TOWARD THE END OF THE CORPORATE SOCIAL PERFORMANCE – CORPORATE FINANCIAL PERFORMANCE DEBATE

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Abstract. The purpose of this document is to present the way forward to finalize the debate related to the link between Corporate Social Performance – Corporate Financial Performance. The discussion and proposal of 7 elements were developed that allow proposing a new methodological path for the development of empirical investigations that seek to explain the link between the Corporate Social Performance – Corporate Financial Performance. After the theoretical review, it was found that the most relevant changes were associated with the level of maturity of the Corporate Social Performance, micro-foundations approach, mediating variables, structural equation models, primary sources, and delimitation of the short, medium, and long term on the analysis.

Keywords: Corporate Social Performance, Corporate Financial Performance, microfoundations, Structural Equation Modeling, SMEs.

JEL Classifications: M1, M10, M14.

Introduction

The debate on corporate social performance and the link with corporate financial performance remains current. One of the important reasons is related to the methodologies used to test the hypotheses. This is not a problem exclusive with the Corporate Social Responsibility field, however, through a systematic review of the literature in corporate social responsibility because of a bibliometric analysis, improvements in methodological terms are identified that allow the debate to be resolved. The following sections show the 7 methodological recommendations that are recommended. Resolving the debate is important, it allows business decision makers to reduce uncertainty about the need to incorporate a responsible and strategic approach. It is an important step because currently, the percentage of companies that incorporate a strategic social responsibility is very low and the need is very high. The social, environmental, and economic problems can be solved to a large extent from business actions and show a win-win (creating shared value) as mentioned in Porter and Kramer (2011).

1. Theoretical review

The Corporate Social Performance (CSP) phenomenon has increased in the last two decades, this increase can be observed through three specific indicators. The first one comes from the institutions, with the increase in CSP programs and models developed by institutions such as the United Nations through the Global Compact, The International Organization for Standardization through ISO 26000 or the Ethos Institute with its proposed model. The second indicator comes from the companies that increased their participation and affiliation in the institutional programs. The third indicator is the increase in publications related to study of the CSR's phenomenon.

Based on the preceding, the growth and importance of the CSR phenomenon in the last 20 years is evident; however, in parallel, complex questions have been developed that need to be answered and that is within the present and future research agenda. One of the main question is related to the effects that CSR generates on the company’s performance, and it has been identified that the interest has focused on the exclusive effect of CSP on the Corporate Financial Performance (CFP). Thus, Carroll and
Brown (2018) confirm that the CSP-CFP link is considered a current topic on the research agenda. In order to explain the link more precisely, it is essential to mention two main aspects, which are the basis for continuing with the search for answers.

The first point focuses on explaining why CSR arises? The answer is not simple, but it can be synthesized with the evolution of CSR in the last 75 years. According to Soriano and Fong (2022), it can be simplified in the following sentence: Corporate Social Performance exists to reduce the negative externalities of companies that cannot be regulated by laws due to legal loopholes.

Once the first point has been clarified, the second focuses on the meaning of CSR; there is no consensus between academic society and institutions about a unique definition, but there are elements that can be highlighted from the definitions with greater acceptance, in Figure 1, there are elements with the most significant relevance, allowing us to propose a unifying definition.

According to Figure 1, understanding the meaning of CSR begins by explaining that CSR practices are applied exclusively by companies voluntarily and must have a sustainable approach, considering the social, economic, and environmental dimension. Finally, the third element focuses on relating CSR practices with Stakeholders.

This document is an integrative literature review with a particular broad form of studying the field of existing literature because it can encompass a broad array of scholarly literature, empirical, non-empirical, conceptual, theoretical, to address a particular CSR phenomenon (Kennedy, 2007 cited in Callahan (2014).

The methodology used is the one proposed by Breslin and Gatrell (2020) and follow the steps to develop Setting Out “New” narratives and conceptualizations. In the particular case of this document, the discussion and proposal of 7 elements were developed that allow proposing a new methodological path for the development of empirical investigations that seek to explain the link between the CSP-CFP.

Framework of CSR

Once the origin and purpose of CSR have been clarified, the next challenge is to develop a unifying theory, where micro-theories or contributions of CSR are incorporated with general theories of the company, which allow unifying a theoretical framework with greater congruence, in order to maintain a robust theoretical framework which, permit explain the CSP-CFP link. Therefore, a good start is to ask, what theory helps to explain better the relationship between CSP-DFE? There is no unifying theory in the framework of CSR; there is a catalogue of theories that have allowed us to understand the meaning of CSR better; therefore, the theories with the most significant relevance are mentioned below.

Many theories are related to CSR, from psychology, contributions are observed that serve as the basis for the logic of the application of the CRS, such as those proposed by Maslow (1943) through the theory of motivation, which prioritizes the needs of individuals, through the hierarchy.

In the same way, according to Bruce and Nyland (2011), there is the influence of E. Mayo with the theory of human relations, which defines that group norms more influence the level of production than salary incentives. The attitude of the employee towards his work and the nature of the group in which he participates are decisive factors of productivity; that is, salary is not the only incentive for the increase in the worker's production.

Both theories allow generating a clear logic to the proposal of Freeman and Reed (1983) through the theory of interest groups, which groups the social factors that intervene with greater relevance in the company's performance, called stakeholders (External and Internal).

Subsequently, a contribution that clarified the concept of CSR is the pyramid of the CSR, proposed by Carroll (1991), managing to define the types of responsibilities that a company has in order to make a clear distinction between the responsibilities of the company, such as economic, legal, ethical and philanthropic obligations.

The meaning of CSR practices is reinforced by Elkinston’s (2004) proposal on the sustainable approach through the Triple Bottom Line, defining a company's sustainability based on three fundamental elements: Economic, Social and Environmental. Recently Porter and Kramer (2011) generated adjustments in the theoretical explanation to adjust it to the current environment, defining the importance of always considering a benefit for the company and society, which allows it to be the reference and parameter of what is understood as a shared value.

2. Strategic management

Each of the theories allows the recovery of essential elements for the development and meaning of the CSR
phenomenon. However, these theories must be associated with a general theory to improve the logic and adjustment in explaining the CSP-CFP link. It is known that CSR emerges as a regulatory mechanism to reduce negative externalities, which cannot be regulated by law due to legal loopholes, but why does a company decide to implement CSR practices? The answer is by strategy, seeking to obtain additional benefits; an example may be to reduce future risks in the brand’s image; it is a decision made by the company; therefore, it is considered a strategy. Consequently, in searching for a general theory, a good starting point is to analyze the theories available within strategic management.

Figure 2 shows the two leading theories related to strategic management. On the left side, there is the structural theory, in which the analysis approach is measured by issues external to the company, with the assumption that the companies are homogeneous. The market structure in which they are located dictates its performance; therefore, the analysis variables focus on entry and exit barriers, prices, economies of scale, and costs, among others.

On the right side is the Resource Based View (RBV) proposed mainly by Wernerfelt (1984), Barney (1986, 1991), Teece, Pisano, and Shuen (1997), Teece (2007); the central assumption is that companies are heterogeneous due to the resources and capacities that each one of them possesses; therefore, the analysis focuses on internal issues of the company, the above allows analyzing variables such as productivity, innovation, leadership, among others. These variables can come to be considered mediators between the CSP-CFP links. The theoretical framework of CSR and the theory of RBV conform to the logic of analysis.

Debate on the CSP-CFP link

Once a theoretical framework of CSR and a general theory of the company have been established for the study of CSR, a good question is why is there a debate regarding the link between CSP-CFP? The answer is related to the difference in the results obtained in empirical studies that analyze the CSP-CFP link. The previous can be validated through the studies carried out by Orlitzky et al. (2003), Margolis et al. (2007), Silva et al. (2018), Busch and Friede (2018), a compilation of more than 500 empirical studies that analyze the CSP-PPC link and fail to establish conclusive explanations. In the 500 empirical studies, the results are diverse, some authors find positive relationships, others find negative relationships, and others find null relationships. The problem focuses on the lack of clarity in the explanation of the chains of causality, increasing doubts about the CSP-CFP link.

In Figure 3, the theoretical link between CSP-DFE is exposed. In previous investigations, the results of the macro variables are usually analyzed; the internal relationships are ignored, becoming a black box in the correlation process.

3. Methodology

Bouyssou and Marchant (2011) defined bibliometrics as the analysis of the publications of scientific articles, with the aim of identifying trends in the development of knowledge and the transformation of a discipline. Bibliometric analysis includes a set of mathematical and statistical methods used to analyze and measure the quantity and quality of books, articles, and other forms of publication, to identify the main changes and characteristics of a specific topic. In addition, it allows you to explore, organize, and analyze large amounts of historical data to find patterns that are not obvious but are useful in advancing scientific research and development. The foregoing is in line with the objectives of this document, since it seeks to analyze the evolution of the CSR study, for which the use of the methodology is considered pertinent.

Point out that there are three main types of bibliometric indicators of quantity which measure productivity based on the number of publications, of quality which allow measuring the impact of a publication in relation to the number of citations and structural which measure the connections between posts.

Ramos and Navarro (2008), through the compilation and comparison of the proposals of various authors who have promoted the use of bibliometric analysis, confirm the importance of the indicators. The work that is presented is part of this trend: The procedures carried out and the software used in their realization are similar to those used in various bibliometric analyzes related to research in the economic-administrative such as those presented by Ramos and Navarro (2008), Ferreira and Moran (2011), Herrera et al. (2015), Valenzuela et al. (2015), Acevedo et al. (2017) and Herrán-Paez (2019).
The review of the literature shows that there is consensus on the use of indicators of quality, quantity, and structure in the bibliometric analysis. However, it is also observed that there are great differences in the quantity and the specific way in which the evidence analyzed is obtained, due to the objectives, particular needs, resources, and tools available in each investigation. This situation leads to significant variations in the results and makes it necessary to specify the criteria used to obtain the evidence.

In this work, the Scopus and Web of Science platforms were used as a source of evidence for the analysis presented, as the latter is the largest database of citations and summaries of peer-reviewed bibliography, in its different formats: scientific journals, books and minutes of. Additionally, the VOS viewer Software was improved for the construction and visualization of bibliometric networks.

The criterion for choosing the evidence that has been used in this analysis is the inclusion of the term Corporate Social Responsibility, its abbreviation CSR, as well as alternate words related to the concept, which according to what is mentioned in Carroll and Brown (2018) becomes a recount of the different ways of mentioning CSR, such as Business Ethics, Stakeholder Management, Corporate Governance, Creation of Shared Value, with the link of the Corporate Financial Performance. It is common to find the term CSR in the abstract or in the keywords, however, it is understood that its absence in the title implies that it is a secondary topic in the investigation. Consequently, documents that do not include CSR in the title are excluded.

A1.1 Indicators
   a) Quantity, which measures productivity in terms of the number of publications. All publications that, according to the above criteria, are considered are counted.
   b) Quality, which allow the impact of a publication to be measured in relation to the number of citations. As an impact indicator, the number of times the publication has been cited is considered, the foregoing to identify the topics of interest, which are combined with the topic of CSR, the trends and the authors with the greatest interest. impact.
   c) Structural, which measure the connections between publications. As an indicator of relationship, a network of authors will be made, through the number of citations, excluding authors with less than 1,500 citations and including all authors with more than 1,500 citations.

4. Results
4.1. Microfoundations approach
The result of the systematic analysis of the literature on corporate social performance and the link with the corporate social performance, focuses on the following sections.

The development of scientific research related to CSR has had complications, and an alternative to solve the problem of past research and explain the black box is to use the proposal of Felin et al. (2015). The above is a response to Aguinis and Glavas (2012), which suggests the necessity of using micro-variables, an approach from the theory of RBV. Figure 4 shows the analysis approach, where individual analysis is recommended, avoiding arrow 4, so it is conditioned to go from arrow 1 to 2 and 3. In the case of CSR, the unit micro measurement is the individual practice of CSR. Therefore, in general, the whole company is not evaluated (arrow 4); a smaller unit (1, 2, and 3) is evaluated, such as the CSR practice individually, which allows increasing the level of explanation and segmenting better the chains of causality.

Once the theories that can be used logically in the search for the explanation of the CSP-CFP link have been defined, a match must be made between the theoretical framework of CSR and strategic management. In Figure 5, the adjustment of the theories is proposed as follows; At the top of the figure is the theory of RBV, from strategic management, the RBV allows for analysis with a micro-foundations approach, which in turn is considered an adequate tool for the analysis of the mediating variables.

The mediating variables are widely accepted in the search for the explanation of the CSP-CFP link through a broad theoretical framework derived from the study of the CSR phenomenon. In conclusion, the micro-foundations approach is compatible for analyzing the mediating variables between the CSP-CFP link. It is tangent with the CSR theoretical framework developed in parallel, but they are complementary approaches that work in searching for answers.

In the same way, the micro-foundations approach allows reducing the level of analysis to the smallest unit of the CSR phenomenon, the smallest unit being the program and/or practice of corporate social responsibility.

This helps to generate classifications between types of practices and maturity levels of the practices. For example, usually corporate social responsibility practices are not the same and do not permeate throughout the company, they are specific and are defined to resolve or improve certain situations in specific areas of the company. The practices can be well structured or poorly structured which can be measured. Practices that are better structured are expected...
to generate greater benefits. On the contrary, unstructured practices generate fewer benefits and even harm the company.

Figure 5. Framework of the CSR theory (source: prepared by the authors)

4.2. Maturity level of CSR

According to the previous analyses, where the CSP-CFP link is raised, the creation of the CSR variable is observed through Carroll’s theory (1991). However, the explanation is incomplete to measure correlations because the responsibilities and activities of the company are at different moments of maturity. An example may be a CSR practice, where through a statement, a company establishes its posture on non-discrimination (level 1 of maturity), it is not the same level with a more comprehensive program (level 4 of maturity), where the company intervenes more actively and even becomes an evaluated program about the non-discrimination posture.

For that reason, the level of maturity allows to eliminate the bias from external variables and allows to directly analyze the effect of CSR practices on the mediating variables. For example, maturity level 1 practice is expected to generate less impact on labor productivity than practice at maturity level 4 so that the bias from external variables is eliminated. Table 1 represents the maturity level of CSR proposed by Gluszek (2018) that can be applied at the micro-level (CSR practice) to make use of the micro-foundations approach.

4.3. Corporate financial performance

In previous research, how the CFP has been analyzed is through financial indicators, Silva et al. (2018), such as Alpha, Beta, mutual funds, ROA (return on assets), ROE (return on equity), ROI (return on investment), dividends paid, accumulated return and Tobin’s Q”. The above may sound logical, the problem is that the CFP is correlated with “n” number of variables external to the CSR.

Therefore, explaining the unique effects of CSR practices on CFP is a challenge that can be solved by directly explaining stakeholders and their perceptions of the particular CSR practice. In other words, does “x” CSR practice improve or influence a mediating variable, and this, in turn, influences financial performance? It is a better analysis scenario because the effect from the CSR is directly associated, which reduces the bias in the results.

Table 1. Maturity level of CSR (source: prepared by the authors)

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Key features</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Level 4</th>
<th>Level 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural</td>
<td>Stakeholders</td>
<td>Agency-Amoral</td>
<td>Limited</td>
<td>Limited</td>
<td>Developed</td>
<td>Developed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>morale-selfish</td>
<td>Moral-Instrumentalist</td>
<td>Moral-Moralist</td>
<td>Morality-Altruistic</td>
</tr>
<tr>
<td>Strategic</td>
<td>Type of CSR practice</td>
<td>Ignorance</td>
<td>Philanthropy</td>
<td>Strategic</td>
<td>Reengineering</td>
<td>Ecosystem</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>philanthropy</td>
<td>philantropy</td>
<td>the value chain</td>
<td>transformation</td>
</tr>
</tbody>
</table>

Table 2. Mediating variables between CSP-CFP link (source: prepared by the authors)

<table>
<thead>
<tr>
<th>Mediating variable</th>
<th>Author</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Mitigation</td>
<td>Vishwanathan et al. (2020), Kim et al. (2014), Sun &amp; Cui (2014)</td>
<td>Empirically</td>
</tr>
<tr>
<td>Stakeholder capacity</td>
<td>Simionescu &amp; Dumitrescu (2018)</td>
<td>Theoretical</td>
</tr>
<tr>
<td>Marketing Capability</td>
<td>Yim et al. (2019)</td>
<td>Theoretical</td>
</tr>
<tr>
<td>Regulations</td>
<td>Miller et al. (2020)</td>
<td>Empirically</td>
</tr>
<tr>
<td>Intellectual capital</td>
<td>Khurshid et al. (2016)</td>
<td>Theoretical</td>
</tr>
<tr>
<td>Organizational identification</td>
<td>Abdullah et al. (2017)</td>
<td>Theoretical</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Saeidi et al. (2015)</td>
<td>Theoretical</td>
</tr>
</tbody>
</table>
4.4. Mediating variables

Once an attempt is made to explain the black box between the CSP-CFP link using a microanalysis, the level of analysis becomes complicated, since the CFP can be linked to “n” number of variables that tends to infinity, for what is recommended a series of considerations and limitations to improve the explanation. The first recommendation is mediating variables, which allow the chains of causality to be better explained. Within the theoretical framework of CSR, mediating variables have been proposed, which are described in Table 2.

By the above, the use of mediating variables allows a better explanation of the black box, numerous proposed mediating variables are observed, so it is recommended to return to those that have already been empirically validated and add more variables until a robust model is generated, elaborated using structural equations, which brings us to the next point.

4.5. Structural equation models

Structural equations Models are a methodology that allows the incorporation of latent variables within the same analysis, which helps create models where the mediating variables of the CSP-CFP link are involved in the same scenario. Previously, linear regressions were carried out. However, in the last years, SEM with mediating variables has been incorporated.

An additional alternative to structural equation models can be the analysis using neural networks; however, the replicability of the research is complicated due to the very nature of the neural networks that become black boxes in the analysis process, making it difficult to obtain greater certainty. Therefore, the SEM is a suggested methodology but not conditioned. It is not intended to exclude methodologies within an investigation but suggests those that best fit the investigation itself.

4.6. Data

Obtaining data is usually complicated; however, in previous research, data from secondary sources were usually used since they are easier to access and require a less number of resources, such as CSR disclosures in annual reports, letters to shareholders, social audits, charitable contributions, the value of shares and indices such as the MSCI KLD 400 or the Fortune Survey, are examples of the origin of secondary sources, where the investigations are adapted to the available data.

The problem is that these sources of information are not intended to provide specific information explaining the link between the CSP-CFP. Therefore, the investigations end up adjusting to the available data. Based on the above, the idea is to adjust the data to the research to obtain specific and punctual results required by the research, so the use of primary sources is recommended to improve the results of the investigations.

4.7. Temporality

Temporality is an element that complicates the analysis due to the different times and multiple effects that are generated in multiple mediating variables between the CSP-CFR link. Figure 6 shows the black space representing the interaction of the “n” number of variables that tend to infinity and “x” such as the previously identified mediating variables. Those, according to the theory, are the variables with the highest correlation. Likewise, the mediating variables are related; they even have 2-way relationships (round trip) at different times.

Following the above, to control the problem of temporality, the delimitation of the analyzes is suggested through the short, medium, and long term. The above allows maintaining greater clarity in the explanation of the phenomenon. Therefore, explaining immediate effects can be a good start and the basis for tracking later effects.

In the social sciences there is a universe of variables that interact in various ways. What is required is to determine the temporality of the effects between variables, for example, a company generates corporate social responsibility practices, how long can it take to identify the results? In one year, two years, three years? In the universe of variables, the relationships tend to infinity, and it is important to find the instruments that allow the effects of external variables to be unlinked from the analysis variables. The foregoing can generate a bad measurement, for example, the link between corporate social responsibility and corporate financial performance is analyzed, but is social responsibility, the variable that generates fields in financial performance? Therefore, it is suggested the delimitation of the temporalities and the levels of measurement between variables, to better associate the relationships.
4.8. Research example

The central information is the smallest unit of analysis, in this case the corporate social practice. The Figure 7 shows the theoretical measurement, the practice can be classified according to the state of maturity (Głuszek, 2018) and its type of responsibility (Carroll, 1991). The level of maturity allows linking the effect of corporate social responsibility with the mediating variables. When corporate social responsibility practices are mature and better structured with a strategic approach, they generate a greater effect on the mediating variable.

![Figure 7. Theoretical measurement](source: prepared by the authors)

The Figure 8 show an example. A company decides to incorporate a corporate social responsibility program which consists of a practice related to improving the flexibility of employees’ schedules. This helps employees to improve their daily routines and tasks, allowing them to take time to carry out activities that are difficult to carry out with non-flexible hours. The social responsibility program, by itself, will not modify the mediating variables, everything will depend on the level of maturity of the practice. If the practice and/or program is not supervised and there is no system to manage schedules efficiently, far from helping, it creates problems.

This may indicate that the practice is at a maturity level 1, on the contrary, an efficient practice that allows employees to maintain flexible schedules and that is even designed to withstand unforeseen events, is related to a higher level of maturity, maybe 3. Finally, a practice that has been in operation for more than five or ten years, even if it is evaluated annually with excellent results, can be considered with a maturity level of 5. The level determines the effect that the variables will obtain mediators. A corporate social responsibility practice with a maturity level of 5 increases the level of productivity of the beneficiary employees to a greater extent. On the contrary, a practice with a low level of maturity does not increase productivity in the same proportion.

![Figure 8. Measurement example](source: prepared by the authors)

Conclusions

In this document, adjustment proposals were established for future research related to the analysis of the CSP-CFP link in order to explain more clearly what is happening and end the debate. However, it is essential to consider that they are not the only adjustments that can be made, since, on the side of qualitative analyzes, future works can be enriched, as well as longitudinal studies that, despite being complex, can explain the times in the effects, short, medium, and long term. In the same way, statistical tools are constantly evolving, and hybrid tools can be proposed that allow a better result in investigations.

Within the field of the CSR research, many advances have been identified; however, when the debates are stay for more than 20 years, it is essential to reconsider a change in the approach of future research to advance in the field of the CSR. Consequently, the adjustments proposed in this document are not unique; however, the exhaustive review of the literature and the historical background in the research field indicate the necessity to use a new path proposed in this document.

Methodological gaps are identified regarding the way in which effects external to CSR are excluded, to measure only the effects of CSR. The temporality of analysis is considered a complex factor that needs to be clearly limited and the microfoundations approach is essential to increase the explanation in the details. In the present investigation, the smallest unit of analysis is proposed within the phenomenon of corporate social responsibility, (the individual practice of corporate social responsibility) and how its measurement and analysis can be carried out through the mediating variables in an equation model structural, allowing to simulate reality with greater precision.

Table 3 has the summary of the seven methodological adjustments, which suggests the call for review to make a methodological discussion. The research seeks to awaken
the debate on the possible methodological improvements in the review of the subject, likewise it is invited to incorporate the suggestions in the new investigations. The document is limited within the limitations that a theoretical study contains, awaiting new empirical results that incorporate the suggestions established in this document.

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