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Corporate Social Responsibility Practices and Financial Performance of New Ventures: The Moderating Role of Government Support

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Abstract: This study enhances our comprehension of the link between corporate social responsibility (CSR) practices and financial performance in the context of new ventures. Specifically, it investigates the impact of primary and secondary stakeholder CSR practices on the financial performance of new ventures. It also examines the moderating roles of direct and indirect government support on the effect of secondary stakeholder CSR practices on new ventures' financial performance. The data collected from manufacturing firms in China demonstrate the following: (1) primary stakeholder CSR practices can promote the financial performance of new ventures; (2) compared with established firms, the negative effect of secondary stakeholder CSR practices on the financial performance of new ventures is stronger; (3) only indirect government support can positively moderate the relationship between secondary stakeholder CSR practices and new ventures' financial performance, and such a moderating effect is stronger than that in established firms.

Keywords: new ventures; corporate social responsibility practices; financial performance; government support

1. Introduction

New ventures play an important role in a modern economy. For the past 20 years, we have seen a growing number of new ventures globally [1]. A significant challenge that new ventures are faced with is how they can survive and grow. Corporate social responsibility (CSR) practices may be an effective means to address this challenge. CSR practices can enable new ventures to gain legitimacy from stakeholders [2], thus helping them overcome the liability of newness and enhancing their economic returns [3]. More importantly, implementing CSR practices can reduce new ventures' disproportionately environmental impacts [4] and promote their developments in a sustainable way [5], which is a significant benefit to society at large.

However, recent literature indicates that CSR practices may negatively impact the financial performance of new ventures [5]. This contradicts previous findings that highlight the economic benefits of CSR practices [6,7]. This contradiction may be caused by the heterogeneity of CSR practices—there are different types of CSR practices, which may lead to different impacts on firms' financial performance [8]. Recent studies only take a holistic view of CSR, i.e., measuring CSR practices using composite indexes [5]. This holistic approach allows for comparisons of CSR practices across new ventures, but it might obscure the economic benefits associated with specific CSR practices [9]. Moreover, the contradiction may also lead to the consideration of the difference between new ventures and established firms. Extant studies suggesting positive effects of CSR practices on firms' financial performance are mainly based on established firms [10]. Although

there are theoretical discussions that the economic benefits of CSR practices between new ventures and established firms may be different due to the different levels of knowledge and capabilities [5], there are no empirical studies examining such a difference.

Moreover, CSR practices may include the provision of public goods, e.g., environmental initiatives or educational programs to support the development of local communities, which have positive externalities. That is, these CSR practices carry collective benefits, but their costs cannot be borne by competitors [11]. Government support is often the solution to such positive externalities by enhancing the payoffs for activities that provide social goods [12,13], and it should be particularly important for new ventures, which are normally faced with resource constraints. Although extant literature has discussed how government support can promote firms to engage in some types of CSR practices [14,15], few studies have explored how government support can help CSR practices to achieve economic returns. There are also different types of government support, which may result in differentiated effects of CSR practices [16]. Therefore, it would deepen our understanding of the CSR practices among new ventures by exploring the role of government support.

To address the aforementioned gaps in the literature, this paper examines the impacts of different CSR practices on the financial performance of both new ventures and established firms, and the moderating effects of government support on these relationships. Specifically, in the paper we divide CSR practices into primary stakeholder CSR practices (PCSR) and secondary stakeholder CSR practices (SCSR) based on the classification of stakeholders [8]. We also distinguish direct and indirect government support in line with recent contributions [16]. We select the National Program "Made in China 2025" and choose its six demonstration cities to construct an empirical setting. Our hypotheses are tested using the quantitative data collected from multiple data sources, including questionnaires, official statistics, and patent databases. We also conduct an additional analysis by employing the fuzzy-set qualitative comparative analysis (fs/QCA) method.

We select China as the research setting for two reasons. (1) According to the Global Entrepreneurship Monitor (GEM) 2019/2020 Global Report (See details from https://www.gemconsortium.org/, accessed on 28 January 2024) [1], China has become one of the world's most active countries in entrepreneurship, and "widespread entrepreneurship and innovation" has become a new national economic development strategy in China. (2) In developed countries, CSR practices are mainly motivated by market forces, while in China the state is the key driver of CSR practices [17]. Currently, China is at a critical turning point of transition from the traditional factor-driven growth that is low-cost-labor-based and pollution-oriented to the upgraded new growth model that is more sustainable and socially balanced. Accordingly, the Chinese government has issued a series of market-based policies for promoting CSR practices [14,15]. Therefore, China provides an ideal context for our study.

This paper enriches our understanding of CSR practices of new ventures from three perspectives. (1) It advances CSR research in the context of new ventures by differentiating the impacts of two types of CSR practices (i.e., PCSR and SCSR) on financial performance. (2) It gains insights into the difference of CSR practices between new ventures and established firms, thus responding to the call for examining "differences between established and new ventures' approaches to and results from CSR activities" [5]. (3) This study investigates the influence of government support on CSR practices, specifically examining the effects of both direct and indirect government support on the relationship between CSR practices and financial performance in new ventures and established firms.

2. Literature Review and Hypotheses

2.1. The Economics of CSR Practices in New Ventures

CSR practices refer to the broad array of activities that "a firm develops in its efforts to deal with and create relationships with its numerous stakeholders and the natural environment" [18]. Current research suggests that CSR practices have both positive and negative impacts on financial performance [19,20]. On the one hand, CSR practices can

create business value by combining elements of humanities care, environmental protection, etc., with the products and services of the firm. For example, Duanmu et al. [21] found that firms can enhance product differentiation and thus competitiveness through responsible social behaviors. At the same time, CSR practices can also help to establish legitimacy and gain a social reputation. For example, Flammer [22] pointed out that firms engaged in social responsibility are more likely to receive government procurement orders due to their positive social reputation. On the other hand, some research also indicates that investment in CSR practices by firms may reduce their spending on core business [23]. In addition, engaging in social responsibility may also result in the diversion of management attention, thus preventing full commitment to core business activities [24]. In general, existing research based on samples of established firms suggests that the positive effects of CSR practices outweigh the negative effects and can therefore have a positive impact on financial performance [7,25].

Recent literature has begun to focus on the relationship between CSR practices and financial performance in the context of new ventures, pointing out that the lack of sufficient internal and external knowledge, funds, and other resources accumulation may amplify the negative impact of CSR and weaken its positive impact, thereby negatively affecting financial performance [5]. However, other literature affirms the positive role of CSR practices in the financial performance of new ventures, indicating that a lack of legitimacy is a significant reason for the high failure rate of new ventures, and CSR is an effective means for new ventures to establish legitimacy [26,27]. This contradiction has brought troubles to the practice of social responsibility for new ventures, and it is necessary to address it. Figure 1 depicts the basic outline of the existing literature.
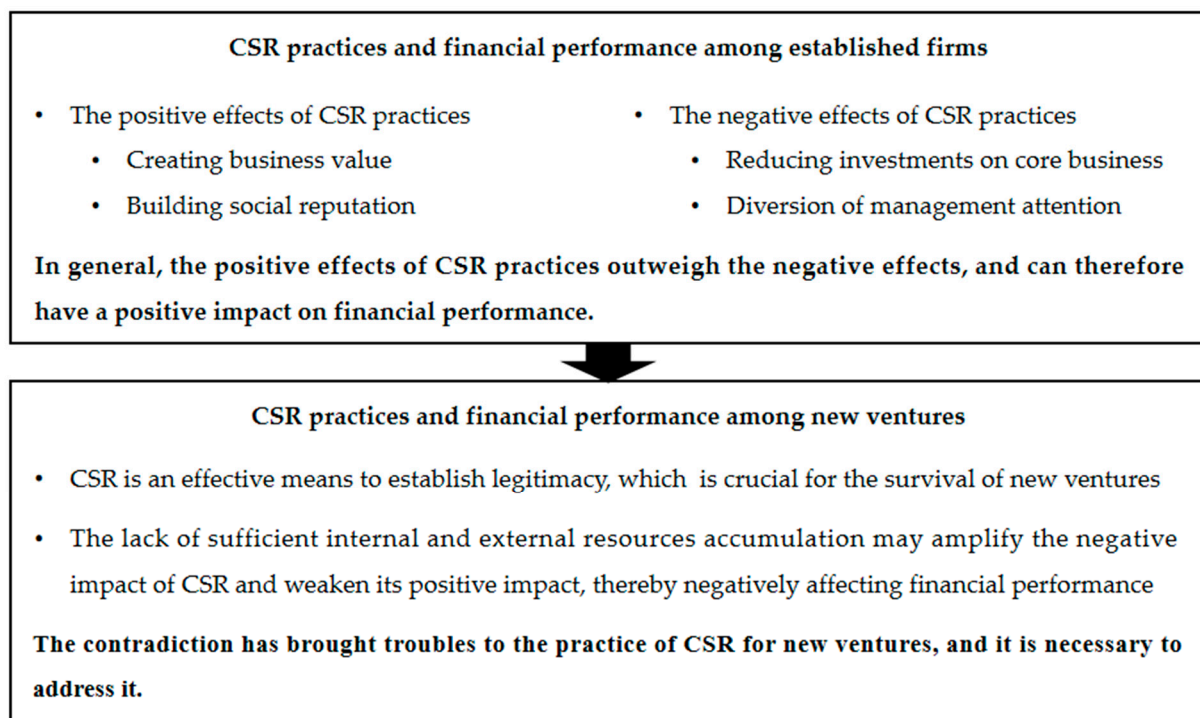

CSR practices and financial performance among established firms

- The positive effects of CSR practices
  - Creating business value
  - Building social reputation
- The negative effects of CSR practices
  - Reducing investments on core business
  - Diversion of management attention

In general, the positive effects of CSR practices outweigh the negative effects, and can therefore have a positive impact on financial performance.

CSR practices and financial performance among new ventures

- CSR is an effective means to establish legitimacy, which is crucial for the survival of new ventures
- The lack of sufficient internal and external resources accumulation may amplify the negative impact of CSR and weaken its positive impact, thereby negatively affecting financial performance

The contradiction has brought troubles to the practice of CSR for new ventures, and it is necessary to address it.

Figure 1. Research gap. Source: the authors. [5,7,21–27].

2.2. CSR Practices and Financial Performance of New Ventures

As stakeholders often have diverse and incompatible demands [27], firms usually selectively engage in some specific CSR practices to meet the demand of certain stakeholder groups for establishing legitimacy, accessing resources, and saving costs [8]. Therefore, CSR practices in nature are stakeholder-specific and should be studied from different stakeholder perspectives. In this regard, we draw on the stakeholder approach to categorize CSR practices. In general, there are two dominant stakeholder groups, i.e., primary and

secondary stakeholders [8,28]. Primary stakeholders are normally involved in a direct business relationship with a focal firm, whereas secondary stakeholders do not engage in formal transactions with the firm. Accordingly, we divide CSR practices into PCSR and SCSR. PCSR and SCSR aim to develop relationships with primary and secondary stakeholders and meet their demands, respectively.

Primary stakeholders (e.g., investors, employees, customers, and suppliers) play dominant roles in shaping firms' competitive advantages and are the main resource providers for business operations [8]. Current empirical evidence from established firms suggests that PCSR can positively enhance firms' economic returns. For instance, Mishra and Suar [9] found that PCSR practices, such as establishing a good employee training system and welfare guarantee policy, can help employees to be more proactive in solving problems, reduce turnover rate, and promote internal knowledge exchange and spillover within the organization, thereby enhancing corporate performance. Similarly, some other studies found that a transparent information disclosure system will help firms to more easily gain favor with investors, thereby having more abundant funds for investment activities, thereby improving financial performance [6]. Although existing studies have not extensively examined the relationship between PSCR and financial performance in the context of new ventures, they still suggested that PCSR improve new ventures' chances of accessing valuable resources from the market. For instance, Messersmith et al. [29] indicated that favorable remuneration policies could help new ventures in attracting talents, thereby significantly reducing their death rates. Rocca and Snehota [30] suggested that CSR practices towards suppliers help new ventures supplement and enrich their limited resources. Therefore, drawing on these contributions, we argue that PCSR can enhance the financial performance of new ventures.

However, as Wang and Bansal [5] noted, compared with established firms, new ventures have relatively weaker capabilities for implementing CSR practices. This is because the youngness of a new venture constrains the accumulation of knowledge and capabilities regarding stakeholder management, which may weaken the positive effect of CSR practices on firms' financial performance. For instance, new ventures' CSR practices may gain less public awareness in comparison with established firms due to the capital constraints [31]. As a result, the social reputation of new ventures' PCSR will be weaker compared to established firms, leading to lower profits. Accordingly, the positive impact of PCSR on the financial performance of new ventures might be less pronounced when compared to established firms. In the light of these arguments, we propose the following hypotheses.

Hypothesis 1a. *There is a positive relationship between PCSR and the financial performance of new ventures.*

Hypothesis 1b. *Compared with established firms, the effect of PCSR on the financial performance of new ventures is weaker.*

We also predict that SCSR can negatively affect the financial performance of new ventures. Firstly, since secondary stakeholders (e.g., environment and communities) are not involved in a direct business relationship with a focal firm, their contributions to business development may be smaller when compared to primary stakeholders in the short term [8]. For new ventures lacking funding sources, the uncertainty of short-term investment returns may hinder their achievement of economies of scale, thereby reducing financial performance. Secondly, engaging in SCSR may magnify the managerial distractions [5]. This may create tensions in allocating resources between secondary stakeholder related activities and core business [25], thereby going against economic returns. Thirdly, established firms may have more resources and capabilities to combine SCSR with core business, such as integrating environmental attributes into products for achieving differentiation from peer firms [21], therefore compensating for the cost of SCSR. However, new ventures may not have enough experience in the implementation of SCSR [5]. Thus, the cost of SCSR may

hardly be covered, which inhibits new ventures' growth. In the light of these arguments, we propose the following hypotheses.

Hypothesis 2a. *There is a negative relationship between SCSR and the financial performance of new ventures.*

Hypothesis 2b. *Compared with established firms, the negative effect of SCSR on the financial performance of new ventures is stronger.*

2.3. Moderating Role of Government Support

PCSR directly serves primary stakeholders who provide resources contributing to firms' financial performance, while SCSR serves secondary stakeholders by offering collective benefits, the costs of which cannot be shared with competitors. Therefore, compared with PCSR, SCSR has positive externalities and may experience market failure. Government support, therefore, is required to underpin SCSR [11–13]. Government support is defined as a set of market-based instruments that can enhance the payoffs of SCSR [13,16]. We categorize government support into direct government support and indirect government support according to recent research [13,32]. Direct government support refers to the assistance directly offered by governments, such as subsidies and tax reductions. Indirect government support usually includes financial guarantees, interest discounts, and publicity. These assistances are not directly provided by governments. Instead, they are provided by various stakeholders leveraged by relevant government bodies.

Direct and indirect policy tools have been widely used in industrialized countries such as China. For instance, in recent years, China has made significant achievements in green development: In 2021, the comprehensive energy consumption of unit products such as steel, electrolytic aluminum, cement clinker, and flat glass decreased by more than 9% compared to 2012, and the coal consumption per kilowatt-hour of thermal power units nationwide decreased to 302.5 g of standard coal. These achievements may be attributed to direct government support, such as fiscal subsidies and more than 50 tax and fee preferential policies, as well as indirect government support, such as by the end of 2021, the balance of green credit denominated in foreign currency was CNY 15.9 trillion, and the outstanding balance of green bonds exceeded CNY 1 trillion, both ranking among the top in the world (See details from https://www.gov.cn/xinwen/2023-01/20/content_5738122.htm, accessed on 28 January 2024).

We thus expect that both direct and indirect government support can relieve the resource constraints of new ventures when they engage in SCSR. Current studies have indicated that small young firms are not suitable to pursue environmental or social achievements because of the high cost of these activities [33]. Direct government support (e.g., subsidies and tax reductions) can directly compensate the cost of SCSR and weaken the negative effect of SCSR on the financial performance of new ventures. Moreover, since new ventures may have more capital constraints in comparison with established firms, they may care more about the availability of direct government support. For instance, Kong et al. [14] found that government subsidies can more effectively leverage young firms to adopt green technologies than established firms. Additionally, given the fact that the government may prefer established firms when providing subsidies as they have less uncertainties and higher expected performance [31,32], new ventures may cherish the opportunities of receiving direct government support more than established firms, thereby making more effective utilization of the received resources to achieve strategic goals. In the light of these arguments, we propose the following hypotheses.

Hypothesis 3a. *Direct government support weakens the negative effect of SCSR on the financial performance of new ventures.*

Hypothesis 3b. *Compared with established firms, the moderating effect of direct government support on the relationship between SCSR and the financial performance of new ventures is stronger.*

Indirect government support may also weaken the negative relationship between SCSR and the financial performance of new ventures. Indirect government support, e.g., training and publicity, can improve the public awareness of new ventures' efforts on SCSR. This can enhance new ventures' social reputation in the eyes of both primary and secondary stakeholders, thus helping SCSR generate more economic benefits [16]. Moreover, indirect government support such as financial guarantees can compensate for new ventures' limited track records of market performance. This can help new ventures to strengthen and extend their networks with their primary and secondary stakeholders. Such close relationships may generate benefits (e.g., joint problem solving and information sharing), which can ensure the economic returns of CSR programs. For instance, Ji and Zhou [34] found that financial guarantees provided by governments can improve the economic returns of new ventures' green manufacturing programs through facilitating new ventures' collaborative relationships with environmental groups.

Moreover, since established firms may have stable stakeholder relationships and have accumulated abundant knowledge and capabilities in building external networks, they may care less about the indirect government support. On the contrary, new ventures may care more about indirect government support since such a policy tool may enhance their collaborative networks with external stakeholders [32], which is an important way for them to develop legitimacy [27]. In the light of these arguments, we propose the following hypotheses.

Hypothesis 4a. *Indirect government support weakens the negative effect of SCSR on the financial performance of new ventures.*

Hypothesis 4b. *Compared with established firms, the moderating effect of direct government support on the relationship between SCSR and the financial performance of new ventures is stronger.*

3. Methods

3.1. Sample and Data Sources

Our sample was collected from manufacturing firms in six cities, including Nanjing, Huzhou, Ningbo, Quanzhou, Foshan, and Zhongshan. These are demonstration cities approved by the National Program "Made in China 2025", which was launched by the Chinese government in 2015 and can serve as a representation of China's overall manufacturing industry.

We chose manufacturing industries for three reasons. First, the manufacturing sector in China is undergoing a "green revolution" currently, and firms in these industries are highly encouraged by governments to engage in CSR practices [35]. Second, focusing on manufacturing industries could avoid the variances across sectors that may impact CSR performance. Third, it would be helpful to compare our findings with prior contributions, since prior literature related to the relationship between CSR practices and the financial performance of new ventures is also based on manufacturing sectors [5].

In the questionnaire design process, we follow the principle of combining practice and theory to maximize the closeness of the questionnaire items to objective facts. We first conducted an exploratory pilot study involving both new ventures and established firms from March to April in 2023. In the pilot study, we found that most new ventures are engaging in social responsibility activities, including charitable donations, environmental protection, and a commitment to improving employee welfare. However, they did not publicize their CSR practices through media or websites, which was different from established firms. This result is partly in line with Russo and Tencati [36] who reported that small firms mainly adopt informal CSR practices, and these practices are not presented in documents.

Therefore, we decided to choose a survey method which we believe should be an effective way to collect the information about CSR practices of new ventures.

The questionnaire included (1) respondents' information, (2) evaluation on CSR practices, (3) evaluation on direct and indirect government support, and (4) evaluation on financial performance. Since the items that measure the key variables are mainly generated from prior studies in English, we conducted the translation/back-translation process to maintain cross-cultural equivalence for enhancing the validity of Chinese-version questionnaires [35]. In this process, we employed four scholars and industrial experts to ensure the clarity of the items. We also conducted a small-scale survey with 60 top managers in a pilot survey to test and reorganize the questionnaires. These efforts can ensure that all items are clear and not sensitive, since respondents may refuse to answer sensitive questions, resulting in a selection bias.

We disseminated questionnaires to 1200 targeted firms from June to July in 2023. These firms were randomly selected based on the list provided by the local governments of six cities. To improve the response rate, we used follow-up phone calls and emails, and promised to provide the summary of results to respondent firms as well as local governments. To minimize common method bias [37], each questionnaire was divided into two parts, which were answered by top managers and finance managers, respectively. To ensure a questionnaire would be answered by two individuals within a firm, we (1) highlighted the importance of our study to top managers and government officers who helped us to disseminate questionnaires, and (2) designed the same questions, such as respondents' age and salaries in both parts of the questionnaire, and we excluded a completed questionnaire if it had the same answers in two parts. Moreover, we informed every respondent that their answers would not be shared with his/her colleagues, as well as government officers, for reducing social desirability bias. Ultimately, 879 questionnaires were returned, with a response rate of 73.25%. We then eliminated incomplete and inappropriately responses (e.g., two parts of a questionnaire were answered by the same respondent), and 531 firms remained. Therefore, the overall response rate was 44.25%, which is acceptable for survey-based research [13]. We carried out *t*-tests for differences in the means of non-responding and responding firms on firm age, firm size, and innovation performance. The results indicated no statistically significant differences between our sample and the rest of the population. Therefore, the non-response bias was not a problem in our sample.

According to Wang and Bansa [5], we defined new ventures as firms within eight years of formation. In our final sample, 163 firms were set up within 8 years and recognized as new ventures. These firms are distributed in 21 industries categorized by three digital North American Industry Classification System (NAICS) codes (see details for NAICS from https://siccode.com/, accessed on 28 January 2024) in the manufacturing sector (311–339). The sample firm is distributed relatively evenly among these industries, with the largest share in 335—Electrical Equipment, Appliance, and Component Manufacturing (9.82%) and the smallest share in 321—Wood Product Manufacturing (3.06%). In total, 25.76% of them are sole proprietorships, 30.06% are partnerships, and the rest are corporations. On average, these new ventures are 4.8 years old and have 176 employees.

3.2. Variable Measurement and Description

3.2.1. Dependent Variable: Financial Performance (FP)

According to prior studies [5,8], we measured financial performance using five items: (1) sales growth, (2) return on assets, (3) cash flow, (4) profit growth, and (5) return on investment because new ventures' financial information is not publicly available. Each item was measured based on a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree) to reflect the evaluation on financial performance compared with market competitors in the past 3 years. These items are mainly accounting-based measures [38]. Prior research indicates that such subjective scales are positively related to objective industry-adjusted data [39]. This variable was measured using answers from finance managers.

3.2.2. Independent Variables: Primary Stakeholder CSR Practices (PCSR) and Secondary CSR Practices (SCSR)

Based on Mishra and Suar [9] and Ni et al. [8], we measured PCSR using CSR practices related to investors, employees, customers, and suppliers. An eight-item scale was developed to reflect how firms have interacted with these primary stakeholders in the past three years. The specific items encompass inquiries such as "enhancing customer satisfaction by improving products or services", "implementing policies to promote ethical and sustainable procurement practices at supplier sites", "ensuring equitable opportunities for all staff members", and others. We measured SCSR using CSR practices related to the environment and communities. A four-item scale was developed to reflect how firms have interacted with these secondary stakeholders in the past three years. The specific items encompass inquiries such as "supporting social and sustainable development initiatives", "donating to communities for charitable purposes, such as education", "integrating environmental performance goals into strategic plans", and "utilizing innovative technologies or equipment to minimize environmental effects". Each item was measured using a five-point Likert scale to reflect the extent to which a CSR practice has been adopted in a respondent firm. These two variables were measured using answers from top managers.

3.2.3. Moderating Variables: New Ventures (NV), Direct Government Support (DGS), and Indirect Government Support (IGS)

We constructed a variable new ventures (NV) for better observing the difference between new ventures and established firms in terms of the relationship between CSR practices and financial performance. We measured NV using a dummy variable, whose value is 1 if a firm operates within 8 years, or 0 otherwise. In the robustness check, we used 3 years as the cut-off point for new ventures in line with GEM [1] and re-tested the models.

According to prior studies (e.g., Xu et al.) [13], we measured direct government support using (1) government subsidies and (2) tax abatements for SCSR in the past three years. We measured indirect government support using (1) financial guarantees, (2) interest discounts, (3) equipment financial leases, and (4) publicity and training for SCSR in the past three years. Each item was measured based on a five-point Likert scale to reflect the extent to which a type of government support was received by a respondent firm. Given that direct and indirect government support can impact both the firm level as well as the operational level, these two variables were measured using answers from top managers and finance managers, and we averaged their scores. Moreover, in line with Luo et al. [40], we evaluated inter-coder reliability and Cohen's k coefficient for these two variables: their values were 0.887 and 0.916, respectively, suggesting high agreement between the two answers.

3.2.4. Control Variables

According to prior studies (e.g., Wang and Bansal) [5], we controlled for variables that may affect a firm's financial performance, including (1) firm size, (2) firm age, and (3) innovation performance (IP). Specifically, the information of firm size and firm age was collected from the Municipal Science and Technology Commissions in 6 cities, and the information of innovation performance was collected based on the patent data collected from Derwent World Patent Index (DWPI).

We measured firm size using the natural logarithm of employee numbers. We measured firm age using the natural logarithm of years since a firm was registered. We calculated innovation performance using the natural logarithm of the number of a firm's patent applications plus 1 (thus avoiding a situation where a firm's number of patent applications is 0). Moreover, we also controlled for industry dummies categorized by three digital NAICS codes (311–339), as well as city dummies (Nanjing, Huzhou, Ningbo, Quanzhou, Foshan, and Zhongshan), to avoid the influence of industrial and regional characteristics on firms' financial performance. The definitions of all variables are shown in Table 1. It should be noted that, drawing from the existing literature [35,41,42], this study

employed a linear regression model for empirical analysis after the dependent variable passed the Shapiro–Wilk W test.

Table 1. The definitions of all variables.

	Variables	Measurement	Data sources
Dependent variable	Financial performance (FP)	Five items with five-point Likert scale Please see details from Section 3.2	Questionnaires
Independent variables	Primary stakeholder CSR practices (PCSR)	Eight items with five-point Likert scale Please see details from Section 3.2	Questionnaires
	Secondary stakeholder CSR practices (SCSR)	Four items with five-point Likert scale Please see details from Section 3.2	
Moderating variables	Direct government support (DGS)	Two items with five-point Likert scale Please see details from Section 3.2	
	Indirect government support (IGS)	Four items with five-point Likert scale Please see details from Section 3.2	
Control variables	New ventures (NV)	1 if a firm operates within 8 years, otherwise 0	Official statistics
	Firm size	Ln (employee numbers)	
	Firm age	Ln (years since a firm was registered)	
	Innovation performance	Ln (patent applications + 1)	Derwent World Patent Index (DWPI)
	Industry dummies	Industry dummies categorized by three digital NAICS codes (311–339)	Official statistics
	City dummies	City dummies (Nanjing, Huzhou, Ningbo, Quanzhou, Foshan, and Zhongshan)	

3.3. Common Method Bias

We used three ways to address common method bias [37]. First, the sample data were constructed from multiple data sources as described in the measures section. Second, as illustrated in the section of sample and data sources, we collected survey data from two respondents in each firm, which ensures that dependent and independent variables can be generated from different informants. Third, we employed Harman's single-factor test to address this issue. The results indicated that no single factor accounted for the majority of the variance in the model. That is, the first principal component accounted for 29.82% of the variance, suggesting that common method bias is not a serious concern in our research [37].

3.4. Factor Analysis

After collecting the questionnaires, we employed exploratory factor analyses (EFA) to assess the factor structures of questionnaires. The results showed that the Kaiser–Meyer–Olkin (KMO) was 0.797, and Bartlett's test of sphericity was significant at the 0.001 level. Five factors were extracted after the principal component analysis and varimax orthogonal rotation, and 23 items were well distributed among the factors as we expected. We further employed confirmatory factor analysis (CFA) to assess the reliability and validity of the scales. First, the values of AVE and Cronbach's α of the five latent variables were all above 0.8, indicating that the measurement has adequate reliability [43]. Second, the factor loadings of all items were statistically significant, and all fitting indexes exceeded recommended cutoffs [44]. Therefore, our measurements have a good validity. The results are shown in Table 2.

Table 2. Confirmatory factor analysis results.

Factors	Items	Factor Loading
PCSR AVE = 0.77 Cronbach's α = 0.89	Improves products or services for enhancing customer satisfaction Improves production/management systems for protecting customer health and safety Provides training and development support for all employees Provides equal opportunities for all employees Incorporates the interests of all investors in business strategy Meets the information needs and requirements of all investors Inspects supplier facilities in terms of health, safety, and environmental aspects Implements policies to ensure ethical and friendly procurement at suppliers' place	0.91 0.87 0.82 0.73 0.85 0.77 0.81 0.88
SCSR AVE = 0.81 Cronbach's α = 0.92	Supports social and sustainable developments related initiatives Provides charitable donations to communities (e.g., education) Incorporates environmental performance objectives in strategic plans Employs new technologies or equipment for reducing environmental impacts	0.88 0.92 0.86 0.91
DGS AVE = 0.85 Cronbach's α = 0.96	Subsidies for SCSR	0.91
IGS AVE = 0.80 Cronbach's α = 0.92	Financial guarantees for SCSR Interest discounts for SCSR Equipment financial leases for SCSR Publicity and training for SCSR	0.87 0.85 0.92 0.86
FP AVE = 0.87 Cronbach's α = 0.97	Sales growth Return on assets Cash flow Profit growth Return on investment	0.95 0.90 0.92 0.88 0.96
	χ^2/df = 4.016 CFI = 0.915 IFI = 0.922 RMSEA = 0.059	

Note: PCSR = primary stakeholder CSR practices; SCSR = secondary stakeholder CSR practices; DGS = direct government support; IGS = indirect government support; FP = financial performance.

4. Results

4.1. Hierarchical Regression Analysis

Table 3 reports the descriptive statistics and correlation matrix for all variables. It shows that PCSR, SCSR, and direct and indirect government support are positively associated with financial performance. Direct and indirect government support are positively associated with PCSR and SCSR, respectively, and are negatively associated with firm size as we expected. Moreover, both PCSR and SCSR are negatively associated with innovation performance. These are in line with prior literature suggesting that firms may face trade-offs between CSR practices and R&D investments [45]. It is worth noting that high correlations may cause multicollinearity, especially when the dataset is cross-sectional. We thus checked for collinearity with variance inflation factors (VIF). The highest VIF is 2.88. which is lower than the cutoff point of 10 [46]. This indicates that multicollinearity is not an issue.

Table 3. Descriptive statistics and correlation matrix.

Variable	Mean	S.D.	1	2	3	4	5	6	7	8
1. Firm age	2.731	0.416								
2. Firm size	4.561	1.261	0.167 **							
3. IP	0.782	1.135	0.096	0.628 ***						
4. PCSR	4.139	0.498	0.026	−0.316 ***	−0.213 **					
5. SCSR	2.766	0.683	0.087	−0.321 ***	−0.175 **	0.532 ***				
6. DGS	3.515	0.541	−0.048	−0.155 **	−0.113 +	0.515 ***	0.452 ***			
7. IGS	4.187	0.623	0.037	−0.407 ***	−0.153 **	0.625 ***	0.618 ***	0.680 ***		
8. NV	0.307	0.467	−0.521 ***	0.076	−0.041	−0.118	−0.073	−0.017	−0.156 *	
9. FP	4.185	0.746	−0.143 *	0.083	0.061	0.363 ***	0.321 ***	0.331 ***	0.252 ***	−0.016

Note: (1) IP = innovation performance; PCSR = primary stakeholder CSR practices; SCSR = secondary stakeholder CSR practices; DGS = direct government support; IGS = indirect government support; NV = new ventures; FP = financial performance; (2) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 4 reports the hierarchical regression results using financial performance as the dependent variable. For better observing the heterogeneity of CSR practices between new

ventures and established firms, we tested the relationships between CSR practices and financial performance in sub-samples of new ventures and established firms, respectively. Models 1–2 report the direct effects of PCSR and SCSR on the financial performance of new ventures, while Models 3–4 report this relationship among established firms. Model 5 shows the results of full sample analysis for comparing the effects of PCSR and SCSR on financial performance between new ventures and established firms.

Table 4. Hierarchical regression predicting financial performance.

	New Ventures		Established Firms		Full Sample
	Model 1	**Model 2**	**Model 3**	**Model 4**	**Model 5**
Firm age	−0.539 **	−0.598 ***	0.272	0.371	−0.446 ***
	(0.147)	(0.122)	(0.325)	(0.315)	(0.111)
Firm size	0.137 *	0.135 *	0.158 **	0.153 *	0.135 **
	(0.060)	(0.050)	(0.072)	(0.071)	(0.045)
IP	0.049	0.028	−0.031	−0.013	0.009
	(0.073)	(0.068)	(0.068)	(0.068)	(0.046)
DGS	0.238*	0.171	−0.013	−0.015	0.067
	(0.107)	(0.115)	(0.068)	(0.072)	(0.065)
IGS	−0.115	−0.145	0.151 *	0.076	−0.033
	(0.073)	(0.107)	(0.067)	(0.075)	(0.070)
PCSR		0.245 **		0.121 *	0.145 **
		(0.077)		(0.061)	(0.047)
SCSR		−0.096		0.100 +	0.038
		(0.111)		(0.053)	(0.052)
NV					−0.185 +
					(0.099)
NV × PCSR					0.055
					(0.038)
NV × SCSR					−0.105 *
					(0.050)
Industry dummies	Yes	Yes	Yes	Yes	Yes
City dummies	Yes	Yes	Yes	Yes	Yes
N	163	163	368	368	531
R^2	0.30	0.35	0.16	0.23	0.27
F	6.59 ***	9.35 ***	4.56 ***	5.12 ***	6.29 ***

Note: (1) IP = innovation performance; PCSR = primary stakeholder CSR practices; SCSR = secondary stakeholder CSR practices; DGS = direct government support; IGS = indirect government support; NV = new ventures; FP = financial performance; (2) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

As shown in Model 1, the coefficients of firm size and direct government support are positive and significant as we expected. In Model 2, we added PCSR and SCSR into the analysis, and only the coefficient of PCSR is positive and significant as we expected. Therefore, H1a is supported, while H2a is not supported. These results confirm our main prediction. That is, PCSR can enhance the financial performance of new ventures. However, the coefficient of SCSR is negative but not significant. This is possibly because the CSR practices regarding the environment and local communities made by new ventures in China may not be comparable to those made by their counterparts in developed countries. Model 3 shows that the effect of direct government support on the financial performance of established firms is not significant. This result partly supports our argument that direct government support may have less effect on established firms than on new ventures. Model 4 shows that both the coefficients of PCSR and SCSR are positive and significant. These results are in line with prior findings that CSR practices can generate economic returns for established firms. Model 5 shows that the coefficient of the standardized interaction term of NV and SCSR is negative and significant. This indicates that the coefficient of SCSR in new ventures is significantly lower than that in established firms. However, the effects of PCSR on financial performance in new ventures and in established firms are not statistically different. Therefore, H1b is not supported, while H2b is supported.

Table 5 reports the moderating effects of government support. Models 6–7 present the moderating roles of direct and indirect government support in the context of new ventures, while Models 8–9 show such effects in the context of established firms. Models 10 and 11 illustrate the differentiated effects of government support between new ventures and established firms.

Table 5. Hierarchical regression predicting financial performance: moderating effects.

	New Ventures		Established Firms		Full Sample	
	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Firm age	−0.555 ***	−0.557 ***	0.105	0.110	−0.438 **	−0.436 ***
	(0.135)	(0.126)	(0.341)	(0.346)	(0.125)	(0.119)
Firm size	0.111 +	0.142 *	0.143 *	0.142 *	0.125 **	0.138 **
	(0.058)	(0.053)	(0.061)	(0.063)	(0.045)	(0.045)
IP	0.021	0.006	0.036	0.037	0.040	0.040
	(0.068)	(0.070)	(0.065)	(0.066)	(0.047)	(0.047)
DGS	0.093	−0.019	−0.145 +	−0.170 +	−0.039	−0.082
	(0.127)	(0.148)	(0.082)	(0.086)	(0.064)	(0.066)
IGS	−0.101	−0.018	0.091	0.110	0.003	0.039
	(0.119)	(0.126)	(0.073)	(0.073)	(0.063)	(0.059)
PCSR	0.210 *	0.216 **	0.107 *	0.110 *	0.119 **	0.126 **
	(0.082)	(0.078)	(0.052)	(0.051)	(0.042)	(0.041)
SCSR	−0.088	0.061	0.093	0.091	0.065	0.067
	(0.110)	(0.106)	(0.067)	(0.066)	(0.048)	(0.047)
SCSR × DGS	−0.066	−0.103	−0.086	−0.095	−0.055	−0.045
	(0.058)	(0.075)	(0.051)	(0.061)	(0.035)	(0.047)
SCSR × IGS		0.130 *		−0.051		0.059
		(0.061)		(0.059)		(0.042)
NV					−0.206 +	−0.248 *
					(0.112)	(0.117)
NV × SCSR					−0.009	0.017
					(0.036)	(0.037)
NV × SCSR × DGS					0.007	−0.020
					(0.032)	(0.034)
NV × SCSR × IGS						0.075 *
						(0.033)
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes
City dummies	Yes	Yes	Yes	Yes	Yes	Yes
N	163	163	368	368	531	531
R^2	0.36	0.38	0.25	0.26	0.32	0.33
F	10.62 ***	12.11 ***	5.71 ***	6.68 ***	8.96 ***	10.55 ***

Note: (1) IP = innovation performance; DGS = direct government support; IGS = indirect government support; PCSR = primary stakeholder CSR practices; SCSR = secondary stakeholder CSR practices; NV = new ventures; (2) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; (3) Numbers in parentheses are robust standard errors; (4) All interaction terms are standardized.

In Model 6, we added the standardized interaction term of SCSR and direct government support into the analysis, and the coefficient of interaction term is negative but not significant. Therefore, H3a is not supported. This finding indicates that direct government support is not able to weaken the negative impact of SCSR on the financial performance of new ventures. In Model 7, we added the standardized interaction term of SCSR and indirect government support based on Model 6, and the coefficient of the interaction term is positive and significant. Therefore, H4a is supported. This finding indicates that indirect government support can leverage the impact of SCSR on the financial performance of new ventures. Compared with the findings in Models 6 and 7, Models 8 and 9 indicate that both direct and indirect government supports are not able to positively moderate the relationship between SCSR and financial performance in the context of established firms. Moreover, as shown in Model 10, the coefficient of the interaction term of NV, SCSR and direct government support is not significant. Therefore, H3b is not supported. In Model 11, the coefficient of the interaction term of NV, SCSR, and indirect government support is positive and significant. Therefore, H4b is supported. This result indicates that compared with established firms, the moderating effect of indirect government support on the relationship between SCSR and the financial performance of new ventures is stronger.

4.2. Robustness Test

We used two ways to check the robustness of our findings. First, we set 3 years as the cut-off point for new ventures (instead of 8 years) and re-tested the models. This is because different scholars have taken different approaches to defining new ventures. While some studies used 8 years as the standard for new ventures [5], other research recognized new ventures as firms that have been established within 3.5 years [1]. The empirical results are shown in Table 6 (Models 12–15). The findings indicate that H1a, H4a, and H4b are supported. However, Model 15 indicates that there is no statistical difference between new ventures and established firms in terms of the relationship between SCSR and financial performance (H2b is not supported). A possible explanation for this is that, in terms of the effects of SCSR on financial performance, there is no statistically significant difference between firms with an age of less than 3 years and firms with an age between 3 years and 8 years. Second, we re-tested the models by using sub-samples categorized by two digital NAICS (i.e., 31, 32, 33) and our main findings are upheld.

Table 6. Robustness test (firms with an age less than 3 years).

	Model 12 New Ventures	Model 13 Full Sample	Model 14 New Ventures	Model 15 Full Sample
PCSR	0.395 + (0.199)	0.156 ** (0.045)	0.437 + (0.218)	0.132 ** (0.039)
SCSR	−0.303 (0.587)	0.049 (0.053)	0.157 (0.582)	0.082 + (0.049)
NV1 × SCSR		−0.031 (0.050)		
SCSR × IGS			0.322 * (0.116)	
NV1 × SCSR × IGS				0.055 ** (0.019)
Control variables and other interaction terms	Yes	Yes	Yes	Yes
N	45	531	45	531
R^2	0.41	0.26	0.45	0.35
F	3.17 **	7.90 ***	16.82 ***	12.09 ***

Note: (1) PCSR = primary stakeholder CSR practices; SCSR = secondary stakeholder CSR practices; NV1 = 1 if a firm operates within 3 years, otherwise 0; IGS = indirect government support; (2) + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; (3) Numbers in parentheses are robust standard errors; (4) All interaction terms are standardized.

4.3. Additional Analysis

Considering the fact that firms may engage in different types of CSR practices towards more specific stakeholders (e.g., customers, employees, suppliers) for pursuing strategic benefits [8], we further explored multiple configurations of these specific CSR practices for the high financial performance of new ventures in an additional analysis by employing the set-theoretic approach. A total of six CSR practices were identified, including customer, employee, investor, supplier, community, and environment CSR practices.

We conducted the set-theoretic analyses using fuzzy-set/qualitative comparative analysis (fs/QCA) 3.0 software. Fs/QCA normally generates three types of solutions (i.e., intermediate, parsimonious, and complex solutions) for the configurations of antecedents related to high outcomes. In line with prior literature [13], this paper only reports the results of the intermediate solution since it is better than other two solutions in terms of consistency and coverage. Consistency scores reflect whether a configuration of antecedents is a sufficient condition for outcome variables and coverage scores assess the degree of the outcome that can be explained by a configuration of antecedents [47]. The results are shown in Table 7. Configuration 1 combines customer and investor CSR practices, but no environment CSR practices. Configuration 2 combines customer and employee CSR practices, but no environment CSR practices. Configuration 3 combines customer, supplier,

and investor CSR practices but no community CSR practice. These results strongly support the main arguments of this paper, i.e., PCSR can promote financial performance, while SCSR may negatively affect the financial performance of new ventures. Moreover, customer CSR practices can be recognized as a necessary condition for the high financial performance of new ventures because this variable appears to be a sufficient condition for high financial performance in all configurations [13].

Table 7. Configurations of CSR practices for the high financial performance of new ventures.

	Configurations		
	1	2	3
Customer CSR practices	●	●	●
Employee CSR practices		●	
Investor CSR practices	●		●
Supplier CSR practices			●
Community CSR practices			⊗
Environment CSR practices	⊗	⊗	
Raw Coverage	0.56	0.45	0.33
Unique Coverage	0.26	0.06	0.10
Consistency	0.90	0.92	0.96
Solution Consistency	0.91		
Solution Coverage	0.37		

Note: (1) full circles indicate the variables that must be included in the configuration; (2) blank spaces indicate variables are nonsignificant in the configuration; (3) Crossed-out circles indicate that variables should be removed from the configuration.

5. Discussion and Implications

We empirically examined the effects of different CSR practices (i.e., PCSR and SCSR) on the financial performance of new ventures and established firms and the moderating roles of direct and indirect government supports in these effects. Our empirical findings offer several implications. First, our results suggest that new ventures may also enhance financial performance by engaging in PCSR. CSR practices can serve as signals of legitimacy that help new ventures to overcome the liability of newness, thus gaining valuable resources from stakeholders [22]. However, recent literature finds that CSR practices may reduce a new venture's financial performance based on the cost–benefit analysis [5]. In contrast to the recent attempt that measured CSR practices using composite indexes [5], we categorize CSR practices into PCSR and SCSR based on the classification of stakeholders [8]. Practically, the potential channels through which PCSR impacts the financial performance of new ventures may include enhancing the trade credit in the eyes of primary stakeholders [22], attracting more talents [48], or improving product qualities [9]. The potential channels through which SCSR influences the financial performance of new ventures may involve building social reputation and integrating products with environmental attributes [21]. Given the fact that new ventures normally lack knowledge and capabilities for managing tensions in allocating resources between secondary stakeholders and core business, which can inhibit business development [5], SCSR may not be a suitable option for these young firms. Moreover, the impact of SCSR on the financial performance of new ventures is negative but not statistically significant, which is different from prior research grounded in developed countries [5]. This is possibly because, unlike in developed countries, the concept of SCSR has not been fully embraced by firms in China [21]. Therefore, new ventures may allocate fewer resources on SCSR in China than in developed societies.

Additionally, we investigated the configurations of CSR practices towards different specific stakeholders for the high financial performance of new ventures. Our results indicate that customer CSR practices can be the necessary condition for high outcomes, and SCSR (e.g., environment and community CSR practices) should not be pursued. This finding is in line with prior literature grounded in developed countries (e.g., Younger and Fisher) [26], which suggests that a trustworthy image can help new ventures to gain

more resources from customers. Therefore, new ventures should pay more attention on improving customer satisfaction rather than activities such as charitable donation when they decide to enhance market performance through socially responsible activities.

Second, this paper provides insights into the differences of CSR practices between new ventures and established firms. Our empirical results indicate that there is no statistical difference between new ventures and established firms in terms of the relationship between PCSR and financial performance. This suggests that PCSR can be an effective means to enhance economic benefits for both established firms and new ventures. However, compared with established firms, the negative effect of SCSR practices on the financial performance of new ventures is stronger. This reflects the fact that compared to established firms, new ventures have not accumulated resources and capabilities to create value from secondary stakeholder relationships. This result supports the argument that time matters to CSR, a view that has been largely neglected in the current CSR literature [5]. New ventures need time to accumulate resources and establish capabilities to create value from secondary stakeholder relationships. They also need time to reduce the managerial distractions associated with SCSR.

Third, this paper reveals the importance of government support in new ventures' CSR practices. Government support is the key solution to positive externalities that are associated with SCSR [12]. Different from prior studies grounded in developed countries (e.g., Sterlacchini and Venturini) [49], we did not identify significant direct effects of either type of government support after controlling two types of CSR practices in new ventures. This result reflects the fact that the effects of government support may be implicit and indirect rather than explicit and immediate. Moreover, the findings indicate that direct government support may not positively moderate the relationship between SCSR and financial performance in new ventures and established firms. This result is in line with Xu et al. [13], who suggested that policy instruments, such as subsidies, may distort the market mechanism, and thus may be not an effective solution to collective conflicts. Another possible reason is direct government support, such as government subsidies, often comes with specific output targets, which contradicts the uncertainty feature of environmental innovation [24]. Therefore, direct government support may not have a positive moderating effect on the relationship between SCSR and financial performance as we expected.

Further, we found that the relationship between SCSR and the financial performance of new ventures can be leveraged by indirect government support. This result is partly in line with Hoogendoorn et al. [33], who found that young SMEs (small and medium-sized enterprises) from Europe are more likely to engage in environmental practices when they receive financial support leveraged by governments (e.g., interest discounts). We further found that the moderating effect of indirect government support in new ventures is stronger than that in established firms. This result supports prior literature [14] which argued that the role of government support is more salient in new firms than that in established firms. These results offer implications for policy makers. In China and other transitional economies such as Russia and India, governments have implemented considerable efforts to push firms to engage in CSR practices, thereby accelerating sustainable development at the national level [17]. Specifically, different from Russia and India where the governments have adopted a set of regulatory policies (e.g., establishing CSR laws) to promote CSR practices [50], the Chinese government has published considerable market-based policies to support firms' socially responsible activities [15]. In this paper, the findings suggest that the government should offer more indirect support than direct support. This suggests that firms are more inclined to accept indirect government support compared to direct government support. A potential explanation for this tendency is that direct government support frequently lacks flexibility, whereas indirect government support, which involves more market entities, is consequently more adaptable in the policy implementation process [16,24,29]. Therefore, government bodies can allocate more resources on encouraging multiple stakeholders to participate in firms' CSR programs by utilizing instruments such as publicity, training, and financial guarantees. Moreover, since the effect

of indirect government support in new ventures is more salient than that in established firms, the government should pay more attention to new ventures as they are playing a significant role in economic development.

6. Conclusions

This paper enriches our understanding of the relationship between CSR practices and firms' financial performance in the context of new ventures. Our empirical findings show that, (1) PCSR positively impacts the financial performance of new ventures while SCSR could not. These results are different from the recent literature that shows the negative relationship between CSR practices and the financial performance of new ventures [5]; (2) There is no statistical difference between new ventures and established firms in terms of the relationship between PCSR and financial performance. However, compared with established firms, the negative effect of SCSR on the financial performance of new ventures is stronger; (3) Only indirect government support can positively moderate the relationship between SCSR and the financial performance of new ventures, and such a moderating effect is stronger than that in established firms.

In summary, this paper contributes to the CSR literature by integrating direct and indirect government supports into the relationships between PCSR and SCSR and financial performance for new ventures and established firms. Our research has found relevance for different industrial sectors and industrialized countries. With the gradual deterioration of the natural environment, multiple industrial sectors are facing the transformation towards sustainable development. This involves not only established firms, but also a large number of new ventures. The findings of this study not only enhance the confidence of new ventures in engaging in CSR practices, but also provide references for the government to more reasonably support firms, especially new ventures, in engaging in CSR practices.

Our research has the following limitations. First, the generalizability of our research is limited by our sample. For better observing the effects of CSR practices and comparing results with prior research [5], we selected manufacturing industries from six representative cities in China as samples. In order to reduce the potential for observational bias and increase the generalizability of research findings, we suggest that future studies test our model in the contexts of other economic sectors and industrialized countries or regions. Second, since public information for new ventures is limited, we only used cross sectional data from questionnaires and other data sources to test our theoretical hypotheses. Therefore, the economic model is not able to capture the time effect. If in the future more information is available, we strongly recommend engaging in longitudinal analysis to further validate our research model. Third, our measurement of financial performance is perceptual in nature. Although our measures are drawn from prior studies which indicate that they are positively related to objective industry-adjusted data [39], we are not able to exclude the possibility that our findings would differ from those generated from objective data. Therefore, we encourage future studies to use more precise and objective data to complement and verify our results. Fourth, we conceptualized government support as a set of market-based instruments that can enhance the payoffs of SCSR because of the positive external nature of this type of CSR practice. In fact, there are other market-based instruments (e.g., government guidelines) or regulatory instruments (e.g., setting CSR laws) that may impact the implementation of PCSR. Therefore, we highly recommend that future research explores the roles of these policy instruments on the effects of PCSR and SCSR. Finally, the relationship between CSR practices and financial performance may also be influenced by factors other than policy tools, such as the institutional environment. It is suggested to further explore the boundary conditions in future research.

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