The intervening effect of customer satisfaction in the relationship between corporate social responsibility and reputation and credibility: Case of Credit Departments of Taiwan's Farmer Association

by

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Submitted on 31st May 2016
for the partial requirement of the degree of Doctor of Business Administration
Faculty of Business and Law
The University of Newcastle, Australia
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Acknowledgements

I wish to express sincere gratitude to my supervisor, Associate Professor Dr. Canon Tong, for his encouragement, advice and intuitive guidance throughout the entire research process and writing up of this thesis. Through his knowledge, high standards and availability for consultation, Dr. Tong is an impressive educator who has helped to make my DBA journey an experience that I will forever cherish.

I am also thankful for the support and understanding of my friends, especially Lin Kung Jui and Hsu Chia Hung, who helped me to overcome setbacks and stay focused.

Last but not the least I would like to express sincere appreciation to all members of my family for their encouragement and support, with special thanks to my husband Chien Chen-Hui for his kindness.

Finally, I would like to dedicate this dissertation to my father for his unwavering support and unconditional love.
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Abstract

There has been a remarkable transformation in the business world over the last few decades with the concept of corporate social responsibility (CSR) having been universally embraced. CSR is prolific and paradoxical business applications, whereby businesses are made responsible for more than the products and services they produce but are also challenged to alleviate social problems in order to remain valued and competitive. As recent years have witnessed an increasing number of business frauds, the financial industry is being pressured to introduce innovative CSR programmes.

Service industries, such as banking and finance retailing, are different in many ways to industries that deal with a tangible product. Service is dictated by its inseparability, variability, intangibility and perishability characteristics, inherent characteristics that make it more difficult for an organisation to market and sustain its marketability. Therefore, in addition to the four fundamental marketing elements, service-marketing gurus emphasise 'process', 'people', and 'physical' elements to enable service providers to market themselves effectively. Although studies have revealed clear associations between overall CSR and customer perception, satisfaction and buying behaviour, as well as between overall CSR and corporate reputation and corporate credibility, there is a dearth of studies on the relationships between these dimensions as antecedents and behaviour consequences.

This study therefore examined the influence of CSR activities on the credibility and reputation of the Farmers' Association credit departments (FACDs) in Taiwan. The Farmers' Association (FA) in Taiwan is a multi-purpose organisation that provides a vast number of services to rural communities in Taiwan. As FACDs are credit
departments of an association, influenced by the government yet operating as private organisations, their function and services are rather intricate and ambiguous. The aim of this study was to determine the mediating role of customer satisfaction in the relationship between CSR activities and corporate credibility and reputation of FACDs in Taiwan.

The research adopted a positivism paradigm and quantitative cross-sectional approach to empirically examine customers’ views of CSR. Using purposive, judgemental, and convenience sampling techniques, a self-administered questionnaire was personally distributed to 400 members and customers outside FACD offices throughout Taiwan. A total of 334 fully completed questionnaires were received from participants. The questionnaire was designed using items from existing studies with a 5-point Likert measuring scale.

The outcome of data analyses using SEM in AMOS version 22, showed that the data was not normally distributed. However, due to the large sample of 334 and the robustness of SEM in relation to normality, hypothesis testing was nevertheless conducted resulting in support for six out of the nine hypotheses. Interestingly, the hypothesis developed for the mediating variable, 'customer satisfaction on the relationship between CSR and credibility', was not supported although it was shown to play a fully mediating role in relation to CSR and corporate reputation. The significant findings from this study are: the mediating effect of satisfaction on corporate reputation, the non-existence of the relationship between ethics dimension of CSR and corporate credibility, and the negative relationship between the environment dimension of CSR and corporate reputation and credibility.