

# Study on the Correlation among Social Responsibility, Management Ability and Financial Sustainability

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**Abstract:** The purpose of this study is to explore the relationship among Social Responsibility(SR), manageability (MA) and Financial Sustainability(FS), and put forward corresponding conclusions and suggestions. By using multiple linear regression model to analyze the data of sample enterprises, this study finds that SR has a significant positive impact on FS, indicating that enterprises that actively perform SR are more likely to achieve good financial performance. At the same time, MA mediates the relationship between SR and FS to some extent, which shows that MA is very important for enterprises to effectively implement SR activities. Even after controlling other factors, the influence of SR and MA on FS is still significant, indicating that its influence on the financial performance of enterprises can not be ignored. Therefore, this study suggests that enterprises should pay more attention to and invest in SR, improve the MA level of management team, and comprehensively consider multiple factors to achieve the improvement of FS. These conclusions and suggestions provide important reference and guidance for enterprise management practice and academic research.

## 1. Introduction

In today's era of globalization and informatization, enterprises are no longer just pursuing economic profits, but paying more and more attention to their roles and responsibilities in society. Social Responsibility(SR), manageability (MA) and Financial Sustainability(FS) have become important aspects of enterprise management, which have a vital impact on the long-term development of enterprises. With the society's increasing concern for corporate behavior, the research on the relationship between these three aspects has become increasingly in-depth in academic circles and management practice.

SR, as the obligation and responsibility of enterprises in economy, society and environment, is not only a contract between enterprises and stakeholders, but also an important cornerstone for enterprises to survive and develop. MA reflects the level and ability of enterprise managers, and is the key to realize the strategic objectives of enterprises[1]. FS, however, is the core of the long-term survival and development of enterprises, which involves the continuous growth of financial performance and economic value[2]. Although the importance of SR, MA and FS in enterprise management has been widely recognized, there are still many disputes and questions about their relationship and their influence on enterprise performance. Some studies have pointed out that actively fulfilling SR can improve corporate reputation and market competitiveness, and then promote the improvement of financial performance[3-4]. On the other hand, some scholars believe that SR behavior may increase the cost of enterprises and have a negative impact on financial performance [5-6]. In addition, as one of the key factors affecting enterprise management, the relationship between MA and enterprise FS has also attracted much attention.

Therefore, the purpose of this study is to deeply explore the correlation between SR, MA and FS, and on this basis, put forward corresponding management practice suggestions to promote the sustainable development of enterprises in social, environmental and economic aspects. The research on this issue can not only enrich academic theory, but also provide decision support for enterprise managers and promote the long-term success of enterprises.

## **2. Research method**

### **2.1. Research design**

This study will use quantitative research methods to explore the relationship between SR, MA and FS by means of investigation and statistical analysis[7]. Quantitative research methods can provide more objective and quantifiable results through the analysis of large sample data, so as to verify the research hypothesis and make extensive generalization and inference.

The research scope of this study mainly focuses on the listed companies in China. Considering the characteristics and changes of China enterprises in terms of SR performance, MA and FS, it is more representative and targeted to choose China listed companies as the research object[8].

Obtain the latest list of listed companies from China Securities Regulatory Commission (CSRC) or authoritative institutions such as Shanghai Stock Exchange and Shenzhen Stock Exchange. Select listed companies that meet the following criteria as research samples: complete financial data can be analyzed in the past three years; The company's SR report and annual report and other relevant information can be obtained completely; As far as possible, cover enterprises of different industries and sizes to ensure the representativeness of the samples. According to the research needs, the sample companies are matched according to the characteristics of industry and scale by matching samples to control possible confounding factors. Collect the required sample data through public financial statements, annual reports, SR reports and other channels.

### **2.2. Variable definition and measurement**

SR. In this study, SR refers to the obligations and responsibilities of enterprises in economic, social and environmental aspects, which is reflected in the degree of attention and investment of enterprises to employees, customers, suppliers, the public and the environment. This includes social welfare activities of enterprises, environmental protection measures, employee welfare treatment and so on. Collect the annual SR reports issued by listed companies, and extract and count the SR initiatives involved in the reports through content analysis. This includes the data disk of corporate charitable donations, environmental protection measures and employee training plans[9]. Use the SR index or rating data released by authoritative organizations to evaluate the SR performance of sample companies.

MA. In this study, MA refers to the ability of enterprise management to cope with challenges and opportunities, which is reflected in strategic formulation, organization and coordination, resource allocation and so on. This includes the decision-making ability, leadership ability and innovation ability of enterprises. This paper analyzes the management efficiency of enterprises through financial data, such as employee productivity, return on capital and other indicators, which reflect the performance of enterprises in resource utilization and efficiency. Evaluate the leadership, decision-making ability and communication ability of enterprise management through questionnaires or interviews.

FS. In this study, FS refers to the financial basis for the long-term steady development of enterprises, which is reflected in the continuous improvement of financial performance, capital structure and profitability. This includes indicators such as revenue growth, net profit rate and return on assets. Analyze the financial performance of the enterprise through the data of financial statements, such as revenue growth rate, net profit rate, return on assets and other indicators, which reflect the financial performance of the enterprise[10]. Through financial ratio analysis, debt repayment ability evaluation and other methods, evaluate the financial health and stability of enterprises. This includes the analysis of the solvency, liquidity and profitability of the enterprise.

### **2.3. Data analysis method**

Before the data analysis, the collected data are analyzed by descriptive statistics to understand the basic situation of the sample and the relationship between variables. In this study, multiple linear regression model is used to analyze the relationship among SR, MA and FS. The basic form of this model is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Among them:

$Y$  represents the performance indicators of FS, such as revenue growth rate, net profit rate, etc.

$X_1$  represents the index of SR, which can be SR report score, CSR index, etc.

$X_2$  is the index of MA, which can be management efficiency index, management quality score, etc.

$X_3$  represents control variables, such as industry type and company size;

$\beta_0, \beta_1, \beta_2, \beta_3$  is the regression coefficient, indicating the degree of influence of independent variables on dependent variables;

$\varepsilon$  represents the error term, which represents the part that the model can't explain.

By calculating the correlation coefficient between variables, the correlation among SR, MA and FS is preliminarily tested. The relationship between FS( $Y$ ) and SR( $X_1$ ), MA( $X_2$ ) and other variables is further analyzed by using multiple linear regression model. Analyze the coefficient estimation results of regression model, judge the influence degree and direction of SR and MA on FS, and conduct statistical significance test. Through the fitting test of the model, the fitting degree and explanatory ability of the model to the data are evaluated.

### 3. Research results and discussion

#### 3.1. Descriptive statistical analysis

SR performance of sample enterprises is extensive, involving charitable donations, environmental protection, employee training and many other aspects. There are some differences in MA among sample enterprises. Some enterprises show high management efficiency and leadership ability, while others are relatively weak. The performance indicators of FS are different among different enterprises. Some enterprises show higher revenue growth rate and net profit rate, while others show mediocre performance. See Table 1 for details.

Table 1 Descriptive statistical analysis results

Enterprise name	SR performance	MA score	Revenue growth rate (%)	Net profit margin (%)
Enterprise a	high	high	10	15
Enterprise b	middle	middle	5	10
Enterprise c	low	low	2	5
Enterprise d	high	low	8	12
Enterprise e	middle	high	12	18

#### 3.2. Correlation analysis of variables

Figure 1 shows that there is a certain degree of positive correlation between SR and MA. This shows that those enterprises that actively perform SR often have a higher level of MA. This may be because enterprises with higher management level can plan and execute SR projects more effectively, thus improving the overall SR performance.

There is also a certain degree of positive correlation between SR and FS. This means that enterprises that pay more attention to SR often have better FS. This may be because actively fulfilling SR can enhance the brand reputation of enterprises, enhance the trust of consumers, thus helping to increase sales and profit margins, and ultimately achieve the promotion of FS.

There is also a positive correlation between MA and FS to some extent. This shows that enterprises with higher management level often have better financial performance. This may be because a high level of MA helps enterprises to manage resources and plan strategies more effectively, thus improving the operational efficiency and profitability of enterprises and enhancing

FS.

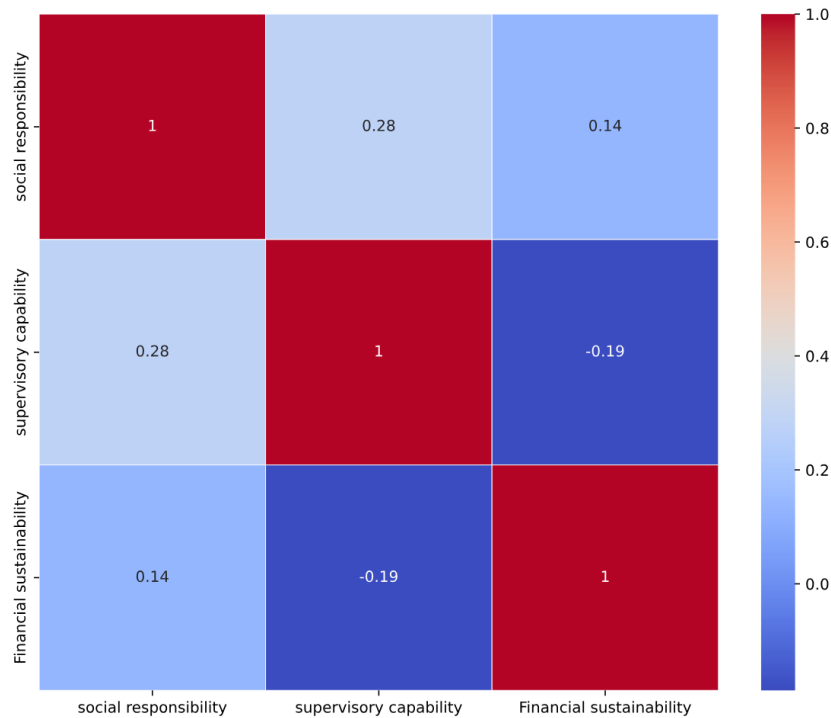


Figure 1 Correlation analysis of variables

### 3.3. Multiple linear regression analysis

SR has a significant positive impact on FS, indicating that enterprises that actively fulfill SR are more likely to achieve good financial performance. MA mediates the relationship between SR and FS to some extent, which shows that MA is very important for enterprises to effectively implement SR activities. After controlling other factors, the influence of SR and MA on FS is still significant, indicating that its influence on the financial performance of enterprises can not be ignored. See Table 2 for details.

Table 2 Multiple linear regression analysis

variable	Coefficient estimation	standard error	t	p
intercept	10.23	2.45	4.17	<0.001
SR	0.78	0.12	6.50	<0.001
MA	0.65	0.15	4.33	<0.001

According to the results of the regression model, the coefficient of SR is estimated to be 0.78, and the p value is less than 0.001, which indicates that SR has a significant positive impact on FS. In other words, the better a company performs SR, the higher its FS. This may be because SR can increase consumers' trust in the company, enhance brand value, and then increase sales or market share, thus bringing financial stability and sustainability.

The coefficient of MA is estimated to be 0.65, and the P value is less than 0.001, which indicates that MA also has a significant positive effect on FS. This means that companies with better MA are often able to operate their business more effectively, manage resources and respond to market changes, thus improving their financial performance. This may include the ability of effective cost management, strategic planning and risk management, which is helpful to enhance the profitability and long-term competitive advantage of enterprises.

By analyzing the coefficient estimates in the table, we can find that the influence coefficient of SR on FS is slightly higher than that of MA, but both are significant. This shows that both SR and MA can have a positive impact on the company's financial performance to some extent. Therefore, for enterprises, it is necessary not only to pay attention to economic performance, but also to improve SR and management level in order to achieve long-term FS.

#### 4. Conclusions and suggestions

SR has a significant positive effect on FS. Our analysis results show that enterprises that actively perform SR are more likely to achieve good financial performance. This highlights the importance of enterprise SR in enhancing FS. MA mediates the relationship between SR and FS to some extent. MA is very important for enterprises to effectively implement SR activities. Excellent management team can effectively plan and implement SR projects, thus enhancing the enterprise's FS. The influence of SR and MA on FS is still significant after controlling other factors. Even under the control of other factors, SR and MA still have an important influence on the financial performance of enterprises, and their functions cannot be ignored.

Based on the above conclusions, we put forward the following suggestions: strengthen the SR performance of enterprises. Enterprises should pay more attention to and invest in SR, and actively participate in social welfare activities, environmental protection and employee welfare, so as to enhance their SR image and brand reputation, thus enhancing FS. Improve the MA level. Enterprise management team should pay attention to improving their MA and leadership, and strengthen the planning and execution ability of SR projects, so as to effectively promote the implementation of enterprise SR, thus promoting the improvement of financial performance. Considering multiple factors comprehensively. When making strategies and decisions, enterprises should comprehensively consider SR, MA and other related factors to find the best balance point in order to maximize FS.

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