avoid or to reduce CSiR, should firm managers decrease their slack resources when entering a new international market? To address all these research gaps, as mentioned above, we propose a new approach—integrating the research on organizational structure into the model of slack-performance relationship.

In the rest of this paper, at first, we provide a brief review of the relevant literature. Then, according to the literature review, we propose a theoretical framework and develop hypotheses for empirical testing. After that, we report an empirical study and related findings. At last we conclude and discuss the implications of the finds.

1.3. Research Structure

I will provide an overall introduction in Chapter 1. After that, Chapter 2 will discuss the transaction cost theory and the effects of slack resources. The first section reviews the transaction cost theory, while the second section defines slack resources. After that, Chapter 3 will explore how firm slack resources influence CSR which is based on the transaction cost theory. This chapter defines the two dimensions of CSR and then introduces the moderating effects of firm strategy which influences the relationship between firm slack and firm social responsibilities. Based on the discussions in Chapter 2 and Chapter 3, the hypotheses and theoretical model are presented in Chapter 4. Chapter 5 introduces the methodologies, which includes data collection, measurement, methods, results, and analyses. Moreover, we test our hypotheses using a longitudinal dataset. Chapter 6 discusses the empirical results, the theoretical implications from the explanation of new perspectives, the practical application from the exploration on slack and corporate social responsibility, the limitations of the research, the future directions of slack research, and the conclusion.

CHAPTER TWO: The Transaction Theory and the Effects of slack resources

2.1. Introduction

As one of the most influential organization theories, transaction cost economics (TCE) has been suggested to be useful for studying resource slack (e.g., Raffiee & Coff, 2016). Moreover, more and more top management would like to use transaction cost theory into their corporate governance.

North (1990, p. 107) stated that “one of the objectives of transactors seeking joint maximization of profits should be creating conditions which allow them to achieve the joint maximization result of the zero transaction cost model.”

Thus, it is useful and necessary to explore transaction cost theory in slack resources studies.

In this chapter, I first review transaction cost theory from the original economic theory to the developing one, and then I define firm slack resources, which I study in this research.

2.2. Transaction Cost Theory

The transaction cost theory developed from economic theory. In 1934, Commons argued that transaction is one of the basic constructs of economic study. He recognized that a variety governance structures are the mediators to affect the exchange services or goods between technologically separable entities. Commons (1934) convinced that there should be the new structures to assess the abilities of different structures to synchronize relations between parties to study the institutional

economics.

Coase (1937) who posed the problem to study the idea of transaction cost theory. In his work “The Nature of the Firm”, Coase (1937, p398) stated:

“the main reason why it is profitable to establish a firm would seem to be that there is a cost of using the price mechanism. The most obvious cost of “organizing” production through the price mechanism is that of discovering what the relevant prices are. This cost may be reduced but it will not be eliminated by the emergence of specialists who will sell this information.”

It was the first time that scholar pointed out that market transactions should have costs. Coase (1937) asserted that people need to consider the costs of negotiating an isolated contract for different exchange transaction which happens at the market.

Hayek (1945) has further insight on transaction cost. He used the transaction-cost-economizing terms in his study to propose that the capacity to adapt efficiently to uncertainty is the way to distinguish economic performance. After the World War II, there were lots of literatures to better defined economic performance or market. James Thompson (1967) stated that both bounded rationality and uncertainty were the future in the economic transactions.

Not only was the economic literature concerned about the transaction, but also the legal literature focuses on the transition. Some scholars have mentioned that the contract or the clear agreement is the feature of the transaction (Steward Macaulay 1963; Lon Fuller 1964; Clyde Summers 1969; David Feller 1973; and Ian Macneil 1974). As Macneil (1974) stated it, the discrete transaction--“sharp in by clear agreement; sharp out by clear performance” (1974, p738) which refers the contract can be used both in law and economics. Inasmuch, he stated that contract in the economic transaction should become more important and recognized.

Williamson (1981) has developed the transaction cost analysis into the efficiency

aspect. He studied the transaction cost through assessing the governance structure in the markets and firms. He pointed out that governance structures which have better transaction cost economizing properties are more likely to displace those that have worse, *ceteris paribus*. Moreover, he solved the operationalization problem of transaction cost theory by demonstrated the testable hypotheses. These hypotheses were tested by the relative efficiency of different governance structures which can observed such as uncertainty, asset specificity and transaction frequency.

Moreover, he stated that there are three stages of analysis the transaction cost based on the study of organizations. The first stage is the general structure of the enterprise. In this stage, the range of the enterprise is based on the organization. At the same time, in this stage, people should ask how the operating parts related to others do. The second stage is that ensure which activities should be operated within the firm. And the third stage, people are more likely to pay attention to the how to organize the human assets. The purpose of the third stage analysis is to match the internal governance structure with the attributes of the working group. In this research, I am focused on the third level of analysis. According to Williamson (1985),

"A transaction occurs when a good or service is transferred across a technologically separable interface. One stage of activity terminates and another begins...In mechanical systems we look for frictions...the economic counterpart of friction is transaction cost: Do the parties to the exchange operate harmoniously, or are there frequent misunderstandings and conflicts that lead to delays, breakdowns and other malfunctions?" (Williamson, 1985, pp. 1-2).

Considering the transaction cost application, I posit that the effects of the slack can be understood through four TCE lenses, namely asset specificity, uncertainty, bounded rationality and opportunism. Below I provide a brief discussion of these four lenses.

Asset specificity

According to Williamson (1975; 1985), asset specificity should be considered as a key locomotive to transaction costs. Asset specificity can exist in the following three ways. The first way that asset specificity exists is site specificity, where continuous stations are located in the close interrelationship so as to save inventory and transportation costs; the second way is physical asset specificity, as part of the specialized mold production; the third way is human asset specificity which is originated from learning by doing.

Authors have identified several categories of asset specificity, such as temporal specificity, physical asset specificity and human specificity (Artz & Brush, 2000), among which the human specificity is arguably the most relevant to the issue studied here. According to research (Williamson, 1975, 1985), human asset specificity can be defined as the degree to which human knowledge, experience and expertise are specialized to a specific product and task requirement.

Moreover, the transaction cost economics (TEC) which is the developed transaction cost theory, argues that when traders increase their specialized assets investments, transaction costs will increase because traders must safeguard against the opportunism loss (Klein, Crawford, and Alchian, 1978; Williamson, 1985). In other words, asset specificity increases the transaction cost (Williamson, 1991a:282). In details, according to Williamson argument, there are four categories of transaction cost. The first one is search costs, which is the cost of collecting information to classify and assess potential trading partners. The second one is contracting cost the cost the people need to negotiate and write an agreement. The third one is monitoring

costs, which means the costs deal with a mandatory agreement to make sure that each one justifies the preset of obligations. The last one is enforcement costs which refer to the people need to bear the risk when the trading partner does not obtain the bargaining and sanctioning agreement.

Uncertainty

According to Williamson (1979, 1985), uncertainty can be defined as the level of difficulty in forecasting the activities of other relevant actors. In this paper, we consider mainly the uncertainty resulted from the actions of external factors, such as external competitors and government policy-makers in emerging markets with institutional void. These actors are likely to create environmental volatility. Harrigan (1986) asserted that, because of extreme market volatility, firms are willing to do more integrate.

Opportunism

The definition of opportunism is self-interest seeking with cunning (Williamson, 1985). TCE depends heavily on bounded rationality which is the assumption of behavior (Simon, 1955). As it has been stated, opportunism can explain the transaction efficiency. According to Williamson (1985, p.47), opportunism manifestations include "calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse". Within the firm, shirking can express the opportunism. However in the context of mixed governance, opportunism often manifests as the false provision for the partner firms' knowledge (Parkhe, 1993).

Bounded rationality

Bounded rationality can be defined as the behavior that is limited competence but intendedly rational (Simon, 1957; Simon 1978; Williamson, 1981, p553). It means that although bounded rational agents experience has limitation in expressing and solving difficult problems in processing (receiving, storing, retrieving, transmitting) information, they remain “intendedly rational” (Simon, 1957). Based on this reason, all the economic exchange activities should be efficient under contract.

The reason underlying bounded rationality is relatively straightforward:

“It is only because individual human beings are limited in knowledge, foresight, skill, and time that organizations are useful investments for the achievement of human purpose” (Simon, 1947, p. 199).

In 1990, Williamson argues that bounded rationality involves both physical limits as well as language limits. The physical limits take the form of rate and storage limits on the ability of individuals to receive, store and process information without errors, and the language limit can result from the difficulties in communicating and understanding the real meaning or implications of certain languages.

The central and important problem of transaction is that whether a transaction is more efficiently performed within a firm or not. At most of time, the traders are considered to be “bounded rational” or “risk neutral”, and at least the traders are considered to be “opportunists”. Moreover, transactions which occur in the integrated companies may be isolated from competitive pressure and subject to bureaucratic phenomena (Geyskens, Steenkamp & Kumar, 2006). Besides, Williamson (1991, p79) argued that economic organization is to align transactions. The transactions can help economic organization to differ governance structures by their attributes. At the same time, the transactions can help economic organization to differ transaction cost

economizing by their costs and competencies.

In this study, we will explore more about the one dimension of transaction cost theory which is transaction-specific assets. Transaction-specific assets are focus on the particular transaction. It is difficult to be redeployed beyond the relationship among the parties within the transaction. Because of the competition, the market should not restrain the opportunistic to be explored. Therefore, transaction-specific assets have to face the safeguarding problem. The transaction cost theory gives the way to solve the safeguarding problem is that organization vertical integration. On the contrary, the vertical integration forces the organization to have the hierarchical control procedures and authority relationship which can protect them from safeguarding problem.

Moreover, based on Williamson's (1975) book there are lots of conceptual and empirical research proposed that asset specificity is the important determinant of the choice between markets and hierarchies (Williamson, 1985). Furthermore, transaction cost theory maintains that

“Asset specificity is the big locomotive to which transaction cost economics owes much of its predictive content” (Williamson, 1998:36).

Some scholars also supported that asset specificity is the critical driver for the firm to do the transaction.

2.3. Research of Slack Resources

Even though the slack resources concept was suggested decades of years ago, it is still meaningful to scholars who investigate how slack resources affect organizational performance (Bourgeois, 1981; Chiu & Liaw, 2009; Daniel, Lohrke, Fornaciari, &

Turner, 2004; Galbraith, 1973; Thompson, 1967; Moses, 1992; Noahria & Gulati, 1996; Sharman et al., 1988; Tan & Peng, 2003; Wefald, Katz, Downey, & Rust, 2010; Zona, 2012) (see Table 1).

Over the last several decades, Cyert and March (1956) have been introducing the original meaning of slack, which is a pool of resources that are above the average level in the organization. At the same time, Penrose (1959) argues that firms are organic entities that foster and accumulate resources. He states that a firm can drive growth through managerial capabilities that a firm can leverage and utilize these excess resources to capture external opportunities. Thus, in 1963, Cyert and March gave the clear definition of slack which is the difference between the organization's available resources and the organization's payment for maintain the alliance. Their definition came from the neoclassical view. When the firm resources do not keep in equilibrium, the slack can exist. Moreover, the firms should keep the slack in the limited amount because of the cost efficiency. For example, the firm uses a higher level of wage than the average level in the industry to keep employees in the long term. Afterwards, each scholar gives his/her own definition of slack. Leibenstein (1969) regards slack as an inefficiency of resources because of failure using them. In details, when the firm's performance does not meet the full latent available resources, the slack will be inefficiency. While Child (1972, p.167) states that

“The margin or surplus (performance exceeding ‘satisficing’ level) which permits an organization’s dominant coalition to adopt structural arrangements which accord with their own preferences (vs. ‘goodness of fit’ dictates of contingency theory), event at some extra administrative cost.”

March and Olsen (1976) argue that slack is the difference between the organization's demand and organization's owned resources. In addition, Bourgeois

(1981) supplements that slack is the kind of resources buffer that can be used in a discretionary way by firms, both for external threats and for opportunities exploitation such as the internal pressure to change policy and external pressure to change strategy. He presented a version of Cyert and March's (1963) concept. Moreover, Singh (1986) and Finkelsten and Hambrick (1990) evolved the literature and improved the conception of slack including its location and accessibility. Recently, to avoid positive and negative value judgments, scholars have stated that organization slack is a "*pool of resources in an organization in excess of the minimum necessary to produce a given level of organizational output*" (Nohria & Gulati, 1996, p. 1246). Based on the established view, we can make a conclusion that slack is a key factor in firms to maintain competitive advantage, and it has received large amounts of empirical support (Penrose, 1959; Cyert & March, 1963; Bourgeois, 1981; Nohria & Gulati, 1996).

In general, in this study, slack is potentially utilizable resources which can be transferred or redeployed to achieve organization's goal (George, 2005).

What is the role of slack in the organization? Some people will confuse the function of slack and buffers in the firm. To address this problem, we should clearly define the difference between slack and buffers. First, slack is a mostly tangible resource, such as people, machine capacity and cash. While other buffers are the intangible systems and procedures, such as sales contracts, preventive maintenance, future strategic plans, and so on. Second, slack and buffers have different function ranges. Buffers just protect firms from external pressures. Slack protects firms not only from external fluctuation but also from internal fluctuation (Cyert & March, 1963). Thus, slack performs different kinds of roles from other buffers.

According to previous research, in the firm, a large amount of slack resource has been used to stimulate the union members or employees (Barnard, 1938; Cyert & March, 1963). For instance, the managerial team is more likely to use slack resources to reduce the cost of information transaction and to promote the management system which is better for union members and employees. The slack resource has also been used as a defensive turf against environmental threats (Thompson, 1967). For example, the slack resource can be used to solve conflicts, and it can shape the different ways of change organizations that can undertake in response to threats (Bourgeois & Singh, 1983; Moch & Pondy, 1977; Audia & Greve, 2006; Voss, Sirdeshmukh, & Voss, 2008). Moreover, it has also been used as a catalyst in the firm which carries out an innovation strategy (Hambrick & Snow, 1997; Mose, 1992). If the firm controls slack, it can conceive and implement strategies to improve its efficiency in the innovation process (Daft, 1983). As it has been mentioned above, it is necessary for firms to have slack to ensure their long-term survival (Tan, 2003).

There are different kinds of slack resources in the organization. How to distinguish them? First, we need to know the function of slack in organization activities. In general, all types of slack help managers reduce internal or external pressures (Sharfman, 1988). In detail, slack has the different functions in organizational activities as below: to maintain the organization in balance, to solve the conflicts, to keep the technical core of the organization away from environmental instability, and to perform as the specific strategic behavior (Tan & Peng, 2003; Voss et al., 2008).

As mentioned above, different scholars have different views to distinguish the slacks in the organization (Table One). Singh (1983) argued that slack can be classified into three types: recoverable, available, and potential slack (e.g., excess

liquidity, overhead expenditures, and borrowing capacity) (Bromiley, 1991; Cheng & Kesner, 1997; Bergh & Lawless, 1998). There is a broad conception of slack to divide it into two groups. The one is absorbed slack, which is embedded in existing procedures. And absorbed slack is the amounts which excess costs in organizations. Meanwhile, the absorbed slack is difficult to redeploy. The other one is unabsorbed slack, which can be regard as liquid resources. Moreover unabsorbed slack can be specific tasks and is more easily to redeploy elsewhere (Sharfman et al., 1998; Tan & Peng, 2003).

Recently, some scholars (Mishina et al., 2004; Voss et al., 2008) have divided organizational slack into different types based on its different characteristics. The one of the characteristics is resource rarity, which means resources are valued and organizations depend on it to maintain its long-term development (Barney, 1991; Christensen & Bower, 1996). Another characteristic is resource absorption, which is same as Sharfman's (1998) definition. For instance, cash belongs to unabsorbed resources, which can be used for a variety of purposes, while specialized skilled labor belongs to absorbed resources, which is not easy to redeploy in the firm.

According to the large amounts of theoretical rationalization and empirical operationalization, in this study, I classified the kinds of slack resources depending on rarity and absorption. For the rare resources: it is difficult for managers to replace the rare resources so that managers are less likely to deploy them. In the contrast, the managers are more likely to conserve them if possible. For the absorbed resources: It is hard for managers to redeploy them because of its specificity within the firm. Therefore, rarity and absorption of slack resources tend to constrain its deployment for the dangerous for the exploratory activities separately.

As it has been discussed, we classified the various categories of slack into two main kinds. The first one is liquid slack, which measures unused resources to the firm which has immediate access (Bourgeois & Singh, 1983; Singh, 1986). Liquid slack has been regarded as financial slack by some researchers (e.g., Bradley et al., 2011; Mishina, Pollock, & Porac, 2004). Moreover, other scholars argue that the liquid slack is more likely to be the available slack which can be easily deployed (Simsek, Veiga, & Lubatkin, 2007; Sharfman et al., 1988; Sharma, 2000). The liquid slack is similar to the high-discretion resources which are easily to access within the firm (George, 2005). The second one is sticky slack, which is similar to recoverable slacks. Some scholars argue that when the expenses of firm or organization are greater than actually needed, the firm or organization is more likely to have the sticky slack (Singh, 1986; Cheng & Kesner, 1997). Because of the lower flexibility, the sticky slack is similar to the low-discretion resources which are difficult to access in the firm (George, 2005).

Liquid slack

Liquid slack has the higher level of flexibility within the firm activities. In addition, the financing organization can control the liquid slack in a short time by debt financing or by equity financing (Iyer & Miller, 2008). Therefore, some scholars regard the financial slack as the liquid slack. Both of them can be easily redeployed due to the lower specificity. Moreover, liquid slack can correspond to the environmental changes in the short time (Tan & Peng, 2003). Therefore, based on the organizational theory, liquid slack has the positive relationship to the firm performance and to the managerial risk-taking because of its high degree of discretion

(O'Brien, 2003; Peng et al., 2010; Daniel et al., 2004; Marinez & Artz, 2006). Meanwhile, due to the high degree of discretion, liquid slack also has the positive relationship with the firm acquisitions (George, 2005; Iyer & Miller, 2008). Furthermore, when the environment jolts, liquid slack strengthens the relationship between acquisitions and firm performance. On the contrary, during the time which is before or after the environmental jolts, liquid slack weakens the relationship between the acquisition and firm performance (Wan & Yiu, 2009). Su (2009) also supports this point of view that he/she points that liquid slack is the key resources to help the firm to maintain its competitive advantages when the firm confronted with the uncertainty changes.

Sticky slack

Sticky slack has the high level of asset specificity within the firm activities. Because of this characteristic, it is difficult to redeploy within the firm (Love & Nohria, 2005). Therefore, sticky slack can be absorbed in the firm. As a result, sticky slack has ability to increase the attention to exploitation activities while to decrease the attention to exploration activities (Voss, Sirdeshmukh, & Voss, 2008). Additionally, Iyer and Miller (2008) find that sticky slack has nothing to do with firm acquisition. However, Love and Nohria (2005), who hypothesized firm downsizing as a method to reduce slack, argued that when the firm has a high level of sticky slack, it will have higher firm performance following downsizing. In addition, agency theory claims that sticky slack has little relationship to the firm's core objective and has little effects to the firm's economic benefit, so that it has a negative relationship with firm performance (Ju & Zhao, 2009).

2.4 Conclusion

As one of the most influential organization theories, transaction cost economics (TCE) has been suggested that it should be useful for the research of resource slack (e.g., Raffiee & Coff, 2016). From a transaction cost theory perspective, with a high level of asset specificity, the parties involved in a given transaction are “locked into” the transaction because the assets are specified to that transaction and have limited or no value outside that transaction (Williamson, 1985). In line with this argument, sticky slack can be seen as a piece of slack resource with high asset specificity, which in turn may lead to high transaction costs. In other words, this slack resource can often be locked into a certain part of the organizational structure. As a result, the transaction costs should increase for application or reallocation of the sticky slack. On the other hand, liquid slack may lead to higher transaction efficiency because of its lower asset specificity. In other words, MNEs’ liquid slack resource, such as cash, can be easily used for different purposes to help firm performance. In the following chapter, I provide a more detailed discussion of the relationships.

CHAPTER THREE: How Firm Slack Resources Influences CSR

3.1. Introduction

As noted in the previous chapter, I use the transaction cost theory to explain the effects of slack resources. However, what has been stated is not enough to explore the effects of slack resources. Therefore, I introduce the other construct corporate social responsibility to explore the effects of slack resources. In this study corporate social responsibility is regarded as the dependent variable and the construct of slack resources is regarded as the independent variable.

In this chapter, I first review the literature which defines the meaning of corporate social responsibility (CSR), including corporate social performance (CSP) and corporate social irresponsibility (CSiR). And then, I review the related literature which includes the relationship between the slack resources (sticky slack and liquid slack) and corporate social responsibilities. Moreover, I introduce the international strategy (global strategy and multi-domestic strategy) as the moderator to affect the relationship between the slack resources and corporate social responsibilities.

3.2. Two Dimensions of CSR: CSP and CSiR

In this article, I study the relationship between the two kinds of slack (sticky slack and liquid slack) and the corporate social responsibilities (CSR). It's getting more and more important to study CSR. In recent years, not only the academic journals but also

the top management magazines pay more attention to the corporate social responsibility strategy (European Commission). For example: the corporate are concerned about whether its daily operations do harm to the environment which is related to its stakeholders' benefits. Moreover, the consulting company Accenture have done the research with 766 global CEOs, 93 percent of them mentioned that the factor which will influence their organizations' success is CSR (UN Global Compact-Accenture, 2010).

There are numerous studies exploring CSR. From neoclassical economic sites, compare with the firm's competitors, CSR can help the firm have competitive advantages with few costs increase (Friedman, 1970; Aupperle & Hatfield, 1985; McWilliams & Siegel, 1997; Jensen, 2002). In other words, top management can get more managerial profits than financial profits from CSR (Brammer and Millington, 2008). In details, some scholars (Moskowitz, 1972; Cochran and Wood, 1984; Fombrun, 1996; Waddock and Graves, 1997; Turban and Greening, 1997; Greening and Turban, 2000; Fombrun, Gardberg, and Barnett, 2000) have argued CSR can help firms to increase their managerial benefits by providing convenient way to reach valuable resources, attracting higher quality employees, keeping the lower turnover rate, seeking the better markets for products and services, and creating unanticipated opportunities.

Moreover, CSR also has different functions within the firm activities. CSR is the advertisement which can help the firm to increase customers' demand for products and services and to reduce their price sensitivities (Dorfman and Steiner, 1954; Milgrom and Roberts, 1986 Navarro, 1988; Sen and Bhattacharya, 2001). And under some conditions, CSR is regarded as the intangible assets for the firm (Gardberg and

Fombrun, 2006; Hull and Rothenberg, 2008; Waddock and Graves, 1997).

From the different perspective, the stakeholder's theory, it suggests that CSR has ability to manage the ties which are among different stakeholder in nowadays (Freeman, 1984; Berman et al., 1999; Hillman and Keim, 2001; Freeman, Harrison, and Wicks, 2007; Freeman et al., 2010). For example, CSR can mitigate the negative effects of regulatory between the firms and investors (Kapstein, 2001).

Based on recent research, firm performance related to their corporate social responsibility can be considered according to two independent constructs. One variable is corporate social performance (CSP), which is a construct that underlines a firm's responsibilities to stakeholders both inside and outside organization (e.g., Griffin & Mahon, 1997; Wartick & Cochran, 1985; Wood, 1991). The other variable is corporate social irresponsibility (CSiR), which is set of corporate actions or activities that are socially irresponsible or politically incorrect so that they have negative effects on firm social stakeholder's legitimate (Strike, 2006). Both CSP and CSiR are the two sides of CSR. In details, one company can not only do CSP but also do CSiR. For example, the tobacco company can donate money to the society; on the other hand, it sells the cigarettes to people.

CSP

Different kinds of theoretical perspectives can explain the meaning of corporate social performance (CSP), such as agency theory, stewardship theory, institutional theory, resource-based view, slack resources theory and stakeholder theory. Based on the agency theory, scholars (Friedman, 1970; McWilliams, Siegel, and Wright, 2006) regard CSP as agency cost which is the kind of earnings that can be transferred from

legal owners to social issues by companies' manager. However, stewardship theory is against agency theory, scholars (Davis, Schoorman, and Donaldson, 1997; Donaldson and Davis, 1991) argue that the manager is a responsible supervisor who is focused on the social interests rather than cunning operators to maximize their own benefits. From institutional perspectives, they emphasize that the institution which is embed in the firm will influence the standards of CSP activity in different environments (Campbell, 2007; Matten and Moon, 2008). From the resource-based view theory, the scholars (McWilliams and Siegel, 2001; Russo and Fouts, 1997) state that if the firm has more effective CSP involve in the firm activities, the firm should have more rare and intangible assets and capabilities. In addition, slack resources theory argues that the slack resources such as liquid slack can lead to CSP activities (Surroca et al., 2010; Waddock and Graves, 1997). Stakeholder theory emphasizes the importance of a firm meeting the needs of other sponsors in addition to those of stockholders (Donaldson and Preston, 1995; Freeman, 1984).

According to these different theoretical perspectives, scholars divide the CSP into two perspectives: the one examines how does CSP affect the firm's performance while the other studies the reason which causes CSP (Surroca et al., 2010). In this study, I focus to discover the antecedent of the CSP.

CSiR

Prior research defines corporate social irresponsibility as a type of socially irresponsible firm behaviors or acts. Armstrong (1977, p398) states

“A socially irresponsible act is a decision to accept an alternative that is thought by the decision marker to be inferior to another alternative when the effects upon all parties are considered. Generally speaking, this involves a gain by one party at the

expense of the total system”

It means that the reason that leads the organization to be successful and survival is to meet regular expectation from the environment. Therefore, if the firm acts in the socially irresponsible way in running, it will harm itself. (Pfeffer & Salancik, 1978; Scott, 2008). For example, although Shell has been involved in a large number of oil spilled in past fifty years, compare with the Shell, American people have the greater degree of public disdain directed at BP because of its 2010 Gulf of Mexico oil spill which caused great environmental ruin in the Niger Delta (Nossiter, 2010).

According to classic economic theory, a firm plays a role in transferring products and services from input to output. In a market economy, a firm’s main goal is to maximize profits. Milton Friedman (1962) argued that a firm’s only responsibility is to increase financial profit for both itself and stakeholders. To reach it, he also argued that a firm should be focused on business rather than corporate social performance which maximized its profit does not include fraud or dishonesty. As a result, to enhance a firm’s financial is the first priority for employers to do.

However, in recent years, more and more scholars (Wood, 1991; Griffin & Mahon, 1997; Wartick & Cochran, 1985) prefer to use corporate social performance (CSP) rather than corporate financial performance to evaluate organizational performance.

Both academic research and practical research have shown that a firm can be simultaneously socially responsible and socially irresponsible, i.e., a firm can simultaneously show CSR and CSiR. However, it remains unclear whether CSR and CSiR can be resulted from or influenced by the same variable of slack resources, such as liquid slack or sticky one. To address this issue, we introduce the transaction cost theory to study the relationship between the slack resources and CSR, which include

both the CSP and CSiR in this article.

3.3. How Slacks Influence CSP and CSiR

Generally speaking, firm slack resources can influence CSR in several ways. First, they can function as a cushion of spare resources or shock absorbers for some emergencies when a firm should show its CSR, such as the case of natural disaster or an environmental pollution accident caused by the firm itself. Second, the slack makes it easier for a firm to adjust to changing institutional environments or business environments in different parts of the world. For instance, if one of the firm's host countries passes a new law for environmental protection, the slack can help the firm to adapt to the local demand or requirement in an effective way. Third, the slack makes it possible for the firm to develop new or creative CSR policy, technology, and products. For example, without the slack, the development of new-energy cars should become more difficult. Finally, the slack should enable the firm to conduct more CSR internally by improve the working condition and benefits of its employees. The slack should also help the firm to handle labor conflicts or union relationship in a more responsible way. For instance, the slack should help buffer the negative impact of economic cycle on the income of its employees so that the firm can avoid cutting its workforce.

As mentioned above, the slack consists of both liquid slack and sticky one. No empirical evidence has suggested whether and how the liquid and sticky slack resources may influence CSR differently. Indeed, according to the results of a meta-analysis performed by Daniel et al. (2004), there exists a general empirical support

for the positive effects of all slack resources on firm performance.

However, through the discussion of the four TCE (transaction cost efficiency) lenses, as presented above, we can come to a prediction that the difference between liquid slack and sticky slack may lead to different relationships between the slack resources and CSR. In addition, there can be a significant relationship between MNEs' financial resource and CSR. As mentioned above, the reason is that the liquid resource has the characteristic of low asset specificity and easy-to-use nature for controlling uncertainties. Moreover, because of its non-human nature and simplicity, liquid slack should also be less vulnerable to the threats of the two human factors that may increase transaction costs, such as opportunism and bounded rationality. Accordingly, we predict a positive relationship between a firm's liquid slack and corporate social performance (CSP), which, according to research, is the positive dimension of CSR. In other words, the more liquid financial resource the firm has, the more likely that a firm can conduct more CSP internationally.

At the same time, we also predict a negative relationship between a firm's liquid slack and its corporate social irresponsible behaviors (CSiR). While prior research has considered the effect of the slack on CSP, the effect of the slack on CSiR has not been sufficiently studied. We posit that that the relationship between the slack and CSiR should be studied more comprehensively for several reasons. First, CSiR is more likely to be observed during emergent crises or emergent unforeseen resource demands, such as those resulted from a natural disaster and/or a human mistake. Facing the emergencies, a firm can avoid CSiR if it controls sufficient slack resources. On the other hand, if a firm does not have sufficient slack resources, its response or effectiveness in handling the emergency or crisis should be negatively affected, and

the firm is likely to be criticized for CSiR no matter how it may explain its performance to the society. In addition, even in a firm's day-to-day operations, the availability of slack resources can also help the firm to avoid CSiR if the negative implication or impact of the slack for firm profit is acceptable. For instance, financial slack should allow a firm to maintain or even to increase the salaries and other benefits to its employees regularly according to inflation regardless of the firm's temporal financial deficit. This policy should allow the firm to maintain good relationship with the union and avoid being criticized for CSiR.

According to research, firms' sticky slack can be difficult to allocate/re-allocate because of their higher level of transaction costs. In other words, the existence of sticky slack in MNEs does not guarantee that the firms should have sufficient resources at the time that they need do a job in CSR. Because of the high transaction costs of the sticky slack, it may not be able to meet the needs or obligations of MNEs for CSR when the resource is needed. Therefore, it is arguable that this non-liquid slack should have little impacts or effects on such a firm performance as CSR. In other words, the sticky slack may have little effects or negative effects on CSP.

Moreover, based on the characteristics of sticky slack which will cost more to do the internal transaction, it may not satisfy the needs or obligations of MNEs for CSiR when the resource is needed. Therefore, I suggest that the sticky slack should have little impacts on CSiR. Indeed, it may not have any effects on CSiR.

However, to explore the study deeply, I introduce the moderating effects of firm strategy to study the relationship between the slack resources and corporate social responsibilities.

3.4. The Moderating Effects of Firm International Strategy

As has been discussed in the previous chapter, although research into the relationship between the slack resources and corporate social responsibility constitutes a significant portion of strategic management literature, there still needs to consider other moderating effects reached about this relationship. Liquid slack and sticky slack do not alone determine firm social responsibilities. It means that corporate social performance and corporate social irresponsible are influenced not only by organization slack resources, but also by other important organization strategies. One of the organization strategies is international strategy, which is to coordinate their operations in different parts of the world (Taylor, Beechler & Napier, 1996). There are two constructs of the international strategy, the one is multi-domestic strategy and the other is global strategy. This chapter argues that international strategy will play a key role in the relationship between organization slack (liquid slack and sticky slack) and corporate social responsibilities. Under multi-domestic strategy, the multi-national corporation has independent relationship between the parent's company and its subunits. The parent's company in the home country has little control to its subunits. For example, the fast food company McDonald's and KFC are the representative of multi-domestic strategy company. Their parent's company in USA has little control of their subunits in other locations. Thus, liquid slack is more important for top management in parent's company who would like to do the CSR. In contrast, under global strategy, MNEs have interdependent relationship between the parent's company and its subunits. For example, the hi-tech company, Apple, its parent's company in USA can control all of

the subunits around the world. Its parent's company can control not only its subunits' supply chain but also its subunits' advertisement. The parent's company can allocate its subunits' slack in the easier way. Thus, sticky slack is more useful for tip management in parent's company who would like to do the CSR.

Therefore, the moderating effect of international strategy on slack resources and corporate social responsibilities is of theoretical and empirical interest. In this chapter, I draw upon the extended Transaction cost theory to examine the moderating effect of international strategy on slack resources and corporate social responsibilities.

Operating internationally, MNEs may adopt different integration strategies (IN-strategies) to coordinate their operations in different parts of the world (Taylor, Beechler & Napier, 1996). Moreover, researchers and managers have explored the theoretical and practical ties in the management strategy both in the domestic and global frameworks (Butler, Ferris, & Napier, 1991; Fombrun, Tichy, & Devana, 1984; Lengnick-Hall, 1988; Schuler & Jackson, 1987; Wright & McMahan, 1992; Adler & Ghadar, 1990; Kobrin, 1992; Milliman, von Glinow, & Nathan, 1991; Schuler, Dowling & De Cieri, 1983). When MNEs follow a multi-domestic strategy, their subunits business can operate independently among different location around the world. While, when MNEs follow a global strategy, their international operations are managed as interdependent businesses.

Multi-domestic strategy

If multi-national corporations implement a multi-domestic strategy, their markets in different locations of the world normally demand a great degree of adaptation of their products and services to local environments. In this case, there is low level of interdependence between their procurement, manufacturing, or marketing activities

across their organizational subunits in different parts of the world, and the linkages between the subunits tend to be predominantly financial only (Porter, 1986). As a result, each of their subunits can operate independently, and the resources developed in one subunit of the MNE have a high level of location asset specificity. For example, when a China MNE based on the multi-domestic strategy makes decisions which are less likely to use or allocate the resources from its France subunit, since that the French would like to follow a fairly and clear hierarchical decision-making system (Hofstede, 1980; Laurent, 1983). In other words, each subunit in its location has independent operation rights and cannot be influenced by other subunits. Moreover, its head quarter has little control to subunits.

Global Strategy

If multi-national corporations implement a global strategy, their markets in different parts of the world do not require a high degree of adaptation of products and services to a given local market. It means that the MNEs can achieve the economy of scale by manufacturing each part of their products in a given location or subunit in the world only, and assembling their final products in one local with low manufacturing costs, such as the case of Apple and other electronic producers making their products in China by shipping major components from other locations of the world. Yet, in doing so, the firm operations at different locations around the world should involve a high level of interdependence. At the same time, the firm is critical to have effective resources integration and centralized control for all the operations at different locations around the world. In other words, when MNEs follow a global strategy, their international operations are managed as interdependent businesses.

Therefore, the firm with the global strategy should have a high degree of resources integration so as to require the centralized managerial coordination to control its subunits' operation in different locations around the world (Gupta & Govindarajan, 1991; Rosenzweig & Singh, 1991; Roth, Schweiger, & Morrison, 1991).

From a perspective of transaction-cost theory, these I-strategies may moderate the relationship between the slack and CSR. As mentioned above, the main difference between these two I-strategies is the level of interdependence or resource exchange among units and/or operations within the organizational structure of a given multinational firm (Porter, 1986; Collis, 1991; Gupta & Govindarajan, 1991). A multi-domestic strategy places demands of management which is different from those of a global strategy on the internal exchange of resources, including sticky and liquid resources (Kobrin, 1992). While the multi-domestic strategy is characterized by high independent of operations in different locations of the world, the global strategy is characterized by high centralized coordination and high interdependency of the operations or transactions. This difference may moderate the relationship between the slack and CSR because they involve different level of liquidness of the slack. While the liquidness of all slack resources with the multi-domestic strategy is lower, that with the global strategy is higher. This difference in slack liquidness, according to the perspective of transaction-cost theory, can be understood as the difference in local asset specificity, which is an important dimension of asset specificity studied by transaction-cost theory. From a perspective of transaction-cost theory, all resources, including sticky resource, liquid resource and others, should have a high level of location specificity when MNEs adopt a multi-domestic strategy. On the other hand, all resources should have a low level of location specificity when MNEs adopt a

global strategy. As we have argued above the MNE's liquid slack may have positive relationship with CSR and negative relationship with CSiR. While the MNE's sticky slack may have negative relationship with CSR and negative relationship with CSiR. We will discuss the moderating effect of the integration strategy in the rest of this section.

3.5 Conclusion

In sum, large amounts of studies have examined the relationship between slack resources and firm financial performance. However, there is few studies to examine the relationship between the slack resources and corporate social responsibility (CSP and CSiR). According to the previous research, the mixed results reflect that the relationship between slack resources and firm performance is complex. Moreover, there is few theories can explain the relationship in consistent. Therefore, this paper attempts to explore the transaction cost theory to clarify the relationship between slack resources and corporate social performance in details. In the following chapter, I proposed to explain the mixed relationship from transaction cost theory.

CHAPTER FOUR: Hypotheses and Theoretical Model

4.1. Introduction

As it has been mentioned above, the liquid slack resources allow firm management to use their resource with lower transaction costs so that they can deal with the emergent issues of CSiR more efficiently and effectively. In other words, because of the higher stickiness of the slack, the firm will pay more cost to use this kind of slack to do CSP or CSiR. It means that the sticky slack is more likely to have negative effect for firm to do CSP and CSiR. Moreover, firm strategy should have a moderating effect on the relationship between the slacks on CSP and CSiR.

To develop the above into testable hypotheses, in this chapter, I firstly talked about the hypotheses related to the main effects of slacks on CSP and CSiR. And then, I explored the moderate effect (international strategy) of slacks on CSP and CSiR.

4.2. The Main Effects of Slacks on CSP and CSiR

First, we consider the liquid slack resource is the most useful and flexible because its nature of high liquidness. It means that the firm can redeploy the liquid slack easily for varied uses (Mishina, Pollock and Porac, 2004). Meanwhile, it ensures firm management to control transaction costs if it has sufficient liquid slack. It means that firm can do the CSP with less costs.

Accordingly, regarding the relationship between the slack and CSP, we predict the positive one. The reasons are, first, based on the stakeholder theory (Freeman, 1984; Berman et al., 1999; Hillman and Keim, 2001), stakeholders would like to do more

CSP that they can earn managerial benefits. Moreover, the stakeholders are more likely to do the CSP under the lower cost. Therefore, when the firm has liquid slack, it is more likely to do the CSP. It means that there is the positive relationship between the liquid slack and CSP.

At the same time, this high liquidness enables firm management to control transaction costs so that they can deal with the emergent issues of CSiR more efficiently and effectively. In other words, without sufficient liquid resource, a given firm should have more difficulty to deal with the problems that lead to CSiR. This is especially true during crises, such as the crisis of a sudden environmental pollution caused by the firm's operation or of a natural disaster in a certain location of the world.

Accordingly, regarding the relationship between the liquid and CSiR, we predict a negative linear one. The reasons are, first, CSiR is likely to be observed during emergent crises or emergent unforeseen resource demands, such as those resulted from a natural disaster and/or a human mistake. Facing the emergencies, a firm can avoid CSiR if it controls sufficient slack resources. On the other hand, if a firm does not have sufficient slack resources, its response or effectiveness in handling the emergency or crisis should be negatively affected, and the firm is likely to be criticized for CSiR no matter how it may explain its performance to the society. In addition, even in a firm's day-to-day operations, the availability of slack resources can also help the firm to avoid CSiR if the negative implication or impact of the slack for firm profit is acceptable. For instance, financial slack should allow a firm to maintain or even to increase the salaries and other benefits to its employees regularly according to inflation regardless of the firm's temporal financial deficit. This should

allow the firm to maintain good relationship with the union and avoid being criticized for CSiR. Accordingly, we propose the following:

Hypothesis 1 (H1)

H1a: There is a positive relationship between the liquid slack of a given MNE and its CSP.

H1b: There is a negative relationship between the liquid slack of a give MNE and its CSiR.

On the other hand, the sticky slack is low in terms of liquidness. In other words, the organization cannot redeploy the sticky slack because of its high degree of asset specification (Love & Nohria, 2005). As a result, the sticky slack makes it more difficult to do CSR. On the one hand, with sticky slack resources, a firm will pay more when it does CSR. Consistently, regarding the relationship between the slacks and CSP, we predict a negative linear one. The reasons are, first, because of the asset specificity of the sticky slack resources, it costs too much for a firm to do CSP. The second reason is that the firm to do CSP should be responsible for the stakeholders in the firms. The firms should not sacrifice stakeholders' benefits to do the CSP with higher costs.

However, CSiR is the one side of the coin for CSR (Corporate Social Responsibility). As it has been mentioned before, the firm can do the CSP and CSiR at the same time. Therefore, regarding the relationship between the sticky slack and CSiR, we predict that there is a negative effect on the relationship between the sticky slack and CSiR. The reasons are, first, sticky slack has its own asset specificity that leads firms to cost more when use them to do the CSiR. The second reason is that sticky slack has more opportunism when transferring them to do the CSiR. The third

reason is that there are fewer and fewer companies would like to do the CSiR because of the ambiguous costs such as company's reputation. Accordingly, we propose the following:

Hypothesis 2 (H2)

H2a: There is a negative relationship between the sticky slack of a given MNE and its CSP.

H2b: There is a negative relationship between the sticky slack of a given MNE and its CSiR.

4.3. The Moderating Effect of Firm Strategy on the Relationship between Slacks and CSR

According to the perspective of transaction-cost theory, we predict that the multi-domestic strategy is more likely than the global strategy to enhance the relationship between MNEs' liquid slack and CSR. Specifically, with a multi-domestic strategy, MNEs should have a high level of location specificity of all resources. The top management of the MNEs should have less control over the practice and activities of their subunits at different locations around the world. Given the characteristics of the multi-domestic strategy, the effect of liquid slack on firm performance, including CSR, can become more critical and salient. It means that, under multi-domestic strategy, subunit is the independent business to its parent's company. The parent's company cannot control subunits efficiently so that liquid slack is more important for top management in parent's company to do CSR and do less CSiR. Moreover, parent's company

On the one hand, considering a given MNE that adopts multi-domestic strategy as a whole, the liquid slack resource may be the only effective and handy resource that top management can apply for the purpose of CSR or other performance. On the other hand, considering a give MNE that adopts multi-domestic strategy as a whole, the sticky slack resource may have negative effect to top management apply for the purpose of CSP.

On the other hand, with a global strategy, a given MNE can integrate their resources by coordinating their operations globally. There should be a higher level of liquidness of its resources. Given the characteristics of the global strategy, the effect of liquid slack on firm performance, including CSR, can become less critical and salient. For instance, this MNE may send its employees to developing countries to help improving education or medical service without significant re-allocation its financial resource. In other words, given a global strategy, the centralized resource-integration and homogeneous managerial institutions across subunits should enable a given MNE to allocation/re-allocation its resources more easily than in the case of a multi-domestic strategy. As a result, following the global strategy, because of strength control of the parent's company, liquid slack resource may have negative effect for top management to apply for CSR. While sticky slack resource may have positive effect for top management to apply for CSR. Accordingly, we propose the following:

Hypotheses 3 (H3):

H3a: International strategy moderates the relationship between MNEs' liquid slack on CSP, so that, with a multi-domestic strategy, the positive relationship predicted in H1a should become stronger.

H3b: International strategy moderates the relationship between MNEs' sticky slack

on CSP, so that, with an international strategy, the negative relations predicted in H2a should become weaker.

4.4. Conclusion

As it has been discussed above, following the transaction cost theory and international strategy; we propose that the international strategy which includes multi-domestic strategy and global strategy will influence the relationship between the slack resources (liquid slack and sticky slack) and CSR (corporate social performance and corporate social irresponsible).

In the following chapter, I do the empirical study exam the hypotheses.

CHAPTER FIVE: Methods, Results and Analysis

5.1 Introduction

In this chapter, I discuss methodologies that are used in the study to test the proposed model and to analysis and explain empirical research results. In the methodology section, the research sample is described, the measurement of each variable is outlined, and the strategy of the data analysis is presented. At the results and analysis section, the results of the descriptive statistics and regression are given, as well as detailed analyses of these empirical results.

5.2. Sample and Setting

Our sample consisted of 2391 MNEs listed on New York Stock Exchange during the period 2000-2012. From the Compustat Fundamental Database, we obtained information about the liquid and sticky slack resources controlled by these MNEs. We also collected information of several control variables, such as firm size, firm age, firm risk, firm financial performance and stockholder equity from the same data set. In addition, I obtained both the CSP and CSiR information of the MNEs from the database by Kinder, Lydenberg, Domini & Co., Inc. (i.e., the KLD data base), which had been considered as the best available to measure CSR (Hillman and Keim, 2001; Waddock and Graves, 1997; Choi and Wang, 2009). Finally, we obtained information about stockholder equity data from the GIM Ratings database. All these data sets could be retrieved from the WRDS research platform managed by the Wharton School, University of Pennsylvania. After merging data and deleting some missing

data on control variables, I obtained a final data set with longitudinal information from 2391 firms or a total of 11514 firm/year observations. I lagged one-year time on independent, moderating, and control variables to rule out reverse causality.

5.3 Variables

5.3.1 Dependent Variables

CSR

Learning from the previous research, I measure CSR from five dimensions which are product, employee relations, environment, community and diversity in KLD database (Choi and Wang, 2009; Tang et al., 2015). The reason for me to choose these five dimensions is that stakeholders have the greater interests for them. Moreover, these five dimensions are mostly focus in CSR/CSiR research. In addition, in this study, I measure CSR at year t .

Every dimension of the CSR is considered as its strengthens and concerns from different aspects. I assign a 1 or 0 of each kind of five dimensions to check whether the firm met the criteria or not. I considered all the strength items were of social responsibility and all the concerns items were of social irresponsibility. I measure the CSR through summing up all the five dimensions for the firm's activities which are under social responsible. Similarly, I measure the CSiR through summing up all the five dimensions for the firm's activities which are social irresponsible.

5.3.2. Independent Variables

We divided slack resources into two types: **liquid slack and sticky slack**. Liquid slack was defined as a general asset which can be redeployed to varied uses, such as financial slack (Mishina, Pollock & Porac, 2004). In line with Mishina (2004), stick slack was defined as a special asset which was more difficult to management because it often cannot be allocated in unit amounts that match the demands of situations, such as human resources slack. Thus, in this study, we use financial slack to measure liquid slack and human resources slack to measure sticky slack.

Liquid Slack:

Consistent with prior studies (Mishina, Pollock & Porac, 2004; Vanacker et al., 2013; Kim and Bettis, 2014; Vanacker, Collewaert, & Zahra, 2016), we used financial ratio to calculate slack. Specifically, we measured liquid slack as the difference between the organizational-level and industry-level (4-digit SIC level) average of cash and cash equivalents over total assets (see our formula below):

$$\text{Liquid slack} = \frac{\text{Firm cash+cash equivalents}_{it}}{\text{Firm size}_{it}} - \sum_{i=1}^n \frac{\text{Firm cash+cash equivalents}_{it}}{\text{Firm size}_{it}} \quad (1)$$

Where the first term represented the ratio of cash and cash equivalents to firm size for a focal firm i in year t , and the second term reflected the industry-level average of cash and cash equivalents to firm size.

Sticky Slack

In line with Mishina (2004), I measure sticky slack as human resources slack. Previous studies adopted two methods to measure this variable. One of computing the organizational-level human resources relative to industry-level average human resources (Mishina et al., 2004; Welbourne et al., 1999; Lecuona & Reitzig, 2014; Vanacker, Collewaert, & Zahra, 2016), and the other was using organizational-level human resources minus predicted-level human resources (Shen, Tang, & Chen, 2014). Since our sample covered all publicly listed firms in each industry, it was more appropriate to use industry-level information for human resource (the first method) to compute sticky slack. Based on previous studies (Lecuona & Reitzig, 2014; Vanacker, Collewaert, & Zahra, 2016), we measured sticky slack with information about the firm's employees. Specifically, sticky slack was computed as the difference between the organizational-level and the industry-level (4-digital SIC level) average of the employees over firm sales (see the formula as below):

$$\text{Sticky slack} = \frac{\text{Firm employees}_{it}}{\text{Firm sales}_{it}} - \sum_{i=1}^n \frac{\text{Firm employees}_{it}}{\text{Firm sales}_{it}} \quad (2)$$

5.3.3. Moderator

MNE international strategy (IN)

According to the literature (e.g., Taylor, Beechler & Napier, 1996), we divided our sample into two categories. One category consists of MNEs that adopt a multi-domestic strategy, and the other consists of those that adopt a multi-domestic strategy. Reading the annual reports and other documents from each of our sample firm, three researchers were asked to code this moderating variable as a dummy. For those that

adopt a multi-domestic strategy, the coding is zero, otherwise the coding is one. The inter-rater reliability of this measure was 0.85.

5.3.4. Control Variables

I control for the effects of several variables. In line with previous research, firm size, age, and financial performance have been revealed to influence a firm's commitment in social activities (Adams and Hardwick, 1998; Waddock and Graves, 1997).

Firm size:

Since firm size may affect the relationship between the organization slack and corporate social responsibilities (e.g., Haleblian, McNamara, Kolev, and Dykes, 2012). The larger firms are more likely to have abundant resources and have the more developed market position. Therefore, the firm size in this study should be controlled. In this study, firm size was measured as the natural logarithm of each firm's total number of employee.

Firm age:

Similar to the firm size, the older firms are easier than younger firms to have abundant opportunities to achieve their growth strategies by using resources. Therefore, I control the firm age in this study. The firm age was measured by the number of years since the firm was established.

Firm performance:

Better firm performance will influence stakeholder to take part in more projects about corporate social responsibilities. Thus, I control firm performance. The firm performance was measured by ROA (return on assets) in t-1 year.

In addition, research of corporate governance suggested that a greater proportion of outside directors and stockholder equity would do more CSR and less CSiR (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). Thus, we controlled for the effect of *outside director's percentage*. The outside director's percentage was measured as the number of outside directors to directors on the board.

Finally, I control the industry (SIC two-digit) and year fixed effects. This approach has been adopted by several authors before (Zhou and Guillén, 2015; Chizema, Liu, Lu, and Gao, 2015).

5.4. Data Analysis

Before testing the hypothesized relationships, the descriptive statistics of firms were analyzed, including the means, standard deviations, and range of each variable studied.

Next, to test the hypotheses, we should exam the mean value and standard deviation of each variable which includes control, independent, moderators and dependent variables, and also should exam the correlation in between. Moreover, we should report any significant correlations with the dependent variable.

Moreover, we should exam the main effect that attribute to the independent variable. To test the proposed relationship between the slacks and corporate social

performance by regressing the dependent variables against the control and independent variables, I constructed an ordinary least squares regression analysis. In the regression analysis, we firstly entered the control variables and then entered the independent variables. This process allows researchers to see whether the overall model is improved by adding the independent variables. We reported the Coefficient β , the p value of β , R^2 , ΔR^2 , and the F value, F value change, and the significance of the F value change.

Finally, to test the moderating effect of international strategy on organization slack and corporate social performance, we first ran ordinary least squares (OLS) regression models with industry and year fixed effects so that we could control for the effects of unobservable time-invariant industry characteristics as well as macroeconomic trends. The fixed effects regression model allowed us to fully deploy our panel data (Bettis, Gambardella, and Helfat, 2014). Also, Hausman's (1978) specification tests showed significant correlations between the error and regressors, showing that fixed-effect models were more appropriate for our statistical analysis than random-effect ones. Consistent with previous research, I test all continuous variables at their respective 1st and 99th percentiles to reduce the outliers effects (Cheng, Loannou, and Gerafeim, 2016; Zhang and Qu, 2015). I report the Coefficient β , the p value of β , R^2 , ΔR^2 , and the F value, F value change, and the significance of the F value change for each step, and analysis and plots of the subgroup method were used to illustrate the moderating effects.

Accordingly, I have done all analyses conducted in STATA to account for the panel structure of our data.

5.5. Analysis and Results

5.5.1. Descriptive Statistics

Table 1 shows the means, standard deviations, and bivariate correlations of the variables. The correlation matrix displays that the independent variable, liquid slack negatively associated with the dependent variable corporate social performance (CSP) ($r=-0.0921$, $p<0.05$), and also negatively associated with the dependent variable corporate social irresponsible (CSiR) ($r=-0.1160$, $p<0.05$). Moreover, the other independent variable, sticky slack is significant negatively related to dependent variable CSP ($r=-0.0456$, $p<0.05$), and also significant negatively related to dependent variable CSiR ($r=-0.0228$, $p<0.05$). It suggests that these two main effects need to be further examined with regression analysis. What's more, most interesting finding here is the consistency in effects of the control variables on both CSP and CSiR. For example, firm age and firm size influence CSP and CSiR in the same direction. This finding may suggest that CSP and CSiR are truly independent. A given large MNE, for example, can have good CSP, but it can also have lots of CSiR. In addition, there is a significantly positive correlation between multi-domestic strategy and financial slack. In other words, MNEs that adopted a multi-domestic strategy seem to have more liquid slack resource. Finally, there exists a significantly negative correlation between firm age and the slacks, which seems to suggest that long-established MNEs do not need much slack resources. One reason is that they have a more established bureaucratic structure so that their internal transaction efficiency is higher. As a result, a large amount of slack resources is not necessary.

Observing a large number of significant correlations in Table 1, I compute the

variance inflation factors to check whether it has a potential multicollinearity problem or not. As the results of this analysis suggest, the maximum VIF is 7.06 (Firm size), and the mean VIF is around 4.51. These values are considerably below the rule-of-thumb cutoff point of 10 for regression models (Ryan, 1997). Therefore, multicollinearity is not a problem in results.

[Insert Table 2 about here]

5.5.2. Results—Do They Support the Hypotheses?

Hypotheses 1 predicted that liquid slack is positively related to corporate social performance and negatively related to corporate social irresponsibility. Table 2 shows the effects of liquid slack on both CSP and CSiR while taking into account the moderating effect of international strategy (IN).

Model 1 and Model 4 show several interesting findings related to control variables. 1) Firm size and firm age have a consistent effect on both CSP and CSiR, which support the argument that MNEs can have high CSP and high CSiR at the same time (Strike, Gao and Bansal, 2006). 2) Firm risk (firm financial risk) has a negative relationship with CSP, but has no relationship with CSiR. This result suggests that MNEs with smaller financial risk are more likely to have better CSP. 3) Firm financial performance has a negative relationship with CSiR, and has positive relationship with CSP. This result suggests that MNEs with better financial performance are less likely to conduct CSiR and more likely to conduct CSP. Finally, 4) similarly, firm outside director has a negative relationship with CSiR, and has positive relationship with CSP. This result suggests that MNEs with better corporate

governance (i.e., more outside directors) are less likely to show CSiR, and more likely to show CSP.

Model 2 in this table shows a significantly positive effect of liquid slack on CSP ($\beta=1.594, p < 0.001$), which supports Hypothesis 1. In Model 3, we added the integration strategy (IN) and its interaction term on the basis of Model 2. The data in Model 3 show that the effect of interaction is negative and significant, which supports hypothesis 3a ($\beta=2.522, p < 0.01$). In other words, the effect of liquid slack can be more salient among MNEs adopting a multi-domestic strategy.

Surprisingly, Model 5 of Table 2 still shows a significantly positive effect of liquid slack on CSiR ($\beta=0.418, p < 0.001$), which does not support Hypothesis 1a. In other words, while the liquid slack can improve CSP, it can also lead to more CSiR. In other words, a given MNE with more liquid resources such as financial resources, can do more CSP, and show more CSiR at the same time. Based on this result, we then added the integration strategy (IN) and its interaction term. The data in Model 6 show that the effect of interaction is also negative and significant, which, again, does not support Hypothesis 3b. We are discussing the issue of this result further in next section.

[Insert Table 3 about here]

Hypothesis 2 predicted that sticky slack is negative related to corporate social performance and negatively related to corporate social irresponsibility. Table 3 shows the effects of liquid slack on both CSP and CSiR while taking into account the moderating effect of international strategy (IN).

In line with the previous finding, the control variables exert a significant effect on

CSP and CSiR. Model 2 in this table shows a significantly negative effect of sticky slack on CSP ($\beta=-19.141, p < 0.001$), which supports Hypothesis 2. In Model 3, we added the integration strategy (IN) and its interaction term on the basis of Model 2. The data in Model 3 show that the effect of interaction is negative and significant, which supports hypothesis 3a ($\beta=2.522, p < 0.01$). In other words, the effect of sticky slack can be less important among MNEs adopting a multi-domestic strategy.

However, Model 5 of Table 2 still shows a significantly negative effect of sticky slack on CSiR ($\beta=0.418, p < 0.001$), which does not support Hypothesis 2a. In other words, while the sticky slack can less lead to do CSP, it can also lead to less CSiR. It means that, a given MNE with larger amount of sticky slack resources such as human resources, can do less CSP, and show less CSiR at the same time. Based on this result, we then added the integration strategy (IN) and its interaction term. The data in Model 6 show that the effect of interaction is also negative and significant, which, support Hypothesis 3b.

[Insert Table 4 about here]

Hypothesis 3 predicted that international strategy influences the relationship between the slack and CSP/CSiR. I test the hypothesis in Table 2 and Table 3. The data in Model 6 of Table 2 shows that the effect of interaction is also negative and significant, which, does not support Hypothesis 3a. The international strategy significantly influences the relationship between the liquid slack and CSP ($\beta=-1.227, p < 0.001$). The international strategy significantly influences the relationship between the liquid slack and CSiR ($\beta=-1.227, p < 0.001$). The data in Model 6 of Table 3 shows that the effect of interaction is also negative and significant, which,

support Hypothesis 3b. The international strategy significantly influences the relationship between the sticky slack and CSP ($\beta=30.791$, $p < 0.001$). The international strategy significantly influences the relationship between the sticky slack and CSiR ($\beta=10.334$, $p < 0.001$).

To test the robustness of our findings, we conducted two more analyses testing the effects of the slack among MNEs with the multi-domestic strategy and those with the global strategy respectively. In these two analyses, the effect of liquid slack and that of sticky slack were considered given the same MNE strategy.

Table 4 shows the effects of the slack on CSR among MNEs with the multi-domestic strategy. Consistent with the results in Table 2, liquid slack has consistent effects on both CSP and CSiR. With the multi-domestic strategy, liquid slack is significant positively related to the CSR ($\beta=2.141$, $p < 0.001$). And liquid slack is significant positively related to the CSiR ($\beta=0.412$, $p < 0.01$). On the other hand, sticky slack has negative effects on the two dimensions of CSR. With the multi-domestic strategy, sticky slack is significant negatively related to the CSR ($\beta=-32.453$, $p < 0.001$). With the multi-domestic strategy, sticky slack is also significant negatively related to the CSiR ($\beta=-9.874$, $p < 0.001$). Applying the perspective of transaction-cost theory, we can explain this difference in direct effect on CSR between the liquid slack and sticky slack based on their characteristics and specificity, which can lead to different level of transaction costs.

[Insert Table 5 about here]

Table 5 shows the relationships between the slack and CSR given a global strategy, which are consistent with the results in the prior tables. Specifically, the effects of

liquid slack remain significant, although the effect size has become smaller than that shown in Table 4. With the global strategy, liquid slack is significant positively related to the CSR ($\beta=1.489, p < 0.001$). And liquid slack is significant positively related to the CSiR ($\beta=0.455, p < 0.01$). On the other hand, the effects of sticky slack remain significant, although the effect size has become larger than that shown in Table 4. With the global strategy, sticky slack is significant negatively related to the CSR ($\beta=-7.414, p < 0.01$). With the global strategy, sticky slack is also significant negatively related to the CSiR ($\beta=-3.729, p < 0.05$).

[Insert Table 6 about here]

The subgroup analysis is provided to illustrate the moderating effect, which is portrayed in Figure X.

As shown in the plot, the regression line of liquid slack and CSP of a multi-domestic strategy is much higher than that of a global strategy, which indicates that a multi-domestic strategy has more effects on the relationship between the liquid slack and CSP than a global strategy. The regression line of liquid slack and CSiR of a multi-domestic strategy is a few lower than that of a global strategy, which indicates that a multi-domestic strategy and a global strategy almost have the same effects on the relationship between the liquid slack and CSiR. The regression line of sticky slack and CSP of a multi-domestic strategy is much lower than that of a global strategy, which indicates that multi-domestic strategy has more impact on the relationship between the sticky slack and CSP. The regression line of sticky slack and CSiR of a multi-domestic strategy is much lower than that of a domestic strategy, which indicates that multi-domestic strategy has more impact on the relationship between

the sticky slack and CSiR.

5.6. Conclusion

This chapter discussed the methods that are used in this study and presented the results and analysis of each hypothesis. In sum, the proposed hypotheses were largely supported. It shows that liquid slack has a positive impact on corporate social performance and corporate social irresponsibility. And sticky slack has a negative impact on corporate social performance and corporate social irresponsibility. The international strategy has negative effects on the relationship between the slack and corporate social responsibilities. These findings are consistent with my hypotheses. Further discussion of the results and the implications of the empirical findings and the limitations of the study and future research directions are presented in the next chapter.

CHAPTER SIX: Discussion and Conclusion

6.1. Introduction

Although the relationship between the organization slack and firm performance has received much consideration in the strategic management literature, there is little literature about organization slack and corporate social responsibility. Moreover, some researchers (Taylor, 1996) have suggested that some important organization strategy should be taken into account, for example: international strategy. This study hopes to contribute to the literature by including international strategy (multi-domestic strategy and global strategy) into the relationship between slack resources (liquid slack and sticky slack) and corporate social responsibility (corporate social performance and corporate social irresponsibility).

I argue that the international strategy will could have negative effects on the relationship between the slack resources and corporate social responsibility. According to the extended transaction cost theory, the difference between firms' liquid slack and sticky slack will influence their performance in terms of CSP and CSiR. Specifically, with multi-domestic strategy, liquid slack resource is expected to have positive effect for top management to apply CSR, while sticky slack resource is expected to have negative effect for top management to apply CSR. With global strategy, liquid slack resource is also expected to have negative effect for top management to apply CSR, while sticky slack resource is expected to have positive effect for top management to apply CSR.

Therefore, in this study, we introduce the international strategy into the relationship

between the slack resources and CSR which advances the previous research.

6.2. Discussion of the Empirical Results

In this study, I consider effects of two types of slack resources (liquid slack and sticky slack) on CSR, which is measured by two constructs, i.e., CSP and CSiR. According to research (Strike, Gao and Bansal, 2006), MNEs can simultaneously show CSR and CSiR, and this can be especially true for those that operate in both developed and developing countries. Our current study contributes to the literature of slack resources by testing whether CSR and CSiR can be caused or influenced by the same variable of slack resources, such as financial slack or human-resource slack.

From a perspective of transaction-cost theory, we first discuss the difference between firms' liquid slack and sticky slack according to their potential transaction costs may influence their performance in terms of CSP and CSiR. After that, we conducted an empirical study showing that both CSP and CSiR can be influenced by the same slack resource, such as MNEs' financial resource, in the same direction. In other words, while transaction efficiency, which is associated with liquid slack resource, can help a given MNE to do better in CSP, the same transaction efficiency can also enable the same MNE to conduct more CSiR. On the other hand, for those slack resources with high asset specificity, such as sticky slack, their effects on both CSP and CSiR may not be observed.

Here again the non-liquid slack can affect CSP and CSiR in the same direction. All these findings are consistent with the argument that a given firm and MNE can show CSP and CSiR at the same time (Strike, Gao and Bansal, 2006). Moreover, further

developing this argument, our current study theorizes that both CSP and CSiP can be influenced by the slack differently contingent to the associated transaction costs.

In addition, our data have indicated clearly the moderating effects of the two types of MNEs' integration strategy on the relationship between the slack and two dimensions of CSR. On the one hand, our results suggest that, because of its nature of high liquidness, the effects of the financial slack on CSP can be moderated on CSP. On the other hand, our results also suggest that, because of its nature of low liquidness, the effects of the sticky slack on CSP are negative. From a perspective of transaction-cost theory, this difference in effects between the liquid slack and sticky slack can also be explained mainly by their difference in location specificity. In addition, assuming a given MNE adopts a strategy of multi-domestic strategy, which can lead to an even higher level of asset specificity, the effect of liquid resource can become even more critical and salient.

Finally, the findings from our current study are also consistent with the argument that more slack resources are not necessarily better for firm performance (e.g., Mishina et al., 2004), such as CSR. This is especially true for firms or MNEs with main non-liquid slack resource. Indeed, even with those liquid slack resources, such as financial resource, a firm or MNE may still have a bad reputation in terms of CSR because of its record of CSiR. The transaction efficiency associated with the liquidness may lead to more CSiR although it can help CSP at the same time. We will discuss this view further in a later section on practical contributions of our findings. Theoretically and practically, our findings from our current study can make several contributions. Below we provide a specific discussion of these contributions.

6.2.1 Theoretical Implications

Generally speaking, the results from our current study contribute to the literature of transaction-cost theory as well as that of firm slack resource in a number of ways.

On the one hand, by proposing and testing the effects of the two types slack resources from a transaction-cost perspective, we help enrich the theory of transaction-cost theory and provide new empirical evidence supporting the predictive validity of several lenses provided by this theory. I stress that the difference in the effect on CSR between the liquid slack and sticky slack can be attributed to the difference in transaction efficiency. This transaction-cost perspective helps understand theoretically why the liquidness of the slack resources, which has documented by prior research (Mishina et al. 2004), should lead to differences in firm performances, such as CSR.

Based on the findings from our current study, it is arguable that the theory of firm slack resource should pay more attention to the issue of transaction costs or transaction efficiency. Indeed, according to the results of a meta-analysis performed by Daniel et al. (2004), many authors may assume that there exists a general empirical support for the positive effects of all slack resources on firm performance. The data from our current study show that the effect of the slack resources should be contingent to their transaction efficiency. Moreover, to some complicated firm performances, such as CSR that two totally different dimensions, i.e., CSP and CSiR, the effects of the slack should also offset each other because a given firm may show CSP and CSiR at the same time. Prior research has only argued that financial slack can allow a high degree of discretion for firm management to achieve good firm

performance (e.g., O'Brien, 2003; Peng et al., 2010). Considering the data from our current study, we posit that prior understanding is not sufficient. The liquid financial slack can also lead to poor CSR as well.

On the other hand, the findings from our study further highlight the importance of considering firm strategy when testing the relationship between the slack and CSR. No study has considered the organization-structure-related variables. Specifically, the majority of the studies considered no moderators on the slack-performance relationship, while the rest studies considered the moderators in the external environment only (e.g., Love & Nohria, 2005). The effect of firms' internal factors has been largely ignored.

However, in this study, we focus on a firm strategy that has not been sufficiently studied but very relevant to transaction-cost theory, i.e., MNEs international strategy that can involve different level of asset specificity. Although the differences between multi-domestic strategy and global strategy have been documented (e.g., Taylor, Beechler & Napier, 1996), its implication related to transaction-cost theory has not been sufficiently considered. From a perspective of transaction-cost theory, we discuss this implication and test the related hypotheses, such as H3a and H3a. In other words, I argue theoretically that some of the integration strategy, such as multi-domestic strategy, can lead to higher asset specificity than others, such as the global strategy. This high level of asset specificity, in turn, can make the liquidity of the slack even more salient or critical for firm performance, such as CSR. Indeed, as our empirical data suggest, the effect of the liquid financial slack can really become more salient among firms with a multi-domestic strategy, which involve a high level of asset specificity. In this way, the findings from our current study also contribute to the

literature of international strategic management.

Finally, the findings from current study support the relationship between the slacks and CSP/CSiR. The research of corporate social responsibility has so far pay insufficient attention to the effect of firm slack resources. It remains unclear how firm resources, including sticky slack and liquid slack, may be combined to generate synergy or complementary effects on improve CSP. Addressing this issue, the current study contributes by bridging this research gap with new empirical evidence.

6.2.2 Practical Implications

Except for the theoretical contributions which have been stated above, the findings from our current study also have practical implications for managers of MNEs in international business. Although many of these managers may share the sense of CSR and have a variety of slack resources, they may not fully understand how these slack resources may influence the CSR of their firms. The findings from our current study suggest that, to do a good job in CSR internationally, MNE managers should watch harder how their liquid financial resource are applied, and this can be especially true for those MNEs applying a strategy of multi-domestic strategy. Specifically, the managers should realize that, while the liquid slack resources may help CSP, the same resource can also lead to more CSiR, if the resources are misused. Indeed, the transaction efficiency associated with the liquid slack resources may allow a given firm and MNE to do more harm to the environment or human society as a whole if the resources are used in a wrong way.

6.3. Limitations

The first limitation for this study is the measurement of multi-domestic strategy and that of global strategy within international strategy. In this study, we just used the basic definition of international strategy to distinguish them and measure them as the dummy variables. Future research should make greater efforts to develop a better measurement of the variables.

The second limitation for this study is the external validity of the findings, which may be applicable only to MNEs. Some firms focus on the domestic markets only. It would be of significant to conduct further research testing slack-performance relationship in terms of CSR in these firms.

The third limitation of this study is the limited number of moderators. There may be other moderators influencing the relationship between the slack resources and corporate social responsibility, such as corporate governance and geographic diversification. Future research should consider and test the effects of these moderators.

Finally, the empirical results are based on a USA data set, which may also cause problems of external validity. More should be done to address this issue in the future. For example, we can repeat the empirical work in this study with data and information from other MNEs in other countries, and compare the results of data analyses with those from our current study.

6.4. Conclusion

In an effort to advance TCE-based thinking, we test and extend prior research on

the relationship between MNEs' slack resources and CSR based on a perspective of transaction costs. Integrating this perspective with other theories, such as the slack-resource theory and international strategy, we obtain useful empirical evidence on several issues: The effects of the slack can be different contingent to their liquidness, which can be explained by transaction efficiency related to several factors, such as asset specificity. Moreover, the effects of the slack can be the same on different dimension of CSR, such CSP and CSiR. Finally, the relationship between the slack and CSR can be moderated by MNEs' integration strategy. The higher asset specificity resulted from this strategy, the more salient the effect of liquid slack resources.

Table 1 Summary of slack and firm performance research

	Category	Definition	Firm performance	Moderator
Tan and Peng, SMJ, 2003	Unabsorbed/ Absorbed slack	Unabsorbed slack: Uncommitted liquid resources; Absorbed slack: Excess costs, committed resources	Accounting-based measure: profitability, market position	No
Mishina, Pollock and Porac, SMJ, 2004	Liquid/ Sticky slack	Liquid slack: General asset that is easily redeployed to varied uses; Sticky resources: path-dependent and firm -specific resources that is difficult to manage	Accounting-based measure: Sales growth	No
Love and Nohria, SMJ, 2005	Unabsorbed/ Absorbed slack	Unabsorbed slack: Uncommitted liquid resources; Absorbed slack: Excess costs, committed resources	Accounting-based measure: ROA	External factor: the timing and economic downsizing cycle
George, AMJ,2005	High-discretion/ Low-discretion slack	High-discretion slack: Easy to deploy resources; Low-discretion slack: Hard to deploy resources	Accounting-based measure: Gross profit	No
Tseng, Tansuhaj, Hallagan, and McCullough, JIBS, 2007	Unabsorbed/ Absorbed slack	Unabsorbed slack: Uncommitted liquid resources; Absorbed slack: Excess costs, committed resources	Growth in multinationality: foreign sales	No
Voss, Sirdeshmukh, and Voss, AMJ,2008	High rarity/Low rarity slack	High rarity slack: rare and valued resources; Low rarity slack: generic and commonly available resources	Exploration and exploitation	Environmental threat
Vanacker, Collewaert and Zahra, SMJ, 2016	Unabsorbed/ Absorbed slack	Unabsorbed slack: Uncommitted liquid resources; Absorbed slack: Excess costs, committed resources	Accounting-based measure: gross profit	No

Table 2 Descriptive Statistic and Correlation

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1.CSR	1.501	2.400	1.000									
2.CSIR	1.484	1.464	0.3069*	1.000								
3.Liquid slack	0.173	0.190	-0.0912*	-0.1160*	1.000							
4.Sticky slack	0.001	0.008	-0.0456*	-0.0228*	0.1450*	1.000						
5.Industry category	0.737	0.440	0.006	0.0468*	-0.0187*	-0.009	1.000					
6. Firm size ^a	1.748	1.261	0.5565*	0.3478*	-0.3103*	0.0187*	-0.2266*	1.000				
7. Firm age	31.547	16.909	0.3601*	0.2729*	-0.2553*	-0.0321*	0.1282*	0.4562*	1.000			
8. Firm risk	0.613	1.694	0.0278*	0.0542*	-0.1639*	-0.0195*	0.0296*	0.0658*	0.0358*	1.000		
9. Firm perform	0.033	0.135	0.1140*	0.005	-0.1634*	-0.2242*	-0.0843*	0.1910*	0.1052*	-0.0419*	1.000	
10.Outside director	0.821	0.093	0.2111*	0.0854*	-0.0814*	-0.0438*	0.0784*	0.1871*	0.2116*	0.0335*	-0.011	1.000

Note: ⁺ $p < 0.1$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$
^alogarithm;
N=11514

Table 3 Regression analysis of predicting the relationship between liquid/sticky slack and CSR/CSIR

<i>Variables</i>	CSR			CSIR		
	Model1	Model2	Model3	Model4	Model5	Model6
<i>Control variables</i>						
Firm size ^a	0.961 ^{***} (0.036)	1.032 ^{***} (0.037)	1.038 ^{***} (0.037)	0.257 ^{***} (0.022)	0.270 ^{***} (0.022)	0.280 ^{***} (0.022)
Firm age	0.010 ^{**} (0.003)	0.012 ^{***} (0.003)	0.008 ^{**} (0.003)	0.012 ^{***} (0.002)	0.012 ^{***} (0.002)	0.011 ^{***} (0.002)
Firm risk	-0.042 [*] (0.019)	-0.023 (0.019)	-0.048 [*] (0.019)	0.009 (0.012)	0.012 (0.012)	0.007 (0.012)
Financial performance	0.937 [*] (0.376)	0.814 [*] (0.371)	0.837 [*] (0.371)	-0.356 (0.225)	-0.380 ⁺ (0.225)	-0.387 ⁺ (0.224)
Outside director	2.363 ^{***} (0.415)	2.382 ^{***} (0.410)	1.892 ^{***} (0.413)	-0.211 (0.249)	-0.207 (0.248)	-0.354 (0.250)
<i>Independent variable</i>						
Liquid slack		2.141 ^{***} (0.244)			0.412 ^{**} (0.148)	
Sticky slack			-32.453 ^{***} (3.585)			-9.874 ^{***} (2.169)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-3.208 ^{***} (0.392)	-3.857 ^{***} (0.394)	-2.978 ^{***} (0.387)	0.051 (0.235)	-0.073 (0.239)	0.121 (0.234)
R^2	0.2843	0.3055	0.2942	0.1258	0.1258	0.1327
ΔR^2		0.0212 ^{***}	0.0099 ^{***}		0.000	0.0069 ^{***}
N	3023	3023	3023	3023	3023	3023

Standard errors in parentheses

⁺ $p < 0.1$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

Table 4 Regression analysis of predicting the relationship between liquid/sticky slack and CSR/CSIR

<i>Variables</i>	CSR			CSIR		
	Model1	Model2	Model3	Model4	Model5	Model6
<i>Control variables</i>						
Firm size ^a	1.268*** (0.021)	1.329*** (0.022)	1.269*** (0.021)	0.529*** (0.014)	0.547*** (0.015)	0.529*** (0.014)
Firm age	0.009*** (0.001)	0.010*** (0.001)	0.009*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)
Firm risk	-0.027* (0.012)	-0.013 (0.012)	-0.027* (0.012)	0.003 (0.008)	0.008 (0.008)	0.003 (0.008)
Financial performance	0.346* (0.143)	0.589*** (0.143)	0.229 (0.149)	-0.292** (0.095)	-0.218* (0.096)	-0.351*** (0.099)
Outside director	1.357*** (0.226)	1.415*** (0.224)	1.336*** (0.226)	-0.327* (0.150)	-0.309* (0.150)	-0.338* (0.151)
<i>Independent variable</i>						
Liquid slack		1.489*** (0.125)			0.455*** (0.084)	
Sticky slack			-7.414** (2.698)			-3.729* (1.794)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-2.346*** (0.210)	-2.803*** (0.212)	-2.322*** (0.210)	0.233+ (0.140)	0.093 (0.142)	0.245+ (0.140)
R^2	0.3728	0.3821	0.3730	0.1654	0.1656	0.1655
ΔR^2		0.0093***	0.0002		0.0002	0.0001
N	8491	8491	8491	8491	8491	8491

Standard errors in parentheses

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 5 Regression analysis of predicting the relationship between liquid slack and CSR/CSIR under multi-national strategy

<i>Variables</i>	CSR			CSIR		
	Model1	Model2	Model3	Model4	Model5	Model6
<i>Control variables</i>						
Firm size ^a	1.162 ^{***} (0.018)	1.224 ^{***} (0.019)	1.226 ^{***} (0.019)	0.446 ^{***} (0.012)	0.462 ^{***} (0.012)	0.462 ^{***} (0.012)
Firm age	0.010 ^{***} (0.001)	0.011 ^{***} (0.001)	0.011 ^{***} (0.001)	0.006 ^{***} (0.001)	0.006 ^{***} (0.001)	0.006 ^{***} (0.001)
Firm risk	-0.034 ^{**} (0.010)	-0.018 ⁺ (0.010)	-0.018 ⁺ (0.010)	0.007 (0.007)	0.011 ⁺ (0.007)	0.011 (0.007)
Financial performance	0.487 ^{***} (0.135)	0.694 ^{***} (0.135)	0.632 ^{***} (0.135)	-0.276 ^{**} (0.088)	-0.221 [*] (0.088)	-0.242 ^{**} (0.089)
Outside director	1.632 ^{***} (0.199)	1.682 ^{***} (0.197)	1.677 ^{***} (0.197)	-0.314 [*] (0.130)	-0.301 [*] (0.130)	-0.301 [*] (0.130)
<i>Independent variable</i>						
Liquid slack		1.594 ^{***} (0.111)	2.522 ^{***} (0.214)		0.418 ^{***} (0.073)	0.701 ^{***} (0.141)
<i>Interaction effects</i>						
Industry Category(IC)			0.030 (0.174)			-0.263 [*] (0.114)
Liquid slackX IC			-1.227 ^{***} (0.242)			-0.377 [*] (0.159)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-2.595 ^{***} (0.185)	-3.090 ^{***} (0.187)	-3.116 ^{***} (0.225)	0.175 (0.121)	0.045 (0.123)	0.234 (0.148)
R^2	0.3327	0.3368	0.3371	0.1424	0.1449	0.1450
ΔR^2		0.0041 ^{***}	0.0003		0.0025 ^{***}	0.000
N	11514	11514	11514	11514	11514	11514

Standard errors in parentheses

⁺ $p < 0.1$, ^{*} $p < 0.05$, ^{**} $p < 0.01$, ^{***} $p < 0.001$

Table 6 Regression analysis of predicting the relationship between sticky slack and CSR/CSIR under global strategy

<i>Variables</i>	CSR			CSIR		
	Model1	Model2	Model3	Model4	Model5	Model6
<i>Control variables</i>						
Firm size ^a	1.162*** (0.018)	1.177*** (0.018)	1.188*** (0.018)	0.446*** (0.012)	0.452*** (0.012)	0.455*** (0.012)
Firm age	0.010*** (0.001)	0.009*** (0.001)	0.009*** (0.001)	0.006*** (0.001)	0.006*** (0.001)	0.006*** (0.001)
Firm risk	-0.034** (0.010)	-0.036*** (0.010)	-0.036*** (0.010)	0.007 (0.007)	0.006 (0.007)	0.006 (0.007)
Financial performance	0.487*** (0.135)	0.215 (0.138)	0.365** (0.139)	-0.276** (0.088)	-0.389*** (0.090)	-0.340*** (0.091)
Outside director	1.632*** (0.199)	1.519*** (0.199)	1.479*** (0.198)	-0.314* (0.130)	-0.362** (0.130)	-0.373** (0.130)
<i>Independent variable</i>						
Sticky slack		-19.141*** (2.133)	-37.894*** (3.401)		-8.009*** (1.394)	-14.295*** (2.225)
<i>Interaction effects</i>						
Industry Category(IC)			-0.125 (0.173)			-0.309** (0.113)
Sticky slackXIC			30.791*** (4.355)			10.334*** (2.849)
Industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-2.595*** (0.185)	-2.507*** (0.185)	-2.411*** (0.222)	0.175 (0.121)	0.211+ (0.121)	0.436** (0.145)
R^2	0.3327	0.3348	0.3371	0.1424	0.1439	0.1454
ΔR^2		0.0021***	0.0022***		0.0015***	0.0015***
N	11514	11514	11514	11514	11514	11514

Standard errors in parentheses

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Figure 1 Theoretical Model

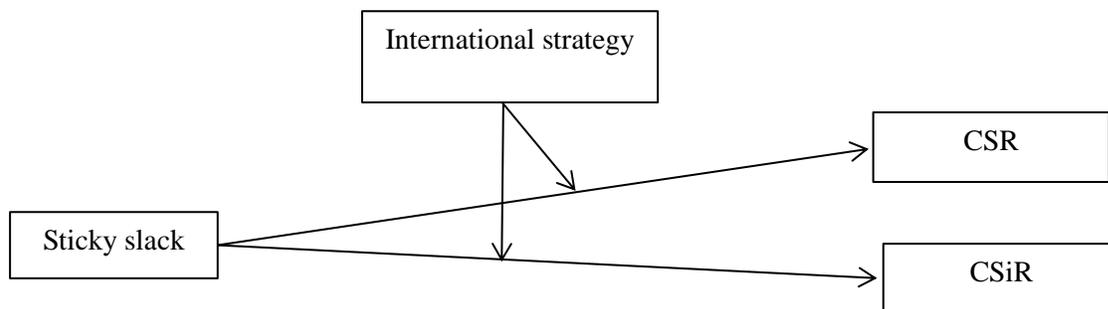
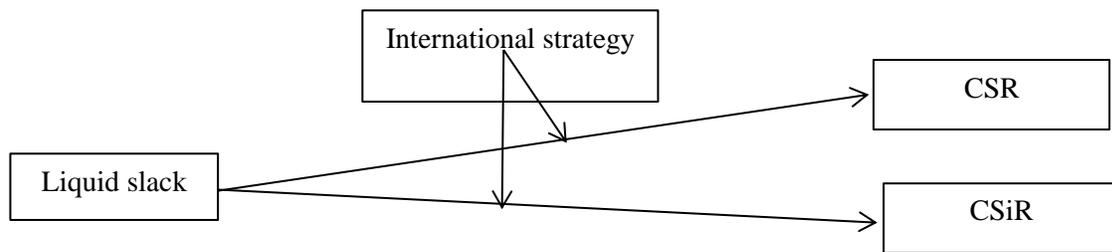


Figure 2. The moderating role of Industry Category on liquid slack-CSR relationship

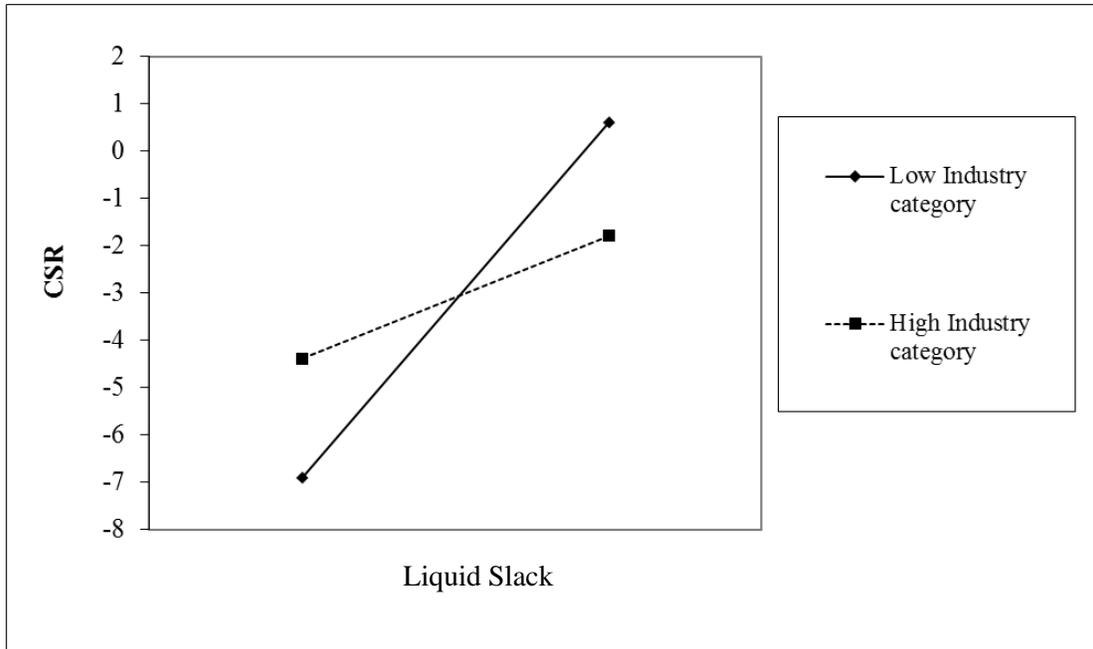


Figure 3 The moderating role of Industry Category on liquid slack-CSIR relationship

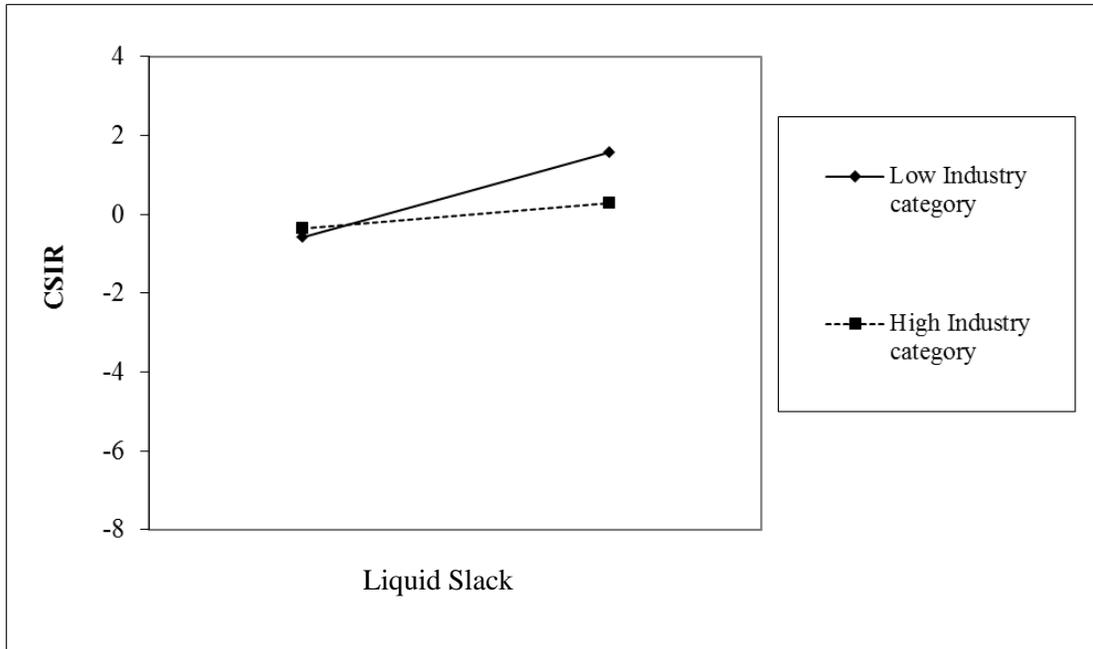


Figure 4 The moderating role of Industry Category on Sticky slack-CSR relationship

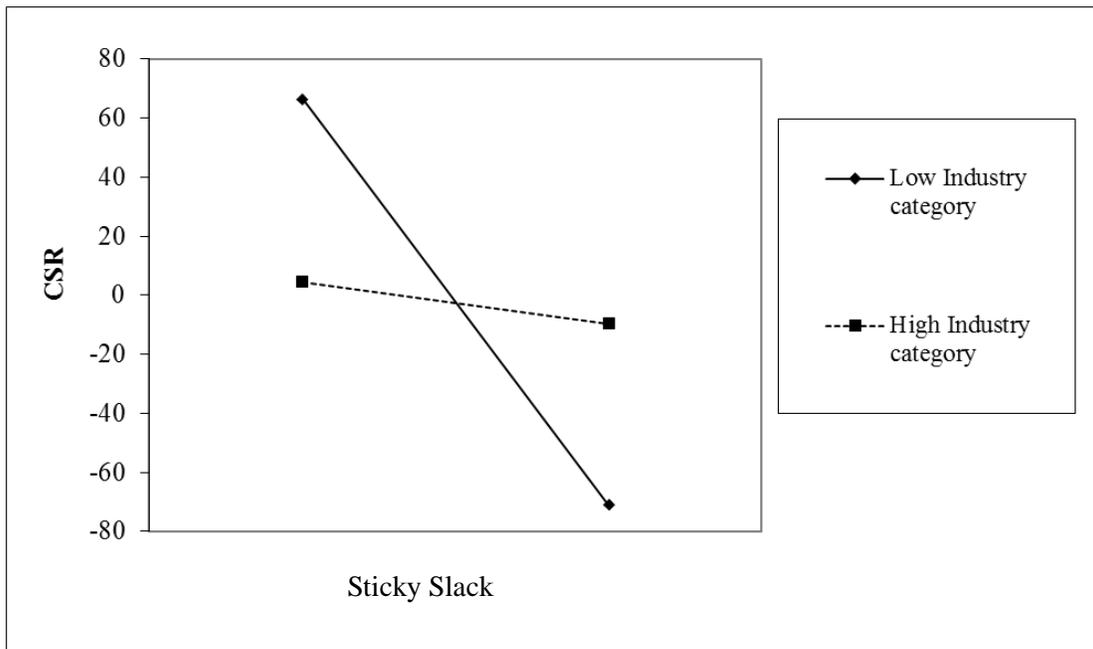
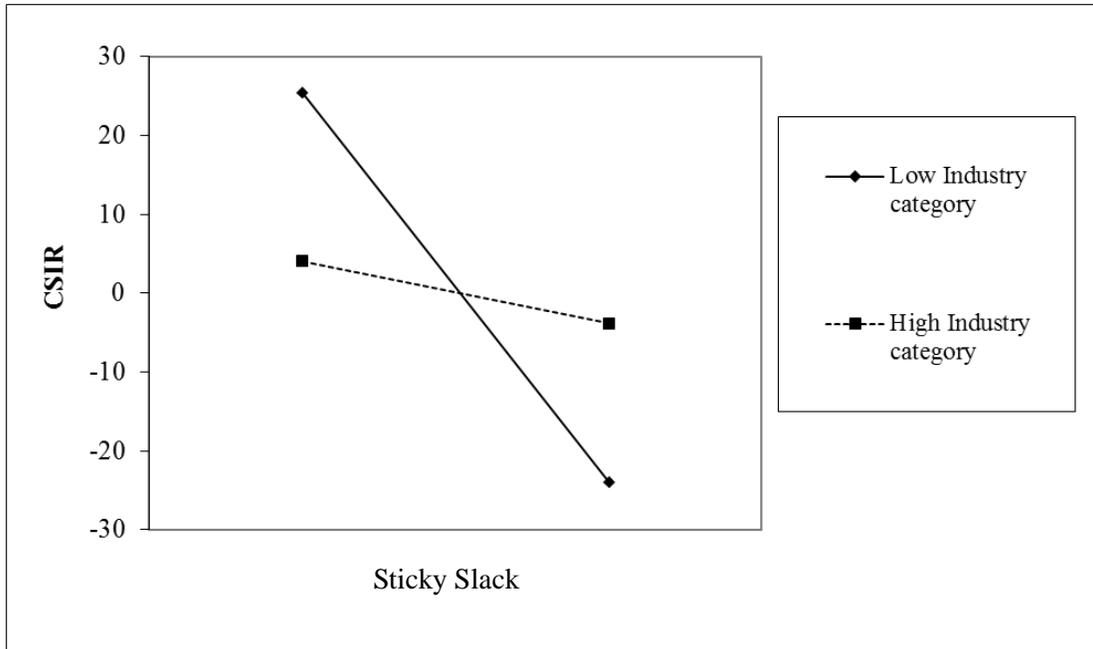


Figure 5 The moderating role of Industry Category on sticky slack-CSIR relationship



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CURRICULUM VITAE

Academic qualifications of the thesis author, Miss. SONG Wenwen:

- Received the degree of Bachelor of Business Administration from Nanjing University of Posts and Telecommunications, June 2012.
- Received the degree of Master of Science in Human Resources Management (Distinction) from Hofstra University, June 2014.

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