

Corporate social responsibility and firms' financial performance: A new insight

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A vast stream of literature has investigated the effect of corporate social responsibility (CSR) on firms' financial performance (FFP). However, this effect has remained unclear and undecided. For instance, numerous studies have examined the direct impact of firms' CSR initiatives on FFP, as well as examining various mechanisms to explain this relationship, but found inconsistent results. The indecisive results indicate that researchers lack consensus to define a mechanism to understand how and under what conditions CSR can affect FFP. Thus, this research aims to investigate how firms' CSR perception and disclosure derive accounting-(return on equity: ROE, earnings per share: EPS), market-(Tobin Q) and perception-based firms' financial performance through the mediation of competitive advantage and boundary conditions of family ownership and CEO narcissism. This research underpins the theoretical lens of the resource-based view to derive hypotheses. The research design employed in this study is quantitative, and the approach to theory development is deductive. Multi-method and multi-source data with temporal breaks are collected from 60 manufacturing firms listed on the Pakistan Stock Exchange (PSE). Primary data are collected from the top and middle managers, while secondary data are collected from the annual reports published by these firms. This research found that competitive advantage significantly mediated the indirect impact of perceived CSR and disclosure on FFP. Further, this relationship is strengthened by the contingencies of family ownership and CEO narcissism. Our results will assist the management of the firms to understand the implications of CSR perceptions and disclosure to derive a competitive advantage that ultimately translates into the firms' financial performance.

Further, this research also revealed that managers should concentrate on the boundary conditions of family ownership and CEO narcissism as well. In particular, this research contributes to understand why CSR is viewed to have a strategic importance for the firms and how a resource-based perspective might be utilized in such endeavors. © 2020 by the authors.

CEO narcissism

Competitive advantage

CSR perception and disclosure

Family ownership

Financial performance

corporate social responsibility

financial provision

firm ownership

industrial development

industrial performance

manufacturing

perception

stock market

Pakistan