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The impact of Corporate Social Responsibility on firms' financial performance, evidences from the food and beverage industry

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Title: The impact of Corporate Social Responsibility on firms' financial performance, evidence from the food and beverage industry.

Abstract

Purpose: The main purpose of this paper is to investigate the impact of corporate social responsibility (CSR) on firms' financial performance (FP) in the food and beverage (F&B) sector.

Design/Methodology/Approach: The authors developed a conceptual model that hypothesizes a positive effect of CSR governance on CSR outcomes (environmental and social) and these on firm's financial performance. Gathering data from 190 F&B companies, the authors empirically tested the validity of the model through an ordinary least squares (OLS) regression analysis.

Findings: The findings highlight the positive impact of CSR governance on environmental and social outcomes, showing real societal concerns among companies' stakeholders in the food and beverage industry. Studies on the effect of CSR outcomes on FP have shown mixed results. On one side, the social outcomes positively impact a firm's performance; on the other side, environmental outcomes show insignificant or non-positive effects depending on different measurements of FP.

Originality/value: Despite the mixed set of results between CSR and a firm's performance in the literature, this research provides a new framework in which the impact of CSR on FP is analysed through the effectiveness of CSR governance on CSR outcomes (social and environmental). Moreover, this study contributes to CSR literature understanding the impact of both environment and social concerns by companies on firm's financial performance in food and beverage context.

Paper type: Research paper

Keywords: Financial Performance, Corporate Social Responsibility, Corporate Finance, Sustainability

Introduction

Corporate Social Responsibility (CSR) has significantly increased its relevance within firms over the past years. The issues related to ethics, sustainability, and social responsibility are being added to the more classic economic and profit-making objectives of companies, and this signifies an important change in the way of thinking about business (Kim et al., 2018). Following the rising needs for CSR, many companies in the food and beverage (F&B) industry have been widely involved in CSR concerns during the past years. The increase of issues

related to health and food quality has led many scholars to question the effective application of ethical and sustainable actions within companies and their impact on a firm's reputation and financial performance (FP) (e.g., Del Giudice et al., 2017; Cairns et al., 2016; Jones et al., 2005; Souza-Monteiro and Hooker, 2017; Maloni and Brown, 2006; Bresciani et al., 2016).

As underlined by Poore and Nemecek (2019), feeding 7.6 billion people is decreasing the available resources and destroying the planet. In particular, analysing how F&B companies deal with such issues related to CSR strategies, without forgetting a firm's financial performance, is fundamental because of the high impact that this industry has on the environment and society.

In the current literature, it is possible to highlight two types of CSR strategies (Kim et al., 2012). In the first one, companies are committed to environmental and social concerns, and they develop strategies to satisfy the expectations of stakeholders on these issues. The second strategy is related to the image that managers want to give back to stakeholders, trying to increase their profit but not developing real strategies. However, the results are mixed regarding the theoretical impact of CSR strategies on firms' financial performance. In particular, some scholars have found a positive relationship between CSR and a firm's performance (e.g., Bird et al., 2007; Margolis et al., 2009). However, others have found an insignificant relationship (e.g., Hillman and Keim, 2001; Mittal et al., 2008; Nollet et al., 2016) or a negative one (e.g., Brammer et al., 2006; Cowen et al., 1987).

Based on these considerations, the purpose of this paper is to investigate the impact of CSR strategies on firms' financial performance in the food and beverage sector through the analysis of CSR governance and environmental and social outcomes. In this context, we considered the environmental and social outcomes as the sustainable output of CSR strategies. These outputs allow companies to reach their objectives without sacrificing the well-being of future generations (Del Giudice et al., 2017). Usually, environmental outcomes are a result of corporate actions such as pollution reduction, environment protection, concern for animal rights, etc. (Wiese and Toporowski, 2013). While, social outcomes are labour and human rights, gender discrimination, working conditions, etc. (Wang and Sarkis, 2017). To reach the paper's objective, we have analysed 190 listed companies operating in the food and beverage sector, considering financial performance and the ESG score as a measure of CSR.

Overall, this research contributes both to the literature and the managerial point of view. First, we contribute to stakeholder theory (e.g., Freeman, 1984; Porter and Kramer, 2006)

and legitimacy theory (Suchman, 1995, Seele and Gatti, 2015) by highlighting the positive impact of CSR governance on environmental and social outcomes. Stakeholders are more willing to sustain the business of firms that show real concerns and are involved in such activities. Also, we contribute to the CSR literature by assessing the impact of CSR on FP in a specific context that has been suggested by previous studies (e.g., Saeidi et al. 2015). Specifically, we found a positive effect of social outcomes on firms' performance, however environmental outcomes don't positively impact a firm's financial performance. Practically, the results highlight the critical aspects of environmental and social outcomes that are needed to achieve sustainable development without sacrificing the well-being of future generations and that keep the planet in balance. In this context, managers have to make critical decisions to balance current and future costs and benefits.

This work is organized as follows: The first part includes a literature review and hypotheses development. In the second part, the research methodology adopted is explained and this is followed by the findings and a discussion of results. In the last part, the conclusions and the future research lines are presented.

Literature review and hypotheses development

Corporate Social Responsibility and Financial Performance

CSR has been deeply analysed in the academic literature over the past decades, but it is still difficult to identify a unique definition (Malik, 2015). Some scholars consider CSR to be behaviour that companies have to take for their stakeholders (e.g., Campbell, 2007; Cooper, 2017). Meanwhile, others consider CSR to be a multidimensional and interdisciplinary set of activities (e.g., social, political, environmental, economic, ethical) (e.g., Carroll, 1999; Devinney, 2009). Even if identifying a specific definition is complicated, all of them agree on one aspect, which is that "firms must meet the expectations of society when planning their environmental management strategies" (Saeidi et al., 2015).

Generally, two different views are considered by most scholars concerning CSR aspects and their impact on shareholder wealth: the shareholder expense view and the stakeholder value maximization view. According to the shareholder expense view (e.g., Pagano and Volpin, 2005; Friedman, 2007; Surroca and Tribo, 2008), managers use CSR activities to satisfy stakeholders with a negative impact on shareholders. Considering an agency perspective, the literature usually recognizes two agency problems: first is the conflict of interest

between small and large shareholders (Shleifer and Vishny, 1997), second is the misalignment of interests between managers and all shareholders (Jensen and Meckling, 1976). In fact, the CSR strategies are related to corporate governance decisions, which can cause a misalignment between manager and property interests and increase the so-called agency costs.

Meanwhile, the stakeholder value maximization view (e.g., Freeman, 1984; Porter and Kramer, 2006) regards the positive effects that CSR initiatives have on shareholders wealth, because the positive impact of CSR policy on the stakeholders can increase the firm's reputation and stakeholders will be more willing to support the firm's operations. Following the stakeholder theory (Freeman, 1984), stakeholders have different interests within the company and every manager's decision has consequences, positively or negatively, related to CSR. The relationship between CSR and its impact on firm value is not easy to determine because of the immaterial nature of its components (e.g., social, environmental, governance) (Surroca et al., 2010; Gomes and Marsat, 2018, Kim et al., 2018;).

The relationship between CSR and a firms' financial performance has been studied in multiple ways in the past decades, but the debate on their connection is still not clear (e.g., Kim and Kim, 2014; Wang and Sarkis, 2017; Rhou et al., 2016; Saeidi et al., 2015; Luo and Bhattacharya, 2006; Bird et al, 2007; Waddock and Graves, 1997; Nollet et al. 2016; Gangi et al., 2019). This suggests a more complex connection or some missing links between CSR and FP. When considering measuring a firm's financial performance, it is possible to identify two streams of literature: accounting based financial performance (e.g., ROA, ROE, ROI) (e.g., Cowen et al., 1987; Wang and Sarkis, 2017; Saeidi et al., 2015) and market based financial performance (e.g., stock returns, Tobin's Q, fund returns) (e.g., Rhou et al., 2016; Kong; 2012; Nguyen et al., 2017). Despite the high number of studies concerning CSR and firms' performance, the outcomes achieved showed a mixed set of results. In particular, many researchers have highlighted a positive relationship between corporate social performance and FP (e.g., Bird et al., 2007; Margolis et al., 2009). Meanwhile, others have found an insignificant relationship (e.g., Hillman and Keim, 2001; Mittal et al., 2008; Nollet et al., 2016); however, others even found a negative relationship (e.g., Brammer et al., 2006; Cowen et al.; 1987). As suggested by Surroca et al. (2010), the heterogeneity of results between CSR and financial performance is related to different reasons such as measurement problems (e.g., data collection, database, etc.), difficulty in selecting variables that can mediate or moderate

the link between CSR and firms' performance, and the direction of causality. Specifically, considering the direction of causality, it is possible to identify different views: CSR can influence companies performance either positively or negatively (e.g., Bird et al., 2007; Margolis et al., 2009; Brammer et al., 2006; Cowen et al.; 1987), FP influences CSR (McGuire et al., 1988), or CSR and performance are synergic (Waddock and Graves, 1997).

CSR governance, outcomes and FP in the food and beverage context

Many studies have focused on why firms should invest in environmental sustainability and social concerns and what are the returns in both economic and non-economic outcomes (e.g., reputation, costumers' loyalty, employee satisfaction, etc.) (e.g., Surroca et al., 2010, Shoham et al., 2017; Bresciani and Oliveira, 2007). Considering CSR as a set of sustainable and ethics concerns, it is possible to divide it into three areas of interest: social commitment, environmental responsibility, and CSR governance (Carroll, 1999). Following the legitimacy theory (Suchman, 1995, Seele and Gatti, 2015) in which companies implement social and environmental concerns in order to meet stakeholders expectations, CSR governance can be defined as " a control mechanism that companies voluntarily adopt to integrate social and environmental concerns in their business operations"; this leads to the development of the different CSR strategies (Wang and Sarkis, 2017). In particular Kim et al. (2012) identified two types of CSR strategies. In the first one, companies implement only symbolic CSR governance to return a positive image to shareholders, but managers do not allocate enough resources to achieve real social and environmental objectives. Meanwhile, the second takes serious strategic decisions within the business to show environmentally and socially positive behaviour. Firms that take this approach have higher costs and a more complex management structure to properly implement CSR governance, but this yields better CSR outcomes both in environmental and social terms. Considering the food and beverage context, CSR governance can affect many stakeholders with legislative implications to guarantee food safety for the final consumers (e.g., use of herbicides and pesticides, etc.) (e.g., Souza-Monteiro and Hooker, 2017; De Bernardi et al., 2019; Attia and Eldin, 2018). In fact, in the past years, there has been an increasing trend of publishing CRS reports in relation to the consumer's expectation in the sector and an increase in governance mechanisms related to environmental and social objectives (Jones et al., 2005, Wang et al., 2018). Moreover, Chava

(2014) also suggested that proper CSR governance decreases the overall cost and the probability of legal and regulatory actions against the company. As the melamine contaminated infant milk powder case in China has demonstrated, an illegal behaviour has a huge cost for companies with many class actions lawsuits and a possible bankruptcy (Kong, 2012). In many cases, the cost of such actions has consequences not only for the shareholders but also for the whole community (Oh, 2019). Based on these considerations, it is possible to hypothesize the following:

HP1: CSR governance positively impacts CSR outcomes (social and environmental) in the food and beverage context.

Usually environmental and social behaviour are separate CSR outcomes. As suggested by Marquis et al (2011), environmental outcomes include aspects such as reducing the waste of resources, pollution, habitat destruction, and animal handling and promoting green energy. Meanwhile, social outcomes consider elements such as gender considerations, human rights, reducing worker abuse, and improving people's health conditions. In particular, issues like obesity and alcohol abuse are contemporary social problems which can be defined as the heart of CSR strategies for food and beverage companies (Cairns et al., 2016). Specifically related to marketing strategies, messages like healthy products, sustainability, balanced diet, and fitness may influence costumers' choices (e.g., Souza-Monteiro and Hooker, 2017; Bresciani et al., 2016; Carayannis et al., 2017; Sampaio et al., 2019). In fact, a socially-responsible company will usually have a higher rate of loyalty from their costumers, who are inclined to pay a higher price for its products and services with a direct effect on a firm's performance (e.g., Brown and Dancin, 1997; Luo and Bhattacharya, 2006). Furthermore, positive employee satisfaction that is caused by an effective implementation of CSR governance within a business can empower productivity with positive effects on profits and reputation (e.g., Edmans, 2011, Franceschelli et al., 2018). For example, the Italian company Eataly has developed a new format of collaboration between local farmers and itself, in which consumers are at the core of corporate decisions and direct supporters of suppliers with a positive impact on the environment (Sebastiani et al., 2013). Moreover, as suggested by Saeidi et al. (2015), positive CSR outcomes can develop a sustainable competitive advantage, and this

has a positive effect on a firms' financial performance. These considerations lead to the following hypothesis:

HP2: The higher are the environmental outcomes, the higher are firms' financial performance in food and beverage context.

HP3: The higher are the social outcomes, the higher are firms' financial performance in food and beverage context.

Figure1: Conceptual framework: the relationship between CSR governance, CSR outcome and firm's performance

Figure1 Conceptual framework: the relationship between CSR governance, CSR outcome and firm's performance



Research design

Sample selection, variables, and econometric models

In order to collect data on companies and CSR measures, we selected American, Canadian European, and Japanese listed firms that are active in the food and beverage sector in 2018 and available on the Datastream Thomson Reuters database. The sample selection allowed us to consider the majority of developed countries. Through the screening of 1622 companies, we selected 190 companies, because we lacked data about financial performance or CSR for some companies.

Data on CSR governance and environmental and social outcomes are based on ESG Thomson Reuters scores. ESG data have been adopted in many previous studies in order to test the connection between CSR and financial performance (e.g., Kim and Kim, 2014; Wang and Sarky, 2017, Waddock and Graves, 1997). The ESG score takes into consideration sustainable and ethics aspects through environmental, social, and governance concerns that are

addressed within businesses. The environmental score takes into consideration elements such as pollution, deforestation, water waste, etc. Meanwhile, the social indicator regards elements like job security, gender, and discrimination. Finally, the corporate governance score expresses aspects like legal actions, management payment, etc. As suggested by Wang and Sarky (2017), the ESG scores and the adoption of a database such as Datastream allows one to understand in detail a firm's governance activities and its environmental and social outcomes. Indeed, the environmental score is based on 88 indicators referred to resource use (e.g., total energy use, total water use, etc.), emissions (e.g., total CO₂ emissions, policy emissions, biodiversity impact reduction, etc.) and innovation (e.g., product impact minimization, animal testing, etc.). Meanwhile, the social score takes into consideration 101 parameters that refer to the workforce (e.g., health and safety policy, net employment creation, etc.), human rights (e.g., human rights policy, policy child labour, etc.), community (e.g., fair competition, donations, etc.), and product responsibility (e.g., data privacy, ISO9000, etc.). Lastly, the corporate governance score incorporates 104 indicators about management (e.g., board size, gender diversity, etc.), shareholders (e.g., golden parachute, insider dealing, etc.) , and CSR strategy (e.g., stakeholder engagement, CSR sustainability committee, etc.). Each score has a value between 0 and a score of 100. For example, Danone has an overall ESG score equal to 78.17, an environmental score of 83.38, a social score equal to 79.52, and the corporate governance score of 70.79 for a total grade equal to B+.

Regarding the firm's financial performance (profitability), as suggested by Waddock and Graves (1997), we have considered three accounting measures that are generally accepted to assess firms' performance: ROA, ROE, and ROS. ROA (Return on Assets) is determined by dividing net income by a firm's total assets. Generally, it allows one to highlight how much a company is profitable relative to its assets and to compare companies with different sizes and to measure a firm's capital intensity. A higher ROA usually suggests better financial performance (e.g., Cowen et al., 1987; Wang and Sarkis, 2017; Saeidi et al., 2015). ROE (Return on Equity) is the relationship between a firm's net income and its equity. It allows one to determine a business's profitability by referring to the equity available to it. ROS (Return on Sales) is the ratio between operating income and sales. As with ROA, ROS allows one to compare the profitability of companies of different sizes without considering the capital invested. These accounting measures provide a proper assessment of a firm's financial performance by investors (Surroca, 2010).

Moreover, size, risk, and industry are usually considered as control variables that can influence both CSR outcomes and a firm's financial performance (e.g., Kim and Kim, 2014; Wang and Sarkis, 2017; Rhou et al., 2016; Saeidi et al., 2015; Luo and Bhattacharya, 2006; Bird et al, 2007). Due to the focus on F&B industry, it was not necessary to use any variable in reference to it. Instead, size was considered, because small and big companies have different ethics behaviour and different CSR governance, which can influence the outcomes (Waddock and Graves, 1997). As measures of size, we considered total assets and total revenues. Moreover, leverage ratio was considered to be measure of a firm's risk. Usually, high leverage can indicate a potential financial risk, which can negatively influence a firm's financial performance due to the cost of debt.

To test the impact of CSR on a firm's performance in the food and beverage sector, a two steps approach has been adopted. To verify our hypotheses and develop proper results and discussions, we developed the following ordinary least squares (OLS) regression models (Ferraris et al., 2017; Ferraris et al., 2016; Bresciani and Ferraris, 2016) : the first one allowed us to evaluate the efficiency of CSR governance on CSR outcomes:

$$ENV = a + \beta_1 Gov + \beta_2 ASSET + \beta_3 SALES + \beta_4 LEV + u$$

$$SOC = a + \beta_1 Gov + \beta_2 ASSET + \beta_3 SALES + \beta_4 LEV + u$$

Afterwards, the effect of CSR outcomes on a firm's performance was tested according to the following models:

$$ROA = a + \beta_1 ENV + \beta_2 SOC + \beta_3 ASSET + \beta_4 SALES + \beta_5 LEV + u$$

$$ROE = a + \beta_1 ENV + \beta_2 SOC + \beta_3 ASSET + \beta_4 SALES + \beta_5 LEV + u$$

$$ROS = a + \beta_1 ENV + \beta_2 SOC + \beta_3 ASSET + \beta_4 SALES + \beta_5 LEV + u$$

The OLS results are reported in the next section.

Findings

Tables 1 and 2 show the descriptive statistics of the selected variables and the Pearson's correlation matrix, respectively. Regarding the firm's financial performance, the mean ROA is 5.8% with a standard deviation equal to 6.9%. Meanwhile, ROE has an average value of 13.1% and a standard deviation of 14.6%. Instead, the mean ROS is 9.96% with a standard deviation of 9.24%. For the GOV, ENV, and SOC ratios, which have a range from 0 to 100, the average for the governance score (GOV) is 52.62. The outcomes have an average score of 53.6 (SOC) and 54.69 (ENV), with standard deviations equal to 23.29 (SOC) and 22.90 (ENV). The average values of CSR measures appear to be similar, also the minimum and

maximum values for each of them. Finally, the average value of ASSET is 16,921 with a standard deviation of 32,669, and the mean value of SALES is 18,862 with a standard deviation equal to 46,496. The mean measure of risk (LEV) is 71.6% with a standard deviation of 85.2%. The high standard deviations are mainly due to very distant maximum and minimum values. However, we have decided to include the tail of distribution.

Moreover, we conducted a Pearson's correlation, which showed that our variables are not highly correlated among themselves. This avoids any multicollinearity problem which occurs when variables are highly correlated among themselves, which causes problems in the interpretation of the regression model results. The GOV score is highly and positively correlated with environmental and social outcomes. The social outcomes are positively and significantly correlated with ROE and ROS; whereas, environmental outcomes is positively and significantly associated with ROE. The level of leverage negatively influenced ROA, but positively influenced the ROE.

Table1: descriptive statistics

TABLE1

Table1: descriptive statistics

| | Mean | Dev. Std | Min | Max |
|---------------------|--------|----------|--------|---------|
| GOV | 52,62 | 22,74 | 6,59 | 94,06 |
| SOC | 53,06 | 23,29 | 8,44 | 94,28 |
| ENV | 54,69 | 22,90 | 6,86 | 96,57 |
| ROA | 5,8% | 6,9% | -15,6% | 35,8% |
| ROE | 13,1% | 14,6% | -34,6% | 88,5% |
| ROS | 9,96% | 9,24% | -2,27% | 40,39% |
| ASSET (Billions) | 16.921 | 32.669 | 139 | 232.103 |
| SALES (Billions) | 18.862 | 46.496 | 129 | 514.405 |
| LEV | 71,6% | 85,2% | 0% | 586% |

Table2: Pearson's correlation matrix

TABLE2

Table2: Pearson's correlation matrix

| | GOV | SOC | ENV | ROA | ROE | ROS | ASSET | SALES | LEV |
|-------|-----|--------|--------|--------|--------|--------|--------|--------|---------|
| GOV | 1 | ,468** | ,402** | -0,085 | 0,126 | 0,032 | ,319** | ,270** | 0,103 |
| SOC | | 1 | ,658** | -0,022 | ,231** | ,193** | ,388** | ,280** | ,196** |
| ENV | | | 1 | -0,087 | ,166* | 0,113 | ,370** | ,275** | 0,054 |
| ROA | | | | 1 | ,484** | ,523** | -0,099 | -0,101 | -,269** |
| ROE | | | | | 1 | ,390** | 0,118 | 0,073 | ,163* |
| ROS | | | | | | 1 | ,269** | -0,119 | -0,002 |
| ASSET | | | | | | | 1 | ,658** | 0,128 |
| SALES | | | | | | | | 1 | 0,096 |
| LEV | | | | | | | | | 1 |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3 reports the results of the effect of CSR governance on CSR outcomes. The results of the regression model suggest a significant and positive relationship between CSR governance and its outcomes in the food and beverage sector. In particular, considering the environmental outcomes, the estimated governance coefficient (GOV) is positive and significant ($b=0.317$, $p<0.01$). Also, the governance coefficient for the social outcomes is positive and significant ($b=0.317$, $p<0.01$). Regarding the control variables, the amount of sales (SALES) doesn't influence the social and environmental outcomes, and the amount of assets (ASSET) has a significant but a low estimated coefficient. Moreover, the level of leverage positively and significantly influences the social outcomes ($b=0.034$, $p<0.05$). Overall, these first findings show a positive relationship among CSR governance and its outcomes for companies that operate in the food and beverage industry; therefore HP1 can be accepted.

Table3: Model1, regression results

TABLE3

Table3: Model1, regression results

| | ENV | SOC |
|-----------|-----------------------|-----------------------|
| | Estimate (p.value) | Estimate (p.value) |
| Constant | 35,007*** | 27,364*** |
| GOV | 0,317*** | 0,384*** |
| ASSET | 0,000001789*** | 0,000001792*** |
| SALES | 0,000001098 | 0,00000004968 |
| LEV | 0,004 | 0,034** |
| N | 190 | 190 |
| R-Squared | 0,227 | 0,298 |

P-values in parentheses: *p<0.1, **p<0.05, ***p<0.01

In the second model, we tested the impact of CSR outcomes on firms' financial performance. The regression results are reported in Table 4. The social outcomes (SOC) have a positive and significant effect on a firm's performance in the food and beverage context, considering all measures of performance: ROA ($b=0.068$ $p<0.05$), ROE ($b=0.122$ $p<0.1$), and ROS ($b=0.86$ $p<0.05$). This result confirms HP 2, in which we assessed the positive effect of social outcomes on a firm's financial performance.

Otherwise, the results regarding the environmental outcomes have shown different results. In fact, ENV negatively affected the ROA ($b=-0.65$ $p<0.050$), but had no significant effect on ROE ($b=-0.001$, $p>0.1$) and ROS ($b=-0.48$ $p>0.1$) as measures of firm's financial performance. These mixed results reject HP3, in which we assumed a positive effect of environmental outcomes.

Concerning the control variables, ASSET and SALES don't affect a firm's financial performance based on ROA and ROE, but they marginally do considering ROS. Furthermore, the level of leverage has a significant and negative impact on ROA ($b=-0.024$ $p<0.000$) but a positive and significant effect on ROE ($b=0.21$ $p<0.10$). However, insignificant results arose considering ROS. For the control variables, the results are in line with the other studies, outlining a insubstantial difference compared to other sectors (e.g., Kim and Kim, 2014; Wang and Sarkis, 2017; Rhou et al., 2016).

Table4: Model2, regression results

TABLE4

Table4: Model2, regression results

| | ROA | ROE | ROS |
|-------------|--------------------------|--------------------------|---------------------------|
| | Estimate (p.value) | Estimate (p.value) | Estimate (p.value) |
| Constant | 7,794*** (0.000) | 4,862* (0.096) | 7,706** (0.000) |
| SOC | 0,068** (0.043) | 0,122* (0.087) | 0,086** (0.036) |
| ENV | -0,65** (0.050) | -0,001 (0.984) | -0,48 (0.236) |
| ASSET | -0.0000007496 (0.717) | 0.0000001718 (0.697) | 0.000001646*** (0.000) |
| SALES | —0.0000008026 (0.563) | -0.0000006006 (0.840) | 0.00001041*** (0.000) |
| LEV | -0.024*** (0.000) | 0,21* (0.100) | -0.007 (0.350) |
| Observation | 190 | 190 | 190 |
| R-Squared | 0.268 | 0,207 | 0.247 |

P-values in parentheses: *p<0.1, **p<0.05, ***p<0.01

Discussion

In literature, the debate between the impact of CSR strategies on FP is still open. In fact, the empirical findings on the effects of CSR on a firm's financial performance have a mixed set of results in literature: positive (e.g., Bird et al., 2007; Margolis et al., 2009), negative (Brammer et al., 2006; Cowen et al.; 1987), and not significant (Hillman and Keim, 2001; Mittal et al., 2008; Nollet et al., 2016).

Our findings and empirical results point out the relevance and critical aspects of CSR in the food and beverage industry. In this context, corporate decisions have a significant impact on both the environment and the community (Poore and Namecek, 2019). In particular, a positive relationship between CSR governance and environmental and social outcomes suggest a positive commitment by companies to these aspects. In detail, the positive and significant relationship between CSR governance and CSR outcomes allow us to understand the

efficacy of the real implementation of CSR strategies (Kim et al., 2012) for the food and beverage companies that are committed to fulfilling the expectations of stakeholders from an environmental and social point of view.

However, our results suggest that social outcomes positively affect FP for all of its measures (ROA, ROE, ROS). This result allows us to understand that the social expectations (e.g., security, gender, discrimination), which relate to all of the relationships with the employees and customers, generate better company performance in the food and beverage context. In fact, an higher level of both customer and employee satisfaction can increase a firm's performance (Edmans, 2011). However, the environmental expectations (e.g. pollution, animal protection, etc) are not fulfilled at all. The results have shown that companies are engaged in CSR strategies concerning environmental outcomes, but these don't influence ROE and ROS or negatively influence a firm's ROA performance. This is probably due to a considerable increase in costs when a company implements strategies related to environmental aspects (Franceschini et al., 2018). The results of this research indicate that CSR strategies tied with social concerns (e.g., security, gender, discrimination) positively increase a firm's performance. Instead, CSR strategies related to environmental concerns don't positively affect a firm's performance. These results underline that CSR should be analysed from different points of view and that each of them can influence company performance differently.

Conclusions and future research lines

This study tested the impact of CSR governance and its outcomes on firms' financial performance in the food and beverage sector. For these firms, where the legal concerns for food safety and customer care play an important role in business decisions, the CSR strategies have an important impact on a firm's reputation and performance (Cairns et al., 2016). Moreover, F&B companies have a huge impact on the environment and society, and it is essential to understand how companies implement environmental and social concerns within their businesses which are aimed at safeguarding profit but also the well-being of future generations. Overall, hypothesis concerning the positive impact of CSR governance on CSR outcomes have been accepted (HP1). Regarding the relationship between CSR outcomes and a firm's performance, mixed results have arisen. In particular we found a positive relationship between social outcomes and FP (HP2). However, the empirical analysis

has rejected HP3, in which we assumed a positive impact of environmental outcomes on FP.

The contributions of this study are both theoretical and managerial. We contribute to the CSR literature by assessing the impact of CSR strategies in a specific context, as suggested by previous studies (e.g., Saeidi et al. 2015). In particular, different industries might have different implications and interests concerning CSR strategies. Moreover, dividing CSR into governance and outcomes allows one to measure more in depth the impact of companies' choices regarding CSR on a firm's performance. In fact, we contribute by providing a framework in which CSR strategies are divided into CSR governance that influences CSR outcomes. Moreover, we contribute to stakeholder theory (e.g., Freeman, 1984; Porter and Kramer, 2006) and legitimacy theory (Suchman, 1995, Seele and Gatti, 2015) by highlighting the positive impact of CSR governance on environmental and social outcomes and by showing that stakeholders (e.g., employees, costumers) are more willing to sustain a firm's business if it has real concerns for these issues. In fact, the results suggest that companies in the F&B industry know that sustainable behaviour must be adopted to allow future development without sacrificing today's profits. The positive impact of CSR governance on environment outcomes suggests that companies know that CSR increases costs but that it is necessary to have greater gains in the future or not to lose profits.

Practically, the results show that social aspects increase the financial performance of companies but, companies' managers must pay more attention to environmental aspects that have a higher cost. In particular, returning a sustainable image to customers, employees, and shareholders is necessary today in order to ensure support from stakeholders. Managers have to consider CSR strategies as fundamental tools to ensure the future success of the company.

However, this study has some limitations. The first limitations is that the ESG score does not allow to understand the type of CSR (strategic or altruistic) as underlined by Kim et al. 2012. Moreover, it doesn't allow to catch the resources and the relative costs to properly implement CSR strategies within business. Another limitation is that we tested the impact of CSR on firm's performance only for one year not considering that certain strategies can have an impact only in the long term. Moreover, our sample considers different countries that regulate the industry differently that can impact performance in different ways.

Based on this limitations future studies on the implication of CSR strategies in the food and beverage industry are necessary. In particular, the aspects related to the environment have to be analyzed in more depth and how they can positively increase firm's performance decreasing the costs associated with these decisions. Moreover, future studies have to understand how and how certain corporate strategies can benefit businesses, communities and the environment. Besides, replicating studies in different industries and types of companies (e.g., SME) is necessary to improve the external validity of the findings. Furthermore, a longitudinal study is necessary to test the effectiveness of CSR strategies in the long run. Furthermore, the use of other measures of CSR may better explain the relationship between it and a firm's performance because there is a lack of information about the type of CSR that firms are engaged in.

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