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The link between CSP and CFP

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1) INTRODUCTION

This work aims to contribute to the existent research body on Corporate Social Responsibility (CSR) by proving the existence of a business case for CSR, demonstrating the existence of a link between the Corporate Social Responsibility Performances (CSP) and the Corporate Financial Performances (CFP) of firms.

Proving the existence of a business case for CSR would encourage entrepreneurs and managers to engage in socially responsible activities, in other words to increment their Corporate Social Performances. This occurrence would generate a virtuous circle that would allow them to generate value both for the society where they operate and for the firms that they direct as Porter and Kramer (2011) theorize.

Our key research question therefore is the following: is it possible to prove the existence of the link between Corporate Social Performances and Corporate Financial, Economic and Operating Performances?

We endeavor in answering our research question firstly through a qualitative analysis in order to generate an effective research design and subsequently by applying the resulting research design in two empirical analyses on European and Italian firms. The results of our analyses confirm that firms with higher CSR performances report increased economic, financial and operating performances.

Our analyses indeed show the existence of a positive correlation between CSR behaviors and higher Corporate Financial, Economic and Operating performances.

In particular, the first paper allows us to conclude that at least four transmission mechanisms of CSP on CFP exist. We theorize that the typology of communication enacted, the proactivity in implementing CSR actions and the industrial sector of firms can mitigate the transmission of CSR behaviours into perceived CSR performances. Finally, we theorize that the coherence over time (or consistency) of CSR performances, the geographical area where firms operate, and the congruity of CSR actions with companies' core business, shall be considered as mitigating factors of the transmission of CSP on CFP.

The second paper, through an empirical analysis based on the research design generated in the first paper, concludes that a positive link between firms' social performances and their economic and workforce productivity, intended as a proxy of a firm's operating performance exists. Furthermore, the study allowed us to deepen our understanding on the role of relevant transmission mechanisms – in particular the employees and the customer's channels.

Finally, the third paper, through an empirical analysis based again on the research previously generated, but with a different sample and a structured segmentation of CSR activities, concludes once more that positive CSR performances are associated with higher financial, economic and operating performances. In particular, the present work allows us to segment the multidimensional construct that represents Corporate Social Responsibility while analyzing its effects in relation to CFP of firms, leading to an increased level of understanding of the topic.

The social responsibility of business

Firms interact dynamically with the environment they operate in, developing a relationship based on the constant exchange of information, productive resources, energy and human resources.

Due to the nature of this interaction, the surrounding environment constantly influences firms, and at the same time, is shaped by them.

During their entire lifecycle, in facts, firms acquire energy and resources from the environment, using them to create goods and services, and then turn the resources back into the environment through the creation of products and the supply of services, along with production residuals and waste. Therefore, during their normal operations, firms generate products, supply services and create employment, and at the same time apply and enforce regulation and safety standards. A number of individuals, institutions, and further stakeholders, are present within the environment in which the firms operate, setting constraints and opportunities for the firms themselves, and influencing their evolutionary path.

Authors, among others Fortanier and Kolk (2007), theorize the positive effects that modern large corporations (in particular multinationals) in actively promoting workforce diversity and equal opportunity, good working conditions, and training in different countries around the globe.

In the modern era indeed, after the post-industrial revolution, firms are playing an increasingly crucial role in promoting both technological and social progress, investing in research and development activities in the first case, and through the implementation

of socially responsible actions and programs in the latter. This progress is part of a systemic output, which results from the firms' overall actions. At the same time, it is important to specify that firms generate several further impacts (positive and negative) on the surrounding natural environment.

The economic and social progress, as part of the systemic output of an enterprise, is produced through research, design, production, marketing and communication. The type and quality of development that is generated from such activities depends largely on the attitudes, behaviors, ideas and values of which are carriers its employees, its collaborators, and in particular its top management. Indeed several authors, among others Bartlett and Ghoshal (1994), recognize the crucial role of top managers in shaping the corporate success and the type of progress that may be generated by the firms in which they operate.

The economic and social context is continuously evolving on a global scale and so does the role which business may and should have in promoting progress.

Firms shall contribute, along with the other actors in the society, to the implementation of a sustainable development. This element appears to be necessary when taking into consideration the importance of life and the quality of that of our future generations. Several international communities are indeed increasingly yearning for more responsible business models (Turker 2009).

Considering this perspective, firms, as institutions, should produce not only economic and competitive value, but also social value, measured by its contribution to the wellbeing of the community that surrounds them (Schettini Gherardini 2002).

Firms shall apply and integrate codes of conduct, on a proactive fashion in order to enable themselves to play the role of promoting sustainable progress in an effective and efficient manner. In other words, during their normal lifecycle, firms besides ensuring the remuneration of the capital employed in their operations should aim at protecting and safeguarding the environment and the society in which they operate (Porter and Kramer, 2007).

The environment, the society, their protection and preservation are not only ethical and social objectives to be pursued, aiming not to deteriorate the natural resources and to preserve the future of next generations, but are also elements that may generate economic return, in terms of risk coping, increased customer attraction and more in general as sources of competitive advantage.

Academic researchers, due to the increasing modern society's concerns about social responsibility of business, increasingly concern about the impact of business on humanity and the environment. Firms as well decided to respond to these concerns, becoming to operate CSR (Corporate Social Responsibility) initiatives.

As Molteni et al. (2007) state, nowadays CSR is identified as a structural component of corporate strategy. CSR in other words, has become a practice used to proactively satisfy the expectations and ethical standards of all the firms' stakeholders and the respect of international norms.

As Wood (1991) states, the Corporate Social Responsibility of firms is more broadly identifiable with the whole set of socially responsible processes, policies and programs aimed to manage the relationships that firms have with the society where they operate.

As Kotler and Lee (2004) note, as many as 90% of the Fortune 500 companies now have explicit CSR initiatives. CSR has become a buzzword; it is common to acknowledge some discussion on the topic or of its related concepts in television, newspapers and on journals (Carrol & Shabana 2010).

A consequence of the increasing relevance of the role that CSR is playing in business, is the necessity of managers to develop knowledge on this topic and the related practices, in order to effectively manage their implementations in their firms' economic and strategic plans.

The research on CSR

During the last 5 years, more than 9000 papers have been written on the topic Corporate Social Responsibility (CSR), growing considerably compared to the previous same time span.

CSR has been a widely debated topic in literature during the last decades, and is recently is emerging as "an inescapable priority for business leaders in every country" (Porter and Kramer, 2007).

During the recent years, scholars have been developing theoretical models to measure the effects of Corporate Social Responsibility activities on Corporate Financial Performance.

While significant advances have been made in demonstrating the positive effects of CSR initiatives, the existence of a link between Corporate Social Responsibility performance and financial performance is still discussed.

During years scholars created different frameworks for CSR theories, bearing increasingly structured approaches.

Theories evolved consistently during time. Initially CSR was considered as a mere signal of an agency problem within the firm and that it would lead to a misuse of corporate resources (Friedman 1970). Nowadays CSR is conceived more positively. Scholars recognize, indeed, that implementing CSR actions, and hence creating technological and social progress, firms generate "*shared value*" for both firms and society (Porter and Kramer 2011, 2007).

The advancement in research is a result of an evolution in the way that society, stakeholders and business managers perceive the role of firms in the communities where they operate.

Theories used to define CSR actions enacted by the firms evolved, passing from purely ethical theories (Garriga and Mele 2004) that frame firms enacting socially responsible actions as in order to complain to their ethical concerns, to instrumental theories Windsor (2001) that frame firms that implement CSR actions as seeking profit from the impact that that CSR initiatives can create.

Another theory used to define CSR is referred as "strategic CSR". This theory states that firms enacting CSR actions are interested in benefiting from it while creating value for the society (Garriga and Mele 2004, Porter and Kramer 2011).

Along with the growing social and academic interest for Corporate Social Responsibility, researchers have been trying intensely to prove the existence of an economic and financial justification for the firms to act in a socially responsible manner, by trying to prove the existence of a link between Corporate Social

Performances and corporate financial and economic performances. In other words researchers are trying to theorize and prove the existence of a "Business case for Corporate Social Responsibility".

During the last decades unfortunately, firms have implemented green-washing and other opportunistic behaviors as approaches to CSR as Laufer (2003) and Delmas and Burbano (2011) report, partially also as a consequence of the difficulties in effectively acknowledge effective financial benefits in promoting genuine social responsibility practices.

The matter of fact is that CSR needs an economic justification; without evident benefits for companies, CSR practices are not attractive to business managers, as they are costly and must compete for companies' limited financial resources (Wang et al. 2008).

Despite the extensive research on the field, the existence of a link between Corporate Social Performances and superior Corporate Financial Performances is still discussed and is difficult to be proven (Lu et al. 2014).

Scholars have been demonstrating the positive effects of CSR activities on brand reputation and identity. Brand reputation is indeed an important element that is useful to evaluate the impact of CSR actions on the company image in general.

A positive reputation is subsequent to the satisfaction of the expectations of all the company' stakeholders. (Brønn 2001).

Indeed as Fombrun (1990) states, a positive reputation allows the company to apply increased price premiums and to access more easily to the financial markets attracting new investments.

Scholars have found evidence of the existence of impacts of CSR on specific economic aspects of firms, in example pointing that CSR has positive effects on consumer-company identification (Bhattacharya & Sen 2003), which in turns shall be connected to superior financial performances.

Nonetheless, until now, research in the field has not achieved a unique consensus on the existence of the link between CSP and CFP. Indeed researchers proved the existence of **positive**, **negative** and **neutral** links between the two performance constructs (Wang et al. 2015, Salzman et al. 2005), and two different directions of influence (either is the CSR performance influencing the CFP or the CFP influencing CSR performance).

As we note, thus, there is still uncertainty about the effective contribution that corporate social responsibility may have on corporate financial performances.

Research aim

As stated previously, this work aims to contribute to the research body on CSR by proving the existence of a business case for CSR, demonstrating the existence of a link between the Corporate Social Responsibility performances and the Corporate Financial Performances of firms. Some authors (among others Carroll and Shabana, 2010) state that the spread of CSR has raised the question whether CSR is able to be sustainable from a financial and economic point of view.

If researchers could be able to prove the financial sustainability of CSR, managers would likely be keener to engage in socially responsible activities and behaviors.

First of all, indeed, in order to identify an optimal research approach to demonstrate the so called "business case for Corporate Social Responsibility", it is necessary, after reviewing the existing literature landscape, to identify a possible improved research design.

The final aim of this research is then to demonstrate the existence of a link between Corporate Financial Performances and Corporate Social Responsibility through an empirical analysis.

This research aims to answer to the following questions: why is the link so difficult to be proven? Is it a problem of approach in defining Corporate Social Responsibility or wrong research methodologies? Which are the weak points of the research methodologies implemented? Is it possible to identify a "path" or a "common weak point" in the current research landscape?

Finally, our key research question can be synthesized as follows: is it possible to prove the existence of the link between Corporate Social Performances and Corporate Financial Performances?

Content structure

This present study includes a critical review the body of research in the field and demonstrates the need of a more focused approach. It also focuses to extending research on the CSR-CFP link through a qualitative analysis that examines the transmission mechanisms through which Corporate Social Responsibility affects economic, operating and financial performances of firms.

The literature review and the qualitative analysis are then implemented to create an improved research design in order to capture, through quantitative empirical analyses, the possible existence of the CSR-CFP link.

The structure of the present work is the following: after this introduction, follow three academic papers.

The **first paper** includes a review of the literature landscape and a qualitative analysis on the possible research designs.

The **second paper** includes a quantitative analysis on the relationship between Corporate Social Performances and Corporate Financial Performances on a sample of European companies.

The **third paper** includes a quantitative analysis on the CSP-CFP relationship with a modified research design, on a sample of Italian companies.

The last chapter of this study is then dedicated to the final considerations that we draw from the completion of the analyses and the suggestion that we formulate for future research on this field.

2) PROVING THE EXISTENCE OF A LINK BETWEEN CSP AND CFP

Introduction

The past decade has witnessed a surge in research regarding the CSR topic (Wang et al., 2015, Moon & Shen, 2011). Three points of consensus are apparent in this body of work. First, as Kotler and Lee (2004) and Porter and Kramer (2007) note, CSR practices are increasingly being implemented from companies all over the world and CSR as topic is emerging as a priority for business leaders globally. A second area of consensus is that firms, while implementing CSR actions, try to satisfy stakeholders' interests (Galbreat, 2006), or anyways their choices are impacted by their stakeholders' (Sweeney and Coughlan, 2008). A third widely held position is that if firms were able to implement profitable CSR actions and strategies, they would be able to increase value sharing it in the society (Porter and Kramer, 2011).

Despite these points of consensus, as Wang et al. (2015) and Salzman et al. (2005) note, scholars still do not agree on the existence of a positive link between CSR performances and CFP, acknowledging that flaws in the research design and incorrect research approaches might be the cause of such a heterogeneity in the research results on the topic.

This research work aims to critically analyze the research design and approaches utilized to prove the CSR and CFP link. This work aims also to extend prior research on the CSR-CFP link by examining the transmission mechanisms through which Corporate Social Responsibility affects economic and financial performances of firms.

This above-cited gap is crucial to be addressed in order to effectively prove the existence of a link between CSP and CFP. We endeavor in addressing this gap by exploring how financial and business analysts assess firms' social performances and how they expect these performances to affect the economic, operating and financial aspects of these firms. Relying on a qualitative analysis based on semi-structured in-depth interviews, in the context of the transmission mechanisms of CSR actions on economic, operating and financial performances, we make three important contributions.

First, we theorize the existence at least four relevant transmission mechanisms of Corporate Social Performances on Corporate Financial Performances, and that each transmission channel is related to specific dimensions of the multidimensional CSP and CFP constructs.

Second we theorize that the typology of communication enacted, the proactivity in implementing CSR actions and the industrial sector of firms can mitigate the transmission of CSR behaviours into perceived CSR performances. Third, we theorize that the coherence over time (or consistency) of CSR performances, the geographical area where firms operate, and the congruity of CSR actions with companies' core business, shall be considered as mitigating factors of the transmission of CSP on CFP.

Furthermore, we conclude that managers shall take into consideration the existence of different transmission channels of CSR policies when implementing them, and which stakeholders are involved in the transmission mechanisms (such as employees, consumers, investors and government and regulatory institutions).

A deeper understanding of the transmission mechanisms would help managers to assess how these stakeholders are going to react to the firms' CSR actions and policies and considering which economic, operating and financial variables are more likely to be impacted.

The existence of a CSR-CFP link

Part of the problem is that CSR research lacks of a widely accepted conceptual framework and a unique definition. Holmström, (1979) defines CSR stating that it encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. Carrol approaches the topic with a conceptual model that describes the ethical responsibilities and the socially responsible actions, as they are enacted from a company in a "discretional" and somehow residual fashion when compared to responsibilities related to economic and legal matters.

Wood (1991), Brown and Dacin (1997) define CSR as policies, processes, programs (status and activities) undertaken and designed in order to manage firms' societal relationships and respond to their societal obligations, emphasizing the matter that firms enact them usually to respond to society's pressures.

McWilliams and Siegel (2001) define CSR as a situation where the firm goes beyond compliance and engages in 'actions that appear to further some social good, beyond the interests of the firm and that which is required by law, implying this way that it relates to voluntary actions as if they are not stimulated from society's pressures.

Porter and Kramer (2011), more recently, theorize that nowadays firms must create shared economic and social value in the community and the social context where they operate, overcoming partially the previous definition of CSR as a completely voluntary and discretionary choice of firms.

Fact is that CSR performance is a multidimensional construct encompassing across a wide variety of inputs (Waddock and Graves 1997), ranging from environmental to social responsibility actions, and outputs, or impacts ranging from effects on the society and the environment, as well as items directly related to the firms' performances.

Proving the existence of a link between CSR performances and firms' financial performances requires identifying a conceptual framework that somehow relates CSR behavior of a firm, to the way that it transforms into its CSR performance, and then proving the existence of a relationship between these two elements and the firms' financial performances (Chatterji et al. 2007).

It is important to note that some elements, such as customer satisfaction, consumer trust, and the stakeholders' perception of corporate image and identity can act as mediators, influencing the outcomes of CSR actions (Aguinis and Glavas 2012, Sen and Bhattacharya 2001).

In addition, because both CSP and CFP are broad meta-constructs, a given study's operationalization of each construct may act as an important moderator, as Orlitzky et al. (2003) state. It is important then to carefully select the measurement tools in realizing a research work.

Measuring CSR

In order to discern companies' CSR performances, it is possible to utilize several ratings of environmental activities and capabilities. Problem is that, as Chatterji et al. (2007) acknowledge, there is little evidence about the validity of these ratings.

To measure CSR performances, scholars utilized methods that encompass both qualitative and quantitative approaches as Waddocks and Graves (1997) note.

Qualitative approaches include among the others, **behavioral and perceptual measures** (Wokutch and McKinney 1991), **semi-structured interviews** (Spence and Rutherfoord 2001, Whitehouse 2006) and **case studies** (Clarkson 1991). With these methodologies researchers tend to structure their research design, to perform theory building and to identify samples of "socially responsible" firms or initiatives (actions) enacted by firms and to prove their findings applying techniques of qualitative research.

Quantitative approaches encompass the utilization of **forced choice questionnaires**, (Aupperle, 1991), **indexes and ratings**, such as the Fortune Reputational and CSR Index, Moskowitz reputational scales , Thomson Reuters datasets on CSR of Firms, Kinder Lydenberg, Domini Research & Analytics Rating. Quantitative approaches encompass also **documents content analysis** (Cheng et al 2014, Flammer 2013, Luo et al. 2015, Chatterji et al 2007, Luo and Bhattacharya 2006, Tsoustoura 2004, Wolfe 1991, Abbott and Monsen 1979, Preston 1978, Ingram 1978).

Over years, several researchers, have utilized the KLD datasets when measuring CSR performances, whilst some have criticized it for not covering large enough samples (Simpson & Kohers, 2002) and that it is mainly focused on companies that are trading on the US Stock Exchange (Peng & Yang, 2014).

The researchers, using the quantitative research approach, focus more on empirical research, tending to deduct evidences by analyzing various aspects of socially responsible (or irresponsible) actions of a broader amount of firms.

Montiel and Delgado-Ceballos (2014), studying the measurement of corporate social performances, conclude that the field is still evolving and find that the approaches utilized to define, theorize, and measure Corporate Social Performances are still heterogeneous and further research has still to be done to address the Corporate Social Performances measurement issue.

It should be noted, also, that each measurement methodology could be exposed to measurement error, and, that each firm might implement greenwashing practices; as Chatterji et al. (2007) recognize, these issues may reduce the predictive validity of the metrics used. When choosing a measuring method and a sample of firms to analyze, researchers shall take actions to avoid these issues.

Measuring CFP

Indicators used in measuring financial performances are also discussed and may influence as well the research outcome. There is a full body of researches on this topic, which debates what instrument is the most appropriate to represent financial performances (Tsoutsoura 2004).

Among various instruments utilized, some scholars prefer **financial markets related measures**. In example McGuire et al (1988) analyze listed firms' betas, standard deviation of returns; Luo and Bhattacharya (2006) utilize stock return on financial markets and Tobin's Q.

Some authors, as Preston and Obannon (1997) and Tsoustoura (2004), prefer **other financial measures**, such return on assets rates, return on equity rates and return on investments rates.

Some authors, such as Mcwilliams and Siegel (2000), prefer **accounting measures,** such as the intensity of R&D investments or advertising expenditure. Other authors, such as Du et al. (2010), in order to create a more structured measurement system, utilize a **mixed approach**, including operative and financial measures, years of existence of the firm, profit after tax, number of employees.

At last, some authors, like Cheng et al. (2014), utilize further **financial and accounting indexes**, such as the KZ index, which includes the following items: cash flow to total capital, market to book ratio, debt to total capital, dividends to total capital, and cash holdings to capital.

Building the optimal research design to prove the link

The absence of a unique view on the existence of a link between CSR and CFP in the current literature landscape can be attributed to two factors: the actual complex origin nature of the potential link and flaws in the research designs used by the authors in their studies. Indeed McWilliams and Siegel (2000) theorize flaws in the design of empirical research, and Salzman et al. (2005) recognize both flaws in qualitative studies approaches and quantitative studies.

As Orlitzky et al. (2003) and Lu et al. (2014) note, in order to improve the validity of the research designs in predicting CSR-CFP links, the pattern of CSR-CFP research approaches has shifted towards exploring the linkages between specific aspects of the

two constructs. In this direction, indeed, Chatterji et al. (2007) stated that the relationship between CSR metrics and financial performance is mediated by several important links. The author theorized CSR behavior influences Corporate Social Performance, and that Corporate Social Performance influences may subsequently influence financial performance.

Several mediating and mitigating factors may influence the link, and taking into account that, as stated before, there are several measurement issues for both the CSP and CFP constructs. In order to create an effective research design, it is fundamental to take into considerations all the relevant elements.

Methodology

In order to explore the research questions of this study it was conducted a qualitative analysis through in-depth semi-structured interviews.

This method is recognized as a sound and proven approach in gaining deeper understanding in the field of social research (Fontana and Frey, 1994). Furthermore, this approach has been previously employed in the area of CSR (Humphreys and Brown, 2008 and Tilley, 2000) and specifically in building research designs (Kumar and Tiwari, 2011).

For the present study, five in-depth semi-structured interviews were conducted, where 7 open-ended questions such as "Could you tell me what effects can generate a (negative or positive) CSP of a firm on its economic and financial performances?" were posed to the interviewees; in appendix 1 it is included the complete list of questions.

The interviews, which lasted circa 40 minutes, were tape-recorded and entirely transcribed. In term of sampling strategy, we selected business and financial analysts with minimum 3 years working experience and were at the occurrence of the interviews employed in 4 financial and business organizations, namely KPMG, EY, Mastercard and Banca d'Italia.

The organizations were selected because of their leadership on financial and business topics and their involvement into Corporate Social Responsibility activities or services.

Although the number of interviews is relatively small, the professional experience of the interviewees provides with a high level of reliability and validity of the research findings.

The composition of the interviewees' sample is observable in exhibit 1.

Exhibit 1) Interviewees' sample

N.	Professional area	Role	Work experience (years)	Organization	Nationality
1	Finance	Portfolio Manager	4	Banca d'Italia	Italian
2	Finance	Analyst	4	Banca d'Italia	Italian
3	Business and finance	Manager	9	Mastercard	Italian
4	Business	Senior Analyst	3	EY	Italian
5	Business	Senior Analyst	4	KPMG	Italian

In particular, one of the interviewees is member of the CFA Institute (and has been awarded with the full CFA certificate), a prominent global association of investment professionals that sets the standard for excellence in the industry.

The CFA institution, as one of its main goals, studies and promotes the implementation of socially responsible investments and requires all its members to considerate the ethics and social and environmental sustainability of their investment choices, sharing knowledge and tools to properly evaluate the social responsibility of firms. Furthermore, all the interviewees working in consultancy companies are involved in socially responsible programs promoted by their companies and most of them are actively involved in the promotion of socially responsible projects and actions.

As a representative example it can be cited the "social inclusion" program implemented by Mastercard, which aims at increasing the access to virtual payment methods for all the population around the globe, and allows its employees to participate in the realization of these programs. Subsequently the information included in the transcribed interviews was coded and analyzed through computer software.

In order to analyze data we adopted the three-stage process of analysis that was proposed by Miles and Huberman (1994). In particular, the following three stages suggested by the authors were used in the present study for interpreting the interviews findings: data reduction, data display, and conclusion forming and verification. The data reduction step consisted mainly into coding all the interview transcripts along with the creation of logical nodes that represent the main elements of the research (i.e. the specific transmission mechanisms or the specific mitigating factors identified). Subsequently logical nodes were classified in two research categories (mitigating factors and transmission mechanisms). In the following exhibit 2 it is possible to observe a summary of the composition of the logic nodes, including categories and related representative quotes for each logic node.

Exhibit 2) Logic nodes summary table

Logic Node	**Category**	**Definitional elements**	**Illustrative quote**
Communi-cation	Mitigating factor	Approach to CSR communication	*It is fundamental … that the firm is able to communicate correctly and let its interested audience perceive correctly all the (CSR) indicators*
Proactivity	Mitigating factor	Proactivity in CSR actions	*The consumers' and the investors' perception of the company is more positive if the company acts in a proactive rather than a reactive way*
Sector Focus	Mitigating factor	Industry fundamentals	*The industry where (the firm) operates is an element that influence its ability to create positive impact for the society*
Coherence	Mitigating factor	Consistency in CSR Actions	*Consumers can prefer to buy products that are produced from firms that are socially responsible and act coherently*
Geographic focus	Mitigating factor	Geo-political variables	*The sensibility toward these arguments is enhanced in the cases markets that are richer, where consumers are keener to pay a premium price*
Core business	Mitigating factor	Congruity of CSR actions with firms' business	*When a company implements several CSR actions, the occurrence that these actions are related or not to the core business of the company that implements them*
Customers	Transmission mechanism	Impact on customer preferences	*The … effect can be an increased identification of the consumer with a brand (or a company), meaning that the consumer recognizes in the brand what he likes in the world or in itself*
Investors	Transmission mechanism	Impact on investing choices	*The other mechanism … is related to the presence of funds ... that include in their investment decisions also drivers that are related to the ethics of the firms that are related to their investments*
Employees	Transmission mechanism	Impact on workforce productivity	*Positive CSR actions directed to the company's personnel can generate also increased productivity, because they … can identify themselves more on a personal level with the company's goals*
Risk coping	Transmission mechanism	Sanctions prevention	*The exposition to the threat of potential sanctions, requires that the firm involved shall implement some provisions in order to increase risk funds, deteriorating its ability to … put the basis of its future growth*

The display phase allowed us to identify the references emerged from the interviews with regard to each specific research element.

The final phase of conclusion formation and verification allowed us to refine the logic nodes and consolidate the findings into research conclusions, by comparing the overall contribution of the interviewees and identifying the common concepts and the definitions expressed by all the interviewees.

Findings

CSR actions influencing CSP

During the interviews emerged that the elements that affect the CSP of firms are at first the firms' **production choices.** One interviewee indeed stated that *"The elements that impact the CSP of a firm can be synthesized as the production choices of a firm such as the choice of machinery used in production, or the raw materials more or less polluting used for the products manufactured" (Interviewee 4).*

Another element that affects the CSP of a firm was identified as the **organizational choices**, such as the management style or the culture of a company and employees compensation schemes.

One interviewee cited that *"the social aspect of the care of the workforce or reward or support policies enacted toward the employee can be positively associated with a positive social performance of a firm" (Interviewee 4).*

A mitigating factor of the impact that CSR actions have on CSP that was cited during the interviews can be considered as the **sector focus**.

One interviewee stated that *"the industry where (the firm) operates is an element that influence its ability to create positive impact for the society" (Interviewee 3).*

Another mitigating factor that has been cited during the interview program is the **proactivity** of CSR actions. Proactivity is intended as the extent by which companies implement CSR actions before that its stakeholders or the regulatory system requests them or before other firms already begin implementing them.

It was stated: *"the consumers' and the investors' perception of a company is more positive if the company acts in a proactive rather than a reactive way" (Interviewee 1).*

Finally, **CSR communication** was cited as a further mitigating factor, highlighting that different means and approaches toward the communication of CSR actions and results could influence the perception of firms' CSP, therefore mitigating the potential impact of CSR actions on CFP.

During the interview program, it was stated: "*If the company though does not communicate correctly the CSR actions implemented… (this company) can have a negative impact on the economic performance of a firm that implements them…" (Interviewee 4).*

CSP influencing CFP

During the interviews emerged that the mechanisms that enable the transmission of CSP on CFP of a firm are mainly related to the following elements: **customers**, **investors**, **employees** and **coping** of **potential risks**.

The **customers** channel relates to the potential impact of the CSP of a firm on consumers' preferences, leading a possible increase in their willingness to pay price premium and to a potential increase in sales. As one interviewee noted with the following statement: *"consumers are keener to spend a euro more (paying a premium price when purchasing a product) in order to guarantee the workers' rights and a positive impact that (the firm) shall have on the economic and social environment surrounding the firm" (Interviewee 2).*

Furthermore, an interviewee stated that the customer transmission channel relates to increases in customer-company identification and subsequent positive effects on sales arising from it. As it is possible to notice in the following quote: *"the immediate effect can be an increased identification of the consumer with a brand (or a company), meaning that the consumer recognizes in the brand what he likes in the world or in itself" (Interviewee 5).*

The **investors** channel relates to the attraction that is generated for investors and financial markets operators to invest in companies with a positive CSR performance, leading to a potential enhanced capability for firms in financing their activities.

During the interviews indeed emerged that: *"…this is a clear example of how social responsibility … can impact a firms' balance. These actions can lead to increased investor attraction…" (Interviewee 5).* Another interviewee identified that the investors perception of a company may be influenced by its CSR activities. The interviewee indeed stated: *"…a company that is able to act in a proactive manner, inserting CSR in its decisional and transformational processes and so forth, (the company) improves its image on the market, as perceived from investors, consumers and policy makers, and is*

able to obtain an improved perception that can lead to better financial performances…" (Interviewee 1).

The **employees** channel relates to the enhanced capabilities that a company with positive CSR performance may have in attracting and retaining qualified employees and in increasing its workforce productivity by inspiring its workers to contribute to the company's mission. During the interview program indeed emerged that: *"If employees see that the leader declares that he is keen to invest in CSR actions ... and then that he is congruent with his purpose, they are positively influenced and increase their productivity" (Interviewee 5).*

Another interviewee, in line with the previous declaration stated: *"Positive CSR actions directed to the company's workforce can also generate increased productivity, because they can feel more included in the company's team, and can identify themselves more on a personal level with the company's goals" (Interviewee 3).*

Positive CSP can finally help companies in **coping potential risks**. In example CSR actions could help firms in tackling environmental protection sanctions, scandals and other business risks, leading therefore to potential cost savings. One of the interviewees indeed stated: *"The exposition to sanctions ... could impact the CFP of a firm deteriorating it, by i.e. decreasing net result as a result of the major costs from provisions directed to risk funds arising from the sanction" (Interviewee 2).*

During the interviews emerged in particular that for the firms, engaging in CSR programs can help mitigate risks by anticipating future stringent regulation on social responsibility issues, such as i.e. environmental pollution. Another interviewee indeed stated that: *"...The company invests into for example environmental pollution*

mitigation because it can also prevent potential forecasted more stringent environmental pollution laws and therefore be already prepared to a change in production standards..." (Interviewee 3).

We theorize that each of the transmission mechanisms shall therefore be analyzed separately, given that each of the mechanisms above cited may generate differentiated impacts on specific and different economic and financial variables.

A potential mitigating factor of the impact that CSP can have on CFP that was cited during the in-depth interviews is the **Geographical focus** of the company. One interviewee stated in fact: "*The sensibility toward these arguments is enhanced in the cases markets that are richer, where the consumers are keener to pay a premium price… in order to guarantee the workers' rights…*" *(Interviewee 2).*

It is possible to hypothesize that in less developed countries, or in countries where economic welfare is not well distributed, consumers, investors and employees might be less interested in CSR concerns. This element might mitigate the activation of the distinct transmission mechanisms.

Consistency and **coherence** of companies' CSR actions and their communication to the public during the time has emerged as another potential mitigating factor. In facts, from the interviews emerged that *"consumers may prefer to buy products that are produced from firms that are socially responsible and act coherently with their declared CSR strategies" (Interviewee 4).*

Another interviewee recognized that firms' coherence in implementing CSR programs is a fundamental element for the firms to be able to achieve subsequent economic advantages. As shown in the following statement: *"…Coherence is crucial to*

generate positive impact on the brand, but also to improve the company's image in front of the employees and the investors … to increase the economic advantage that is generated by mitigation of events … such as new regulation, loss of employees, unexpected change in production methods" (Interviewee 5).

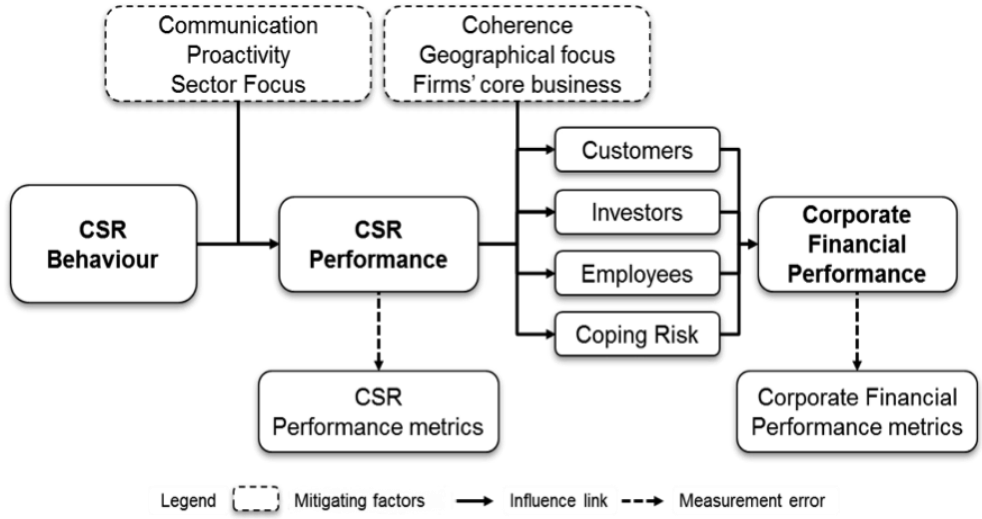
Congruity of CSR actions **with companies' core business** activities emerged finally as further potential mitigating factor**.** From the interviews emerged that "*When a company implements several CSR actions, the occurrence that these actions are related or not to the core business of the company that implements them, has an impact on the company's brand…" (Interviewee 3).* During the interview program, it was highlighted that the transmission of the impacts of CSR on CFP may be mitigated by a lack of congruity of the firms' CSR actions with its core business activities, leading to a neutral effect of CSP on CFP. One interviewee indeed stated: "…*Neutral effects can be generated whenever the CSR actions implemented are not correctly communicated to these markets or whenever the CSR actions are not coherent with the company's specific business model…" (Interviewee 4).*

Furthermore, concerning such a matter what came out from the interview program was that a lack of congruity between the CSR activities and the firms' core business might bring to a negative financial outcome. Indeed, the potential positive effects could be more than counterbalanced by the negative effects originated from the cost sustained that end in a "distraction of funds" from the company.

The results of the interview program with specific regard to the mitigating factors and the transmission mechanisms may be synthesized in a conceptual framework as

represented in exhibit 3. This chart represents a modified version of the original published from Chatterji et al. (2007).

Exhibit 3) CSR behavior effects on CFP logic scheme



The chart includes a representation of the logic scheme, which connects CSR behavior with Corporate Financial Performance, identifying the relevant variables (mitigating factors, transmission mechanisms and measurement errors), which shall be taken into consideration when constructing a research design in order to prove the existence of a link between CSP and CFP. When measuring the potential effects of CSR actions, indeed, it shall be considered that CSR communication methods, CSR proactivity and the sector focus of a company may influence a company's social performance (or CSR performance).

CSR performance coherence, the firms' geographical focus and the congruity of the firms' CSR performances and actions with its core business activities could mitigate the transmission of the effects of CSR Performances on CFP.

Then, researchers shall take into consideration that the four transmission mechanisms may be activated with different extent, or by different aspects of the CSP of a firm. Finally, researchers should be aware that these transmission mechanisms might be activated with different velocity (i.e. the employees channel might transmit the effects of CSP on CFP more slowly or less than the investor channel).

Discussion

The nature and the typology of socially responsible actions and programs that generate CSR performances has already been researched by scholars (Vyarkarnam 1992), and by institutions such as KLD, Thomson Reuters, GRI that provide indicators and rankings on the environmental, social and governance elements (in other words that assess firms' Corporate Social Performances).

Concerning the **mitigating factors** of the impact that CSR actions have on CSP, a wide body of research is available. Researchers already pointed out that individuals have different expectations and attitudes regarding to CSR contingent on the **industrial sector** where firms operate (Bansal and Roth, 2000 and Strike et al. 2006). We acknowledge though that cross-sectoral analyses are not widely applied in the quantitative research field. We also add that realizing cross-sectoral studies shall focus in capturing the different degree of intensity of the potential CSR-CFP link across the different industries. Such an aspect has not been analyzed in a structured manner in literature yet.

We previously defined **proactivity** of CSR action as the extent by which companies implement CSR actions proactively. In particular, the extent by which firms act proactively, with regards to the "social" requests coming from their stakeholders or from the regulatory system, or before that other firms already begin implementing these requests. Concerning this element, Meznar and Nigh (1995) noted that stakeholders are more likely to engage stakeholders when they are acting proactively. Some authors, in particular Torugsa et al. (2013), identify proactivity on CSR matters as *"a pattern of responsible business practices… at a level above that required to comply with government regulations…"*, stating that it *"…can provide significant scope for enhancing financial performance…"*.

We extend this definition by stating that in order to assess the proactivity of a CSR action not only shall be taken into account the government regulations, but also the stakeholders expectations and the matter if other firms already implemented similar CSR actions. In other words, in order to evaluate the proactivity of a firm's CSR approach whether the CSR actions implemented by the firm have already become a commonly accepted "standard" among the relevant players in a given industrial sector or if the company implementing it is somehow considerable as a "pioneer" in this field.

Finally, concerning the CSR **communication** methods, Sweeney and Coughlan (2008) noted that specific differences exist in practices of communicating CSR results to stakeholders, implying that different communication styles may lead to a diverse impact on the subjects that are intended as receivers of CSR communication.

Concerning the transmission mechanisms of CSP on CFP, we acknowledge that the literature landscape is fragmented and does not propose a structured view on the

existence of different transmission channels. We note that in most case, researchers tend to analyze the CSR-CFP relationship by linking the two broad constructs without deepening their understanding of the specific transmission mechanisms. Scholars (such as Waddock and Graves, 1997), in the past commonly measured CSR performances overall, putting them into relation with different financial and economic performance indicators. More recently, though, as Lu et al. (2014) noted research is shifting towards exploring the linkages between specific aspects of the two constructs.

Authors such as Luo and Bhattacharya (2006), and Saeidi et al. (2014) analyzed the existence of a transmission mechanism through the **customer** satisfaction. In particular, Saeidi et al. (2014) suggest that CSR promotes firm performances through enhancing reputation and competitive advantage while improving the level of customer satisfaction.

The **employees'** transmission channel has been researched from fewer authors (such as Becchetti et al. 2008; Weber, 2008), while the aspects of positive CSP associated with the ability of coping potential **risks** has been covered by few authors such as Kytle et al. (2005).

Also the **investors** channel has been somehow less researched, with few authors such as Arya and Zhang (2009) running empirical analyses related to it. Recently, though, Cheng et al. (2014), investigating the CSP-CFP link, theorize that CSR actions impact CFP through the stimulation of a transmission channel, broadly defining it as "stakeholder engagement". Indeed the authors prove that firms with higher CSR performances experience reduced agency costs due to enhanced stakeholder

engagement, identifying therefore that stakeholders have a specific role in transforming higher CSR performances in an improved access to financing for firms.

With our approach, in respect with the existent literature in the field, we make a step further, by theorizing that the effects of CSP on firms' performances are transmitted through four specific channels, and that different type of corporate social performances can stimulate directly one (or more than one) channel.

Our findings do not oppose the ones mentioned in the previous literature on the field; though, we note that these transmission channels have not been investigated with a structured and holistic approach, nor have been included altogether with a comprehensive approach while researching the effects of CSR performances on CFP.

Furthermore, we consider as missing in the previous literature, the consideration that the singular transmission channels may be triggered by different "socially responsible" actions and programs, and that in order to assess the effect that they may transmit on economic, financial and operating variables, it is necessary to analyze them in relation to specific dimensions of Corporate Financial Performance.

In example, we may assume that the employees channel is activated by socially responsible actions implemented by firms with regards to its employees (i.e. employees welfare programs, sustainable and balanced productivity incentives, positive labour culture…), and that this transmission channel impacts primarily on the workforce productivity of a firm and its operating profitability levels.

In addition, concerning the mitigating factors of the impact that Corporate Social Performances have on Corporate Financial Performances, it is still possible to find gaps in the literature.

Scholars indeed failed not investigating deeply onto the importance of the **Geographical focus** of firms in relation to the mitigating effect that it may have on the transmission of CSP on CFP. Indeed, even if it is possible to notice that several authors, (such as Balabanis et al. 1998) performed quantitative analyses to prove the existence of the CSR-CFP link in specific countries or regions, it is hard to find cross-geographical studies. In particular, we state that previous research failed in elaborating a structured approach when analyzing the differential effects that Corporate Social Responsibility Performances may generate on Corporate Financial Performances in different countries.

As emerged during the interviews, indeed, it is likely to consider that the presence of a link between the CSP and the CFP of a company is affected by the peculiar economic, cultural and social variables that occur in each country. In order to capture this difference, it is important to analyze the link with a cross-geographical scope, considering the different economic scenario and the different culture of the given geographies as a mitigating effect.

Consistency and **coherence** of firms' CSR actions and its communication seems to be less researched from scholars in relation to CSR issues (Luo et al. 2015). Recently, though, it is possible to find longitudinal studies, which consider the consistency of CSR over time as a variable while analyzing the existence of a link between CSR and CFP (Tang et al. 2012).

The impact of the **congruity** of CSR actions **with companies' core business** on the transmission of potential effects of CSP on CFP has been rather analyzed in literature (Du et al. 2010). This element though has not been analyzed by relating it with the mitigating effect, which may be generated on the CSP-CFP link. We consider this a

relevant gap in literature, and a potential flaw in the research designs adopted in the previous quantitative research. We also acknowledge that the congruity of a firm's CSR actions with its core activities is a difficult variable to be systematically measured in a quantitative research with a large sample of companies (i.e. this information is not readily available in the main CSR databases and index).

We also consider that the negative effects on CFP arising from a lack of congruity of a firm's Socially Responsible actions with its core activities is a common argument of the detractors of the existence of a positive link between CSP and CFP (such as Milton Friedman, 1970).

Conclusions

We make three key contributions to the literature on **mechanisms of transmission** of Corporate Social Performances of firms on their Corporate Financial Performances.

First, we identify that at least **four transmission mechanisms** of **CSP** on **CFP exist**, and we theorize that these mechanisms might affect the financial and economic performances of firms in a heterogeneous manner.

We theorize that in order to capture the **effects** that the different components of the CSP of a company may transmit through the four transmission mechanisms it is necessary to create a specific research design aimed to discerning CSR performances in its dimensional elements (i.e. socially responsible actions and programs toward employees, environmental sustainability programs…).

We then suggest that researchers shall consider measure the single elements of CSR performances and therefore analyze them in relation to specific financial, operating and economic variables.

When building a conceptual framework to prove the CSR-CFP link, and when choosing the most adequate CSP and CFP measures, indeed, scholars shall take into account the possible existence of different transmission mechanisms and evaluate the impacts of the specific CSP dimensions on the single transmission mechanisms.

We theorize that, in order to prove the presence of a link between CSR and CFP, scholars shall consider the existence of at least four different **transmission mechanisms,** which encompass firm's customers or the investors and the operators of financial markets, rather than employees or the possibility to cope potential risks.

Second, we theorize that the typology of **communication** enacted, the **proactivity** in implementing CSR actions and the **industrial sector** of firms can **mitigate** the **transmission** of **positive CSR behaviours** to perceived positive **CSR performances**, and that these elements shall be taken into consideration in order to build an effective empirical research design.

In particular, when researching the CSR-CFP link, researchers shall control for the typology of CSR communication and the implemented by firms, implement specific cross-sectorial analyses.

Third, we theorize that the **coherence over time** (or consistency) of **CSR performances**, the **geographical area** (given the existence of peculiar economic and social contexts in different nations or geopolitical areas) where firms operate, and the **congruity** of CSR actions **with companies' core business**, shall be considered as

mitigating factors of the transmission of CSP on CFP. We suggest that these elements shall be taken into consideration when building an effective research design.

In particular, researchers shall control for the coherence of CSR performance over time and for the congruity of CSR actions with companies' core business, and implement specific cross-geographical analyses, given that in countries where economic welfare is not well distributed, consumers, investors and employees might be less interested in CSR concerns.

In particular, even if we acknowledge that it might be difficult to measure in empirical analyses encompassing large samples of firms, the congruity (or the strategic fit) of CSR actions with the firms' core business may produce a mitigating effect. In facts, a lack of congruity could create a negative effect originated from the cost sustained that end in a "distraction of funds" from the company.

Therefore, the current study finally concludes that it is possible to identify at least four transmission mechanisms of CSP on CFP, and that these effects may be hampered by at least six mitigating variables.

This study suggests also that researchers should offer increased attention to the measure of the firms' performances used in their studies, reminding that the CSR performance is a multidimensional construct, and therefore it can influence in differentiated manner specific economic and financial variables.

To prove the existence of the link with an empirical approach, researchers shall therefore perform detailed analyses on the specific transmission mechanisms, relating specific CSP aspects to the variables more likely to be affected.

We conclude also that specific variables shall be included in the research design, as **mitigating factors** of the transmission of Corporate Social Performances on Corporate Financial Performances, in order to increase the effectiveness of the research.

Scholars shall also consider the **time span of transmission of the CSR policies,** because this may vary from short or long term according to the aspect of the CFP construct considered (i.e. financial markets react more quickly compared to labor markets).

We suggest therefore to further investigating the abovementioned aspects through quantitative empirical analyses.

Finally, we conclude that managers shall take into account the existence of different transmission channels of CSR policies when implementing them, deepening their understanding of which stakeholders (such as employees, consumers, investors and government and regulatory institutions) are more likely to be influenced by. Evaluating how these stakeholders are going to react to the firms' CSR actions and policies may help managers in assessing the economic, operating and financial advantages, that they could obtain from through socially responsible initiatives.

3) THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY – AN EMPIRICAL ANALYSIS ON EUROPEAN COMPANIES

Introduction

To prove the existence of the link between Corporate Social Performance and corporate financial, economic, and operating performance, researchers have mainly implemented three different approaches related to quantitative analyses: portfolio studies, event studies and multiple regression studies (Salzman et. Al 2005).

When analyzing the current literature landscape, it is possible to find mixed results of the quantitative analyses run to prove the existence of the CSP-CFP link, as Orlitzky et al. 2003, Margolis et al. 2009, and Aguinis and Glavas, 2012 note.

Several authors theorized that the nature of the mixed results and of such controversy in outcomes, beside the matter of fact that proving the existence of a link is complex, may arise from flaws in the research designs adopted, as Lu et al. (2014), Margolis et al. (2009), and Orlitzky et al. 2003, with different extent note.

Flaws in research design may arise from several causes, such as scholar failing to considerate the sector focus or the geographical focus of firms, or failing to considerate potential mitigating effects, when analyzing the impact on the financial, economic and operative performances of firms (Lu et al. 2014).

The present study aims to prove the existence of a business case for CSR overcoming the research flaws acknowledgeable in some studies present in literature by using an effective research design.

Proving the existence of a business case for CSR has been a task witnessing an extensive endeavor of researchers during the last decades. Carroll, Shabana (2010) states that the increasing spread of CSR practices among companies has raised the question whether CSR is able to be sustainable from a financial and economic point of view.

If researchers could prove the financial sustainability and "scalability" of CSR practices, then managers around the globe would be keener in implementing socially responsible programs.

In order to analyze the relationship between CSP and CFP we hypothesized the validity of the so-called "Good Management Theory". As Waddock and Graves (1997) state, "…*there is a high correlation between good management practices, and CSP*..." as "…*good employee relations might be expected to enhance morale, productivity, and satisfaction*". Waddock and Graves, describing the good management theory, further state that these practices are supposed to enhance firms' performances by reducing costs and improving the bottom line. To perform our analyses we implemented pooled OLS Regressions on a sample of European companies relating their social performances to their financial, economic and operating performances.

We find a positive correlation with CSP and CFP, countering negative previous research on the CSP-CFP link. We find, in particular, positive correlation between CSP and workforce productivity, an element not yet extensively researched.

We finally conclude stating the implications of the current study for corporate managers. In particular, we state that managers shall be aware of the benefits that may

arise with respect to the workforce productivity and operating profitability levels of their firms when implementing CSR practices.

Research design and Methodology

This research investigates the relationship of Corporate Social Responsibility disclosure, intended as a proxy of Corporate Social Responsibility performances, with corporate financial and economic performances of selected European firms during the years 2010 to 2015.

The present study implements a cross-industry and a cross-geographical approach, comparing firms from different industries and different European countries in order to increase internal validity.

As previously stated, in order to analyze the relationship between CSP and CFP we hypothesized the validity of the so-called "Good Management Theory". To prove this theory we apply standard OLS regressions to determinate CSP and CFP measures, which will be subsequently explained in detail.

Finally, we included in the analysis specific mitigating variables in order to increase the predictive power of our analysis.

In particular, our research design recalls the one previously presented in Exhibit 3. We measure "publicly disclosed" CSR behavior of a selected sample of European firms as a proxy of their Corporate Social Performances and then, through statistical analyses, we investigate the existence of a correlation with the same firms' Corporate Financial, Economic and Operating performances. In the present study we include CSR

communication, sectorial focus and geographical focus as mitigating variables, while we do not take into account proactivity, coherence and congruity of CSR actions with their core business due to difficulties in measuring them on such a large sample of firms. In the present study however, we do not differentiate the transmission mechanisms due to impossibility originated by the composition of the information collected through the dataset that we utilized.

CSR disclosure as a measurement of CSP

Researchers measure CSR performances with quantitative approaches through two different set of instruments: social indexes and ratings (i.e. KLD, GRI, Thomson Reuters datasets), and document content analysis (among others Cheng et al 2014, Flammer 2013, Luo et al. 2015, Chatterji et al 2007, Luo and Bhattacharya 2006).

During the present study GRI guidelines and indicators have been selected to evaluate CSR performances, because "these guidelines are the most widely accepted ones" as several authors state (Oeyono, Samy and Bampton 2011, Odemilin et al., 2010,). Furthermore, the GRI reporting database includes a wide sample of European companies, representing therefore a solid and consistent basis for the empirical analyses to come.

The choice of using CSR accountability measures as a proxy of CSR performances in this study was made taking into account the fact that nowadays the society is increasingly demanding CSR accountability from firms worldwide. In addition to traditional expectations towards the company's value creation indeed, it is possible to notice an entirely new set of expectations concerning the social and environmental

aspects. These matters may be described also accounting for an enhancement in the expectations and an enhancement in the involvement of employees at various levels, on environmental protection issues and the contribution that firms realize to the improvement of society, as Molteni (2000) states.

The firms' growth therefore shall be compatible with the fulfillment of these needs and the firms shall be able to meet these expectations.

On the other hand, the consensus and social legitimacy that may derive to an enterprise that assumes these responsibilities can become strengths that can certainly promote the achievement and implementation of profit and competitive advantages.

Awareness of the new role that companies have in the society and the new responsibilities in the social and environmental field has created an increase in the firm's involvement in social and environmental communication.

The changes leading to increasing levels of social responsibility implemented by firms worldwide is generating therefore an increased demand for accountability on topics such as environmental, social and governance issues (ESG). The increasing level of accountability on firms' CSR practices on a worldwide scale has stimulated the creation of global CSR accountability practices; the GRI ones are the most widely accepted worldwide.

GRI, or Global Reporting Initiative is an institution that is set to create a global standard for social reporting. Companies willing to adopt the GRI standards are supposed to disclose a wide range of information related to social, environmental and governance issues by compiling in their CSR reports certain indicators.

The rationale behind the adoption of this scale of measurement for CSR is related to the fact that the more a firm is enacting socially responsible practices, and the more a company is performing positively on the Corporate Social Responsibility topic, then the more this firm will be keen to disclose information on CSR topics.

Thus, in order to implement a complex reporting mechanism such as the GRI's one, firms should implement informative and controlling systems that require certain investments. Therefore, it is possible to state that the more a company applies the GRI guidelines, the more it is sensible to CSR topics and issues. Furthermore, it is important to notice that previous researches (Clarkson et al., 2008) reported a positive association between environmental performance and the level of discretionary environmental disclosures, analyzing the relationship of Corporate Social Performances and corporate social disclosure with a sample of firms that applied the GRI guidelines.

The GRI institution evolved its contribution in terms of guidelines creation during the years, and published in the late 2013 the last version of its guidelines, the so-called G4 standard that substituted the previous version, the G3 (that were released in 2006) and the version 3.1. To assess the CSP of a company, we used the "GRI report application level" classification reported in the appendix 2. This classification consists in an overall evaluation of the application level of the GRI guidelines.

Specifically, we examined the reports by analyzing the level of application of the GRI guidelines. The reports were then categorized creating an index, where: 3 = maximum application level, 2 = medium application level, and 0 = minimum application level. Subsequently, we segmented the information obtained from the previous step creating three groups of reports, low medium and high in order to create

three groups representing respectively the reports including the lowest level of CSR disclosure, then the medium and the highest level. The reports published with GRI referenced principles or other CSR principles (that in other words do not fully apply the GRI guidelines), were included in the analysis as "base group", intended as the lowest CSR score.

Measuring CFP

Corporate financial and economic performances have been, according to the research design, divided into specific areas, namely: financial performances, economic performances and workforce productivity.

In order to evaluate **financial** performances, we considered ROA% before taxes, namely Return on Assets, representing a measure of a company's profitability before taxes. ROA% is a useful indicator because it represents an measure of the return available to shareholders from the investment of all the firm's capital, including funds supplied by both owners and creditors of the firm. It is useful both to evaluate the financial performance of a firm over time and to compare a firm's performance with the performance of other firms (Ellinger et al., 2002).

ROA % before taxes was calculated as a firms' fiscal year's earnings before taxes divided by its total assets, similarly as also Preston and O'Bannon (1997), and Waddock and Graves (1997) did. In particular, we took into account the ROA% before taxes in order to avoid the distortive effect of the different taxation levels present in the single countries.

To evaluate **economic performances**, we considered Revenues growth, calculated as Year on previous Year revenues % increase, similarly to Chen et al (2015), and EBITDA margin %, namely, the Earnings Before Interest, Taxes, Depreciation and Amortization margin divided by total revenues of the year, as also Weber et al. 2008 among other scholar did. EBITDA margin measures the extent to which the cash operating expenses diminish revenues in a year, representing therefore a measurement of a company's operating profitability.

In order to evaluate the **operating performances** of firms, in particular focusing on **workforce productivity**, revenues per employee were accounted, similarly to Becchetti et al. (2008) and Janz et al. (2003).

Finally, revenues have been used to measure **firms' size**, similarly as Waddock and Graves (1997) among other authors did. All financial and economic data was obtained from the database "Amadeus" published from Bureau Van Dijk.

Measuring mitigating variables

In order to increase the predictive power of our analyses, we accounted for the following mitigating variables: geographical area, industry sector, and CSR communication.

Geographical area: in order to take into account this variable, we took into consideration the geographical classification reported in the GRI database. Each geographical area was then accounted in the regression assigning to it a dummy variable.

Industry sector: in order to take into account this variable, we took into consideration the industry classification included in the GRI database, simplifying in order to increase the frequency of observations for each sector, as is possible to observe in the conversion matrix included in the appendix 3. Each industry was then accounted in the regression assigning to it a dummy variable.

CSR communication: as some authors theorize (Du et al. 2010), CSR communication and the instruments used to accomplish it may influence the capability of a firm to maximize the business return of CSR practices. It is likely to hypothesize that CSR performance may affect more positively the CFP of firms if reported by third parties.

In this study, we included the mitigating variable "CSR communication" by accounting the presence of external assurance (provided by thirds parties, usually audit firms or boutiques) provided for the single GRI reports included in the present research study. In order to calculate this aspect we assigned a dummy variable accounting whether the social responsibility report included in the research was subject to external assurance or not.

Hypotheses

As previously stated, the aim of the present research work is to statistically prove the existence of a positive link between previous Corporate Social Performances of a firm and its CFP, differentiating the impacts generated on specific economic, financial and operating variables. Observing the previous literature on this topic, we note that

scholars proposed several theories and business-cases pointing out the possible existence of a positive link between CSR and financial and economic performances. In particular, scholars such as Kurucz et al. (2008) point out that, by engaging in certain CSR activities firms may gain competitive advantage, strategically responding to stakeholder demands and differentiating themselves from their competitors. Scholars such as Bhattacharya and Sen (2003) also theorize that companies with higher CSR performances might obtain increased customer attraction. We expect that an increase in customer attraction might result in higher revenues for these firms.

Furthermore, as Bhattacharya et al. (2008) among others theorize, company's corporate social responsibility activities comprise a legitimate, compelling and increasingly important way to attract and retain good (and motivated) employees. We therefore expect that higher CSP generate an increase in workforce productivity.

As a result, our first three hypotheses are:

Hypothesis 1 (hp1): Corporate Social Responsibility disclosure, intended as a proxy of Corporate Social Performance, has a significant positive impact on the financial performance of firms

Hypothesis 2 (hp2): Corporate Social Responsibility disclosure, intended as a proxy of Corporate Social Performance, has a significant positive impact on the economic performance of firms

Hypothesis 3 (hp3): Corporate Social Responsibility disclosure, intended as a proxy of Corporate Social Performance, has a significant positive impact on workforce productivity?

The aim of this work is to implement an effective research design, taking into account specific mitigating variables, which enhance the predictive power of the analyses. As Barnett (2007) theorizes indeed, the impact that CSR generates on corporate social performances might vary according to the specific situations, and therefore this aspect might impact the results of CSP-CFP research. In particular, we expect that different cultural contexts (perhaps emerging in different countries), might generate different stakeholder expectations toward CSR policies, and that these differences might result in a different return in terms of corporate social performances. In example, in some societies customers might not perceive CSR as a differentiating factor. Industry sectors where firms operate also might impact the transmission of CSR on CFP, as also Bansal and Roth, 2000 and Strike et al. 2006 pointed out. Some industrial sectors indeed might involve the production of goods or services that are not perceived as socially responsible from the public. In example firms operating in the tobacco industry might be perceived as harmful for the society. These firms, even engaging strongly in CSR activities, might not be able to benefit from them in economic and financial terms.

Therefore, we theorized that industry sector and geographical focus of a firm might influence the impact of CSP on CFP. As a result, our fourth hypothesis is:

Hypothesis 4 (hp4): Considering industry sector and geographical focus affects the analysis of the link between Corporate Social Performances effects on Corporate Financial Performances

Finally, we hypothesize that the presence of external assurance from a qualified third party on CSR disclosure positively affects Corporate Financial Performances. Indeed, as

Sweeney and Coughlan (2008) noted and as we pointed previously, specific differences exist in practices of communicating CSR results to stakeholders. Different communication styles indeed may lead to a diverse impact on the subjects that are intended as receivers of CSR communication. As a result, our fifth hypothesis is:

Hypothesis 5 (hp5): The presence of external assurance on CSR disclosure positively affects financial, economic and operating performances

Data and sample

The population considered in the study was obtained from the GRI Reports list database, and consists of a sample of companies, which compile a sustainability report publicly applying the GRI guidelines. We built the sample applying to specific selection criteria implemented as will be explained subsequently.

The firms to be included in the sample have been selected from GRI database available for researchers and companies worldwide. In order to create a comparable sample we considered companies that published corporate social reports using G3 and G3.1 guidelines and GRI referenced reports or other CSR reports. Reports published with G4 principles were excluded, considering that the GRI institution modified the "GRI report application level" overall classification system and it was not possible to compare them with the same principles of the G3 and G3.1 ones.

The selection criteria utilized in the present study are synthesizable as follows:

- The firm shall be a European company.

- The firm shall not be a public agency, a university, a no-profit, nor operate in the financial services sector.
- The firm should be included in the GRI social reporting database.
- The firm should have published at least a social responsibility report during the year 2015, following the sustainability reporting guidelines version 3 or 3.1, a GRI referenced report or other CSR reports.
- In order to obtain a consistent sample firm shall publish annual financial reports implementing the internationally accepted IFRS accounting standards. Firms switching to different accounting standards during the selected years were excluded from both samples.

Finally 191 firms satisfying the above mentioned selection criteria were included in the sample used for this research. Our choice to perform an analysis on focusing on a sample of European firms was driven from the necessity to increase the originality of our research. Analyzing the literature landscape in fact, we noted that most of previous empiric contributions do not focus on European countries, covering in particular mostly American and British firms due to data availability, (other indexes and CSR measurement databases include broader sets of UK and US based firms). All the financial data utilized in the analyses was obtained from the proprietary database Amadeus from Bureau van Dijk, while the information regarding the social responsibility performances was obtained through the proprietary database from the GRI institution, freely available for researchers. The GRI database, in fact, contains a synthetic indicator describing the overall application level of the GRI guidelines for each annual report that each firm publishes.

Our analyses include 591 observations, with a minimum of 40 observation per year in the year 2011 and a maximum of 165 observation in the year 2015. Accounting the observations per size cluster (based on quartiles) in our sample, we note also that it is evenly distributed, as it is possible to observe in the appendix 4.

To test our hypotheses in the present work we used the OLS Regression instrument, as it is a widely used method of analysis in this field (Waddock and Graves, 1997; McWilliams and Siegel, 2000). In particular, we run multiple pooled OLS regressions, with the model 1 below specified:

Model 1)

$$y = \alpha + \beta_1 \text{Assurance Provided} + \beta_2 \text{score}_{\text{CSR}_{High}} + \beta_3 \text{score}_{\text{CSR}_{Medium}} + \beta_4 \text{score}_{\text{CSR}_{Low}} + \varepsilon$$

ε includes control variables (Revenues, EBITDA Margin % and ROA%), geographical fixed effects (or countries fixed effects), year fixed effects and industry sectors fixed effects. Model 2 includes all the above-mentioned variables but the countries fixed effects, and finally Model 3 does not include the industries fixed effects.

Data analysis and results

We hereby present the analyses run to test our research hypotheses. Specifically, we start presenting the Pearson correlations matrix (exhibit 4), with star at 1% that was run to check the statistical correlation between the variables used in the regressions.

Exhibit 4) Pearson correlation matrix between dependent and independent variables

	CSR Score High	CSR Score Medium	CSR Score Low	CSR Score Missing	Revenues	Revenues/ Employees	EBITDA Margin %	ROA %	Assurance	Revenues Growth%
CSR Score High	1.000									
CSR Score Medium	-0.1307*	1.000								
CSR Score Low	-0.0851*	-0.0833*	1.000							
CSR Score Missing	-0.3058*	-0.2993*	-0.1950*	1.000						
Revenues	0.2878*	0.0493*	-0.0628*	-0.1557*	1.000					
Revenues/ Employees	0.1584*	0.0557*	0.0316	-0.0779*	0.2497*	1.000				
EBITDA Margin %	-0.0277	-0.0373	-0.0831*	0.0218	-0.0734*	0.2326*	1.000			
ROA %	0.0170	-0.0465	-0.0941*	0.0738*	0.0133	-0.0352	0.3180*	1.000		
Assurance	0.6399*	0.1258*	-0.0497	.	0.2270*	0.0959*	-0.0193	0.0093	1.000	
Revenues Growth%	0.0015	-0.0146	-0.0094	0.0399	-0.0097	0.1168*	-0.0033	0.0792*	0.0631	1.000

We find that the Pearson correlation between revenues and CSR score high and medium is positive and is statistically significant at 1%, while the correlation of revenues with CSR score low and missing is negative and statistically significant.

The Pearson correlation between revenues per employees and CSR high and medium is positive and statistically significant. Furthermore, the Pearson correlation between low CSR scores and EBITDA margin % and ROA% is negative and statistically significant. Finally, we find that assurance is positively correlated with higher CSR scores.

All the above-cited results corroborate our first three hypotheses by indicating the existence of a statistically significant correlation between higher Corporate Social Responsibility scores and workforce productivity and a statistically significant negative correlation between lower CSR scores and financial and economic performances.

The relevant results of the multiple regression analyses run with the model 1 are shown in the following exhibit number 5, while the complete analyses are reported in appendix 5a.

Exhibit 5) Relevant OLS regressions results (with overall CSR scores)

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
Assurance	-366.938***	0.030	58.538	0.867	0.031
S.E.	*(115.155)*	*(0.866)*	*(40.003)*	*(1.809)*	*(0.072)*
CSR ScoreHigh	688.322***	0.107	359.263***	5.392**	-0.131
S.E.	*(164.708)*	*(1.266)*	*(56.631)*	*(2.635)*	*(0.102)*
CSR ScoreMedium	419.538***	-2.021**	104.642**	1.817	-0.112
S.E.	*(126.221)*	*(0.960)*	*(44.361)*	*(2.011)*	*(0.080)*
CSR ScoreLow	515.612***	-1.370	106.257*	-0.674	-0.088
S.E.	*(183.552)*	*(1.374)*	*(63.500)*	*(2.873)*	*(0.110)*
CSR ScoreMissing	-	-	-	-	-
S.E.					
Observations	568	599	599	599	540
R-squared	0.291	0.348	0.431	0.386	0.089

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

The Exhibit 5 shows the results of the OLS regressions performed with model 1; in the lower side are indicated the total number of observations.

The results shown in Exhibit 5 confirm the hypothesis that Corporate Social Performance has a positive impact on economic and operating performances of firms.

The coefficients linking the Corporate Social Performance, in particular "CSR score high", to the financial and economic performances are positive and significant in three cases. In particular: a high CSR score positively influences the measures of the indicator of workforce productivity Revenues/ Employees, the measure of size, accounted with the variable revenues, and the measure of profitability EBITDA margin%. Finally, the variable "CSR score missing" was dropped during the regression due to collinearity.

We accept therefore hypothesis 2 and 3 as valid.

Running models 2 and 3, included respectively in appendices 5b and 5c, we find that regressions report systematically lower levels of R-squared when compared with the regressions using model 1.

Indeed in the regressions run with model 1 we observe that the lowest R-squared observed is equal to 0.089, while the highest is 0.432. In regressions run with model 2 (included in the appendix 5b), we observe that the lowest R-squared observed is equal to 0.065, while the highest is 0.382. In addition, in regressions run with model 3 (included in the appendix 5c) we observe that the lowest R-squared observed is equal to 0.0075, while the highest is 0.288.

Finally, we run, as it is observable in appendices 5d and 5e, OLS regressions with 1 year and 2 years lag (comparing the financial performances of one or two years subsequent to the CSR report date). The regressions show results in line with the ones observed in the regressions presented above, as the sign of the relation and the statistical significance of the results are the same in most of the variables analyzed. We therefore accept hypothesis 4 concluding that Corporate Social Performances have a positive impact on corporate financial, operating and economic performances.

Analyzing the independent variable "assurance", we observe that the only dependent factor significantly impacted is "revenues/ employees", and that its sign is negative. This variable does not generate statistically significant impacts on any other dependent variable.

Therefore, we reject the hypothesis 5 concluding that the presence of external assurance on CSR reports does not significantly affect financial and economic performances.

Endogenous treatment effects

We acknowledge that endogeneity might arise in our analysis given that conditions that drive firms to implement CSR activities could affect their financial, economic and operating performances, and given that some correlation might arise between the control variables and the error term in our model. As Fodio et al. (2013) acknowledge in facts, the endogeneity issue is traditionally associated with the CSR- FP link.

To address this issue properly, we conduct an endogeneity correction or treatment effect for CSR engagement. In particular, in the present work, we address endogeneity issues using Heckman's (1979) two-stage model, similarly as Benlemlih (2014).

In the first stage, we use a Probit model to regress a dummy variable that takes the value of 1 if the firm has a high overall CSR score, and 0 otherwise, on all control variables included in our regression model (Model 1). We furthermore used lag earnings (intended as net income/ loss of the observed company at t-1) as exclusion restriction instrument, as it is possible to observe in the appendix 6a. In particular, we use lag earnings as exclusion restriction instrument similarly as Fodio et al. (2014) do applying an IV method, as lag earnings influence indirectly the dependent variable affecting directly the possibility of encountering a higher level of CSR in the firm.

In the second stage regressions, revenues/ employees, ROA%, revenues, EBITDA margin% and revenues growth% are used once more as dependent variables. Furthermore CSR score high is the interest variable, the control variables are the same embedded in the main model (Model 1) and we finally incorporate the self-selection parameter, measured as the inverse Mills' ratio, obtained during the first stage of the analysis. The results of the second stage are reported in appendix 6b. We find that even

after treating for endogeneity using the two-step estimation model, our analysis continues to show that a higher overall CSR score is significantly correlated with higher revenues/ employees and higher revenues, whilst nonetheless EBITDA margin% maintains a positive correlation, loses statistical significance.

We conclude therefore that, nonetheless endogeneity might be present in our analyses; it does not affect the results of our inquiry.

Discussion

We find a positive correlation with CSP and CFP, therefore countering negative previous research on the CSP-CFP link such as Preston and Obannon (1997) and Lima Crisostomo et al (2011). The present study is in line with the research suggestions formulated by Lu et al. (2014) by creating a research design that analyzes the effects of CSP on CFP segmenting the impacts on specific financial, operating and economic variables of the CFP construct.

In particular, we find a positive correlation between operating profitability, measured by EBITDA margin % and CSP, and we find a positive correlation between workforce productivity and CSP. We acknowledge that the relationship with EBITDA margin % and Corporate Social Performances has been investigated by several authors (among others Oeyono, Samy and Bampton 2011). In particular, the just cited authors investigate the level of CSR conducted by top corporations in Indonesia, basing their analyses, similarly as we do, on Global Reporting Initiative (GRI) guidelines, as well as

to investigate the relationship between CSR and profitability and find that reporting social responsibility activities is beneficial for corporations

Instead, we find that CSP has not been analyzed extensively in relation with workforce productivity of firms, yet. Flammer (2015), Becchetti et al. (2008) and Bhattacharya et al (2008) include this variable in their analyses. Flammer (2015) finds a positive relationship with workforce productivity (measured similarly as we do through companies sales/ employees), though topic including in the analysis the effects of shareholders' proposals in relation with higher CSR performances, shifting therefore the focus of the research when compared with ours. Becchetti et al., using as CSP measure the Kinder, Lydenberger and Domini research index, find, in line with our results, that permanence in the KLD index (associated with a higher CSR performance) is associated with higher levels of sales per employees. In addition, Bhattacharya and al. (2008) analyze this topic, using though a different approach, implementing a series of in-depth interviews, focus groups with employees and employee surveys.

We identify that years, geographical focus and industrial sector focus are mitigating variables that if included together in the analyses, increase the reliability of the regression models. Despite the use of these variables has been implemented from other authors (such as Waddock and Graves, 1997), rarely scholars have implemented cross-geographical and cross-industry empirical analyses in this research field. Indeed, authors more often, such as Chen et al. (2015) tend to focus on analyzing samples of firms, belonging to either specific industries, or specific countries.

Finally, we find that a mitigating variable included in our research, namely "external assurance on CSR reports", has not been implemented yet on similar researches.

We conclude that the mitigating variable "external assurance" does not significantly and positively affect economic nor financial performances, concluding that such an aspect might be caused by the occurrence that main stakeholders might possibly not be aware of the existence of an external assurance on CSR reports.

Conclusions

The present research firstly concludes that a positive link between firms' social performances and their economic and workforce productivity, intended as a proxy of a firm's operating performance exists.

Furthermore, the present study allowed us to deepen our understanding on the role of relevant transmission mechanisms – in particular the employees and the customers channels.

Firstly, we conclude that total revenues per employee are positively affected by higher Corporate Social Performance levels as employees are more engaged and encouraged to work in firms with higher social performances, and that their engagement leads them to an increase in the their labour productivity levels.

We also conclude that the positive correlation between EBITDA margins % and Corporate Social Performances is partially explained from the positive effect on workforce productivity. At the same time, in the present study, we do not investigate the presence of further positive economic impacts such as i.e. increased customer loyalty

and customer attraction, which in turn, might allow companies to charge premium prices for their products or services to its customers.

Secondly, we determine also that including geographical focus and industry sectors focus in the analyses helps enhancing the effectiveness of the research design when researching the link between CSP and CFP.

Thirdly, we conclude that providing with external assurance the companies' social reports does not affect significantly the financial, operating and economic performances of firms.

We expose the limitations of our research, by evidencing that in the present study we did not proceed in analyzing the Corporate Social Performance construct by segmenting it into the specific conceptual elements that constitute it, that are partially considerable as CSR environmental, social and governance aspects.

Furthermore, our approach towards the measurement of corporate social performances is not able to capture perceived corporate social performances, considering that it is based on CSR disclosure levels.

We suggest that researchers shall further investigate the existence of a link between CSP and CFP with a longitudinal research methodology, in order to take into account the time-span of impact of the CSP on CFP, specifically in order to investigate the impacts on revenues growth.

Finally, we conclude that corporate managers should be aware that implementing socially responsible programs and actions could increase the workforce productivity and the operating profitability levels of their firms.

Our conclusions are in line with the contribution of Flammer (2015) Oeyono, Samy and Bampton (2011), Becchetti et al. (2008) and Bhattacharya et al. (2008). In particular, our study finds that higher CSR performances are associated to increased economic performances and increased revenues per employees. Basing on our findings, we suggest that this positive relationship might be caused mainly by this circumstance: CSR actions directed to increase responsible labor practices might result in an increased capability of companies to attract and motivate talented workforce. A motivated and talented workforce in turn would generate an increase in economic performances of firms.

4) THE BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY – AN EMPIRICAL ANALYSIS ON ITALIAN COMPANIES

Introduction

The research on CSR, as we pointed out in the previous chapter, and as Orlitzky et al. 2003, Margolis et al. 2009 and Aguinis and Glavas, 2012 note, so far showed mixed results. The mixed outcomes may arise from flaws in the research design. We proved earlier that the impacts of CSP vary according to the different economic, financial and operating performances of firms, and that including specific mitigating variables during the construction of the research design improves the research effectiveness. In the present study, we endeavor to further increase the effectiveness of the research design in proving the existence of the Corporate Social Performance and Corporate Financial Performance link.

We assume that flaws in research designs may derive from researchers failing to consider that CSR is a multidimensional construct that encompasses a wide range of activities and variables, similarly as Carrol, 1999 stated. Measuring the CSR performance in a punctual manner, especially when referring to the specific aspects that form it, can be challenging, as can be noted from papers dedicated to this topic such as the one from Chatterji et al. (2007).

Flaws in research design can arise from further aspects, in particular could arise from missing to considerate the specific transmission mechanisms of the CSR

performances, and the time horizon of the potential impact on the financial and economic performances of firms (Lu et al. 2014).

Researchers are theorizing the need of developing specific research approaches in order to measure 'decomposed' aspects of Corporate Social Responsibility performances and Corporate Financial Performances given both of these constructs are structured. A clear trend is observable when considering the increasing focus of the research in this field on analyzing the existence of links between specific aspects of the two constructs (Lu et al. 2014).

The present study aims to prove the existence of a business case for CSR overcoming the research flaws acknowledgeable in some studies present in literature by using an effective research design.

In order to analyze the relationship between CSP and CFP we hypothesized the validity of the so-called "Good Management Theory". As Waddock and Graves (1997) state, "…there is a high correlation between good management practices, and CSP..." as "…good employee relations might be expected to enhance morale, productivity, and satisfaction". Waddock and Graves, describing the good management theory, further state that these practices are supposed to enhance firms' performances by reducing costs and improving the bottom line.

In particular, the present study aims to prove the existence of a business case for CSR trough pooled OLS Regressions on a sample of Italian companies. We relate in detail specific aspects of the sampled firms' social performances to their financial, economic and operating performances, overcoming the research flaws acknowledgeable in some studies present in literature and implementing an effective research design.

As stated in the previous chapter, proving the existence of a business case for CSR has been a task witnessed in several endeavors attempted by researchers in the last decades. Carroll, Shabana (2010) state that the increasing spread of CSR practices among companies has raised the question whether CSR is able to be sustainable from a financial and economic point of view.

The present study allowed us to deepen the understanding of the transmission mechanisms of corporate social responsibility on financial, economic and operating performances of firms. Furthermore, the present study proves the existence of a positive link between two CSR elements, namely firms' labour practices and product responsibility practices and their economic and operating performances.

We conclude by formulating the implications of the present study for managerial practices, by stating that corporate managers shall be aware of the economic benefits that could arise for their firms by implementing positive labour practices.

Research design and Methodology

This research investigates the relationship of Corporate Social Responsibility disclosure, as a proxy of Corporate Social Responsibility performances, with corporate financial and economic performances of selected Italian firms during the years 2013 - 2015.

The present study implements a cross-industry approach, comparing firms from different industries (or industrial sectors) in order to increase internal validity.

As we stated before, we acknowledge that CSR is a multidimensional construct; therefore, in order to create an effective research design, we chose to evaluate CSR performances segmenting them in specific areas (which we will describe in detail in the next section) and evaluating them in relation to specific financial and economic variables.

In order to analyze the relationship between CSP and CFP we hypothesized the validity of the so-called "Good Management Theory", as Waddock and Graves, 1997 as it was stated before. In particular, to prove this theory we apply standard OLS regressions to determinate CSP and CFP measures, which we will be explaining in detail in the next sections. Finally, we included in the analysis specific mitigating variables in order to increase the predictive power of our analysis.

In particular, our research design recalls the one previously presented in Exhibit 3. We measure in detail "publicly disclosed" CSR behavior of a selected sample of Italian firms as a proxy of their Corporate Social Performances and then, through statistical analyses, we investigate the existence of a correlation with the same firms' Corporate Financial, Economic and Operating performances.

Measuring the multidimensional construct of CSR performances, we segment it in four dimensions: labor practices, environmental practices, human rights practices and product responsibility practices. This segmentation of the CSR performances construct allows us to endeavor in differentiating the effect of the given CSR aspects on the different four transmission mechanisms (customers, investors, employees and risk coping) above described.

In the present study we include CSR communication and sectorial focus as mitigating variables. In the present study, nonetheless, we do not take into account proactivity, coherence and congruity of CSR actions with their core business given the difficulties in realizing their punctual measurement. Furthermore we do not take into account the geographical focus as a mitigating variable given that all the firms included in the sample are situated in the same nation that represent an homogeneous area in terms of social and economic context.

CSR disclosure as a measurement of CSP

Researchers usually measure CSR performances with quantitative approaches through two different set of instruments: social indexes and ratings (i.e. KLD, GRI, Thomson Reuters datasets), and document content analysis.

During the present study, GRI guidelines and indicators have been selected to evaluate CSR performances, because "these guidelines are the most widely accepted ones" as several authors state (Oeyono, Samy and Bampton 2011, Odemilin et al., 2010,), and for the reasons that have been listed in the previous chapters.

Furthermore, the GRI reporting database includes a wide sample of Italian companies, representing therefore a solid and consistent basis for the empirical analyses to come.

The GRI institution evolved its contribution in terms of guidelines creation during the years, and published in late 2013 the last version of its standard, the so called G4 guidelines which substitute the previous version the G3, released in 2006.

The GRI guidelines for the G4 version are segmented in two main areas: standard disclosure indicators and specific disclosure indicators.

The standard disclosure indicators are 58 in total and are arranged in different sections regarding the disclosing company and the report itself, namely: strategy & analysis, organizational profile, identified material aspects, stakeholder engagement, report profile, governance, ethics and integrity.

The specific disclosure indicators are 91 in total and are arranged in the following sections: economic, environmental, labor practices, human rights, society, and product responsibility. Appendix 7 includes the full list and a detailed description of the G4 indicators.

In order to effectively measure the CSP of a company it was used a method similar to the ones used by Karaibrahimoglu (2010) and Weber (2008).

In order to increase the sample size we included in our analyses companies, which published corporate social reports using G3 and G3.1 guidelines, GRI referenced reports or other CSR reports.

In order to create a consistent base of analysis, a conversion matrix, based on the one published from the GRI institution, was created (appendix 8), to compare reports published with G3 or G3.1 guidelines and reports published with G4 guidelines.

As a first step, we constructed five categories, basing on the GRI sections above described, namely “Environmental Responsibility”, “Labour Practices”, “Human Rights and “Product Responsibility”, and a last category that included all the indicators present in the GRI guidelines, named “Overall CSR Score”.

In the “environmental responsibility” category are included indicators that measure elements regarding the sustainability concerning the organization’s impact on living and non-living natural systems, including land, air, water and ecosystems, as reported on the GRI official guidelines.

In the category “labour practices” are included indicators related to the labour practices, based on internationally recognized universal standards, including i.e. United Nations (UN) Declaration, ‘Universal Declaration of Human Rights’ and the International Labor Organization (ILO) Conventions.

In the “Human Rights” category are included indicators measuring the extent to which processes related to the respect of human rights have been implemented in a firm. Indicators regard in particular incidents of human rights violations, and changes in stakeholders’ ability to enjoy and exercise their human rights.

In the “Product Responsibility” category are included indicators concerning the products and services that directly affect stakeholders and customers in particular; i.e. percentage of significant product and service categories for which health and safety impacts are assessed for improvement.

The final list of indicators, once we applied the conversion matrix, and excluded the non-matching indicators (indicators that are not present in both reporting standards), we obtained the final version of the categories.

The final categories are formed by: 28 indicators for the environmental responsibility category, 12 indicators for the labor practices, 9 indicators for human rights, 9 for the product responsibility, and 113 for the overall score category which

includes also 39 standard indicators, 9 economic disclosure indicators and 7 society indicators.

Secondly, we observed and analyzed the presence or absence of information regarding sustainability and social topics, and creating an index, where: 2= information fully disclosed 1= information partially disclosed and 0= not disclosed.

Thirdly, we created 5 groups by dividing the specific categories scores in 5 percentiles, in order to create homogenous groups of companies that score from "low" to "high" in terms of Corporate Social Performances.

Those companies, which published GRI referenced (that in other words do not fully apply the GRI guidelines) or other CSR reports, were accounted as "base group" (or lowest group) for each category included in the analysis. We then accounted the groups including the "highest" performances in order to perform the regressions.

Measuring CFP

Corporate financial and economic performances have been, according to the research design, divided into specific areas, namely: financial performances, economic performances and workforce productivity.

In order to evaluate **financial** performances, we considered ROA% before taxes, namely Return on Assets, representing a measure of a company's profitability. ROA% is a useful indicator because it represents an measure of the total return available to shareholders deriving from the investment of all firm's sources, including funds supplied by both owners and creditors of the firm. It is useful both to evaluate the

financial performance of a firm over time and to compare a firm's performance with the performance of other firms (Ellinger et al., 2002). ROA % was calculated as a firms' fiscal year's earnings divided by its total assets, similarly as also Preston and O'Bannon (1997), and Waddock and Graves (1997) did.

To evaluate **economic performances**, we considered EBITDA margin %. Namely, the Earnings Before Interest, Taxes, Depreciation and Amortization margin divided by total revenues of the year, as also Weber et al. 2008 among other scholar did. The EBITDA margin measures the extent to which the cash operating expenses diminish revenues in a year, representing therefore a measurement of a company's operating profitability. In this analysis, we dropped Revenues growth as measure of economic performance, due to the lack of significance in the analysis that would arise from the limited timeframe of analysis.

In order to evaluate the **operating performances** of firms, in particular focusing on **workforce productivity**, revenues per employee were considered, similarly to Becchetti et al. (2008) and Janz et al. (2003). Finally, revenues have been used to measure the **firms' size**, similarly to what Waddock and Graves (1997) among other authors did, and similarly as we did in the previous study.

All financial and economic data was obtained from the database "Aida" published from Bureau Van Dijk.

Measuring mitigating variables

In order to increase the predictive power of the analyses we included the following mitigating variables: industry sector, CSR consistency and CSR communication.

Industry sector: in order to take into account this variable we took into consideration the industry classification included in the GRI database and simplifying the categories in order to increase the frequency of observations for each sector, as is possible to observe in the conversion matrix included in appendix 3. Each industry was then accounted in the regression as a dummy variable.

Consistency: in order to take into account this variable, we took into consideration the consistency of each firm in publishing CSR reports over time. To each firm was then assigned a value ranging from 1 to 5, with 1 representing a firm that published only 1 CSR report during the period 2011-2015, and 5 representing a firm that published reports every year over the same period.

CSR communication: as some authors theorize (Du et al. 2010), CSR communication, and the instruments that are used to attain it may influence the capability of a firm to maximize the business return of CSR practices. It is possible to hypothesize that CSR performance may affect more positively the CFP of firms if reported by third parties.

In the present study, we included the mitigating variable "CSR communication", by accounting if external assurance (provided by thirds parties, usually large audit firms or smaller specialized companies) was provided for each single GRI report included in the research.

In order to calculate this element, we assigned a dummy variable measuring whether each social responsibility report included in the research was subject to external assurance or not.

Hypotheses

As previously stated, the aim of the present research work is to statistically prove the existence of a positive link between previous Corporate Social Performances of a firm and its financial, economic and operating performances. In the present study, we focused on differentiating the impacts generated from specific CSR aspects on specific economic, financial and operating variables. In particular, we aimed to differentiate the impacts of labour practices, environment practices, human rights and product responsibility firms' performances on their economic, financial and operating performances.

We expect positive performances in terms of labour practices to be positively associated with higher economic and operating performances. Indeed, we assume that an increased attention of firms towards labour practices could positively influence employees' perception of firms and therefore their commitment to the firm and their identification with its goals, thus generating an increase in workforce productivity and increased economic performances, as also Aguilera et al. (2007) theorize.

In addition, we expect positive performances in terms of environmental protection practices to be positively associated with higher economic and financial performances. Indeed, we assume that an increase in the attention of firms towards their environmental practices could generate positive effects on their economic and financial variables, given that under certain conditions, "greener" firms may have higher financial and economic returns as also King et al. (2001) theorize.

Indeed higher returns might arise because of lower compliance and regulatory economic costs, and from lower costs in terms of provision for risks related to environmental issues.

Furthermore, we expect positive performances in terms of human rights protection practices to be positively associated to higher economic performances. Indeed, in line with the assumptions formulated above, we assume that increased attention of firms toward their human rights practices could positively influence employees' perception of firms generating therefore increased workforce productivity and increased economic performances.

In addition, as Bhattacharya and Sen (2003) theorize, increased attentions for human rights protection might positively affect corporate reputation, and therefore the firms' customers could increase their identification with the company, This might in turn lead to an increase in the customers' willingness to purchase goods from a company with higher CSR performances.

In conclusion, we expect positive performances in terms of product responsibility to be positively associated to higher economic performances and workforce productivity. Indeed, we assume that firms, which employ higher attention in product responsibility, could increase the willingness of customers to pay a price premium for their products as Fombrun (1990), theorize, and that employees' perception of firms and therefore their commitment to the firm could be increased.

As a result, our first four hypotheses are:

Hypothesis 1 (hp1): CSR disclosure on labour practices, intended as a proxy of the labour practices performance of firms, has a significant positive impact on the economic performance of firms or their workforce productivity

Hypothesis 2 (hp2): CSR disclosure on environmental practices, intended as a proxy of the environmental protection performance of firms, has a significant positive impact on the economic or financial performance of firms

Hypothesis 3 (hp3): CSR disclosure on human rights practices, intended as a proxy of the human rights protection performance of firms, has a significant positive impact on the economic performance of firms or their workforce productivity

Hypothesis 4 (hp4): CSR disclosure on product responsibility, intended as a proxy of the product responsibility performance of firms, has a significant positive impact on the economic performance of firms or their workforce productivity

Furthermore, we assume that the overall disclosure level of CSR of firms, in line with the results emerged from the previous study, has an impact on the economic, financial or operating performance of firms. As we noted previously indeed, scholars proposed several theories and business-cases pointing out the possible existence of a positive link between CSR and financial and economic performances. In particular, scholars such as Kurucz et al. (2008) point out that, by engaging in certain CSR activities firms may gain competitive advantage, strategically responding to stakeholder demands and differentiating themselves from their competitors. The increased competitive advantage might lead to increased economic and financial performances.

Our fifth hypothesis therefore is:

Hypothesis 5 (hp5): CSR total disclosure, intended as a proxy of the Corporate Social Performance of firms, has a significant positive impact on the economic, financial or operating performance of firms

The aim of this work is furthermore to implement an effective research design, taking into account specific mitigating variables that enhance the predictive power of the analyses.

Concerning the inclusion of relevant mitigating factors, we assume that consistency in CSR disclosure may be an element that enhances the perception stakeholders have of the CSR performances of firms, improving the transmission of the effects of CSP on CFP. As Tang et al. (2012) theorize indeed, a consistent pace of engagement could help firms to better and more benefit from CSR activities, by allowing them to better plan how to finance CSR activities and how to build the complementary assets necessary to maximize the benefits of CSR.

Therefore, we expect that the consistency in CSR disclosure of a firm could influence the impact of CSP on CFP.

As a result, our sixth hypothesis is:

Hypothesis 6 (hp6): Firms with greater consistency in disclosing CSR reports show superior financial, economic or operating performances

Finally, we hypothesize, as pointed out previously, and similarly as Sweeney and Coughlan (2008) noted differences in practices of communicating CSR might lead to a diverse impact on the subjects that are intended as receivers of CSR communication, that the presence of external assurance from a qualified third party on CSR disclosure positively affect Corporate Financial Performances.

Therefore, our seventh hypothesis is:

Hypothesis 7 (hp7): The presence of external assurance on CSR disclosure positively affects financial, economic or operating performances of firms

Data and sample

The population for the study was obtained from the GRI Reports list database, and consists of a sample of Italian companies compiling a sustainability report publicly applying the GRI guidelines.

Firms to be included in the samples have been selected from the GRI database available for researchers and companies worldwide. In order to create a comparable sample we considered companies that published corporate social reports using G4, G3 and G3.1 guidelines and GRI referenced or other CSR reports. Reports published according to the G4 principles were included in this research, in opposition to the previous one, because the different scoring system we implemented in the present study (and the availability of a conversion matrix) allowed us to compare the G4, the G3 and the G3.1 reports.

The selection criteria utilized in the present study are synthesizable as follows:

- The firm shall be an Italian company.
- The firm shall not be a public agency, a university, a no-profit, nor operate in the financial services sector.
- The firm should be included in the GRI social reporting database.

- The firm should have published at least a Corporate Social Responsibility report during the years 2013, 2014 and 2015, following the sustainability reporting guidelines version 3, 3.1, 4, a GRI referenced report or other CSR reports.
- In order to be included in the sample the firm shall publish annual (financial) reports implementing the Italian GAAP accounting standards (firms switching to different accounting standards during the selected years were excluded from the sample).

Finally, 42 firms satisfying the above cited selection criteria were included in the sample in this research. We acknowledge that the sample size is relatively small. The cause of a relatively small sample size is originated by the circumstance that the number of companies that disclose CSR reports and are included in the GRI database is limited. Furthermore, the task of categorizing the GRI based CSR reports score is a time-consuming process as it is difficult to apply content analysis to collect data from a large sample of companies. Our choice to perform an analysis on focusing on a sample of Italian firms was originated from two main reasons.

First, it helps us to increase the originality of our research, given that most of previous empiric contributions do not focus on this nation, covering in particular mostly American and British firms due to data availability (other indexes and CSR measurement databases rarely comprise Italian firms).

Secondly, the complexity of the data collection process, in particular for the CSR performance measures, would have been higher for the authors if performed on foreign companies; indeed a portion of the CSR reports published in the GRI platform are

redacted in the original language of the country where the firm operates (especially for smaller firms).

All the financial data utilized in the analyses was obtained from the proprietary database AIDA from Bureau van Dijk, while the information regarding the social responsibility performances was obtained through the companies' annual social reports publicly available on the GRI website platform.

Our analyses include 65 observations, with a minimum of 19 observation per year in the year 2013 and a maximum of 24 observation in the year 2015. Accounting the observations per size cluster (based on quartiles) in our sample, we note also that it is evenly distributed, as it is possible to observe in the appendix 4.

To test our hypotheses in the present work we used the OLS Regression instrument, likewise in the previous study.

Specifically, we run multiple pooled OLS regressions, with the model 4 below specified:

Model 4)

$$y = \alpha + \beta_1 Assurance\ Provided + \beta_2 CSR\ Consistency + \beta_3 score_{LA_{HIGH}} + \beta_4 score_{ENV_{High}} + \beta_5 score_{HUM_{High}} + \beta_6 score_{PR_{High}} + \varepsilon$$

ε includes control variables (Revenues, EBITDA Margin % and ROA%), year fixed effects and industry sectors fixed effects.

In order to check also if a higher overall CSR score leads to increased financial, economic and operating performances, we run further regressions with the model 5 below specified:

Model 5)

$$y = \alpha + \beta_1 Assurance\ Provided + \beta_2 CSR\ Consistency + \beta_3 score_{CSR_{HIGH}} + \varepsilon$$

ε includes control variables (Revenues, EBITDA Margin % and ROA%), year fixed effects and industry sectors fixed effects.

Data analysis and results

Hereby, we present the analyses ran to test our hypotheses. Precisely, we present the Pearson correlations matrix (exhibit 6), with star at 1%, that was run to measure the statistical correlation between the dependent and independent variables included in the regressions.

Exhibit 6) Pearson correlation matrix between dependent and independent variables

	Labor Practices	Environment practices	Human Rights	Product Responsibility	Total CSR Score	Revenues	Revenues/ Employees	EBITDA Margin %	ROA%	Assurance	CSR Consistency
Labor Practices	1.000										
Environment practices	0.9194*	1.000									
Human Rights	0.7973*	0.7815*	1.000								
Product Responsibility	0.7954*	0.7964*	0.6900*	1.000							
Total CSR Score	0.8310*	0.8490*	0.7297*	0.6456*	1.000						
Revenues	0.1092	0.0864	0.1710*	0.2351*	0.1779	1.000					
Revenues/ Employees	0.1352	0.0904	0.2124*	0.2041*	0.1407	0.9596*	1.000				
EBITDA Margin %	-0.0591	-0.0082	0.0403	0.0452	0.2421*	-0.0718	-0.1664*	1.000			
ROA%	-0.3261*	-0.2463*	-0.1862*	-0.1261	0.0712	0.0081	-0.0370	0.3419*	1.000		
Assurance	0.2626*	0.3899*	0.0842	0.0325	0.4587*	-0.1252	-0.1469	0.3450*	-0.0667	1.000	
CSR Consistency	0.6629*	0.6753*	0.5603*	0.5377*	0.4413*	0.1459	0.1560	-0.0582	-0.2761*	0.2075*	1.000

Firstly, as expected, we find that the all the CSR indicators are positively and significantly correlated between them.

Secondly, we observe a positive and statistically significant correlation between the two corporate social responsibility categories human rights practices and product responsibility and the firms' size indicated with revenues and the revenues per employees.

Furthermore, observing the correlation results, we find a positive significant correlation between total CSR score and EBITDA margin %.

Moreover, we observe also that the correlation between ROA% and three of the CSR indicators (labour practices, environmental practices and human) is negative and statistically significant.

The above-cited results corroborate our third and fourth hypotheses indicating the existence of a statistically significant correlation between the CSR performance indicators higher human rights protection and product responsibility and the workforce productivity indicators.

Finally, we find that assurance is positively correlated with EBITDA margin % with statistical significance, and that CSR consistency is negatively correlated with ROA% with statistical significance.

The relevant results of the multiple regression analyses run with the model 4 are represented in the following exhibit 7, while the complete analyses are included in appendix 10a.

Exhibit 7) Relevant OLS regressions results (with detailed CSR scores)

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %
Assurance	0.383	-6.144**	0.293	14.602***
S.E.	*(1.439)*	*(2.883)*	*(1.705)*	*(4.002)*
CSR Consistency	0.103	-1.363	-0.042	1.833
S.E.	*(0.455)*	*(0.934)*	*(0.539)*	*(1.411)*
Labor practices_HIGH	-0.644	-8.218**	0.458	13.909**
S.E.	*(1.961)*	*(3.935)*	*(2.322)*	*(5.843)*
Environment practices_HIGH	-5.803**	4.388	-7.276**	-8.135
S.E.	*(2.674)*	*(5.889)*	*(3.166)*	*(8.829)*
Human rights_HIGH	-0.268	2.185	-2.228	-9.130
S.E.	*(1.999)*	*(4.223)*	*(2.367)*	*(6.226)*
Product responsibility_HIGH	10.927***	-2.382	15.137***	7.901
S.E.	*(2.078)*	*(5.876)*	*(2.461)*	*(8.777)*
Observations	65	65	65	65
R-squared	0.471	0.497	0.501	0.556

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

We find that the coefficient relating the labor practices disclosure, with the economic performances of firms is positive and statistically significant, while in relation with the of workforce productivity, it shows no statistical correspondence; we therefore partially accept hypothesis 1 as valid.

Concerning the correspondence between environmental protection disclosure with economic and the financial performance of firms, we do not find any positive and statistically significant relation; instead, we find a negative and statistically significant relation with workforce productivity and companies' size.

We reject therefore hypothesis 2.

Concerning the relation of disclosure on human rights practices with economic performances and with the of workforce productivity of firms, we do not find any positive and statistically significant relation. We reject therefore hypothesis 3.

Concerning the relation of disclosure on product responsibility with economic performances, we do not find any positive and statistically significant correspondence, while in relation with the of workforce productivity of firms we find a positive and statistically significant relation. We therefore partially accept hypothesis 4 as valid.

In the following exhibit 8 we present the relevant results of the multiple regression analyses run with the model 5, while the complete regression is included in the appendix 10b.

Exhibit 8) Relevant OLS regressions results (with overall CSR scores)

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %
Assurance	-1.694	-6.132**	-2.648	14.187***
S.E.	*(1.594)*	*(2.830)*	*(2.031)*	*(4.064)*
CSR Consistency	-0.109	-1.789*	-0.364	2.304
S.E.	*(0.546)*	*(0.972)*	*(0.699)*	*(1.506)*
CSR score total_HIGH	3.116**	-0.813	4.275**	1.874
S.E.	*(1.534)*	*(2.916)*	*(1.942)*	*(4.466)*
Observations	65	65	65	65
R-squared	0.185	0.449	0.164	0.495

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

CSR total disclosure, intended as a proxy of the Corporate Social Performance of firms, is positively related to workforce productivity and corporate size with statistical significance, while it is not significantly related to the financial and economic performances of firms. We partially accept therefore hypothesis 5 as valid.

We find that consistency in disclosing CSR reports affects neither financial, economic performances nor operating performances in the regressions run with the model 4 and 5 in the present study. We therefore reject hypothesis 6.

Finally, we find that the presence of external assurance on CSR disclosure in CSR reports is positively related to superior economic performances of firms in the regressions run with the model 4 and 5. We therefore partially accept hypothesis 7.

As we acknowledge in the previous study, endogeneity might arise in our analysis given that conditions that drive firms to implement CSR activities could affect their financial, economic and operating performances, and given that some correlation might arise between the control variables and the error term in our model. As the limited size of the sample included in the present analysis does not allow us to implement correctly a treatment for endogeneity we do not apply any of them. The fact that after treating for endogeneity our analyses in the previous study we found our results in line with our initial OLS regressions, leads us to state that endogeneity might not affect significantly our results also in the present analyses.

Discussion

We find that the coefficient, which relates the labour Practices disclosure with the economic performances of firms, is positive and statistically significant. We find that our results are in line with the ones of Surroca et al. (2010) and Huselid (1995).

Our research though differs from the one of Surroca et al. because of the evidence that the latter is based on the hypothesis of the existence of the slack resource theory, assuming therefore that it is a virtuous financial performance leading to higher social responsibility levels.

Furthermore, Surroca assumes that human resources, along with other intangible resources are a mitigating factor of the transmission mechanism of CSR on CFP. Finally, the author does not differentiate the CSR performances on labour practices matters.

With regards to the research from Huselid we argue that the approach of utilizing questionnaires for measuring human resources performances is somehow distorting of effective performances, even if it allows the researcher to further differentiate the specific aspects of the labour performances, increasing the granularity of the analysis.

We did not find any positive and significant correspondence between environmental protection and economic and financial performance of firms. This evidence might be caused by the fact that higher costs associated with environmental protection practices might hamper firms' capability to invest resources in more profitable projects, as among others Walley and Whitehead (1994) theorize.

Considering to the absence of a positive and statistically significant relation between human rights practices and the economic performances and the workforce productivity of firms, we assume that, firstly, in Italy human rights protection is mostly granted by the governmental institutions and that in the country is present a high standard of performance overall in this field. Some of the companies included in the sample operate in "critical" countries concerning human rights respect and this factor might be a distorting element in the analysis.

We also assume that the absence of a statistically significant correspondence between human rights and workforce productivity in our analysis could also be caused

partially by the fact that we considered firms operating in heterogeneous sectors, utilizing a relatively small sample size, as this might be a distorting element.

We found statistically significant correspondence between workforce productivity of firms and their product responsibility practices. Furthermore, we found statistically significant positive correspondence of responsibility practices in relation with firms' size.

This evidence might be originated by the fact that positive firms' performances in matter of product responsibility generate an increase in the customers and employees engagement (or in general to an increase in overall stakeholder engagement). The increased engagement of these two categories of stakeholders may lead them to respectively increase their willingness to buy the firms' products (activating the so called "customers transmission channel") or increase the productivity of their work (activating the so called "employees transmission channel").

Authors previously highlighted the existence of a positive relationship between stakeholder engagement and superior financial performances (Henisz et al., 2014), but did not relate the origin of the stakeholder engagement to specific CSR practices or performances as we did in the present study.

When analyzing CSR total disclosure, we found a statistically significant correspondence with workforce productivity and corporate size. Notwithstanding the absence of correspondence with economic performances of firms and total CSR disclosure, we conclude that these results are in line with the ones emerged from the research on European companies shown in the previous chapter of the present thesis.

With regards to the consistency in disclosing CSR reports in relation to the financial, economic or operating performances of firms, we found no statistically significant correspondence, in opposition to Tang et al. (2012) who found that the lack of consistency of a firm's CSR activities alter the CSR-CFP relationship.

Finally, similarly to the previous research we find that the mitigating variable "external assurance on CSR reports", does not significantly affect neither economic nor financial performances, concluding that this aspect might be caused by the occurrence that stakeholders might not be fully aware of the presence of external assurance on CSR reports.

Conclusions

The present study concludes that positive CSR performances are associated with higher financial, economic and operating performances. In particular, the present work allows us to segment the multidimensional construct that represents Corporate Social Responsibility while analyzing its effects in relation to CFP of firms, leading to an increased level of understanding of the topic. The present study also allowed us indeed to deepen the understanding of the transmission mechanisms of corporate social responsibility on the financial, economic and operating performances of firms.

Our contribution to the already present literature on the field is that the research design used in the present study allowed us to prove the existence of a positive impact of CSP on CFP. We furthermore deepen our understanding on the role of relevant transmission mechanisms – in particular the employees and the customer channels – in

conveying the positive effects of specific aspects of the CSP multidimensional construct – in particular environmental, labour practices, human rights and product responsibility – on economic, financial and operating variables of firms.

We conclude that corporate managers shall be aware of the economic benefits that could arise to their firms by implementing socially responsible labour practices.

We acknowledge the limitations of the present research, starting from the occurrence that our approach to the measurement of corporate social performances is not able to capture perceived corporate social performances given that is based on CSR disclosure levels.

Furthermore, we acknowledge that the size of the sample utilized for the present research is relatively small. Overall, this element might have hampered the predictive power of our analyses. With a relatively small sample size, the presence of firms operating in different industries might distort the analysis of the workforce productivity and the relation with the dependent variables.

We signal the space for further research by highlighting that increasing the sample size and including firms based in different countries might improve the research reliability.

In particular, in order to capture the potential existence of a link between human rights performances and financial and economic performances, we suggest analyzing multinationals that operate in specific countries where human rights practices are considered as critic, and therefore capture better the potential positive impact of increased human rights protection on CFP.

Furthermore, we suggest that researchers shall perform analyses with a research approach similar to the one incorporated in the present study, including in the analysis market based measures (such as share price, share price volatility, overall market value and returns and other financial markets measures), in order to investigate the investors role in the transmission of CSP on CFP.

Finally, similarly as we did in the previous chapter, we suggest that researchers shall further investigate the existence of a link between CSP and CFP with a longitudinal research methodology, in order to take into account the time-span of impact of the CSP on CFP, in particular in order to investigate the impacts on revenues growth.

5) FINAL CONSIDERATIONS

The present research work allows us to create a contribution to the literature and generate relevant suggestions to managers with regard to the business implications emerged during the analysis of our results.

In particular, in the first paper, we deepened the understanding of the transmission mechanisms of Corporate Social Performances on Corporate Financial Performances, theorizing the necessity of a specific research design, which takes into account the specific variables that capture CSR performance singularly.

Then we suggest that researchers shall indeed consider and measure the CSR performances, which may activate with different extent the specific transmission mechanisms and therefore analyze the impact on specific financial, operating and economic variables.

We finally then analyzed in detail some mitigating variables that we suggest to include in order to enhance the predictive power of the quantitative research.

The further two papers allowed us to effectively prove the existence of a positive link between Corporate Social Performances and Corporate Financial Performances, demonstrating at the same time the validity of the research design formulated in the first paper. Indeed, we found relevant evidence on the increasing predictive power arising from the inclusion of certain control variables shown in the first paper.

At the same time during the analyses run in the latter two papers, emerged some limitations to the research approach that we implemented. We recognize that the limitations emerged are related to the difficulties that materialize in implementing a

research design aimed to thoroughly investigate the complex relationship existing between two broad and structured multidimensional constructs such as Corporate Social Responsibility and Corporate Financial Performances.

We draw the conclusion that managers may increase the economic, financial and operating performances of their firms by implementing socially responsible activities, in particular in relation to socially responsible labour practices and product responsibility practices. In addition, we conclude that when implementing environmental responsibility practices managers shall estimate the direction of their potential economic and financial returns in relation to the transmission channels activated by their investments.

Finally, we suggest several areas of further research, in order to encourage scholars to expand the literature in the field following the research path that we identified.

6) APPENDICES

Appendix 1) Interview questions

Q1: Could you tell me what elements can impact the CSP of a firm?

Q2: Could you tell me what effects can generate a (negative or positive) CSP of a firm on its economic and financial performances?

Q3: Through what mechanism could CSP generate an impact on the CFP of a firm?

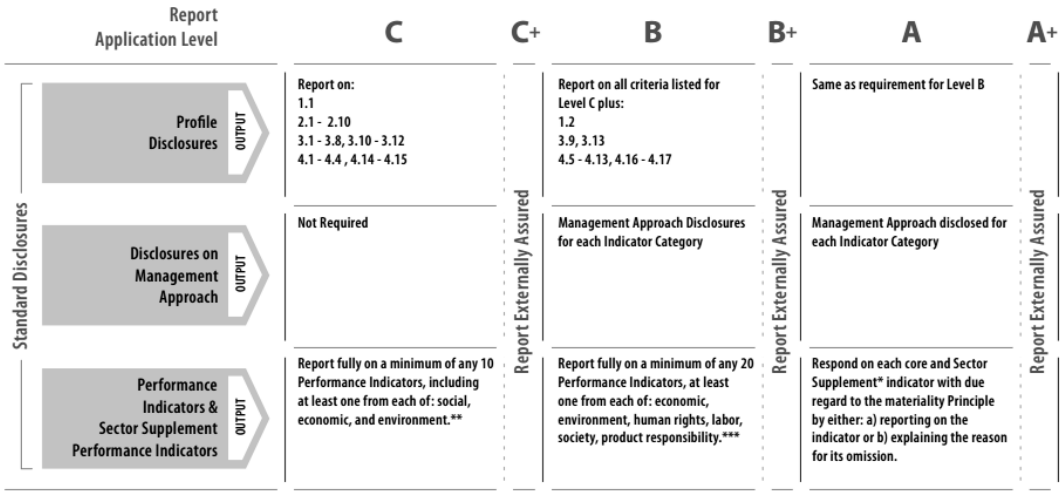
Q4: What effects can CSP generate on consumers' preferences?

Q5: What effects can be generated from CSP on financial markets operators and on investors and financing entities?

Q6: What effects can be generated from the CSP on the actual and potential employees of a firm?

Q7: Considering all elements previously discussed, could you tell me what effects could arise to the firms if their decision makers would utilize instruments or implement projects aimed to increase the social performances?

Appendix 2) GRI report application level



Appendix 3) Industry sector conversion matrix

GRI Sectors	**Reclassified sectors**
Agriculture	Other sectors
Automotive	DIP
Aviation	Infrastructure & Transportation
Chemicals	Chemical Health and Pharma
Commercial Services	Professional services
Conglomerates	DIP
Construction	DIP
Construction Materials	DIP
Consumer Durables	Consumer and retail
Energy	Energy & utilities
Energy Utilities	Energy & utilities
Equipment	DIP
Financial Services	Professional services
Food and Beverage Products	Consumer and retail
Forest and Paper Products	Other sectors
Healthcare Products	Chemical Health and Pharma
Household and Personal Products	Consumer and retail
Logistics	Infrastructure & Transportation
Media	TIME
Metals Products	DIP
Mining	Other sectors
Other	Other sectors
Railroad	Infrastructure & Transportation
Real Estate	Infrastructure & Transportation
Retailers	Retail
Technology Hardware	TIME
Telecommunications	TIME
Textiles and Apparel	Consumer and retail
Tobacco	Other sectors
Tourism/Leisure	TIME
Waste Management	Energy & utilities
Water Utilities	Energy & utilities

Appendix 4) European Companies - descriptive statistics

€ million	Mean revenues 2010 (€m)	Mean revenues 2011 (€m)	Mean revenues 2012 (€m)	Mean revenues 2013 (€m)	Mean revenues 2014 (€m)	Mean revenues 2015 (€m)	Mean revenues Total (€m)	Total Observations
Micro	2.7	3.0	3.2	3.3	3.9	3.9	3.4	123
Small	11.9	13.5	14.2	13.9	15.0	15.3	14.0	121
Medium	32.3	35.7	37.5	36.3	37.8	39.4	36.5	136
Large	327.1	373.8	377.9	361.9	362.9	326.0	354.9	188
Total	93.5	105.6	106.8	102.8	104.4	95.0	101.3	568
Observations per year	47	40	73	98	145	165	568	

Appendix 5a) European companies regression models:

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
Assurance	-366.938***	0.030	58.538	0.867	0.031
S.E.	*(115.155)*	*(0.866)*	*(40.003)*	*(1.809)*	*(0.072)*
CSR ScoreHigh	688.322***	0.107	359.263***	5.392**	-0.131
S.E.	*(164.708)*	*(1.266)*	*(56.631)*	*(2.635)*	*(0.102)*
CSR ScoreMedium	419.538***	-2.021**	104.642**	1.817	-0.112
S.E.	*(126.221)*	*(0.960)*	*(44.361)*	*(2.011)*	*(0.080)*
CSR ScoreLow	515.612***	-1.370	106.257*	-0.674	-0.088
S.E.	*(183.552)*	*(1.374)*	*(63.500)*	*(2.873)*	*(0.110)*
CSR ScoreMissing	-	-	-	-	-
S.E.					
revenues		0.002***		-0.006***	
S.E.		*(0.001)*		*(0.002)*	
roa	*-4.898*		*5.072****	*0.705****	*0.002*
S.E.	*(5.505)*		*(1.930)*	*(0.083)*	*(0.003)*
ebitda	*16.341****	*0.162****	*-2.964****		*0.005****
S.E.	*(2.682)*	*(0.019)*	*(0.921)*		*(0.002)*
l_country_2	*-354.597*	*-1.896*	*110.936*	*26.622****	*-0.191*
S.E.	*(487.319)*	*(3.622)*	*(167.591)*	*(7.485)*	*(0.313)*
l_country_3	*-122.706*	*-7.770****	*216.798***	*15.794****	*-0.017*
S.E.	*(296.277)*	*(2.024)*	*(94.429)*	*(4.230)*	*(0.173)*
l_country_4	*-262.082*	*-5.065****	*111.618*	*7.995***	*0.060*
S.E.	*(284.245)*	*(1.937)*	*(90.064)*	*(4.057)*	*(0.165)*
l_country_5	*-49.125*	*-7.191***	*116.268*	*9.635*	*-0.070*
S.E.	*(482.833)*	*(3.563)*	*(165.397)*	*(7.458)*	*(0.289)*
l_country_6	*516.734**	*-8.220****	*-180.188**	*3.983*	*0.038*
S.E.	*(308.446)*	*(2.113)*	*(98.814)*	*(4.470)*	*(0.181)*
l_country_7	*1,145.419****	*-5.062**	*1,135.239****	*6.957*	*0.087*
S.E.	*(352.708)*	*(2.709)*	*(116.385)*	*(5.669)*	*(0.214)*
o.l_country_8	-	-	-	-	-
S.E.					
o.l_country_9	-				
S.E.					
o.l_country_10	-				
S.E.					
l_country_11	*-287.076*	*-2.347*	*-166.202**	*1.961*	*0.167*
S.E.	*(302.273)*	*(2.116)*	*(97.765)*	*(4.423)*	*(0.178)*
l_country_12	*-306.693*	*-24.575****	*10.660*	*-2.186*	*0.379*
S.E.	*(556.494)*	*(4.024)*	*(192.243)*	*(8.677)*	*(0.334)*
l_country_13	*-14.483*	*-6.084****	*138.438*	*20.325****	*0.058*
S.E.	*(294.816)*	*(2.021)*	*(94.101)*	*(4.169)*	*(0.172)*
U_year_2011	*107.891*	*-1.047*	*-22.404*	*1.050*	
S.E.	*(187.443)*	*(1.371)*	*(63.494)*	*(2.866)*	
U_year_2012	*63.354*	*-1.657*	*-41.032*	*-1.137*	*-0.268****
S.E.	*(158.939)*	*(1.149)*	*(53.261)*	*(2.405)*	*(0.099)*
U_year_2013	*93.715*	*-1.893**	*-56.365*	*-1.985*	*-0.336****
S.E.	*(150.574)*	*(1.111)*	*(51.480)*	*(2.325)*	*(0.097)*
U_year_2014	*186.562*	*-1.429*	*-73.471*	*-1.620*	*-0.212***
S.E.	*(142.598)*	*(1.040)*	*(48.112)*	*(2.175)*	*(0.094)*
U_year_2015	*81.605*	*-1.869**	*-79.826**	*-1.904*	*-0.294****
S.E.	*(140.993)*	*(1.034)*	*(47.872)*	*(2.165)*	*(0.094)*
l_country_9		*-8.891****	*-204.987**	*14.138***	*-0.131*
S.E.		*(2.635)*	*(122.880)*	*(5.528)*	*(0.236)*
l_country_10		*-5.913**	*312.095***	*16.694****	*-0.166*
S.E.		*(3.048)*	*(140.919)*	*(6.350)*	*(0.256)*
o.U_year_2011					-
S.E.					
O_industry_193	*-127.543*	*-2.152*	*178.865****	*0.264*	*-0.025*
S.E.	*(187.742)*	*(1.408)*	*(64.841)*	*(2.946)*	*(0.116)*
O_industry_194	*-154.917*	*-3.442****	*17.582*	*0.020*	*0.034*
S.E.	*(138.115)*	*(1.048)*	*(48.961)*	*(2.210)*	*(0.088)*
O_industry_195	*556.215****	*-8.077****	*242.819****	*9.088****	*-0.067*
S.E.	*(150.258)*	*(1.122)*	*(53.262)*	*(2.418)*	*(0.096)*
O_industry_196	*-176.168*	*-5.303****	*83.959*	*16.395****	*0.034*
S.E.	*(152.930)*	*(1.130)*	*(53.204)*	*(2.306)*	*(0.096)*
O_industry_197	*-226.035*	*-8.825****	*56.774*	*6.211**	*-0.072*
S.E.	*(203.568)*	*(1.522)*	*(72.434)*	*(3.261)*	*(0.129)*
O_industry_198	*-225.617*	*1.761*	*-83.514*	*-5.510**	*0.344****
S.E.	*(202.003)*	*(1.554)*	*(71.913)*	*(3.242)*	*(0.128)*
O_industry_199	*-54.133*	*-0.245*	*48.976*	*-6.877***	*-0.008*
S.E.	*(181.847)*	*(1.399)*	*(64.704)*	*(2.908)*	*(0.117)*
O_industry_200	*-68.582*	*-4.498****	*87.612*	*5.490***	*-0.026*
S.E.	*(172.153)*	*(1.295)*	*(60.473)*	*(2.725)*	*(0.108)*
Observations	568	599	599	599	540
R-squared	0.291	0.348	0.431	0.386	0.089

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5b) European companies regression models: Industries fixed effects not included

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
Assurance	-324.547***	-0.077	65.174	0.676	0.028
S.E.	*(118.618)*	*(0.930)*	*(40.978)*	*(1.992)*	*(0.071)*
CSR ScoreHigh	729.853***	-0.587	368.061***	7.369**	-0.123
S.E.	*(167.942)*	*(1.344)*	*(57.337)*	*(2.863)*	*(0.100)*
CSR ScoreMedium	360.452***	-2.292**	90.045**	5.301**	-0.093
S.E.	*(128.337)*	*(1.016)*	*(44.897)*	*(2.175)*	*(0.078)*
CSR ScoreLow	353.447*	-2.738*	94.041	3.160	-0.101
S.E.	*(185.680)*	*(1.449)*	*(64.099)*	*(3.113)*	*(0.108)*
CSR ScoreMissing	-	-	-	-	-
S.E.					
revenues		0.001		-0.004**	
S.E.		*(0.001)*		*(0.002)*	
roa	*-12.636***		*1.584*	*0.568****	*0.006**
S.E.	*(5.270)*		*(1.839)*	*(0.086)*	*(0.003)*
ebitda	*17.143****	*0.124****	*-1.853***		*0.004****
S.E.	*(2.483)*	*(0.019)*	*(0.855)*		*(0.002)*
I_country_2	*-338.449*	*-1.574*	*123.118*	*29.886****	*-0.222*
S.E.	*(494.732)*	*(3.819)*	*(168.607)*	*(8.089)*	*(0.307)*
I_country_3	*-100.623*	*-7.701****	*214.171***	*16.881****	*-0.001*
S.E.	*(305.809)*	*(2.181)*	*(96.975)*	*(4.672)*	*(0.172)*
I_country_4	*-244.322*	*-3.858**	*97.752*	*6.592*	*0.077*
S.E.	*(292.634)*	*(2.080)*	*(92.049)*	*(4.462)*	*(0.164)*
I_country_5	*-29.599*	*-4.183*	*122.905*	*6.603*	*-0.084*
S.E.	*(489.916)*	*(3.775)*	*(166.833)*	*(8.094)*	*(0.283)*
I_country_6	*634.864***	*-9.305****	*-141.470*	*5.456*	*0.054*
S.E.	*(317.634)*	*(2.255)*	*(100.891)*	*(4.898)*	*(0.180)*
I_country_7	*1,305.755****	*-4.262*	*1,175.266****	*3.797*	*0.072*
S.E.	*(364.370)*	*(2.923)*	*(119.716)*	*(6.274)*	*(0.213)*
o.I_country_8	-	-	-	-	-
S.E.					
o.I_country_9	-				
S.E.					
o.I_country_10	-				
S.E.					
I_country_11	*-159.119*	*-2.139*	*-131.329*	*2.544*	*0.199*
S.E.	*(309.774)*	*(2.242)*	*(98.939)*	*(4.807)*	*(0.176)*
I_country_12	*-333.600*	*-24.912****	*-19.084*	*-7.121*	*0.429*
S.E.	*(562.864)*	*(4.235)*	*(192.594)*	*(9.340)*	*(0.326)*
I_country_13	*41.286*	*-5.193***	*144.621*	*19.887****	*0.054*
S.E.	*(300.639)*	*(2.149)*	*(95.202)*	*(4.554)*	*(0.169)*
U_year_2011	*120.276*	*-0.879*	*-22.864*	*-0.125*	
S.E.	*(194.808)*	*(1.484)*	*(65.542)*	*(3.180)*	
U_year_2012	*37.750*	*-1.580*	*-49.663*	*-2.222*	*-0.259****
S.E.	*(165.324)*	*(1.245)*	*(55.034)*	*(2.671)*	*(0.099)*
U_year_2013	*58.882*	*-1.954*	*-68.946*	*-2.741*	*-0.325****
S.E.	*(156.694)*	*(1.204)*	*(53.213)*	*(2.583)*	*(0.097)*
U_year_2014	*139.954*	*-1.532*	*-83.993**	*-2.117*	*-0.201***
S.E.	*(148.299)*	*(1.126)*	*(49.700)*	*(2.416)*	*(0.094)*
U_year_2015	*36.555*	*-2.026**	*-89.407**	*-2.452*	*-0.283****
S.E.	*(146.590)*	*(1.119)*	*(49.416)*	*(2.402)*	*(0.095)*
I_country_9		*-9.035****	*-178.703*	*15.707****	*-0.125*
S.E.		*(2.827)*	*(125.761)*	*(6.078)*	*(0.235)*
I_country_10		*-5.926**	*313.624***	*25.222****	*-0.148*
S.E.		*(3.275)*	*(144.468)*	*(6.959)*	*(0.256)*
o.U_year_2011					-
S.E.					
O_industry_193					
S.E.					
O_industry_194					
S.E.					
O_industry_195					
S.E.					
O_industry_196					
S.E.					
O_industry_197					
S.E.					
O_industry_198					
S.E.					
O_industry_199					
S.E.					
O_industry_200					
S.E.					
Observations	568	599	599	599	540
R-squared	0.220	0.223	0.382	0.230	0.065

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5c) European companies regression models: Countries fixed effects not included

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
Assurance	-241.853**	-0.532	92.789**	2.530	0.017
S.E.	*(117.839)*	*(0.901)*	*(47.161)*	*(1.894)*	*(0.070)*
CSR ScoreHigh	623.752***	1.688	150.220***	-5.750**	-0.067
S.E.	*(145.248)*	*(1.100)*	*(57.526)*	*(2.308)*	*(0.085)*
CSR ScoreMedium	356.099***	-0.268	10.968	-6.444***	-0.064
S.E.	*(114.078)*	*(0.871)*	*(45.716)*	*(1.814)*	*(0.069)*
CSR ScoreLow	343.431**	-0.567	-88.127	-10.632***	0.032
S.E.	*(161.054)*	*(1.233)*	*(64.640)*	*(2.558)*	*(0.093)*
CSR ScoreMissing	-	-	-	-	-
S.E.					
revenues		0.003***		-0.005***	
S.E.		*(0.001)*		*(0.002)*	
roa	*-7.479*		*6.909****	*0.762****	*0.003*
S.E.	*(5.357)*		*(2.163)*	*(0.082)*	*(0.003)*
ebitda	*15.388****	*0.172****	*-3.054****		*0.004****
S.E.	*(2.604)*	*(0.018)*	*(1.029)*		*(0.002)*
I_country_2					
S.E.					
I_country_3					
S.E.					
I_country_4					
S.E.					
I_country_5					
S.E.					
I_country_6					
S.E.					
I_country_7					
S.E.					
o.I_country_8					
S.E.					
o.I_country_9					
S.E.					
o.I_country_10					
S.E.					
I_country_11					
S.E.					
I_country_12					
S.E.					
I_country_13					
S.E.					
U_year_2011	*117.825*	*-1.127*	*20.418*	*2.518*	
S.E.	*(194.908)*	*(1.444)*	*(75.832)*	*(3.039)*	
U_year_2012	*14.414*	*-1.745*	*-26.175*	*-0.454*	*-0.261****
S.E.	*(165.899)*	*(1.213)*	*(63.777)*	*(2.558)*	*(0.098)*
U_year_2013	*55.002*	*-1.778*	*-26.393*	*-1.872*	*-0.313****
S.E.	*(156.940)*	*(1.163)*	*(61.156)*	*(2.451)*	*(0.096)*
U_year_2014	*127.462*	*-1.488*	*-53.497*	*-1.682*	*-0.196***
S.E.	*(148.492)*	*(1.090)*	*(57.270)*	*(2.297)*	*(0.093)*
U_year_2015	*29.316*	*-1.789**	*-56.560*	*-2.191*	*-0.274****
S.E.	*(146.830)*	*(1.079)*	*(56.706)*	*(2.274)*	*(0.094)*
I_country_9					
S.E.					
I_country_10					
S.E.					
o.U_year_2011					-
S.E.					
O_industry_193	*-40.211*	*-2.194*	*113.551*	*-0.103*	*-0.030*
S.E.	*(194.013)*	*(1.457)*	*(76.509)*	*(3.074)*	*(0.114)*
O_industry_194	*-25.880*	*-3.507****	*76.833*	*-0.817*	*0.020*
S.E.	*(139.858)*	*(1.074)*	*(56.791)*	*(2.280)*	*(0.085)*
O_industry_195	*699.105****	*-8.360****	*242.110****	*8.442****	*-0.058*
S.E.	*(151.029)*	*(1.135)*	*(61.481)*	*(2.473)*	*(0.092)*
O_industry_196	*-88.072*	*-5.444****	*56.130*	*16.506****	*0.026*
S.E.	*(154.880)*	*(1.153)*	*(61.627)*	*(2.376)*	*(0.093)*
O_industry_197	*-206.223*	*-8.633****	*86.283*	*9.171****	*-0.065*
S.E.	*(208.952)*	*(1.588)*	*(85.372)*	*(3.405)*	*(0.126)*
O_industry_198	*-254.405*	*2.768**	*-173.487***	*-8.522***	*0.373****
S.E.	*(206.445)*	*(1.608)*	*(84.338)*	*(3.376)*	*(0.125)*
O_industry_199	*19.908*	*0.323*	*5.289*	*-4.455*	*0.028*
S.E.	*(182.831)*	*(1.425)*	*(74.788)*	*(2.993)*	*(0.112)*
O_industry_200	*-120.310*	*-4.882****	*80.078*	*4.870**	*-0.024*
S.E.	*(168.973)*	*(1.284)*	*(68.140)*	*(2.728)*	*(0.101)*
Observations	568	599	599	599	540
R-squared	0.213	0.256	0.164	0.288	0.075

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5d) *European companies' regression models: Regressions with 1 year lag*

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
assurance	-395.938***	0.214	55.863	0.454	0.026
	(122.572)	*(0.930)*	*(41.509)*	*(1.892)*	*(0.072)*
ScoreHigh	334.416	-0.308	223.582***	3.744	-0.222*
	(235.528)	*(1.745)*	*(77.438)*	*(3.548)*	*(0.134)*
ScoreMedium	344.210**	-1.954	107.707**	1.761	-0.113
	(157.943)	*(1.208)*	*(53.937)*	*(2.463)*	*(0.093)*
ScoreLow	363.396	-0.692	94.200	0.258	-0.097
	(227.221)	(1.702)	(76.000)	(3.463)	(0.133)
Observations	521	545	545	545	540
R-squared	0.295	0.355	0.435	0.379	0.094

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5e) *European companies regression models: Regressions with 2 years lag*

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
assurance	-452.237***	0.460	44.238	0.968	-0.013
	(120.449)	*(1.002)*	*(41.720)*	*(2.034)*	*(0.059)*
ScoreHigh	404.522*	-0.892	216.574***	2.938	-0.086
	(232.810)	*(1.905)*	*(78.811)*	*(3.868)*	*(0.111)*
ScoreMedium	478.145***	-2.972**	93.483	1.155	-0.013
	(164.704)	*(1.380)*	*(57.676)*	*(2.817)*	*(0.081)*
ScoreLow	462.561*	0.388	129.936	0.077	0.018
	(244.750)	(1.992)	(82.841)	(4.046)	(0.119)
Observations	481	502	502	502	497
R-squared	0.312	0.373	0.423	0.368	0.107

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 6a) Heckman's two-stage model: first stage

VARIABLES	Probit Revenues/ Employees	Probit ROA %	Probit Revenues	Probit EBITDA Margin %	Probit Revenues Growth %
assurance	3.384***	3.549***	3.384***	4.066***	3.384***
S.E.	*(0.658)*	*(0.718)*	*(0.658)*	*(0.783)*	*(0.658)*
revenues		0.004***		0.004***	
S.E.		(0.001)		(0.001)	
roa	-0.062		-0.062	-0.009	-0.062
S.E.	*(0.043)*		*(0.043)*	*(0.037)*	*(0.043)*
ebitda	-0.001	-0.003	-0.001		-0.001
S.E.	*(0.017)*	*(0.017)*	*(0.017)*		*(0.017)*
lag earnings	0.000**	-0.000	0.000**	-0.000	0.000**
S.E.	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*
country fixed effects	Y	Y	Y	Y	Y
Industry fixed effects	Y	Y	Y	Y	Y
Year fixed effects	Y	Y	Y	Y	Y
Observations	282	289	282	318	282
R-squared					

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 6b) Heckman's two-stage model: second stage

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %	Revenues Growth %
CSR ScoreHigh	898.200***	-1.062	459.271***	0.747	-0.075
S.E.	*(233.006)*	*(1.593)*	*(77.953)*	*(4.275)*	*(0.139)*
Observations	269	282	282	286	280
R-squared	0.341	0.401	0.635	0.342	0.098

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 7) G4 Standard and Specific indicators

PROFILE		DISCLOSURE
Strategy & Analysis	G4.1	Statement from the senior most decision maker of the organization
	G4.2	Description of key impacts, risks and opportunities
Organizational Profile	G4.3	Name of Organization
	G4.4	Primary Brands, Products and / or services
	G4.5	Location of Organization's Headquarter
	G4.6	Number of countries of operation
	G4.7	Nature of ownership and legal form
	G4.8	Markets Served (Geographic Breakdowns)
	G4.9	Scale of Reporting Organization
	G4.10	Number of Employees by employment contract
	G4.11	Percentage of Employees under collective bargaining
	G4.12	Describe Organization's Supply Chain
	G4.13	Report any significant changes in the reporting period
	G4.14	Report precautionary approach principle by organization
	G4.15	Externally developed EES charter & Principles
	G4.16	List of memberships in associations / industry associations
Identified Material Aspects & Boundaries	G4.17	List of entities included in Organization's consolidated financial statement
	G4.18	Explain process for defining report content & aspect boundaries
	G4.19	List all identified material aspects in process of defining report content
	G4.20	For each material aspect, report aspect boundary (within)
	G4.21	For each material aspect, report aspect boundary (outside)
	G4.22	Any statements from previous report has been restated & reason for restatement
	G4.23	Significant changes in Scope & Aspect boundaries from previous reporting period
Stakeholder Engagement	G4.24	List of all stakeholder groups engaged by organization
	G4.25	Report basis for identification and selection of stakeholders
	G4.26	Organization's approach to stakeholder engagement
	G4.27	Key topics & concerns raised through stakeholder engagement
Report Profile	G4.28	Reporting Period for information provided
	G4.29	Date of most previous report
	G4.30	Reporting Cycle
	G4.31	Contact point for questions
	G4.32	GRI Content Index Sheet
	G4.33	Policy / practice of seeking External Assurance
Governance	G4.34	Governance Structure of the Organization – committees
	G4.35	Process for delegating authority for EES topics from highest governance body to Senior executives & employees
	G4.36	Has organization appointed an executive level position with EES responsibility.
	G4.37	Report process for consultation between stakeholders and highest governance body
	G4.38	Composition of highest governance body and its committee
	G4.39	Report weather chair of highest governance body is also and executive officer
	G4.40	Nomination & selection process for highest governance body and its committees
	G4.41	Process in place to avoid conflict of interest at workplace.

	G4.42	Role of highest governance body in developing and approving Values, mission, strategies, policies & goals.
	G4.43	Measures taken to enhance collective knowledge of governance body on EES topics.
	G4.44	Process for evaluation of highest governance body performance and actions taken in response to evaluation
	G4.45	Role of highest governance body in identifying EES risks, impacts & opportunities.
	G4.46	Role of highest governance body in reviewing effectiveness of Risk Management process for EES
	G4.47	Frequency of review of EES risks, impacts & opportunities
	G4.48	Highest committee or position that formally reviews and approves SR
	G4.49	Process for communicating critical concerns
	G4.50	Nature and quantity of critical concerns communicated
	G4.51	Remuneration policy of highest governance body
	G4.52	Process for determining remuneration .
	G4.53	How stakeholder views & thoughts are accounted on remuneration
	G4.54	Ratio of total annual compensation of highest paid individual to median annual total compensation
	G4.55	Ratio of percentage increase of annual total compensation for highest paid and median paid
Ethics & Integrity	G4.56	Organization's values, principles, standards and norms
	G4.57	Internal / external mechanism for seeking advice on ethical and lawful behavior related to integrity – such as helplines
	G4.58	Internal / external mechanism for seeking advice on unethical and unlawful behavior related to integrity – such as helplines

Aspect		**Specific Disclosure**
ECONOMIC		
Economic Performance	G4-EC1	Direct Economic values generated & distributed, including revenues and other costs
	G4-EC2	Financial implications and other risks due to climate change
	G4-EC3	Coverage of organization's defined benefit plan
	G4-EC4	Significant Financial Assistance received from government
Market Presence	G4-EC5	Range of ratio of standard entry level wage compared to minimum wage of operation at significant locations of operation.
	G4-EC6	Proportion of Senior Management hired from local community at significant location
	G4-EC7	Impact of infrastructure investments & services
Indirect Economic Impacts	G4-EC8	Indirect economic impacts
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant location of operations
ENVIRONMENT		
Materials	G4-EN1	Material used by weight or volume
	G4-EN2	Percentage of materials used that are recycled input material
Energy	G4-EN3	Energy Consumption Within the organization
	G4-EN4	Energy Consumption Outside the organization
	G4-EN5	Energy Intensity
	G4-EN6	Reduction in Energy Consumption
	G4-EN7	Reduction in Energy requirements of products & services
Water	G4-EN8	Total Water Withdrawal by Source
	G4-EN9	Significant effect on water sources caused due to withdrawal
	G4-EN10	Percentage of total volume of water recycled and reused

Biodiversity	G4-EN11	Location & Size of Land owned, leased adjacent to protected areas and areas of high biodiversity
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity
	G4-EN13	Habitats Protected or Restored
	G4-EN14	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operation.
Emissions	G4-EN15	Direct GHG Emissions by Weight (Scope 1)
	G4-EN16	Energy indirect GHG Emissions by weight (Scope 2)
	G4-EN17	Other indirect GHG Emissions by weight (Scope 3)
	G4-EN18	GHG Emission Intensity
	G4-EN19	Reductions in GHG Emissions
	G4-EN20	Emissions of Ozone Depleting Substance (ODS)
	G4-EN21	NO, SO and other significant air emissions by type & weight
Effluents & Waste	G4-EN22	Total Water Discharge by Quality & Destination
	G4-EN23	Total Weight of Waste by type and disposal method
	G4-EN24	Total number and volume of significant spills
	G4-EN25	Percentage of hazardous waste imported of exported
	G4-EN26	Identify status & value of protected water bodies
Products & Services	G4-EN27	Extent of impact mitigation of environmental impacts of products / services
	G4-EN28	Percentage of products sold and their packaging material
Compliance	G4-EN29	Monetary value of significance fines due to non-compliance with environmental laws and regulations
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and material used for organizations operation
Overall	G4-EN31	Total environmental protection expenditures and investment by type.
Supplier Env. Asses.	G4-EN32	Percentage of new suppliers that were screened using environmental criteria
	G4-EN33	Significant actual & potential negative impacts in the supply chain & actions taken
Envi. Grievance Mechanism	G4-EN34	Number of grievances about environmental impacts filed, addressed & resolved through formal grievance mechanisms
LABOR PRACTICES		
Employment	G4-LA1	Total number & rate of employee turnover by age group, gender & region
	G4-LA2	Benefits provided to full time employees that are not provided to temporary or part time employees .
	G4-LA3	Return to work and retention rates after parental leave by gender
Labor/ Manag. Relations	G4-LA4	Minimum notice periods for operational changes
Occupational Health & Safety	G4-LA5	Percentage of total workforce represented in health and safety committee
	G4-LA6	Rates & type of injury, occupational diseases, fatalities by region
	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation
	G4-LA 8	Health & Safety topics covered in formal agreement with trade unions
Training & Education	G4-LA9	Average hours of training per year per employee by employee category
	G4-LA10	Programs for skill management and lifelong learning
	G4-LA11	Percentage of employees receiving regular performance and career development reviews
Diversity & Equal Opportunities	G4-LA12	Composition of governance bodies and employees according to gender, age group, minority group and other diversity indicators
	G4-LA13	Ratio of basic salary of men to women by employee category
Supplier Assessment	G4-LA14	Percentage of new supplier that were screened using labor practices criteria
	G4-LA15	Significant actual & potential negative impacts for labor practices in supply chain

Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed & resolved
HUMAN RIGHTS		
Investment	G4-HR1	Percentage of total number of significant investment agreements which includes human rights clauses
	G4-HR2	Total hours of training on policies & procedures concerning human rights aspects relevant to operations
Non - Discrimination	G4-HR3	Total number of incidents of discrimination and actions taken
Freedom of Association & Collective Bargaining	G4-HR4	Operations Identified in which Right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights.
Child Labor	G4-HR5	Operations & suppliers identified as having significant risk for incidents of child labor and measure taken to abolish it.
Forced labor	G4-HR6	Operations & suppliers identified as having significant risk for incidents of forced labor and measure taken to abolish it.
Security Practices	G4-HR7	Percentage of security personal trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous people and actions taken.
Assessment	G4-HR9	Percentage & total number of operations that have been subject to human rights reviews and/or impact assessments.
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers screened using human rights criteria.
	G4-HR11	Significant actual & potential negative human rights impacts on supply chain and actions taken.
Human Rights Grievance Mechanism	G4-HR12	Number of grievances about human rights impacts filed, addressed & resolved through formal grievance mechanisms
SOCIETY		
Community	G4-SO1	Percentage of operations with implemented local community engagement, impact, assessments and developing programs
	G4-SO2	Operations with significant actual & negative impact on local community
Anti-Corruption	G4-SO3	Percentage & total number of operations analyzed for risk related to corruption and risk identified
	G4-SO4	Communication & training on anti corruption policies & procedures
	G4-SO5	Confirmed incidents of corruption & actions taken
Public Policy	G4-SO6	Total value of political contributions by country.
Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti- competitive behavior, anti-trust and monopoly practices & their outcomes.
Compliance	G4-SO8	Monetary Value of significant fines for non-compliance with laws & regulations.
Supplier Assessment	G4-SO9	Percentage of new suppliers screened using criteria for impacts
	G4-SO10	Significant actual & potential negative impacts on society by Supply chain
	G4-SO11	No. of grievances filed, addressed & resolved about the impact on society
PRODUCT RESPONSIBILITY		
Customer Health & Safety	G4-PR1	Percentage of significant product & services categories for which health & safety impacts are assessed for improvement
	G4-PR2	Total no. of incidents concerning with non-compliance with regulations & voluntary codes on health & safety by products
Product & Service Labeling	G4-PR3	Product & Service information labeling
	G4-PR4	No. of Non-Compliance issues with voluntary codes governing product / service information
	G4-PR5	Results of surveys measuring customer satisfaction
Marketing Comm.	G4-PR6	Sale of banned or disputed products
	G4-PR7	Incidents of non-compliances to marketing laws & codes.
Customer Privacy	G4-PR8	Total number of complaints regarding breaches of customer privacy and losses of customer data.
Compliance	G4-PR9	Significant fines for non-compliance with laws & regulations concerning the use of products & services.

Appendix 8) Conversion matrix GRI G4 vs. G3/G3 conversion matrix

Standard indicators	
G4	**G3**
G4.1	1.1
G4.2	1.2
G4.3	2.1
G4.4	2.2
G4.5	2.4
G4.6	2.5
G4.7	2.6
G4.8	2.7
G4.9	2.8
G4.12	4.15
G4.13	4.16
G4.13	2.9
G4.14	4.11
G4.15	4.12
G4.16	4.13
G4.17	2.3
G4.18	3.5
G4.20	3.6
G4.21	3.8
G4.22	3.10
G4.23	3.11
G4.24	4.14
G4.27	4.17
G4.28	3.1
G4.29	3.2
G4.30	3,3
G4.31	3.4
G4.32	3.12
G4.33	3.13
G4.34	4.1
G4.37	4.4
G4.38	4.3
G4.39	4.2
G4.40	4.7
G4.41	4.6
G4.44	4.10
G4.45	4.9
G4.51	4.5
G4.56	4.8

Specific indicators	
G4	**G3**
G4-EC1	EC1
G4-EC2	EC2
G4-EC3	EC3
G4-EC4	EC4
G4-EC5	EC5
G4-EC6	EC7
G4-EC7	EC8
G4-EC8	EC9
G4-EC9	EC6
G4-EN1	EN1
G4-EN2	EN2
G4-EN3	EN3
G4-EN3	EN4
G4-EN6	EN5
G4-EN7	EN6
G4-EN8	EN8
G4-EN9	EN9
G4-EN10	EN10
G4-EN11	EN11
G4-EN12	EN12
G4-EN13	EN13
G4-EN14	EN15
G4-EN15	EN16
G4-EN17	EN17
G4-EN19	EN18
G4-EN20	EN19
G4-EN21	EN20
G4-EN22	EN21
G4-EN23	EN22
G4-EN24	EN23
G4-EN25	EN24
G4-EN26	EN25
G4-EN27	EN26
G4-EN28	EN27
G4-EN29	EN28
G4-EN30	EN29
G4-EN31	EN30

Specific indicators	
G4	**G3**
G4-LA1	LA2
G4-LA2	LA3
G4-LA4	LA5
G4-LA5	LA6
G4-LA6	LA7
G4-LA7	LA 8
G4-LA 8	LA9
G4-LA9	LA10
G4-LA10	LA11
G4-LA11	LA12
G4-LA12	LA13
G4-LA13	LA14
G4-HR1	HR1
G4-HR2	HR3
G4-HR3	HR4
G4-HR4	HR5
G4-HR5	HR6
G4-HR6	HR7
G4-HR7	HR8
G4-HR8	HR9
G4-HR10	HR2
G4-SO1	SO1
G4-SO3	SO2
G4-SO4	SO3
G4-SO5	SO4
G4-SO6	SO6
G4-SO7	SO7
G4-SO8	SO8
G4-PR1	PR1
G4-PR2	PR2
G4-PR3	PR3
G4-PR4	PR4
G4-PR5	PR5
G4-PR6	PR6
G4-PR7	PR7
G4-PR8	PR8
G4-PR9	PR9

Appendix 9) Italian Companies - descriptive statistics

Company size	Mean revenues 2013 (€m)	Mean revenues 2014 (€m)	Mean revenues 2015 (€m)	Mean revenues Total (€m)	Total Observations
Small	10.4	12.6	11.8	11.6	19
Medium	112.3	113.6	137.6	120.7	22
Large	3,882.5	3,687.8	3,872.6	3,811.1	24
Total	1,301.7	1,209.6	1,268.3	1,259.1	65
Observations per year	19	22	24	65	

Appendix 10a) Italian companies regression models: Industries and years effects included, CSR scores in detail

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %
Assurance	0.383	-6.144**	0.293	14.602***
S.E.	*(1.439)*	*(2.883)*	*(1.705)*	*(4.002)*
CSR Consistency	0.103	-1.363	-0.042	1.833
S.E.	*(0.455)*	*(0.934)*	*(0.539)*	*(1.411)*
Labor practices_HIGH	-0.644	-8.218**	0.458	13.909**
S.E.	*(1.961)*	*(3.935)*	*(2.322)*	*(5.843)*
Environment practices_HIGH	-5.803**	4.388	-7.276**	-8.135
S.E.	*(2.674)*	*(5.889)*	*(3.166)*	*(8.829)*
Human rights_HIGH	-0.268	2.185	-2.228	-9.130
S.E.	*(1.999)*	*(4.223)*	*(2.367)*	*(6.226)*
Product responsibility_HIGH	10.927***	-2.382	15.137***	7.901
S.E.	*(2.078)*	*(5.876)*	*(2.461)*	*(8.777)*
Revenues		0.032		-0.171
S.E.		*(0.261)*		*(0.392)*
ROA%	0.019		0.010	0.783***
S.E.	*(0.070)*		*(0.083)*	*(0.189)*
EBITDA Margin %	-0.049	0.346***	-0.024	
S.E.	*(0.047)*	*(0.084)*	*(0.055)*	
O_industry_2	0.286	-13.427	0.400	16.207
S.E.	*(4.522)*	*(9.282)*	*(5.355)*	*(14.072)*
O_industry_3	-0.391	-12.705	-0.339	12.270
S.E.	*(4.509)*	*(9.276)*	*(5.340)*	*(14.117)*
O_industry_4	2.870	-13.425	2.567	15.347
S.E.	*(4.479)*	*(9.214)*	*(5.304)*	*(13.992)*
O_industry_5	2.242	-34.910***	0.254	34.705**
S.E.	*(5.531)*	*(10.405)*	*(6.550)*	*(16.692)*
O_industry_6	-0.561	-16.805	-0.933	30.930**
S.E.	*(4.965)*	*(10.123)*	*(5.879)*	*(14.996)*
O_industry_7	-0.274	-16.736	-0.296	25.341
S.E.	*(5.531)*	*(11.342)*	*(6.550)*	*(17.053)*
O_industry_8	-0.015	-16.680	2.829	18.721
S.E.	*(5.324)*	*(10.924)*	*(6.305)*	*(16.614)*
O_industry_9	-0.035	-12.637	2.931	25.050
S.E.	*(6.088)*	*(12.662)*	*(7.209)*	*(18.891)*
I_year_2014	0.654	1.987	1.333	-4.931
S.E.	*(1.410)*	*(2.966)*	*(1.670)*	*(4.423)*
I_year_2015	0.517	-3.512	0.876	0.029
S.E.	*(1.330)*	*(2.752)*	*(1.575)*	*(4.212)*
o.I_year_2015				
S.E.				
Observations	65	65	65	65
R-squared	0.471	0.497	0.501	0.556

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 10b) Italian companies regression models: Industries and years effects included, CSR score total

VARIABLES	Revenues/ Employees	ROA %	Revenues	EBITDA Margin %
Assurance	-1.694	-6.132**	-2.648	14.187***
S.E.	*(1.594)*	*(2.830)*	*(2.031)*	*(4.064)*
CSR Consistency	-0.109	-1.789*	-0.364	2.304
S.E.	*(0.546)*	*(0.972)*	*(0.699)*	*(1.506)*
CSR score total_HIGH	3.116**	-0.813	4.275**	1.874
S.E.	*(1.534)*	*(2.916)*	*(1.942)*	*(4.466)*
EBITDA Margin %	-0.046	0.310***	-0.007	
S.E.	*(0.051)*	*(0.082)*	*(0.065)*	
Revenues		0.008		-0.033
S.E.		*(0.205)*		*(0.314)*
ROA%	0.030		0.004	0.729***
S.E.	*(0.076)*		*(0.100)*	*(0.193)*
O_industry_2	-2.144	-14.411	-3.482	16.613
S.E.	*(5.262)*	*(9.476)*	*(6.745)*	*(14.675)*
O_industry_3	-2.040	-13.017	-3.706	9.212
S.E.	*(5.199)*	*(9.380)*	*(6.649)*	*(14.600)*
O_industry_4	0.229	-14.684	-1.498	15.772
S.E.	*(5.234)*	*(9.415)*	*(6.724)*	*(14.614)*
O_industry_5	0.118	-35.404***	-3.718	33.003*
S.E.	*(6.300)*	*(10.526)*	*(8.128)*	*(17.271)*
O_industry_6	-2.172	-20.407*	-3.707	36.529**
S.E.	*(5.763)*	*(10.227)*	*(7.398)*	*(15.445)*
O_industry_7	-2.878	-17.813	-4.446	25.559
S.E.	*(6.392)*	*(11.500)*	*(8.190)*	*(17.683)*
O_industry_8	-2.229	-16.900	-0.789	17.443
S.E.	*(6.198)*	*(11.015)*	*(7.864)*	*(17.106)*
O_industry_9	-0.155	-11.929	1.852	23.919
S.E.	*(6.915)*	*(12.796)*	*(9.000)*	*(19.493)*
I_year_2014		1.318	0.406	-3.759
S.E.		*(2.825)*	*(1.974)*	*(4.308)*
I_year_2015		-3.772	-0.496	-0.021
S.E.		*(2.724)*	*(1.935)*	*(4.256)*
o.I_year_2015				
S.E.				
Observations	65	65	65	65
R-squared	0.185	0.449	0.164	0.495

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

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