



The determinants of CSR performance; Evidence from an SEM-PLS approach

Los determinantes del desempeño en RSC; evidencia desde un enfoque SEM-PLS

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Abstract

While the significance of Corporate Social Responsibility (CSR) and its role in businesses are widely acknowledged, the intricacies surrounding the catalysts compelling organizations to undertake the mantle of CSR remain less clear. Despite researchers' endeavors to comprehend the determinants of CSR, certain aspects remain obscured. This paper studies the factors influencing the level of CSR performance through the application of a Structural Equation Modeling (SEM-PLS) framework. To achieve this, a dataset encompassing 39 indicators across 1033 listed companies located in 32 countries was employed, spanning from 2005 to 2016 and seven latent variables were considered. The findings underscore that "country exposure," "corporate governance," and "company profile" positively impact CSR performance. Conversely, "ownership structure" exhibits a negative influence on CSR performance. Consequently, this study furnishes both practical and theoretical implications concerning the intricate interplay between CSR and a gamut of macro and micro-level business variables.

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Keywords: CSR performance; SEM-PLS; disclosure; CSR determinants

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Resumen

Aunque la importancia de la Responsabilidad Social Corporativa (RSC) y su papel en las empresas están ampliamente reconocidos, las complejidades en torno a los factores que impulsan a las organizaciones a asumir el compromiso con la RSC siguen siendo poco claras. A pesar de los esfuerzos de los investigadores por comprender los determinantes de la RSC, algunos aspectos permanecen poco explorados. Este artículo estudia los factores que influyen en el nivel de desempeño en RSC mediante la aplicación de un modelo de ecuaciones estructurales con mínimos cuadrados parciales (SEM-PLS). Para ello, se utilizó un conjunto de datos que incluye 39 indicadores de 1033 empresas cotizadas en 32 países, abarcando el período de 2005 a 2016, y se consideraron siete variables latentes. Los resultados destacan que la "exposición al país", el "gobierno corporativo" y el "perfil de la empresa" influyen positivamente en el desempeño en RSC. Por el contrario, la "estructura de propiedad" tiene una influencia negativa. En consecuencia, este estudio aporta implicaciones tanto prácticas como teóricas sobre la compleja interacción entre la RSC y un amplio conjunto de variables empresariales a nivel macro y micro.

Código JEL: M10, M14, M40

Palabras clave: Desempeño en RSC; SEM-PLS; Divulgación; Determinantes de la RSC

Introduction

Few doubts remain regarding the importance of corporate social responsibility (CSR) and its role in contemporary society (Lin and Nguyen, 2022; Miras-Rodríguez, Martínez-Martínez, and Escobar-Pérez, 2019). The widespread acceptance of CSR is well documented, with Taneja, Taneja, and Gupta (2011) noting that organizations, regardless of size or geographical location, have increasingly integrated CSR into their strategic agendas. Similarly, Pinheiro (2023) highlights the internalization of CSR within organizations as a response to its growing significance in both social and business contexts. However, while there is broad consensus on the relevance of CSR, the factors that drive companies to adopt it remain subject to debate.

Understanding the determinants of CSR engagement is crucial for both academic research and corporate practice. Huang and Watson (2015) point out that despite the increasing prevalence of CSR, little is known about the underlying drivers that lead firms to embrace it, making this an area of ongoing research. Coluccia, Fontana, and Solimene (2018) emphasize that despite considerable academic efforts, a clear understanding of why firms adopt CSR, or choose not to, remains elusive. This knowledge gap highlights the complexity of CSR engagement and the interplay of various internal and external influences that shape corporate behavior in this domain.

Several theoretical perspectives offer insights into CSR determinants. From an agency theory perspective (Jensen and Meckling, 1976), CSR can be seen as a managerial tool that may serve self-interested executives rather than a genuine corporate commitment. This view suggests that managers may

engage in CSR to enhance their personal reputation, reduce regulatory scrutiny, or divert attention from governance inefficiencies. In contrast, stakeholder theory (Freeman, 1984) argues that CSR emerges as a strategic response to the expectations of diverse stakeholders, including investors, consumers, employees, and regulatory bodies. By aligning CSR initiatives with stakeholder interests, firms can enhance their long-term value and mitigate potential conflicts. Furthermore, legitimacy theory (Suchman, 1995) suggests that firms engage in CSR to gain societal approval, enhance their reputation, and ensure long-term survival. This theory highlights the role of external perceptions in shaping CSR practices, as firms seek to conform to societal norms and expectations to maintain their license to operate.

Empirical research has identified several internal and external determinants of CSR performance. Governance mechanisms, such as board structure, CEO characteristics, and ownership concentration, play a crucial role in shaping CSR policies and their implementation (Jo and Harjoto, 2012). For instance, firms with more independent and diverse boards tend to exhibit stronger CSR commitments due to enhanced oversight and broader stakeholder representation. Additionally, regulatory frameworks and institutional pressures significantly influence CSR engagement (Matten and Moon, 2008), with firms operating in regions with stringent environmental and social regulations demonstrating higher levels of CSR activity. Stakeholder influence, including investor demands and consumer preferences, also influences CSR initiatives (Cheng, Ioannou, and Serafeim, 2014), as firms respond to market pressures by integrating sustainability considerations into their strategic planning.

Furthermore, the strategic disclosure of CSR initiatives influences corporate legitimacy, as firms seek to align their practices with societal expectations (Deegan, 2002).

Transparency in CSR reporting is increasingly seen as a means to build trust with stakeholders, reduce information asymmetry, and enhance corporate reputation. Stakeholders perceive CSR disclosures as indicators of corporate transparency and accountability (Michelon, Pilonato, and Ricceri, 2015), which can ultimately affect a firm's social and operational legitimacy. The increasing adoption of sustainability reporting standards, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), further underscores the importance of structured and credible CSR communication.

Despite these insights, discrepancies persist due to the diversity of theoretical frameworks and determinants under consideration. Hyun et al. (2016) illustrate this divergence by noting that while some observers view CSR as a reflection of genuine corporate commitment, others perceive it as a strategic rhetoric aimed at managing external perceptions and mitigating reputational risks. This debate underscores the need for further empirical investigation into the motivations and consequences of CSR adoption.

Given the growing importance of CSR and the knowledge gaps surrounding its determinants, our research aims to assess, which characteristics serve as key drivers of corporate social performance.

By integrating insights from multiple theoretical perspectives and empirical studies, we seek to provide a comprehensive understanding of the factors that influence CSR engagement. The forthcoming sections will further elaborate on the theoretical framework, emphasizing the intricate interconnections between these determinants and CSR. Subsequently, dedicated sections will detail the research methodology, present the findings, and draw conclusions based on the analyses conducted. This study aims to contribute to the ongoing discourse on CSR by offering new insights into the drivers of CSR performance and their implications for corporate strategy and sustainability.

Literature review and hypothesis development

Theoretical foundations of CSR determinants

The use of agency theory, stakeholder theory, institutional theory, signaling theory and legitimacy theory has gained significant traction in the analysis of organizational behavior and decision-making processes in today's complex and dynamic environments. These multitheoretical frameworks provide valuable insights into how organizations navigate the intricate interplay of interests among various actors, the influence of institutional norms and structures, and the quest for legitimacy in the eyes of both internal and external stakeholders using CSR as tool for those purposes.

Agency theory

Agency theory focuses on the relationship between principals and agents, emphasizing issues such as information asymmetry and conflicts of interest that arise when one party delegates authority to another. This framework is particularly useful for examining corporate governance structures and the dynamics between shareholders and management (Jensen & Meckling, 1976). Although agency theory is not the primary theoretical framework for CSR disclosure, it is widely employed to analyze the impact of organizational characteristics and internal practices on corporate governance disclosure (Jizi et al., 2014). However, Harun et al. (2019) challenge this view, arguing that agency theory is the most dominant framework in explaining CSR reporting practices. Regarding disclosure levels, agency theory suggests that the agent (management) and the principal (shareholders) may have differing motivations and perspectives on what information should be disclosed (Jensen & Meckling, 1976). An agent who possesses extensive information may choose to disclose it to maximize the company's value. Conversely, they may opt to withhold such information for personal gain (Barako, 2007). In this context, transparency regarding

social and environmental issues plays a central role, particularly in managing the expectations of influential stakeholders.

Stakeholders theory

The level of CSR disclosure can also be linked to stakeholder theory (Amran, Bin, and Hassan., 2009), as companies may strategically disclose information to gain stakeholder approval, which is often considered essential for long-term sustainability. Several authors emphasize the need to secure stakeholder support, suggesting that organizations tend to voluntarily disclose higher volumes of information to foster trust and legitimacy. Stakeholder theory is one of the most widely discussed frameworks in the CSR literature. Chiu and Wang (2015, p. 380) describe it as "an influential theory in research on social and environmental accounting." Given its prominence, Nobanee and Ellili (2016) define stakeholder theory as a framework that outlines an organization's duties and responsibilities toward its stakeholders, emphasizing the necessity of sustainability reporting to maintain strong relationships with these groups. This theory posits that companies must meet the informational needs of various stakeholders who have an interest in the business (Serra-Cantalops et al., 2018).

However, balancing the expectations of multiple stakeholder groups is a complex task. The primary challenge lies in managing these diverse interests while ensuring the long-term success of the organization. Most scholars agree that disclosure plays a crucial role in stakeholder management. While the traditional view suggests that organizations should address all stakeholders equally, some perspectives argue that greater emphasis should be placed on the most influential stakeholders. Companies that effectively manage stakeholder relationships through transparent and strategic disclosure are more likely to maintain legitimacy and secure long-term viability.

Institutional theory

Institutional theory, on the other hand, highlights how organizations adapt to their environments by conforming to social norms, rules, and expectations that govern behavior within a specific context.

So, examining the disclosure of CSR through the lens of this theory, it is essential to consider how varying regulatory environments shape corporate behavior. For instance, companies operating within jurisdictions that emphasize stringent CSR regulations tend to exhibit higher levels of transparency in their reporting practices (Coluccia et al., 2018). This divergence can be attributed to the influence of institutional factors such as legal frameworks and industry norms, which collectively create a landscape where firms are motivated to align their disclosures with societal expectations. Moreover, the interaction

between these institutional pressures and market dynamics often leads organizations to adopt CSR strategies not merely for compliance but as a means of enhancing legitimacy among stakeholders, thereby positioning themselves favorably in competitive markets (Oliveira et al., 2019). As such, understanding these complex relationships becomes crucial for evaluating the authenticity of CSR commitments versus mere compliance-driven actions. Furthermore, the role of cultural dimensions in shaping CSR disclosure cannot be overlooked, as they significantly influence how companies perceive and react to institutional pressures. For instance, firms situated in collectivist societies may prioritize stakeholder engagement and community welfare in their reporting practices, reflecting deeper societal values that drive transparency and accountability (García-Sánchez et al., 2016). Additionally, the evolving landscape of global governance frameworks suggests that multinational corporations must navigate not only local regulations but also international standards, which can further complicate their CSR strategies and disclosures (Oliveira et al., 2019). Thus, examining these cultural and regulatory intersections offers valuable insights into the complexities behind corporate transparency in CSR initiatives.

Legitimacy theory

According to Nobanee and Ellili (2016), one of the primary mechanisms for legitimizing corporate behavior is through CSR disclosure. Legitimacy theory suggests that organizations use disclosure to justify their actions and behaviors, particularly in different institutional and regulatory environments. Beyond merely complying with stakeholder expectations, voluntary CSR disclosure can also shape public perception of the company (Deegan, 2002). Branco and Rodrigues (2008) and Vu and Buranatrakul (2018) argue that CSR engagement is often a strategic tool used to legitimize organizational practices and align them with stakeholder expectations. This perspective positions legitimacy theory as one of the most relevant theoretical frameworks for analyzing CSR disclosure. As Deegan (2002) explain, companies disclose CSR-related information to reinforce the perception that their operations align with societal expectations, thereby maintaining the social contract that underpins their legitimacy. Reverte (2016) further supports this argument, asserting that legitimacy theory provides a comprehensive explanation for CSR disclosure, as companies use it to appease key stakeholders and mitigate potential regulatory risks. In this way, disclosure serves as both a strategic and operational necessity to sustain corporate legitimacy and long-term success.

Signaling theory

In examining CSR disclosure through the lens of signaling theory, it is essential to consider not only the mechanisms of communication but also the varied interpretations stakeholders may derive from these signals (Yang, 2023). This skepticism highlights the importance of clarity and authenticity in CSR communications; firms must strive for comprehensible disclosures that resonate with their audience's values and expectations. Furthermore, the interplay between CSR initiatives and stakeholder trust underscores the necessity for organizations to adopt robust signaling strategies that genuinely reflect their corporate social performance, ultimately fostering stronger relationships built on credibility and mutual understanding (Zerbini, 2017).

Moreover, the effectiveness of CSR disclosures can be further complicated by the emergence of diverse voluntary standards aimed at enhancing corporate accountability. This paradox illustrates how stakeholders might misinterpret or undervalue a company's efforts if they are not accompanied by clear metrics and genuine engagement with community needs. Consequently, companies must navigate this landscape carefully, ensuring that their CSR initiatives are not only well-communicated but also substantively aligned with stakeholder expectations to mitigate skepticism and build lasting trust (Yang, 2023). So, CSR serves as a strategic signaling mechanism that enhances corporate credibility, financial value, and stakeholder trust, ensuring long-term success in competitive markets.

As we analyze these theories, it becomes evident that the interplay between governance structures and stakeholder expectations shapes organizational behavior and strategic decision-making in profound ways. Understanding these dynamics allows organizations to navigate complex social landscapes, fostering trust and collaboration while enhancing their overall resilience in the face of challenges. This holistic and multi-theory approach provides a comprehensive framework for understanding the determinants of CSR, recognizing that no single theory can fully capture the complexity of CSR decision-making and performance. By integrating multiple theoretical perspectives, this study enhances the depth of analysis, allowing for a more nuanced interpretation of the factors that drive CSR engagement. So, this study intends to capture the relationship between external pressures, governance structures, strategic motivations, and stakeholder expectations in shaping CSR engagement and performance. This comprehensive perspective provides deeper insights into why companies commit to CSR, highlighting how these determinants collectively foster sustainable practices that create value for all stakeholders. Ultimately, this theoretical integration contributes to a more robust understanding of CSR as a driver of long-term corporate success and positive societal impact.

Hypothesis development

Company profile and CSR

The relationship between a company's profile and CSR performance can be understood through stakeholder theory and institutional theory. Stakeholder theory suggests that firms in high-risk industries or with greater visibility face stronger pressure from external stakeholders, such as consumers, regulators, and investors, to engage in CSR practices. Institutional theory reinforces this idea by explaining that firms in certain sectors, particularly those subject to strict regulations or environmental concerns, adopt CSR due to coercive and normative pressures (Reverte, 2009). Additionally, signaling theory suggests that firms with a long-standing presence in the market use CSR disclosure to reinforce their legitimacy and competitive positioning (Ahmad, Rashid & Gow, 2017).

Issues related to the company's profile can play an important role in the context of CSR performance (D'Amato & Flivena, 2020). Regarding this issue, the aim is to address the impact of the industry in which the organization operates and its age. In the case of the industry, Reverte (2009) seeks to justify the relationship between this issue and CSR performance, stating that organizations belonging to high environmental and social risk industries suffer greater pressure to internalize social and environmental issues within its strategic planning, thus seeking to manage not only its institutional reputation but also pressure from stakeholders.

Branco and Rodrigues (2008), Dias, Rodrigues, and Craig (2017), Dyduch and Krasodomska (2017); Giannarakis, Konteos and Sariannidis (2014), Issa (2017), and Wachira (2017) found empirical evidence of the existence of a positive relationship between industry and CSR disclosure and performance. However, not all existing empirical evidence points towards a relationship between industry and CSR, since Amran, Bin and Hassan (2014), Barakat and Ariza (2015), Habbash (2016) and Vu and Buranatrakul (2018) were unable to find any empirical evidence industry to be associated with CSR performance.

On the other hand, older companies, either due to their greater presence or their more advanced evolutionary stage in corporate terms, commit greater effort and attention to aspects related to CSR, meaning that such commitment will result in a higher level of CSR performance. Ahmad, Rashid and Gow (2017), Coluccia et al. (2018), Dienes and Velte (2016), Habbash (2016), Jiraporn and Withisuphakorn (2016), Joshi and Hyderabad (2019), Kansal, Joshi and Batra (2014) and Wang, Song and Yao (2013) found empirical evidence about the existence of a positive relationship between the companies age and CSR performance, that is, the older the company, the greater its CSR performance is.

However, the existing empirical evidence is not consensual and there are also some studies whose conclusion contradicts that presented. Authors like Barakat and Ariza (2015) found a negative

relationship between companies' age and CSR performance. Pradhan and Nibedita (2019) and Wuttichindanon (2017) didn't find any statistically significant conclusion regarding that relation. Given the above, the research hypothesis presented was formulated.

H1: There is a relationship between the companies' profile and CSR performance.

Corporate governance and CSR

The role of corporate governance in CSR is strongly supported by agency theory and stakeholder theory. Agency theory suggests that strong governance mechanisms, such as independent boards and gender diversity, help mitigate conflicts of interest between managers and shareholders, ensuring that CSR commitments are not merely symbolic but aligned with long-term value creation (Khan, Muttakin & Siddiqui, 2013). Stakeholder theory complements this perspective by emphasizing that well-governed companies are more responsive to social and environmental demands, improving stakeholder trust and corporate reputation (Shahbaz et al., 2020). Legitimacy theory further explains that firms with robust governance structures use CSR as a tool to reinforce their alignment with societal expectations, securing legitimacy and minimizing reputational risks (Barakat & Ariza, 2015).

Regarding corporate governance mechanisms, Khan, Muttakin and Siddiqui (2013), Shahbaz et al. (2020) and Pinheiro and Sarmento (2023) state that a strong relationship between CSR and corporate governance mechanisms can be predicted. The growing importance that corporate governance has assumed in the search for greater transparency in reporting the activities carried out by an organization, and on the other hand, the fact that managers use a more comprehensive concept of corporate governance, including CSR activities was one of the starting points (Akisik & Gal, 2014). The same idea is defended by Barakat and Ariza (2015) when they state that better corporate governance translates into greater transparency and CSR performance. Farooq, Ullah, and Kimani (2015) also mention that this relationship has produced interesting discoveries, but also offers an avenue for research in the context of literature on corporate governance. Authors such as Miniaoui, Chibani and Hussainey (2022) and Rao and Tilt (2016) consider that the relationship between corporate governance mechanisms and financial performance has been extensively studied, however, the impact of the former on social performance has been much less addressed.

Thus, taking advantage of the gaps highlighted in the literature and analyzing the various corporate governance mechanisms, it becomes possible to affirm that the diversity existing in the management body is one of these that assumes special importance today. Complexity arises, in the first instance, from the need to find solutions that allow managing the intentions of different stakeholders (Prado-Lorenzo, Gallego-Alvarez and Garcia-Sanchez, 2009), with the board being a factor key in

defining the information disclosure policy, as argued by Miniaoui, Chibani and Hussainey (2022), Fuente, García-Sánchez and Lozano (2017) and Samaha, Khelif and Hussainey (2015). In addition, Katmon, Mohamad and Norwani (2019) and Jizi et al. (2014) defend that the board is responsible for developing sustainable strategies and supervising the responsible use of an organization's assets and is responsible for decisions regarding social responsibility policies. Regarding this relationship, Farooq et al. (2015), Martínez-Ferrero et al. (2015), Miniaoui, Chibani and Hussainey (2022), Pinheiro, and Sarmento (2023) found empirical evidence on the relationship between corporate governance mechanisms and CSR performance. This idea is also corroborated by Lu and Wang (2021) when they state that the characteristics of the government model are fundamental determinants of the information disclosed by companies and their performance. Several other authors reinforce that diversity introduces a wider spectrum of knowledge and skills that brings together different perspectives resulting in more thoughtful decisions. The formulation of the ensuing research hypothesis derives from the existing literature in this domain.

H2: There is a relationship between corporate governance mechanisms and CSR performance.

Ownership structure and CSR

The influence of ownership structure on CSR engagement is closely linked to agency theory and signaling theory. According to Agency Theory, firms with concentrated ownership, such as those controlled by a dominant shareholder, may exhibit lower CSR commitment due to conflicts of interest and reduced pressure for transparency (Ducassy & Montandrau, 2015). In contrast, dispersed ownership structures increase accountability, as managers are incentivized to disclose CSR efforts to attract investment and reduce agency costs (Godos-Díez et al., 2012). This fact arises from an attempt to reduce information asymmetry and consequently reduce possible agency costs, since the more dispersed an organization's capital is, the greater the number of shareholders who need to meet the information needs. Signaling theory suggests that firms with significant foreign or government ownership strategically disclose CSR activities to enhance credibility and differentiate themselves in competitive markets (Zaid, Abuhijleh & Pucheta-Martínez, 2020).

Therefore, given the above, it is possible to verify that the empirical evidence is not consensual regarding the influence of shareholder concentration on CSR. Authors such as Aboud and Yang (2022), Godos-Díez, Fernández-Gago and Caebza-García (2012), Lu et al. (2017), Majeed, Aziz and Saleem (2015), Said, Zainuddin and Haron (2009) and Wang et al. (2013) found a positive relationship between shareholders concentration and CSR performance. Barako (2007), Ducassy and Montandrau (2015), Reverte (2009), and Sukcharoensin (2012) show, in their studies, a negative relationship. On the other hand, Brammer and Pavelin (2008), Tagesson et al. (2009) and Vu and Buranatrakul (2018) failed to find

any statistically significant relationship. However, it is worth noting that scholars like Zaid, Abuhijleh, and Pucheta-Martínez (2020) and Dakhil (2021) have emphasized that the existing literature on the relationship between CSR and ownership structure remains relatively limited. Their observations underscore the need for further research and exploration in this specific domain, as it indicates that there is still much to uncover and understand about how ownership structure influences CSR within organizations. This gap in the literature signifies an opportunity for future studies to contribute to our comprehension of the intricate dynamics between ownership, corporate governance, and CSR initiatives.

Regarding state ownership, Calza, Profumo and Tutore (2016), Lau, Lu and Liang (2016), Vu and Buranatrakul (2018) emphasize that within the scope of the legitimacy theory, state participation may have an impact on the choices of disclosure of social responsibility and its performance, seeking in this way, the state, to legitimize its action. In addition to this aspect, concern for the well-being of society is also, usually, an objective to which the state is committed and which, as such, seeks to implement through the most diverse organizations. Empirically, it is possible to find empirical evidence of the existence of a positive relationship between the existence of a significant level of state ownership and CSR. Authors such as Cordeiro et al. (2018), Faller and zu Knyphausen (2018), Jain and Jamali (2016), Sukcharoensin (2008), and Tagesson et al. (2009) found empirical evidence of this relationship, corroborating the ideas previously explained about the importance that the State may have in the context of sustainability policies. Even though they theoretically defend the existence of this relationship, Vu and Buranatrakul (2018) did not find any empirical evidence about it in their study.

The existence of foreign shareholders, according to Wang (2017) and Vu and Buranatrakul (2018), encourages a greater propensity to adopt practices related to CSR (Oh, Chang & Martynov, 2011), as a risk reduction instrument, namely due to information asymmetry. It should also be noted that, as mentioned by Miras-Rodríguez et al. (2019), empirical evidence is still scarce, due to the lack of available data, a fact that adds interest to the analysis of this potential relationship. Recently, Lin and Nguyen (2022) found empirical evidence of a positive relationship between CSR performance and foreign ownership. The development of the subsequent research hypothesis emanates from the theoretical and empirical evidence existent in the literature.

H3: There is a relationship between the ownership structure and CSR disclosure

Company size and CSR

The relationship between company size and CSR can be explained by stakeholder, institutional, and signaling theories. Larger firms are subject to greater scrutiny from stakeholders, including regulators, investors, and consumers, which encourages more extensive CSR engagement (Reverte, 2009).

Institutional pressures also play a role, as larger firms often operate in multiple jurisdictions, requiring them to comply with diverse regulatory and social expectations (Nasser & Hassan, 2013). From a signaling theory perspective, large firms with greater financial resources leverage CSR disclosures to reinforce their leadership status, enhance brand value, and attract ESG-conscious investors (Coluccia et al., 2018).

Several authors have found in their studies empirical evidence that business size is positively related to CSR performance, given that larger organizations, both due to their availability of resources and their visibility and impact on society, are subject to greater scrutiny. In this regard, Reverte (2009) states that larger organizations are more subject to public resentment, hostility from consumers, labor conflicts, and greater attention from regulatory organizations, which encourages them to choose to disclose greater volumes of information. Nasser and Hassan (2013) also state that those companies also face greater monitoring by capital markets when compared to smaller companies. The increase in monitoring, combined with the existence of a greater number of stakeholders leads to greater concern with aspects related to CSR as mentioned by Branco and Rodrigues (2008) Coluccia et al. (2018), Hyun et al. (2016) and Tagesson et al. (2009), among others. Sáenz, García, and Alejandro (2019) corroborate the ideas explained above, arguing that larger companies tend to assume CSR, either because of the visibility that these activities generate, or because of the need to avoid reputational damage that could arise from this failure to assume this.

Despite the idea presented, empirical evidence can be found that show the absence of a relationship, such as the studies developed by Dyduch and Krasodomska (2017), Legendre and Coderre (2012) and Lungu, Caraiani and Dascalu (2011). In many of the cases in which an absence of relationship was found, the authors emphasize that this fact may be due to how the business dimension was measured, that is, the result may arise from the metric used and not exactly from the lack of relationship.

However, globally, the literature shows the existence of a positive relationship as the empirical evidence found by Abdullahi, Ali and Abdulrazaq (2018), Ahmad et al. (2017), Coluccia et al. (2018), Dias et al. (2017), Dienes and Velte (2016), Elfeky (2017), Farooq et al. (2015), Fidana and Handayani (2019), Issa (2017), Giannarakis (2014a), Godos-Díez et al. (2014), Habbash (2016), Joshi and Hyderabad (2019), Kansal et al. (2014), Lu et al. (2017), Majeed et al. (2015), Pradhan and Nibedita (2019), Sáenz et al. (2019), Vu and Buranatrakul (2018), Wachira (2017), Wang et al. (2013) and Wuttichindanon (2017). Thus, the empirical evidence mentioned above identifies a clear tendency toward the evidence of a positive relationship, which, according to Godos-Díez, Cabeza-García, Alonso-Martínez and Fernández-Gago (2018) can be summarized by two main aspects. The first arises from the fact that the company has greater resources as it gains size, and the second arises from its greater exposure to stakeholders.

The development of the subsequent research hypothesis emanates from the theoretical and empirical evidence existent in the literature.

H4: There is a relationship between company size and CSR performance

Financial performance and CSR

CSR's relation with financial performance can be examined through agency, signaling, and legitimacy theories. Agency Theory suggests that managers in financially stable firms may have greater discretion to invest in CSR, using it as a tool to mitigate agency conflicts and enhance shareholder value (Saleh, Zainuddin & Haron, 2015). Signaling Theory indicates that profitable companies disclose CSR initiatives to differentiate themselves and signal financial health to investors, improving access to capital and reducing financing costs (Dhaliwal et al., 2011). Legitimacy Theory supports the idea that companies with strong financial performance engage in CSR to maintain their legitimacy and align with societal expectations, reducing the risk of public scrutiny (Maqbool & Zameer, 2018).

Interest in the relationship between CSR and financial performance emerged more than forty years ago, as mentioned by Herrera Madueno, Larrán-Jorge, Martínez-Conesa and Martínez-Martínez (2016), and little or no conclusive evidence was possible to achieve in more than four decades of research. Profitability can, to a certain extent, be an important factor in the context of solving adverse selection problems, given that a higher level of profitability may lead the manager to disclose a greater volume of information. Another argument is related to excess liquidity, which is used by those who argue that there is a direct relationship between both aspects since the company can satisfy the expectations of shareholders and simultaneously those of other stakeholders. However, as Nasser and Hassan (2013) mention, the level of profitability should be understood as an indicator of the performance of companies and in this context, it would be expected that companies with higher levels of profitability would tend to demonstrate a greater propensity for voluntary disclosure of information. Another explanation is presented by Ahmad et al. (2017) when they state that activities related to CSR are not cost-free, and companies with greater profitability will be able to bear and dilute these costs more effectively. Giannarakis (2014) also states that the manager of profitable companies has greater freedom to incorporate a social approach to show their contribution to society and to promote a positive image of their performance. Cardona-Valencia, Salazar-Jiménez and Álvarez-Osório (2023) also stated that some authors refer to a bidirectional relationship between CSR and financial performance. From a theoretical point of view, the positive relationship between both aspects can, according to Saleh, Zainuddin and Haron (2015), be supported by either stakeholder theory, demand and supply theory, or social impact theory, all of which defend the importance of CSR in the context of the organization's development. It should also be noted that there is

a lack of results that show a unanimous trend regarding the relationship between both aspects as stated by Bussoli and Conte (2018), Maqbool and Zameer (2018) and Martinez-Ferrero and Frías-Aceituno (2015). Within the existing literature it is possible to find empirical evidence that points out the existence of a positive relationship (Abdullahi et al. 2018; Ahmad et al., 2017; Barakat and Ariza, 2015; Bussoli & Conte, 2018; Platanova, Asutay & Dixon, 2018; Pradhan & Nibedita, 2019, Vu & Buranatrakul, 2018) the absence of a statistically significant relationship (Dyduch & Krasodomska, 2017; Ganesan et al., 2017; Giannarakis, 2014a; Habbash, 2016; Sáenz et al., 2019) Finally, there is also empirical evidence about a negative relationship between the variables, as evidenced by Joshi and Hyderabad (2019).

In the case of leverage and the cost of capital, organizations are expected to seek to reduce risk and simultaneously manage the expectations of different stakeholders. The level of debt has also been used in several studies that seek empirical evidence regarding the factors determining the level of CSR. However, if the view about its importance is shared by several authors, the nature of this relationship does not reach a consensus among them. In this regard, Dyduch and Krasodomska (2017) point out that this disclosure arises from the need for companies to reduce their agency costs, that is, they seek to mitigate the asymmetry of information between the principal and the agents through the disclosure of information, which is one of the essential aspects of agency theory, as mentioned previously. Regarding the obtained results Giannarakis (2014), Habbash (2016), Joshi and Hyderabad (2019), Pradhan and Nibedita (2019) and Tenuta and Cambrea (2022) found evidence of a negative relationship between the level of debt and CSR. Sáenz et al. (2019) found a positive relationship and Dyduch and Krasodomska (2017), Giannarakis (2014a), Vu and Buranatrakul (2018), Wuttichindanon (2017), Wachira (2017) and Wang (2017) found no evidence.

Regarding liquidity, the empirical evidence supports the idea that companies with higher levels of liquidity tend to see CSR as a way of signalling this characteristic. In this context, Ezat and El-Masry (2008) and Wachira (2017) found empirical evidence of a positive relationship. However, there is a theoretical approach that considers that companies with greater liquidity tend to want to signal this fact by seeking to distinguish themselves from others with lower levels of liquidity, which can be framed within the assumptions of signaling theory. Thus, signaling can be done through an increase in the level of information disclosed, and it can be argued that this increase can be extended to the context of CSR. Furthermore, the existence of higher levels of liquidity could enhance its use in activities related to CSR, a reality that is not expected to occur in companies with low levels of liquidity. Thus, given the exposed aspects, the following research hypothesis was formulated.

H5: There is a positive relationship between financial performance and the level of CSR performance

Company exposure and CSR

A firm's exposure to international markets and capital markets is shaped by institutional theory and signaling theory. Institutional theory suggests that firms operating in multiple countries face diverse regulatory, cultural, and stakeholder expectations, compelling them to adopt CSR practices to secure legitimacy in different institutional environments (Shirodkar, Beddewela & Richter, 2018). Signaling theory highlights that companies with greater exposure to international markets use CSR as a strategic tool to build credibility, attract foreign investors, and reduce market uncertainties (McGuinness, Vieito & Wang, 2017).

It is possible to argue that a company whose activity is focused on the domestic market will not have to deal with the possibility of a cultural shock, or with the need to adapt to a contextual reality different from that which is familiar. The issue of the company's exposure to the external market can also lead to finding CSR as a means to achieve greater affirmation and acceptance in a market that, by default, is not the one in which it is used to operating. Thus, companies approach CSR as a way of signaling a socially expected behavior and simultaneously legitimizing their activity, thus mitigating the costs that may arise from their greater openness to the outside world. In addition, Shirodkar, Beddewela and Richter (2018) clearly state that companies that operate in a greater number of markets tend to feel a greater need to be relevant actors within the societies in which they operate. This role that companies tend to assume is often based on their CSR practices and allows them to be relevant political actors, so it is expected that a greater geographic dispersion of the business can contribute to greater CSR engagement.

To be able to assess whether a company's exposure is a factor that influences CSR performance several dimensions must be considered. These dimensions are intended to reflect the level of financial and operational exposure, capital market exposure and expectations resulting from the company's formal commitment to CSR. When reference is made to the concept of external dependency, this can arise directly from a financial or operational perspective, and regarding this issue, Wang (2017) refers that global companies are under pressure to implement activities related to CSR that discourage international competition and allows new opportunities to be found. The capital market can also have a potentiating effect on the internalization of CSR as a strategic variable and thus, due to a greater market capitalization that could place companies under strong scrutiny, it is expected that they will somehow seek to capture the attention of the market agents through the use of CSR. McGuinness, Vieito and Wang (2017) highlight the fact that the relationship between a company's exposure to the capital market and CSR is a practically unexplored field. In this regard Kolk and Fontanier (2013) point to the fact that the relationship between international pressure and disclosure can be both positive and negative. Lastly, there is an underexplored aspect in the existing literature that could significantly influence CSR performance. This aspect pertains

to a company's commitment to adhering to CSR certifications or guidelines. In such instances, there is an anticipation that companies consciously embrace these standards, which in turn leads to the integration of CSR values within their strategic framework. Building upon this premise, we have developed the following research hypothesis, aimed at investigating the potential correlation between a company's engagement with these certifications or guidelines and its disclosure of information about social responsibility.

H6: There is a relationship between company exposure and CSR performance

Country exposure and CSR

The relationship between country-specific factors and CSR engagement is grounded in institutional, legitimacy, and stakeholder theories. Institutional theory suggests that national regulatory environments, economic stability, and cultural values influence CSR adoption, as companies align with prevailing institutional norms (Amor-Esteban et al., 2018). Legitimacy theory explains that firms in countries with strong governance frameworks and stakeholder-oriented legal systems engage in CSR to maintain public trust and comply with regulatory expectations (Baldini et al., 2018). Lastly, stakeholder theory reinforces this idea, as firms operating in socially conscious economies are more likely to prioritize CSR to meet the demands of engaged stakeholders and civil society (García-Sánchez et al., 2016).

Based on the abovementioned, factors such as the economic, political-legal, and socio-cultural environment are likely to strongly have an impact on the approach to CSR, which is why it is surprising to see such a gap within the existing literature. Amor-Esteban, García-Sánchez, and Galindo-Villardón (2018) corroborate the importance of the corporate environment in the assumption of CSR and state that it is necessary to further investigate the influence on CSR resulting from institutional diversity between countries. Another aspect worth mentioning is related to the conclusion obtained by Galant and Cadez (2017) that a greater number of socially responsible companies in an economy is related to greater economic growth, a fact that contributes to reinforcing the idea underlying idea that the country where companies are seeded could be a determinant of CSR. Regarding the economic environment, the idea of economic stability is related to the difficulty that companies experience when it comes to understanding and predicting the behavior of the environment in which they operate which can play an important role in engaging CSR since in countries with an higher level of economic stability companies have better conditions to engage CSR.

Regarding the political environment, Coluccia et al. (2018), as well as Bani-Khalid and Kouhy (2016) state that political ideologies also play an important role in the engagement of CSR since some

ideologies face CSR as an important issue. Gender diversity among government members can also be a catalyst for CSR, once again based on the fundamentals of gender socialization theory.

On the other hand, the legal framework can also be a determining factor in CSR according to Coluccia et al. (2018). This idea is also corroborated by Amor-Esteban et al. (2018), Baldini et al. (2018), Bani-Khalid and Kouhy (2016) and García-Sánchez, Cuadrado-Ballesteros and Frías-Aceituno (2016) based on the so-called coercive isomorphism initially addressed by Matten and Moon (2008). Several authors state that the legal system is a determinant of the level of orientation towards the various stakeholders, and as such, it is also a determinant of the importance of issues related to CSR. In this regard, the literature indicates that countries with systems based on “civil law” are more stakeholder-oriented than countries whose systems are based on “common law”. Defending this premise, Liang and Renneboog (2017) state that systems based on common law tend to place fewer barriers to managers' behavior, leaving them greater freedom, however, discouraging inappropriate practices through a set of sanctioning elements.

On the other hand, legal systems based on civil law are more interventionist in economic activity through a greater regulatory burden, thus seeking to limit possible deviant behaviors from the outset, according to Velte and Stawinoga (2017). According to Amor-Esteban et al. (2018) and Lorenzo, Sánchez, and Zaballos (2013) also argue that investor protection is more present in countries whose legal system is based on the so-called common law, due to the underlying perspective of maximizing the value of dividends and the value of market capitalization. Amor-Esteban et al. (2018) and García-Sánchez, Frías-Aceituno and Rodríguez-Domínguez (2013) found empirical evidence that companies seeded in countries whose legal system is based on civil law have a greater propensity to disclose information related to CSR, given their greater orientation towards stakeholders.

Finally, regarding the sociocultural environment, Bani-Khalid and Kouhy (2016) highlight the importance of understanding the decision-making process concerning CSR. The pressure exerted by individuals who comprise the society where companies are located is shaped by the characteristics of both the individuals themselves and the broader societal context. Given the impracticality of individually analyzing each person's profile, the assessment is conducted through the lens of cultural patterns such as those mentioned by Shi and Veenstra (2021). These patterns allow for an evaluation of the degree to which individuals possess the capacity, whether greater or lesser, to exert such pressure, consequently influencing the company's strategic decisions. To culturally profile a specific country, the Hofstede model is frequently employed, a well-established framework in literature whenever there is a need to characterize the cultural attributes of a particular nation (García-Meca, Uribe-Bohórquez and Cuadrado-Ballesteros, 2018). In this context, García-Sánchez et al. (2016) assert that organizations operating in countries with analogous institutional structures tend to adopt comparable behavioral patterns, referred to as

isomorphism. Although this relationship may not be seen as obvious Shi and Veenstra (2021) state that there is a strong relationship between cultural patterns and CSR.

Therefore, country exposure intends to combine four different dimensions that up until now have been studied separately: the economic environment (Hristache and Jacob, 2012), the political environment (Baldini et al., 2018; Bani-Khalid and Kouhy, 2016; Coluccia et al., 2018; Detomasi, 2008), the legal environment (Baldini et al., 2018; Bani-Khalid and Kouhy, 2016; Coluccia et al., 2018; Liang and Renneboog, 2017), the sociocultural environment (Baldini et al., 2018; Bani-Khalid and Kouhy, 2016). In line with the above, the following research hypothesis was formulated, which aims to assess the relationship between country exposure and CSR performance.

H7: There is a relationship between country exposure and CSR disclosure

Materials and methods

Sample selection

The sample consists of 1,033 publicly listed companies that were part of the FTSE4GOOD index during the period from 2005 to 2016. The FTSE4GOOD Index Series is designed to measure the performance of companies that demonstrate strong environmental, social, and governance (ESG) practices. Established by FTSE Russell, this index includes firms that meet globally recognized sustainability standards, making it a widely used benchmark for socially responsible investment. Companies included in the index must comply with strict CSR criteria, covering areas such as climate change mitigation, human rights, labor standards, and anti-corruption measures. Given its rigorous selection process, the FTSE4GOOD index serves as an appropriate reference point for evaluating corporate social performance. This addition provides clearer context regarding the sample selection criteria used in our study and strengthens the justification for its inclusion in our research framework.

The 2005-2016 timeframe was chosen as it captures a crucial phase in the evolution of CSR and sustainability reporting. During this period, global regulatory frameworks and stakeholder expectations regarding CSR practices expanded, with key developments such as the UN Principles for Responsible Investment (2006) and the increasing influence of GRI standards. The 2008 financial crisis further reinforced corporate accountability and long-term sustainability commitments. Ending the observation period in 2016 ensures data consistency and avoids disruptions caused by regulatory changes, such as the EU Non-Financial Reporting Directive, which took effect in 2017 and significantly altered CSR disclosure requirements. This timeframe provides a stable and comparable dataset, allowing for a robust analysis of long-term CSR trends before external pressures intensified further.

As a result, a dataset that includes a total of 483,444 firm-year observations was compiled. An extensive analysis of this sample reveals that these 1,033 companies originate from a diverse range of 32 different countries. This geographic diversity reveals the cross-sectional scope of our study, as detailed in Table 1. Since the study comprises a set of variables that take into account issues related to the country factor, geographic heterogeneity is extremely important. The most represented countries are Germany, France, the United Kingdom, Switzerland, and Sweden. Together, 663 companies are headquartered in these five countries, which corresponds to 64% of the Companies, 359 are based in the United Kingdom, 92 in France, 89 in Germany, 65 in Switzerland, and 58 in Sweden. In a second group of countries, we can find Italy, Spain, the Netherlands, Denmark, Poland, Belgium, Finland, and Turkey, which together represent 25% of the total organizations.

Table 1
Sample

Country	Number of Companies	Country	Number of Companies	Country	Number of Companies
Argentina	1	Greece	19	Portugal	9
Australia	1	Hungary	4	Slovakia	1
Austria	16	India	1	South Korea	1
Belgium	26	Ireland	19	Spain	43
Bermuda	6	Italy	44	Sweden	58
Cyprus	1	Luxembourg	4	Switzerland	65
Czechia	4	Mexico	1	Turkey	24
Denmark	27	Malta	1	Ukraine	1
Finland	25	Netherlands	40	UK	359
France	92	Norway	19	United States	5
Germany	89	Poland	27		

Source: Own analysis

Variable definition

Our research incorporates seven latent variables: CSR performance, company exposure, dimension, financial performance, profile, ownership structure, corporate governance, and country exposure. Within this study, the evaluation of CSR performance draws upon the utilization of a tripartite scoring system comprising Social Score (SocSc), Environmental Score (EnvSc), and Government Score (GovSc). These scores are provided by the Thomson Reuters Refinitiv, acknowledged as a preeminent CSR database widely embraced by both researchers and practitioners. The database's selection is underpinned by its recognized capacity to objectively, accurately, and equitably gauge a company's CSR performance across three distinct dimensions.

This assessment methodology has been substantiated by Uyar, Karaman, and Kilic (2020) and De Villiers, Jia, and Li (2022). The ascendancy of the ASSET4 index is further corroborated by De Villiers, Jia, and Li (2022), who identify a substantial volume of papers – 285 studies in 74 journals – of which 135 were published between 2019 and 2020. These papers collectively underscore the escalating prominence of the ASSET4 index as a reliable surrogate measure for evaluating CSR performance. Comprising ten overarching categories and 178 distinct indicators, the ASSET4 index encapsulates an intricate evaluative framework.

The environmental facet encompasses three distinct categories housing 61 indicators, scrutinizing resource utilization, emissions, and innovative practices. The social dimension comprises four categories hosting 63 indicators, appraising workforce dynamics, human rights considerations, community engagement, and product responsibility. Similarly, the governance dimension comprises three categories encompassing 54 indicators, evaluating managerial practices, shareholder interactions, and CSR strategic implementations (Thomson Reuters, 2020).

The methodological underpinning guiding the collection of Environmental, Social, and Governance (ESG) scores aligns with contemporary research endeavours by various scholars including Cristea et al. (2022), Gull et al. (2022), Constantinescu et al. (2021), Duque-Grisales, and Aguilera-Caracuel (2021), Kuo, Chen, and Meng (2021), Rossi et al. (2021), Uyar et al. (2021), among other notable contributions. This approach obviates subjectivity inherent to content analysis methodologies, while concurrently facilitating the assessment of CSR performance.

Regarding the variables, the quantification methodology for each variable is presented in Table 2:

The data about CSR performance, board characteristics, company profile, dimension, ownership structure, financial performance, and company exposure are from the Thomson Reuters Refinitiv database. The data regarding country exposure were obtained through the Institute for Statistics da United Nations Educational, Scientific, and Cultural Organization (UNESCO), the World Economic Outlook from the International Monetary Fund (IMF), Human Development Comparative Political Dataset from Bern University, International Transparency, Hofstede Insights, and Nationmaster databases.

Table 2
Variable definition

Latent Variables	Observed Variable	Measurement
Profile	Industry Age	ICB Classification Number of years since Foundation
Coporate Governance	Board Dimension Board Independence	Number of board members Number of independent board members / Number of board members

	Board Gender Diversity	Number of female board members / Number of board members
	CEO duality	Dummy (1 if CEO and Chairperson are the same; 0 otherwise)
	Non-Executive Board Members	Number of non-executive board members / Number of board members
	Board Specific Skills	Number of expert board members / Number of board members
Ownership Structure	Ownership Concentration	Dummy (1 if there is a controlling shareholder; 0 otherwise)
	Government Control Foreign Ownership	Percentage of shares owned by the government Percentage of shares owned by foreign Investors
Dimension	Total Assets	LN Total assets
	Market Capitalization Number of Employees	LN Market Capitalization Number of Employees
Financial Performance	ROA	Net income / total assets
	ROE	Net income / total equity
	Tobin Q	Market value / total assets
	Leverage	Total liabilities / total assets
	Liquidity	Current asset / current liabilities
	Cost of Capital	Net interests / total liabilities
Company Exposure	Foreign Sales	Foreign sales / total sales
	Market Value	LN market value
	Freefloat	Freefloat
	Socio-Environmental Commitment	Dummy (1 if committed, 0 otherwise)
Country Exposure	GDP	Δ GDP
	Inflation	Δ Inflation Rate
	Unemployment	Annual unemployment rate
	Governement Political Orientation	1 if right-wing, 2 if centre, 3 if left-wing, 4 if other
	Governement Gender Diversity	Number of female government members / Number of government members
	Law System	Dummy (1 if common law, 0 if civil law)
	HDI	HDI value
	Corruption	Corruption Index
	Cultural Robustness	Sum of Hofstede's Cultural Dimension

Source: Own compilation

Empirical model

The use of Structural Equation Modelling (SEM) through Partial Least Squares (PLS), commonly referred to as SEM-PLS, is substantiated by the arguments pointed out by Herrera-Madueno et al. (2016) concerning the dearth of empirical substantiation in the field. The rationale behind adopting SEM-PLS hinges on its suitability for predictive investigations characterized by intricate relationships. An additional salient facet is the capacity of this model, as expounded by Chin (1998) and Hair, Hult, Ringle and Sarstedt

(2017); to not only affirm theoretical latent variables but also to accommodate two types of variables within the model, namely formative and reflective. Furthermore, SEM-PLS operates independently of distributional assumptions, thus qualifying as a non-parametric methodology. The proposed model, as depicted in Figure 1, follows a formative and reflective structure. Graphically, formative latent variables entail causal arrows extending from observed variables to latent variables, and reflective entail causal arrows extending from latent variables to observed variables, aligning with the tenets outlined by Hair et al. (2017). To execute the SEM analysis, the SmartPLS software is harnessed. Furthermore, comprehensive descriptive and correlation analyses are conducted employing R studio.

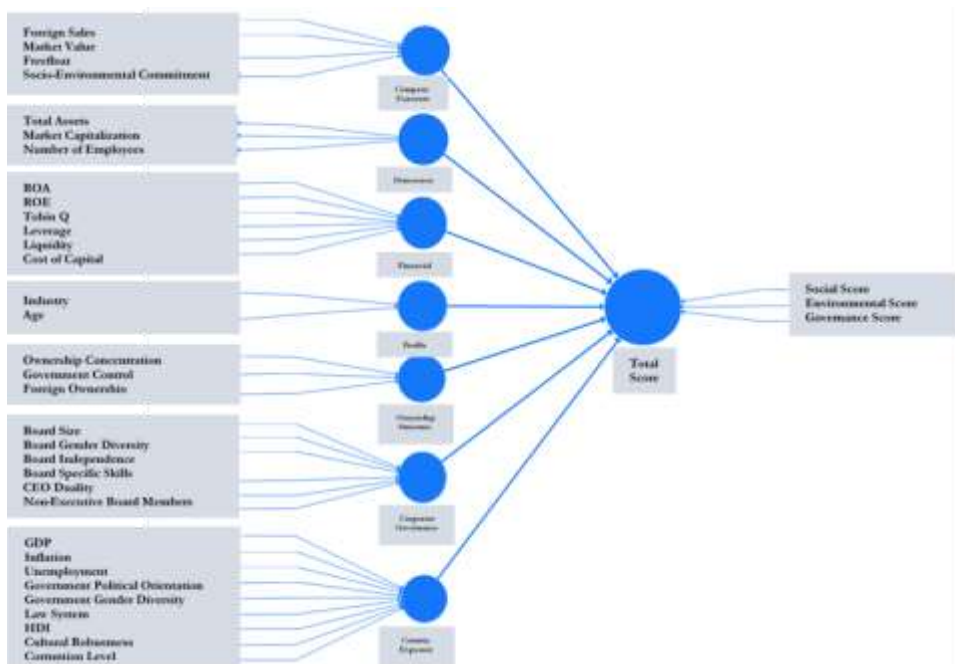


Figure 1. SEM-PLS model
 Source: Own creation

Empirical results

Descriptive statistics

Considering the obtained results related to the variable total score (Table 3), it is possible to verify that the average value is 62.2 and the median value is 68.5. Regarding the standard deviation value, as a

measure of dispersion, it presents a value of 23.9. Finally, analysing the sampling amplitude, it is very high, resulting from the existence of a minimum value of 4.60 and a maximum value of 97.1. This disparity is also present in the scores of the different organizations relating to the social, environmental, and government pillars, and it denotes the existence of organizations with completely different realities, in terms of the dissemination of information and consequent performance.

Table 3

Total Score

Score Total	Overall (n=12396)
Mean (SD)	62.2(23.9)
Median [Min, Max]	68.5 [4.60, 97.1]

Source: R studio

About the average value, it is possible to find, through the dot in Figure 2, a slight increase over time since in 2016 this value reached the highest result among the twelve years analysed. The difference between the median value and the average value has also been increasing throughout this period, being much lower in 2005 when compared to 2016.

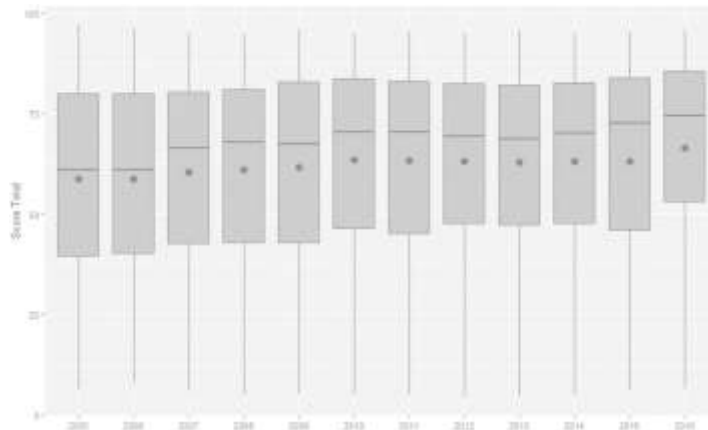


Figure 2. Total score
Source: R studio

Structural equation modeling

The analysis of the inner model and the outer model that make up the system of structural equations will be presented. Since the model has formative and reflective latent variables, it is necessary to apply different techniques to evaluate the different measurement models.

The initial phase of evaluating the outer model encompasses an examination of convergent validity, which entails investigating the presence of multicollinearity among the indicators. This assessment centers on the Variance Inflation Factor (VIF) metric. In line with the criteria proposed by Benitez et al. (2020) and Hair et al. (2017), VIF values surpassing five are indicative of potential multicollinearity issues. Upon analyzing the data presented in Table 4, it becomes evident that none of the indicators exhibit VIF values surpassing the designated threshold. This implies an absence of multicollinearity issues among the indicators.

Table 4
VIF indicators

Indicador	VIF	Indicador	VIF
Age	1,000	Board Independence	1,094
Total Assets	3,062	Liquidity	1,000
CEO Duality	1,009	Number of Emplpyees	1,165
Market Capitalization	3,050	Non-Executive Board Members	1,329
Socio-Environmental Commitment	1,136	Government Political Orientation	1,039
Ownership Concentration	1,148	ROA	1,606
Government Control	1,051	ROE	1,130
Corruption	2,503	Cultural Robustness	2,806
Cost of Capital	1,002	Environmental Score	2,719
Board Dimension	1,145	Governance Score	1,296
Board Gender Diversity	1,051	Socail Score	2,867
Leverage	1,047	Industry	1,000
Foreign Sales	1,030	Law System	1,884
Foreign ownership	1,102	<i>Tobin Q</i>	1,580
Board Specific Skills	1,321	Unemployment	1,597
Freefloat	1,016	Market Value	1,123
Government Gender Diversity	2,961	GDP	1,120
HDI	2,361	Inflation	1,702

Source: Own compilation

Subsequently, the investigation delves into an analysis of the individual contribution of each indicator to the associated latent variable. This analysis aims to ascertain whether each indicator effectively contributes to the formation of the latent variable it is linked to. This scrutiny is executed by assessing the presence of outer weights that exhibit significant deviation from zero.

In line with Hair et al. (2017), it is recommended that t-bootstrap values of both weights and indicator loadings lacking statistical significance ($\alpha < 5\%$) should be retained, provided the loading values exceed 0.50. The bootstrapping procedure was conducted utilizing 5000 sub-samples, adhering to the approach advocated by Hair et al. (2017) and Streukens and Leroi-Werelds (2016). A significance level of 5% was employed, and the analysis was conducted using a two-tailed test.

After the outer weights analysis, it can be shown that through the analysis of the outer weights it was verified that the indicators "corruption", "cost of capital", "foreign sales", "liquidity", "ROA", "cultural robustness", "Tobin Q" and "GDP" are not statistically significant for $\alpha = 5\%$. Also results from the analysis that the indicators "age", "ownership control" and "legal system" have high weights, 0.931; 0.988, and 0.970, respectively. As mentioned, it is important to analyse the value of the loadings of the indicators that did not demonstrate statistically significant weights, so that a decision can be made to maintain or remove the aforementioned indicators from the model (Table 5).

Table 5
 Outer weights e outer loadings

	T Statistic	Outer Weights	Outer Loading
Corruption → Country Exposure		1,533	0,359
Cost of Capital → Financial Performance		0,394	0,006
Foreign Sales → Company Exposure		1.598	0,032
Liquidity → Financial Performance		0,760	0,168
ROA → Financial Performance-		1,882	0,626
Cultural Robustness → Country Exposure		0,501	-0,226
Tobin Q → Financial Performance		1,401	0,596
GDP → Country Exposure		0,600	0,035

Source: Own compilation

Regarding the indicator "corruption", "cost of capital", "foreign sales", "liquidity", "cultural robustness" and "GDP", they did not prove to be statistically significant for $\alpha = 5\%$ in the analysis carried out on the outer weights do not even have a loading greater than 0.5, there is no empirical evidence that points to the need for their maintenance, as mentioned by Hair et al. (2017). In the case of the "ROA" and "Tobin Q" indicators, although they are not statistically significant for $\alpha = 5\%$, in the analysis of the outer weights, they present a loading greater than 0.5, so there is empirical evidence that their contribution justifies its maintenance.

In the case of evaluating the reflective measurement model, two main issues are evaluated: internal consistency and validity. Regarding the internal consistency of the indicators associated with the latent variable "dimension", using the value of loadings. Table 6 presents the results obtained.

Table 6
 Outer loadings

	Outer Loading
Total Assets ← Dimension	0,948
Market Capitalization ← Dimension	0,945
Number of Employees ← Dimension	0,484

Source: Own compilation

In accordance with Hair et al. (2017), the value of loadings must be greater than 0.70, with the minimum acceptable value being 0.40, as these represent the correlation between the indicator and the latent variable. The loadings of the “total assets” and “market capitalization” indicators are much higher than 0.70. In the case of the “number of employees” indicator, even if the value is not desirable, it can be considered acceptable. Also within the scope of the assessment of internal consistency, the composite internal consistency is now analysed, using Cronbach's alpha. The obtained value for this indicator is 0.759, that is, above the threshold considered satisfactory (0.60), according to Hair et al. (2017).

Moving to the analysis of validity, namely convergent validity, the aim is to assess whether the indicator is positively correlated with other indicators associated with the same latent variable. Thus, by analysing the convergent validity of the indicators, it is possible to evaluate it through Table 7.

Table 7
 Convergent validity

	t-bootstrap	p-value
Total Assets ← Dimension	263,520	0,000
Market Capitalization ← Dimension	261,950	0,000
Number of Employees ← Dimension	16,859	0,000

Source: Own compilation

The convergent validity of the indicators is validated as they are statistically significant for $\alpha = 5\%$. The values obtained for the t-bootstrap are greater than 1.96, hence the aforementioned conclusion regarding significance can be drawn. The value obtained for the AVE is 0.675, and in line with the literature, values greater than 0.5 are considered satisfactory, according to Carson (2016), and in this specific case the latent variable explains more than 67% of the variance of the indicators.

Still, within the scope of the evaluation of the reflective measurement model, it is necessary to evaluate the discriminant validity, which allows for assessing whether the latent variable is different from the others, representing a unique and distinct reality and, as such, the indicators that measure it are different. To carry out such verification, the crossloadings of the indicators and Fornell-Larcker criteria can be used, as shown in Table 8 and Table 9.

Table 8
 Crossloadings

	Company Exposure	Country Exposure	Dimension	Ownership Structure	Financial Performance	Corporate Governance	Profile
Total Assets	0.598	0.358	0.948	-0.111	-0.271	0.303	0.178
Market Capitalization	0.514	0.336	0.945	-0.095	-0.010	0.270	0.146
Number of Employees	0.203	0.100	0.484	0.007	-0.098	0.154	0.046

Source: Own compilation

Table 9
 Fornell-Larcker criterion

	Company Exposure	Country Exposure	Dimension	Ownership Structure	Financial Performance	Corporate Governance	Profile
Company exposure							
Country exposure	0,451						
Dimension	0,577	0,357					
Ownership Structure	-0,541	-0,257	-0,102				
Financial Performance	-0,163	-0,107	-0,153	0,030			
Corporate Governance	0,363	0,482	0,304	-0,208	-0,100		
Profile	0,102	0,116	0,17	-0,029	-0,054	0,113	

Source: Own compilation

To be validated, the loading of an indicator related to the “dimension” latent variable must be greater than the crossloading of this indicator relative to the other latent variables, thus ensuring the discriminant validity of the measurement model. In addition to crossloading analysis, discriminant validity can also be measured using the Fornell-Larcker criterion.

The application of this criterion presupposes the existence of a matrix composed of the correlations between the latent variables with reflective measurement models, with the value of the square roots of the AVE found on the main diagonal. Through the analysis of Table 9, the value of the square root of the AVE (0.822) is superior to all other correlations of the dimension latent variable. In this way, the convergent validity of the model is verified, both through crossloadings and the application of the Fornell-Larcker criterion.

In the evaluation of the inner model, the explanatory and predictive capacity of the endogenous latent variable, as well as the estimates for the path coefficients must be analysed. Table 10 shows the values obtained for the VIF for each of the latent variables.

Using the same threshold that was used previously, that is, the value of five, it is verified that there are no multicollinearity problems between the exogenous latent variables and the endogenous latent variables.

Table 10
VIF indicators

Latent Variables	Total Score
Company Exposure	2,481
Country Exposure	1,488
Dimension	1,731
Ownership Structure	1,572
Financial Performance	1,038
Corporate Governance	1,363
Profile	1,037

Source: Own compilation

Then, so that the explanatory capacity of the model about the endogenous latent variable can be analysed, the following indicators are used: coefficient of determination (R^2), and effect size (f^2). In the case of the “Total Score”, the coefficient of determination obtained is 0.268, this being the proportion of its variability explained by the independent or exogenous variables.

The estimated value for R square is moderate considering the thresholds proposed by Chin (1998) and Hair et al. (2017). Nonetheless, Benitez et al. (2020) stress that these thresholds are subjective and depend on the field of study. Regarding fsquare, Benitez et al. (2020) and Hair et al. (2017) point out that values over 0,3 are considered has have a very large effect which allows us to conclude that the model has good explanatory capacity.

However, in addition to the coefficient of determination, it is also important to analyse the effect size, which is an indicator that allows measuring the predictive relevance of an exogenous latent variable, in isolation, from an endogenous latent variable. The results are shown in Table 11.

Table 11
Effect size (f^2)

Latent Variables	f^2
Company Exposure	0,000
Country Exposure	0,071
Dimension	0,000
Ownership Structure	0,012
Financial Performance	0,000
Corporate Governance	0,072
Profile	0,001

Source: Own compilation

A statistically significant path coefficient was obtained regarding “country exposure”, “corporate governance” and “profile” which evidences a positive effect on CSR performance and a negative effect of “ownership structure” on CSR performance. The results are shown in Table 12.

Table 12
 Path coefficient

	Original Sample	Standard Deviation	T Statistics	P Values
Company Exposure → Total Score	-0,003	0,012	0,212	0,832
Country Exposure → Total Score	0,279	0,011	26,011	0,000
Dimension → Total Score	-0,018	0,017	1,043	0,297
Ownership Structure → Total Score	-0,119	0,010	12,074	0,000
Fiancial Performance → Total Score	-0,009	0,008	1,085	0,278
Corporate Governance → Total Score	0,269	0,010	27,614	0,000
Profile → Total Score	0,033	0,009	3,578	0,000

Source: Own compilation

Finally, standardized root mean square residuals (SRMR) were used since according to Henseler, Hubina and Ray (2015), this is the only approximate adjustment criterion for PLS-SEM. The obtained SRMR was 0,090 and the result shows that, according to the literature, the model presents values considered reasonable, i.e. lower than 0.08.

Discussion

In this section, we will analyse the results obtained and contrast them with the previously formulated hypotheses. Regarding H1: There is a relationship between the companies' profile and CSR performance, the underlying idea is that companies that operate in different sectors of activity feel the need to legitimize their interaction with the surrounding environment, in a different way and as such, they can use CSR to do it. Another underlying idea is that older companies with greater market presence tend to assume CSR more effectively and, as such, achieve a higher CSR performance. In addition to this argument, these companies have a more consolidated reputation and as such tend to seek to manage this same attribute through a set of aspects, among which CSR stand out. In order to meet the arguments presented, a formative measurement model was defined, including two observed variables. The results obtained allow us to validate the formulated hypothesis since a positive effect of the companies' profile on the CSR performance was empirically evidenced, which is statistically significant in line with the results obtained by Coluccia et al. (2018), Dias, Rodrigues, and Craig (2017), Dyduch and Krasodomska (2017) and Joshi and Hyderabad (2019) regarding the importance of industry and companies' age.

Regarding H2: There is a relationship between corporate governance mechanisms and CSR performance we assumed that corporate governance mechanisms play a central role in the management and control of organizations, it is also assumed that these are directly related to CSR performance as

mentioned by Pinheiro and Sarmento (2023). Another aspect to highlight is related to the importance that aspects related to the Board have in the process engaging CSR. Combining these two issues, the stated hypothesis was formulated and a latent variable was defined, whose measurement model is formative and which brings together a set of six indicators associated with qualitative and quantitative characteristics related to Board composition. The evaluation carried out in relation to the measurement model made it possible to validate the latent variable and simultaneously verify that the variables related to board independence and Board dimension are those that are most relevant in the formation of the latent variable. Conversely, the indicators related to board gender diversity and CEO duality are those that make the least contribution. The results obtained through the evaluation of the structural model made it possible to validate the hypothesis since a positive, statistically significant relationship (0.269) was empirically evidenced between corporate governance mechanisms and CSR performance in line with, Martínez-Ferrero et al. (2015), Miniaoui, Chibani and Hussainey (2022), Pinheiro and Sarmento (2023), Shahbaz et al. (2020).

Regarding H3: There is a relationship between the ownership structure and CSR performance, it was that ownership structure, namely aspects related to the dispersion of capital, state participation, or foreign ownership are factors that influence the adoption of social responsibility practices and consequently CSR performance. The influence often arises from the greater or lesser need to manage the level of risk or to encourage patterns of behaviour that derive from capital structures with different characteristics. In order to verify the formulated hypothesis, a latent variable was defined whose measurement model is formative and which integrates three indicators related to ownership structure. The evaluation process of the measurement model resulted in all proposed indicators being statistically significant with the shareholder control variable being the one with the greatest degree of importance in the formation of the latent variable. In opposition to government ownership which is the one that makes the smallest contribution to the formation of the latent variable. The results of the evaluation of the structural model made it possible to validate the hypothesis, showing a negative, statistically significant relationship (-0.119) between the ownership structure and CSR performance. The results obtained demonstrate that the ownership structure negatively influences CSR performance. According to Miras-Rodríguez et al. (2019) the empirical evidence associated with this relationship is scarce, and as such, this result, due to its statistical significance, is an important contribution.

Regarding H4: There is a relationship between company size and CSR performance we considered that the business dimension has been approached as a determining factor for CSR performance, insofar as it is usually related to aspects associated with visibility and organizational notoriety. Therefore, larger companies are more exposed to the scrutiny of stakeholders, using CSR as a strategic tool to manage their notoriety and reputation. Another issue that should be mentioned is related to the fact that larger

companies have a greater capacity to ascertain information and simultaneously dilute the costs associated with obtaining it. The abovementioned and latent variable was defined with a reflective measurement model composed of three indicators. By evaluating the measurement model, it was possible to validate the adequacy of the proposed model. However, the evaluation of the structural model, particularly its coefficients, revealed the non-existence of a statistically significant relationship with CSR performance, which is why it is concluded, through the obtained results, that the formulated hypothesis is not validated.

Regarding H5: There is a positive relationship between financial performance and CSR performance the literature points to the fact that empirical evidence has paid attention to certain aspects related to indicators of a financial nature, however, these have been addressed in isolation. This led us to the analysis of a set of indicators related to the structure and return on capital. This analysis is supported by two central ideas. The first is related to the need for companies to reduce the cost of capital and the second to the need to optimize their ownership structure. In this context, there are two aspects to take into consideration for this to happen, the first being related to the need to reduce the level of perceived risk and the second being related to the need to demonstrate good financial performance. Therefore, whether for the sake of signalling good performance or for the need to reduce the level of perceived risk, organizations tend to increase CSR performance. The aforementioned hypothesis was formulated and a latent variable was defined, with a formative measurement model, composed of six indicators. Analysis of the measurement model revealed that of the six proposed indicators, only the cost of capital and liquidity are not statistically significant. Thus, through the analysis of the structural model, it was verified that the results obtained do not allow validating the hypothesis, given that there was no evidence of a statistically significant relationship between the financial performance and CSR performance in line with Dyduch & Krasodomska (2017), Ganesan et al. (2017) and Habbash (2016). The results led us to conclude that today's CSR approach is no longer dependent on financial performance since Companies understand its relevance as a strategic tool itself.

Regarding H6: There is a relationship between company exposure and CSR performance we considered that the level of exposure of a company, whether from the point of view of the capital market, whether operational or the stakeholders, can be considered as an issue that influences CSR practices and its performance. This assumption stems from the need for companies to meet the expectations of a wide range of stakeholders, so they can be impelled to see CSR as a vehicle that allows managing these expectations and legitimizing their activity. Companies with greater exposure to the capital market, with greater dependence on the external market in operational terms and more subject to the scrutiny of the various stakeholders are more likely to have a higher CSR performance. A latent variable was defined with a formative measurement model composed of four indicators. The analysis of the measurement model revealed that of the four proposed indicators, only foreign sales did not prove to be statistically

significant as a proxy for company exposure. In turn, the evaluation of the structural model showed, through the results obtained, that it was not possible to validate the formulated hypothesis, since there is no statistically significant relationship between company exposure and CSR performance.

Finally, regarding H7: There is a relationship between country exposure and CSR performance, even though the literature has given little attention to the influence that the characteristics of the country where the companies are based may have on CSR (Amor-Esteban, García-Sánchez, & Galindo-Villardón, 2018) it is considered plausible that these could be a determining factor for CSR performance. Thus, issues such as the influence that the economic environment, social patterns, cultural robustness, and political and legal systems have on the predisposition to embrace CSR were considered relevant. Therefore, it was assumed that companies based in countries with better economic indicators and more robust socio and cultural patterns tend to pay greater attention to CSR. On the other hand, companies based in countries whose governments' ideological orientation encourages CSR practices and where there is a greater number of female members in the government are aspects that also encourage the engagement of CSR. Furthermore, countries whose legal system is based on civil law, due to the lower risk of litigation, the greater regulatory burden and the orientation towards the protection of stakeholders, tend to contribute to the internalization of CSR. Thus, to validate the hypothesis, a latent variable was defined, with a formative measurement model composed of nine indicators, two of which (cultural robustness and GDP) did not prove to be statistically significant. Through the analysis of the structural model, the results obtained made it possible to validate the hypothesis, with a positive (0.297), statistically significant relationship being evidenced between the country exposure and CSR performance in line with the argument used by Amor-Esteban et al. (2018), Baldini et al. (2018), Corluccia, Galant and Cadez (2017) and Shi and Veenstra (2021).

Conclusions and implications

Taking advantage of the growing importance in the organizational context, it was considered pertinent to analyse the issue of the determinants of CSR performance. In defining the latent variables and associated indicators, innovative elements were introduced, which led to issues that until then had not gone beyond the theoretical field being addressed in empirical research. The results allow us to obtain empirical evidence that the latent variables country exposure, corporate governance, ownership structure and company profile are statistically significant while CSR performance determinants. Regarding country exposure, corporate governance and company profile a positive relationship was evidenced. On the contrary, for ownership structure the relationship evidenced is negative. On the other hand, company exposure, company dimension and financial performance do not show any statistically significant

relationship and, therefore, are not considered determining factors for CSR performance. Regarding the 36 indicators that make up the measurement model, the results obtained show that 30 of them are statistically significant, except the following: cost of capital, foreign sales, liquidity, corruption level, cultural robustness and GDP. Thus, it is concluded that the proposed formative and reflective measurement models are adequately constructed. In summary, it was possible to demonstrate that the latent variables related to corporate governance, related to the characteristics of the country where the companies are based, related to ownership structure and related to the company profile are determinants of CSR performance.

Our study offers a range of significant theoretical contributions that enhance our understanding of the complexities underlying corporate behaviour, ethical decision-making, and the socio-economic impact of businesses. Several key theoretical contributions emerge. First, the enrichment of stakeholder's theory by shedding light on the diverse factors that influence companies' responsiveness to stakeholder expectations. This research underscores the interplay between stakeholder salience, power dynamics, and the firm's commitment to fulfilling societal and environmental responsibilities. Second the unravelling of institutional theory by providing insights into how institutional pressures stemming from regulatory frameworks, norms, and societal expectations influence companies' adoption of responsible practices. This research offers a nuanced perspective on how organizations navigate institutional environments, adapt to changing norms, and engage in legitimization strategies to align with prevailing social and ethical standards. Third offering insights into agency theory by examining how managerial discretion and aligning principal-agent interests are influenced by CSR considerations. Researchers delve into the motivations and incentives that drive managerial decisions related to CSR, illuminating how these decisions align with shareholder interests and corporate objectives.

Our research also has several practical implications. First, it can aid executives and managers in developing contextually tailored strategies that resonate with local sensibilities while adhering to global ethical standards. This insight is invaluable for multinational firms seeking to navigate the intricate web of cross-border expectations, enhancing their reputation, building trust, and fostering sustainable relationships with diverse stakeholders. Understanding how country exposure influences CSR disclosure assists in assessing firms' commitment to ethical practices, thus guiding investment decisions and incentivizing responsible behaviours. Second, by offering critical insights into the diverse interests and incentives of different ownership groups by empowering management to tailor CSR strategies that resonate with specific ownership preferences, mitigating conflicts and fostering long-term shareholder engagement. For investors, serves as a proxy for evaluating firms' commitment to ethical practices and sustainability, thus guiding investment decisions that align with environmental, social, and governance (ESG) considerations. Third enables managers to develop more effective and strategic approaches to

integrate CSR concerns into their operations by aligning business objectives with societal expectations, fostering long-term viability and resilience. Finally, this research offers critical insights to the board of directors regarding governance factors that promote effective oversight of CSR practices and empower organizations to adopt governance structures and practices that foster accountability, transparency, and alignment with stakeholder expectations. Moreover, policymakers and regulatory bodies might leverage this knowledge to design governance frameworks that incentivize responsible business practices and enhance the quality of CSR disclosures.

Future research on CSR performance can focus on the influence of consumer behaviour and preferences on CSR. Investigating how consumers' ethical values and preferences influences their purchasing decisions and loyalty to socially responsible brands is essential. One promising avenue for future research is the exploration of emerging areas of interest include the role of organizational culture, stakeholder engagement, and technological innovation in shaping CSR performance. Understanding how these multifaceted elements interact and impact CSR practices will provide invaluable insights for businesses striving to enhance CSR performance.

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