Role of Corporate Governance, Corporate Environment, Social Responsibility, and Corporate Value

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Abstract

This study aimed to examine the influence of corporate governance and corporate environment on corporate value and explain the sequential mediating mechanism of social responsibility underlying this effect. 585 enterprise senior and middle managers personnel covering different industries and regions in Shenzhen participated in the study. Data was collected through an online survey questionnaire. Participants completed a survey to assess corporate governance, corporate environment, social responsibility, and corporate value. PLS-SEM was used to analyze the data to test the conceptual framework. Results showed corporate governance and corporate environment positively predicted social responsibility and corporate value in enterprises in Shenzhen. Additionally, social responsibility positively affected corporate value. Further confirmed analyzes the sequential mediating role of social responsibility. The findings empirically validate corporate governance and corporate environment's role to influence corporate value both directly and indirectly through implementing social responsibility initiatives in enterprises. Practical and theoretical implications are discussed.

Keywords: Corporate Governance, Corporate Environment, Social Responsibility, Corporate Value

1. Introduction

In the contemporary business landscape, enterprises in Shenzhen encounter both opportunities and challenges. Corporate governance and corporate environment have emerged as crucial elements in determining the value and sustainability of these enterprises. This study seeks to delve into the relationships among corporate governance, corporate environment, social responsibility, and corporate value in enterprises based in Shenzhen. Shenzhen is one of China's leading economic hubs and innovation centers, hosting a variety of enterprises across industries. Grasping the dynamic relationships among corporate governance, corporate environment, social responsibility, and corporate value in this scenario can offer essential insights for boosting the resilience and adaptability of enterprises in Shenzhen during the current era of sustainable development and corporate responsibility. These results could assist enterprises in Shenzhen and other regions of China to develop more efficient governance and environmental management strategies, enhance overall competitiveness, optimize enterprise resource allocation strategies, and speed up continuous and sustainable growth in the modern business environment.

1.1 Research Background

Corporate governance and environmental sustainability practices have completely revolutionized value creation and social responsibility management among enterprises in Shenzhen, China (Aguilera et al., 2021). Corporate governance and environmental initiatives present both opportunities and complications to modern enterprises. How companies perceive and manage their social responsibilities has evolved since adopting comprehensive governance frameworks (Asyik, 2024). Shenzhen enterprises recognize the value in merging corporate governance practices with their environmental and social responsibility initiatives, offering opportunities to optimize stakeholder value while decreasing compliance costs and increasing organizational agility. This study seeks to analyze the sequential mediating role of social responsibility in linking corporate governance and environmental practices to corporate value within Shenzhen enterprises in China. Enterprises in Shenzhen play an integral part in China's economic development and should reap benefits from taking innovative steps such as implementing comprehensive governance and environmental management systems (Chen, 2024). By drawing upon existing research areas and considering all relevant barriers faced by enterprises when adopting integrated governance, environmental, and social responsibility practices, this research should yield fruitful understandings into their implementation as well as potential challenges they encounter during the integration process.

1.2 Statement Problem

Li et al. (2023) highlighted the importance of corporate governance and environmental management for enterprises to improve sustainability practices. Applying ESG practices and effective corporate governance are becoming critical elements for the performance of enterprises in Shenzhen, which contributes to regional economic development (Wang et al., 2022). Integrating corporate governance frameworks and environmental responsibility allows a change from traditional managerial methods into more sustainable patterns which could significantly boost corporate value (Chen, 2024). Through comprehensive ESG implementation, Shenzhen enterprises can implement strategies for recognizing opportunities while decreasing environmental and social risks (Zhang, 2024; Zhang et al., 2024).

However, the sequential relationship between corporate governance, corporate environment, social responsibility, and corporate value remains underexplored. This research aims to investigate the sequential mediating role of corporate environment and social responsibility in influencing the relationship between corporate governance and corporate value within the context of enterprises in Shenzhen, China.

1.4 Research Question

The research questions proposed as follows:

• How to quantify the specific impact of corporate governance on corporate value through the sequential mediating roles of corporate environment and social responsibility in enterprises of different industries and scales in Shenzhen?

• What is the role of corporate environment and social responsibility in connecting corporate governance and corporate value, especially whether they play sequential mediating roles?

1.4 Research Objective

• To quantify the specific impact of corporate governance on corporate value through the sequential mediating roles of corporate environment and social responsibility in enterprises of different industries and scales in Shenzhen.

• To examine the sequential mediating roles of corporate environment and social responsibility in the relationship between corporate governance and corporate value.

2. Literature review

2.1 Underpinning Theories

There are primarily three theories supporting this research which are Stakeholder Theory, Institutional Theory, and Triple Bottom Line Theory.

Stakeholder Theory suggests that corporations should create value for all stakeholders rather than solely focusing on shareholders, encompassing employees, customers, suppliers, communities, and the environment (Freeman et al., 2010). This theory posits that effective corporate governance must balance the interests of multiple stakeholders, leading to enhanced corporate environmental performance and social responsibility initiatives that ultimately drive long-term corporate value creation (Jones, 1995). Stakeholder theory logic has been used extensively to examine drivers of corporate sustainability performance, including environmental and social outcomes (Mitchell et al., 1997).

Institutional Theory describes how organizations conform to institutional pressures and legitimacy requirements within their operating environments to gain social acceptance and access to resources (DiMaggio & Powell, 1983). The institutional theory perspective explains how companies sustain competitive advantages by adopting governance practices, environmental standards, and social responsibility initiatives that align with institutional expectations and regulatory frameworks (Scott, 2014). Prior studies show that institutional pressures for corporate governance compliance, environmental protection, and social accountability enhance enterprise legitimacy and performance (Deephouse & Carter, 2005).

Triple Bottom Line Theory emphasizes the need for companies to measure success across three dimensions: profit (economic performance), people (social responsibility), and planet (environmental performance) to ensure sustainable value creation (Elkington, 1997; Slaper & Hall, 2011). Effective corporate governance integrates these three performance dimensions into strategic planning, decision making, and operational implementation to maximize overall corporate value while maintaining stakeholder satisfaction and environmental stewardship.

Integrating these theoretical bases can provide valuable insights into the complex mechanisms underlying corporate value creation through governance, environmental, and social responsibility practices in the contemporary, stakeholder-conscious business environment.

2.2 Corporate Governance

Present literature indicates that corporate governance is a comprehensive system of rules, practices, and processes that guide how companies are directed and controlled (Shleifer &

Vishny, 1997). Moreover, corporate governance mechanisms have been acknowledged as essential frameworks for ensuring accountability, transparency, and sustainable value creation in modern enterprises. Effective governance structures and oversight mechanisms are necessary in accurately balancing stakeholder interests while maintaining organizational integrity.

According to literature in this field, there are mainly four dimensions that reflect corporate governance effectiveness: board structure and independence, shareholder rights and protection, executive compensation and incentives, and transparency and disclosure (Fama & Jensen, 1983; Shleifer & Vishny, 1997). Board structure and independence provide effective oversight through director independence, committee effectiveness, and leadership structure. Shareholder rights and protection dimensions evaluate investor protection through voting rights, information access, and protection against expropriation (Jensen & Murphy, 1990). Executive compensation metrics such as pay-for-performance alignment and long-term incentive structures show whether enterprises effectively align management interests with shareholder value creation. Transparency and disclosure dimension measures information dissemination quality through comprehensive reporting standards, financial disclosures, and stakeholder engagement practices, which enhance market confidence and facilitate better stakeholder decision-making.

2.3 Corporate Environment

Corporate environment refers to the comprehensive management of an organization's environmental impacts, encompassing the strategic integration of environmental considerations into business operations to minimize ecological footprint while enhancing sustainable performance. As organizations across industries face increasing environmental regulations and stakeholder pressure for sustainable practices, corporate environmental performance capabilities have become critical in achieving regulatory compliance, reducing operational costs, and creating sustainable competitive advantages (Hart, 1995; Russo & Fouts, 1997)

Environmental management systems, pollution prevention, and resource efficiency are the main dimensions that reflect corporate environmental performance. Environmental Management Systems (EMS) refers to the formal frameworks and structured approaches organizations use to manage their environmental responsibilities and impacts systematically. EMS provides organizations with systematic processes for environmental planning, implementation, monitoring, and continuous improvement (Delmas & Toffel, 2004). Pollution prevention is the strategic approach that focuses on reducing waste generation and environmental contamination at the source rather than managing waste after it is created. Organizations must develop sophisticated pollution prevention capabilities to meet increasingly stringent environmental standards and stakeholder expectations (Hart, 1995). Resource efficiency involves optimizing the use of natural resources, energy, and materials throughout organizational operations and value chains. Companies facing resource scarcity and rising material costs must prioritize resource efficiency through circular economy principles, waste minimization, and sustainable supply chain management (Zhu et al., 2008)

These three dimensions form the core capabilities of organizations in today's environmentally conscious business context, enabling them to effectively integrate environmental stewardship with strategic objectives and operational excellence.

2.4 Social Responsibility

Social responsibility is the strategic commitment of organizations to operate in ways that account for their social and environmental impacts while contributing to societal well-being beyond profit maximization (Carroll, 2016). In the present dynamic business environment, corporate social responsibility (CSR) has emerged as a fundamental approach for organizations to build stakeholder trust, enhance reputation, and achieve sustainable competitive advantage. CSR encompasses the voluntary integration of social and environmental concerns into business operations and stakeholder interactions, reflecting an organization's commitment to ethical conduct and societal contribution (McWilliams & Siegel, 2001; Wood, 1991). Implementing comprehensive CSR strategies allows organizations to address stakeholder expectations while creating shared value (Carroll, 2016).

Based on literature in corporate social responsibility, there are mainly three dimensions reflecting this variable. The first aspect is stakeholder-oriented responsibility, which involves recognizing and responding to the expectations and needs of various stakeholder groups including communities, customers, suppliers, and society at large (Turker, 2009). This dimension encompasses philanthropic activities, community engagement, and social investment initiatives that demonstrate organizational commitment to societal welfare.

Employee-oriented responsibility is the second component, which involves creating positive workplace environments, ensuring fair employment practices, and investing in employee development and well-being. This ongoing commitment ensures organizations maintain ethical labor practices, promote diversity and inclusion, and support employee growth and satisfaction (Carroll, 2016; Wood, 1991) . Environmental responsibility refers to minimizing ecological footprint through sustainable business practices, resource conservation, and environmental stewardship (McWilliams & Siegel, 2001). Effective environmental responsibility organizations helps reduce environmental impact and build stakeholder trust, making it a strategic capability that requires systematic implementation through environmental management systems, pollution prevention, and sustainable supply chain practices

Together, these three components form a comprehensive approach to managing organizational social responsibilities and creating sustainable value for multiple stakeholders.

2.5 Corporate Value

Corporate value refers to the comprehensive measure of an organization's worth that encompasses both financial returns and long-term sustainable value creation for multiple stakeholders (Rappaport, 1986). In the present dynamic business environment, corporate value creation has evolved beyond traditional shareholder value maximization to include broader stakeholder considerations and sustainable performance outcomes. Corporate value encompasses the strategic integration of financial performance, market valuation, and stakeholder value creation to achieve sustainable competitive advantage and long-term organizational success (Freeman, 1984; Jensen, 2001). Organizations must develop comprehensive value creation strategies that balance short-term financial performance with long-term sustainability and stakeholder value optimization (Harrison & Wicks, 2013)

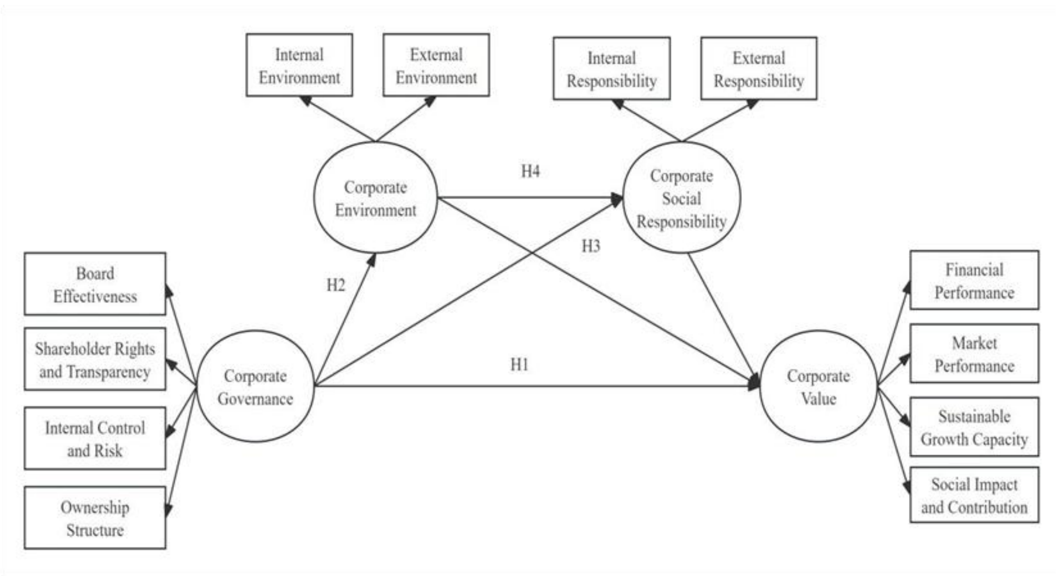
Based on literature in corporate value management, there are mainly three dimensions reflecting this variable. The first aspect is financial performance, which involves measuring traditional financial metrics including profitability, return on investment, cash flow generation, and earnings growth that directly impact shareholder wealth creation (Rappaport, 1986). This dimension encompasses fundamental financial indicators that demonstrate organizational efficiency and resource utilization effectiveness

Market valuation is the second component, which involves assessing market-based measures of corporate worth including stock price performance, market capitalization, and investor confidence indicators. This ongoing evaluation ensures organizations maintain competitive market positioning and meet investor expectations for value creation (Jensen, 2001)

Stakeholder value creation refers to generating sustainable value for all stakeholder groups including employees, customers, communities, and society at large through responsible business practices and ESG integration (Freeman, 1984; Harrison & Wicks, 2013). Effective stakeholder value creation helps organizations build long-term resilience and competitive advantage while addressing societal expectations for corporate responsibility and sustainability.

Together, these three components form a comprehensive approach to measuring and managing corporate value in today's complex business environment where financial performance, market expectations, and stakeholder demands must be balanced for sustainable success.

2.6 Conceptual Framework



2.7 Hypothesis

H1: Corporate Governance positively influences Corporate Value in companies based in Shenzhen, China.

H2: The Corporate Environment mediates the relationship between Corporate Governance and Corporate Value in Shenzhen, China.

H3: Corporate Social Responsibility mediates the relationship between Corporate Governance and Corporate Value in Shenzhen, China.

H4: Corporate Environment and Social Responsibility sequentially mediate the relationship between Corporate Governance and Corporate Value in Shenzhen, China.

3.Methodology

In this research, cross-sectional research with quantitative study is employed to investigate the factors influencing corporate value in Shenzhen, China. This type of empirical design describes the general situation among targeted population. Data for the research were gathered using the Wenjuanxing online platform which is a dependable and well-used survey distribution system in China. It supports extensive data gathering for research in academics. The survey instrument was disseminated specifically to managers and directors in high-technology, finance, and manufacturing companies operating in four main areas of Shenzhen (Futian, Nanshan, Longgang, and Bao'an). The instrument was constructed based on extensive literature review and methodological adaptation with five separate sections: demographic information of the audience, Corporate Governance, Corporate Environment, Corporate Social Responsibility, and Corporate Value constructs (Hair et al., 2017). Data gathering extended over the period of two months from April 2025 to May 2025 yielding 585 valid completed questionnaires following thorough validation procedures and screening processes. In order to analyze data gathered, the researchers used SmartPLS 4.0 that is known to be industry-leading statistical computer software used in executing Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis (Ringle et al., 2015). The thorough analytical tool allowed extraction of valid and useful opinions in respect to the relationships between corporate governance mechanisms, environmental influences, social responsibility initiatives, and value created in corporations in the dynamic business environment in Shenzhen.

4. Results

The data analysis is carried by SmartPLS 4.0 using PLS-SEM and blindfolding algorithm. The analysis for hypothesis testing includes measurement model assessment and structural model assessment. Predictive capabilities were demonstrated using PLSpredict procedures.

4.1. Assessment of the Measurement Model

Tables 4.1 and 4.2 present comprehensive results demonstrating the assessment of internal consistency reliability and convergent validity for both first-order and second-order constructs. For first-order constructs, Cronbach's alpha values ranged from 0.894 to 0.915, while second-order constructs exhibited values between 0.898 and 0.930. Composite reliability (CR) values varied from 0.894 to 0.916 for first-order constructs and 0.821 to 0.840 for second-order constructs. All reliability coefficients substantially exceeded the recommended threshold of 0.70, indicating excellent internal consistency reliability (Hair et al., 2019). The Average Variance Extracted (AVE) values ranged from 0.653 to 0.702 for first-order constructs and 0.567 to 0.720 for second-order constructs. While most AVE values surpassed the recommended 0.50 benchmark for establishing convergent validity, Corporate Governance and Corporate Value constructs achieved AVE values of 0.567, which remain acceptable given their high composite reliability exceeding 0.60 (Fornell & Larcker, 1981; Hair et al., 2019). Furthermore, all factor loadings on their respective constructs exceeded 0.70, ranging from 0.735 to 0.854 for second-order constructs, providing additional evidence of convergent validity and confirming the measurement model's robustness.

The Fornell-Larcker criterion requires that the square root of average variance extracted (AVE) for each construct should exceed its highest correlation with any other construct in the model (Fornell & Larcker, 1981). Table 4.3 displays the discriminant validity assessment with bolded diagonal elements representing the square roots of AVE for each construct, while off-diagonal elements represent inter-construct correlations. The results demonstrate that all constructs satisfy the discriminant validity requirement, with square roots of AVE ranging from 0.808 to 0.838, which consistently exceed the highest inter-construct correlations, confirming that each construct captures distinct phenomena and supporting the measurement model's discriminant validity.

Conclusions

This study developed and tested a conceptual framework analyzing how corporate governance influences corporate value, with corporate environment and social responsibility as sequential mediating roles. The results provide strong empirical support for the hypothesized relationships. The results of hypothesis testing reveal several significant direct and indirect effects supporting all proposed hypotheses.

Regarding direct effects, Corporate Governance demonstrates a positive and significant influence on Corporate Value ($\beta = 0.382$, $p < 0.001$), providing strong support for H1. Corporate Governance demonstrated significant positive direct effects on Corporate Environment ($\beta = 0.465$, $p < 0.001$) and Corporate Social Responsibility ($\beta = 0.387$, $p < 0.001$). Additionally, Corporate Environment ($\beta = 0.404$, $p < 0.001$) and Corporate Social Responsibility ($\beta = 0.264$, $p < 0.001$) positively predicted Corporate Value.

Further confirmed analysis the sequential mediating roles of Corporate Environment and Corporate Social Responsibility. The specific indirect effects analysis confirms the mediating roles proposed in the theoretical framework. Corporate Environment significantly mediates the relationship between Corporate Governance and Corporate Value ($\beta = 0.188$, $p < 0.001$), supporting H2. Similarly, Corporate Social Responsibility serves as a significant mediator in this relationship ($\beta = 0.102$, $p < 0.001$), supporting H3. Most, notably the sequential mediation effect through Corporate Environment and Corporate Social Responsibility is statistically significant ($\beta = 0.048$, $p < 0.001$), supporting H4.

The total indirect effects (β = 0.339, $p < 0.001$) and total effects (β = 0.721, $p < 0.001$) demonstrate the substantial overall impact of Corporate Governance on Corporate Value. Thus, H1-H4 were fully supported.

These findings align with established thresholds for significance testing in PLS-SEM analysis, where t-values exceeding 1.96 indicate statistical significance at the 0.05 level (Hair et al., 2017). The results highlight corporate governance's potential, both directly and through sequential mediation, to promote corporate value creation.

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