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CSR and financial performance: complementarity between environmental, social and business behaviours

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Abstract

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behaviours towards customers and suppliers and towards the environment appear as

substitutable inputs of financial performance, suggesting more conflict between or over-investment towards those stakeholders.

Keywords: CSR financial performance complementarity substitutability stakeholders

JEL Classification: M14 L21 C33

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Notes

¹ Orbis database, covering 2000-2010, is available for all countries across

² In complementary to the OLS regression, we also performed a regression involving variables and changes in these levels on past performance and historical values of the firm-specific

variables. Such tests show that CSR is in fact dynamically endogenous since CSR is determined by past financial performance.

³ Estimations were carried out using the Stata module Xtabond2 developed by D. Roodman ([2006](#)). System GMM was implemented as a one-step estimator with Windmeijer-corrected cluster-robust errors.

⁴ For the aggregate measure of CSR (CSR global), only the system GMM estimations are reported but additional estimations for OLS and fixed effects models are available upon request.

⁵ As quoted by Belu and Manescu ([2013](#)), it is worth controlling for unobserved firm heterogeneity when modelling CSR and financial performance, since when it is not accounted for, inexistent positive or negative relationships between the two might emerge (see Baron, [2009](#)).

⁶ To examine this issue, we have conducted complementary regressions, which are not reported here but available upon request, in which we estimate the impact of CSR on the ROA and the Tobin's Q by separating controversial industries from the others (considering the small size of our samples only static fixed-effects models could be run). Our results show that CSR commitment is positively associated with financial performance in controversial industries, although their products might be detrimental to the environment, human beings and society. Managers of firms in controversial industries may in fact use CSR as a means to enhance their reputation.

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