Are social and environmental practices a marketing tool?

Empirical evidence for the biggest European companies

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Abstract

Purpose – The purpose of this study is to analyse whether CSR practices performed by European companies (both those CSR practices related to marketing-based strategies and those that are not) create value. That value creation will be gauged through two variables: reputation and shareholder value creation.

Design/methodology/approach – To carry out this research, the 120 biggest European companies whose CSR practices have been analysed by Deloitte and Kinchhoff in *The Good Company Ranking* were taken. European firms have adopted an active stance on CSR and their organisational aspects and responsibilities related to sustainability are better-founded compared with other companies. Financial data and reputation were obtained from the *Forbes* and *Fortune* websites, respectively.

Findings – The findings obtained show that all CSR practices, especially those linked to enhancing a company's image, have a positive effect on shareholder value creation, given that investors are able to detect the level of corporate commitment to sustainable development. On the other hand, none of the typologies of CSR practices undertaken have a relevant influence on corporate reputation.

Originality/value – The results of this study advise managers to design their CSR strategies with an orientation to increasing corporate reputation through large investments in CSR which prevent them from being imitated by direct rivals.

Keywords Social responsibility, Corporate image, Shareholder value analysis, Europe

Paper type Research paper

1. Introduction

The triple bottom line (TBL) argues that, in addition to being interested in economic issues, stakeholders may also be interested in other topics, related to social and/or environmental issues (Ho and Taylor, 2007). Thus, stakeholders may be concerned about whether a company is following a socially responsible path or whether a company is acting in an environmentally friendly way.

Although this idea has been shared when talking about corporate social responsibility, some studies (e.g. Norman and MacDonald, 2004) criticise it in the sense that the TBL paradigm may be a rhetorical resource with scarce substance and may distract managers and investors when they disclose and analyse social and environmental reports. Therefore, in a context in which companies are making a more specific, verifiable commitment to CSR and sustainability, it could be considered an incorrect approach. In the same vein, from the triple bottom line CSR is related to complex issues such as environmental protection, human resources management,

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health and safety at work, relations with local communication media, and relations with suppliers and consumers.

Within the scope of the current work, the theoretical framework of CSR is focused on analysing the strategic use of CSR practices, since – according to McWilliams *et al.* (2006) – researchers are moving beyond just defining and identifying CSR practices to examine the strategic role of CSR in organisations. Fombrun and Shanley (1990) point out that investing in CSR attributes and practices may be important elements of product differentiation and reputation building. In the same line, Porter and Kramer (2006, p. 82) obtain that reputation is used by many companies to justify CSR practices on the grounds that they will improve a company's image and even raise the value of its stock. With the purpose of identifying whether CSR practices – both those CSR practices related to marketing-based strategies and those that are not – generate the same value creation, we have developed a binary variable that identifies whether companies' social behaviour has increased or not in the 2006-2008 period above their industries' average. Also, we have controlled for the firms' size and industry.

The sample of companies is made up of the 120 largest European companies whose CSR practices have been analysed by Deloitte and Kirchhoff Consult (2007, 2009)[1].

The results obtained underscore that all CSR practices have a positive effect on shareholder value creation and investors are able to detect the level of corporate commitment to sustainable development. On the other hand, none of the types of CSR practices analysed have a significant influence on corporate reputation. This finding may suggest some scepticism regarding these issues on behalf of different stakeholders and interest-groups, perhaps due to their inability to differentiate real CSR practices.

The paper is structured as follows: section 2 develops the strategic use of CSR practices and RBV theory. In section 3, CSR is analysed as a marketing tool and the research hypotheses are presented. Section 4 describes the research methods (population and sample), as well as the dependent, independent and control variables, and several models based on the variables selected to test the hypotheses are defined. In section 5, the results of the empirical analysis are given and then discussed in section 6. Section 7 summarises the main findings and consequences.

2. Triple bottom-line and CSR: RBV theory

Starting from the concept of TBL given in previous literature and that in this context we alternatively use together with corporate social responsibility, social responsibility and sustainable practices, this section will attempt to specify how CSR has come to be defined in its triple dimension (economic, social and environmental), and to integrate CSR as a source of competitive advantage.

TBL can be utilised to capture the whole set of values, issues and processes that companies must address or order to minimise any harm resulting from their practices and to create economic, social and environmental value (Ho and Taylor, 2007). In this regard, stakeholders (e.g. shareholders, customers, employees, governments, community and the general public) may be interested in social or environmental issues, in addition to economic performance. Thus, stakeholders may be concerned about whether a company is following a socially responsible path or whether it is acting in an environmentally friendly way.

In the same vein, from the triple bottom line CSR is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communication media, and relations with suppliers and consumers. Hence, companies voluntarily integrate social and environmental concerns in their operations and interactions with stakeholders (Castelo and Lima, 2006).

In this context, our understanding of CSR should be extended to an examination of the strategic use of CSR practices. Fombrun and Shanley (1990) established that investing in CSR attributes and practices may be important elements of product differentiation and reputation building.

Different theories have been used to explain the behaviour of economic unities related to CSR issues, such as the agency theory (Friedman, 1970), stakeholder theory (1984), stewardship theory (Donaldson and Davis, 1991), institutional and classical economic theories (Jones, 1995).

In addition to these overall theories that have been used in an attempt to find answers to different problems, other theories more directly linked to CSR have been developed. For instance, Waldman *et al.* (2004) apply strategic leadership theory to CSR, by arguing "that certain aspects of transformational leadership will be positively correlated with the propensity of firms to engage in CSR and that these leaders will employ CSR practices strategically" (McWilliams *et al.*, 2006, p. 3).

Likewise, the resource-based-view of the firm (RBV) considers that CSR should be extended to examine the strategic use of CSR practices and the strategic commitment of companies to CSR. As regards the RBV theory, it was introduced by Wernerfelt (1984) and developed latterly by Barney (1991), who points out that when "the resources and capabilities are valuable, rare, inimitable and non-substitutable, they can constitute a source of sustainable competitive advantage". According to Castelo and Lima (2006, p. 116) "resources include the assets that the firm uses to accomplish the practices they are engaged in to convert inputs into outputs and can be classified as tangible or intangible, and capabilities are thus seen as referring to the actions through which resources are used and that the firm engages in to get something done and accomplish its objectives"; consequently, resources and capabilities are used by firms to develop and implement their strategies.

Hart (1995) was one of the first studies to apply this theory to CSR, focusing exclusively on environmental social responsibility and arguing that it can be a resource or capability which leads to a sustained competitive advantage. Russo and Fouts (1997) test this theory empirically on firm-level data regarding accounting and environmental profitability and find that companies with higher environmental performance also have higher financial performance. McWilliams *et al.* (2002) suggest that CSR strategies supported by political strategies can be used to create a sustainable competitive advantage and Hedstrom *et al.* (1998) indicate that CSR strategies represent the greatest opportunity currently available to the business world to achieve greater success through new products and new technologies.

According to McWilliams *et al.* (2006), the application of this theory to CSR would involve some strategic implications. One of these implications is that, although CSR is not directly related to a specific feature of the product or production process, it can be regarded as an instrument for building and maintaining corporate reputation, by considering that companies with a good reputation can improve their relationships with customers, investors, bankers, suppliers and competitors, at the same time that they can attract the best employees and motivate current employees.

For Porter and Kramer (2006), strategic CSR involves both inside-out and outside-in dimensions working in tandem and the essential test that should guide whether CSR is worthy is if it presents an opportunity to create shared value that is a meaningful benefit for society, also valuable to the business. They argue that, through strategic CSR, the company will make the most significant social impact and reap the greatest business benefits.

When CSR is incorporated into value creation, the focus of the debate has to do with demonstrating the benefits to be had from adopting socially responsible projects. Along this line, previous studies have shown that organisations with a positive CSR profile offer a better return for investors (Grossman, 2005). In this sense, Barnett (2007) presents a conceptual framework that illustrates how firms generate financial returns from acts of CSR by developing a set of propositions to aid future research on the contingencies that produce variable financial returns to investment in CSR. Mainstream uptake of the CSR agenda ultimately reflects the growing significance of social responsibility as an indicator of financial prosperity.

3. CSR for value creation or CSR as a marketing tool? Research hypotheses

This section analyses some features which can help to identify whether the social and environmental practices carried out by different international companies are done in order to enhance corporate reputation and shareholder value creation in line with the RBV theory described above.

3.1 CSR and reputation

Reputation is an important factor in the social strategy – reputation – financial performance relationship. Within this relationship three kinds of studies can be featured:

(1) those that deal with the process of generating reputation or social prestige, which companies obtain through the CSR policies or strategies that they pursue (e.g. Brammer and Pavelin, 2004; Fombrun and Shanley, 1990; Toms, 2002);

(2) those that analyse to what extent reputation co-influences the financial performance of the company (e.g. Roberts and Dowling, 2002; Rose and Thomsen, 2004); and

(3) those whose aim is to analyse the paradigms as a whole.

This research is encompassed within the first group.

Weigelt and Camerer (1988) consider that “the company’s reputation consists of a set of economic and non-economic attributes, together with the organisation, and created from its past actions”. Therefore, it can be considered a variable stemming from the social policy of the company (Fernandez and Luna, 2007). Fombrun (1996, p. 57), for example, describes reputations as strategic assets that “produce tangible benefits: premium prices for products, lower costs for capital and labour, improved loyalty from employees, greater latitude in decision making, and a cushion of goodwill when crises hit”.

Moreover, reputation can be understood as an essential intangible element in the creation of competitive advantages for companies, especially from the perspective of strategic models based on resources and capabilities and environment models, as well. In this sense, Fombrun (1996) argues that reputation reflects a company's relative success in fulfilling the expectations of multiple stakeholders.

According to Poddi and Vergalli (2009), the concept of reputation seems to be of fundamental importance for its effects on CSR practices. The basic concept consists of considering reputation as a consequence and synthesis of a strategic business choice (Preston and O'Bannon, 1997). The decision to engage in socially responsible practices is perceived by consumers and by investors as a sign of possible future performance, especially in developed countries, where most consumers are willing to support CSR practices launched by corporations (Arli and Lasmono, 2010). Interestingly, Arli and Lasmono (2010) find that perceptions of the extent to which corporate are socially responsible could be the determining factor when consumers have to buy similar products with the same price and quality, so that they would buy from the firm that has a socially responsible reputation.

On the other hand, although they theoretically recognise a strong link between CSR practice and a reputation index, because the CSR variable is one of its fundamental elements, Poddi and Vergalli (2009) find that the reputation index is not significant, thereby highlighting either errors in their empirical model or a combination of internal weights. It should be noted that another key variable in building the reputation quotient is financial performance.

Based on previous literature and the absence of unanimity in the CSR-reputation relationship, we test the following hypothesis:

H1. Social and environmental practices are positively associated with corporate reputation and this effect is higher for those firms that use CSR as a marketing-based strategy.

3.2 CSR and shareholder value creation

The analysis of the influence of CSR practices on shareholder value creation should provide information about whether social and environmental practices undertaken by international companies create value for stockholders, or in other words, whether they generate added value.

Shareholder value creation can be defined as the increase in value for shareholders over and above the expectations that are reflected in the profitability required by these stockholders. According to the shareholder model, the objective of the firm is to maximise shareholder wealth through productive and dynamic efficiency. In this line, Brealey and Myers (2002) and Block and Hirt (2000) argue that shareholder wealth maximisation should be the overall goal of every corporate entity. Maximisation of shareholders' wealth ensures that shareholders are adequately compensated for the risk undertaken (Dufrene and Wong, 1996). Woods and Randall (1989) generally accept shareholder wealth as the aggregate market value of the common shares which in turn is assumed to be the present value of the cash flows that accrue to shareholders discounted at their required rate of return on equity.

From the classical arguments that support the priority of increasing returns on assets in order to increase profits and stock prices for stockholders, we are witnessing an evolution towards recent paradigms in which CSR is considered as essential in shareholder value creation. As a consequence, the debate has focused on evidencing the benefits from adopting socially responsible projects and how this affects shareholder value creation.

With regard to how to measure shareholder value creation, several performance measures have been adopted both on the market and in accounting, providing rather discordant results. The main accounting measures are linked to return on equity, return on assets, return on capital employed (Waddock and Graves, 1997; Preston and O'Bannon, 1997; McWilliams and Siegel, 2001), while market measures have to do with market capitalisation, beta and market value added (Cochran and Wood, 1984; Alexander and Buchholz, 1978).

Market measures have been defended by Hillman and Keim (2001), because they "capture the relative success of firms in maximising shareholder value through efficient allocation and management of scarce resources". In the same vein, Mittal *et al.* (2008, p. 1439) argue that market measures are relevant in today's context as these are the economic performance measures which tell us how much wealth in the real sense the companies have created for their stakeholders, and also how efficiently they are utilising the capital raised from different stakeholders. If a company is creating positive market measures, then it should be working in synchronisation with its CSR metrics.

The utilisation of these measures is also justified by Hillman and Keim (2001) on the basis of their ability to capture shareholder value creation. They capture both the valuation and performance, that is, the degree of wealth enrichment for the shareholders and the overall quality of capital management (Stern Stewart, 1996).

Market measures also have advantages when compared to other measures of shareholder value creation. Lubatkin and Shrieves (1986) and Rappaport (1992) consider these market measures as preferable to accounting measures because of their ability to capture the future value of income streams more appropriately. Therefore, accounting measures of performance, such as return on assets and return on equity, are less useful because they are not as successful in capturing the long-term value of the company or value created for shareholders; in addition, accounting measures of performance have difficulty in capturing intangible relationships (Barney, 1991).

From an empirical perspective, the findings obtained are not conclusive enough. For instance, Poddi and Vergalli (2009) find that the market measure decreases with the increase of CSR in their research on 417 international companies in 2004, thereby contradicting the previous result in which market measure is higher in CSR firms. On the contrary, Mittal *et al.* (2008) show a positive relationship between CSR practices and market measures, significant at the 5 per cent level; however, the correlation does not seem to be very strong. By differentiating some areas into which CSR practices are typically divided, Hillman and Keim (2001) point out that while community relations is the only positive and significant effect found in the regression analyses, product issues and environmental issues have an insignificant and negative relationship with market measures.

Given that the previous literature does not reach conclusive empirical findings despite the theoretical arguments, we will test the following hypothesis:

H2. Social and environmental practices are positively associated with shareholder value creation and this effect is higher for those firms that use CSR as a marketing-based strategy.

4. Research methods

4.1 Population and sample

To carry out this research, we took as a sample the 120 largest European companies whose CSR practices have been analysed by Deloitte and Kinchhoff (2007, 2009) in *The Good Company Ranking*, which has also provided us with data on CSR practices.

We opted for European companies because they have adopted an active stance on CSR (Van Tulder and Van der Zwart, 2006, pp. 225-229) and have developed the organisational aspects and sustainability-related responsibilities more deeply than other companies (Kolk and Pinkse, 2008). In this sense, given that government regulation is a significant determinant of corporate social and environmental strategies, the European system has focused on encouraging companies to play an active role, while it has also discouraged the evasive behaviour that firms display in other countries, such as the US (Van Tulder and Van der Zwart, 2006, pp. 225-229). In this line, Albino *et al.* (2009) analysed the companies included in the Dow Jones Sustainability World Index, and obtained that the percentage of European companies adopting environmental strategic approaches is above the sample average.

Financial data and reputation were obtained from the Forbes and Fortune web sites, respectively.

4.2 Dependent and independent variables

The main variables that are analysed in this work are corporate reputation and shareholder value creation, which will be the dependent variables; CSR practices form the independent variable used in our model.

Reputation is a dummy variable that takes the value of 1 if the company is one of the most admired firms worldwide according to the Fortune Ranking, and 0, otherwise.

Shareholder value creation is a numerical variable measured by the ratio: $[(\text{Market Value} - \text{Capital})_{2008} - (\text{Market Value} - \text{Capital})_{2006}]/(\text{Market Value} - \text{Capital})_{2006}$, in which higher number equals greater value.

CSR is a numerical variable that measures the total points obtained by a specific company in *The Good Ranking*. We have opted for this variable, because *The Good Ranking* is considered as a prestigious list of European companies by investors, analysts, rating agencies, and so on.

Marketing is a dummy variable that takes the value of 1 if the company's CSR value has increased in the period 2006 to 2008 above the average of the industry which the firm operates in and 0, otherwise.

CSR Marketing is a numerical variable which depicts the interactions of the variables CSR and Marketing and identifies the practices of the firms that improve their behaviour above the average of the industry which they operate in. This dichotomy aims to determine which companies are making larger investments in CSR, and, according to McWilliams *et al.* (2006), would be assimilated to CSR strategies oriented to marketing, which enable them to differentiate themselves from competitors, since different stakeholders – and, especially, customers – are able to identify them.

4.3 Control variables

In addition to the dependent and independent variables proposed, Husted and Allen (2007, p. 602) state that CSR researchers have emphasised the need to control for firm size and industry sector, "to ensure that any relationship found between shareholder value creation and social issue participation are not a result of other confounding variables" (Hillman and Keim, 2001).

Firm size has been considered in previous papers, because it can influence both corporate performance and CSR (e.g. Ullmann, 1985; Waddock and Graves, 1997; Prado-Lorenzo *et al.*, 2008; Hillman and Keim, 2001; Prado-Lorenzo *et al.*, 2009). The findings obtained when testing the influence of size are diverse. Whereas Hillman and Keim (2001) obtain a significant effect on shareholder value creation, using net income and sales to represent size, Poddi and Vergalli (2009) find a non-significant relationship. Previous works have employed different measures for corporate size: number of employees, total assets, total sales and net income; this research uses total assets.

Different authors (e.g. Waddock and Graves, 1997; Fernandez and Luna, 2007) have indicated a need to control for industry sector. A review of the influence of industry sector on shareholder value creation and corporate reputation in previous works indicates that the industry does not seem to influence the first variable. As for the effect on corporate reputation, the relationship is statistically significant at the 10 per cent level. In this research, the industry sector is a dummy variable that takes a value of 1 if the company does business in sector k, and 0 otherwise. Moreover, in the model of shareholder value creation, we include the variation in return on assets from 2006 to 2008, since it is an explanatory variable for market value.

4.4 Analysis technique

Based on the variables selected to test the first of the hypotheses proposed, we have defined the following model (1), in which the corporate reputation is a function of CSR practices, firm size and activity sector:

$$\text{Corporate reputation} = f(\text{CSR, CSR Marketing, Size, Activity Sector}) \tag{1a}$$

Model (1) can be empirically estimated by using the equation (1b):

$$\text{Reputation}_i = \beta_0 + \beta_1\text{CSR}_i + \beta_2\text{CSRMarketing}_i + \beta_3\text{SIZE}_i + \Sigma_k\beta_i\,\text{SECTOR}k_i + \varepsilon\ k = 1\ldots10 \tag{1b}$$

To test the second hypothesis proposed, we also estimate the following model (2), in which shareholder value creation is a function of CSR practices, firm size and activity sector.

$$\text{Shareholder value creation} = f(\text{CSR, CSR Marketing, Size, ROA and activity sector}) \tag{2a}$$

Model (2) can be empirically estimated by using the equation (2b):

$$\text{Shareholder value creation}_i = \beta_0 + \beta_1\text{CSR}_i + \beta_2\text{CSR Marketing}_i + \beta_3\text{SIZE}_i + \beta_4\text{ROA}_i + \Sigma_k\beta_i\text{SECTOR}k_i + \varepsilon\ k = 1\ldots10 \tag{2b}$$

Model (1b) was checked empirically through a logistic regression owing to the binary nature of the dependent variable, whereas a linear regression was run for model (2b) given that shareholder value creation is a numerical variable.

5. Results of the empirical analysis

5.1 Statistical description

Tables I and II display the descriptive statistics for the variables used and their bivariate correlations.

Table II displays the analysis of the relationships between independent and dependent variables. More specifically, REPUTATION has a negative relationship with the control variables FINANCIAL INDUSTRY (−0.4469) and SIZE (−0.3791), and a positive association with the independent variables CSR (0.2796) and CSR Marketing (0.2679). Also, the variable REPUTATION shows a negative relationship with the variable CSR (−0.3721). Significant correlations between the independent variables are not detected, suggesting the absence of multicollinearity problems in the analysis models proposed.

5.2 Dependence models

The results obtained from estimating models 1b and 2b, designed to test the hypotheses proposed, are provided in Tables III and IV.

Model 1, which checks the impact of sustainable practices on corporate reputation, shows an explanatory capacity of 38.20 per cent for a confidence level of 99 per cent (p-value < 0.01). Only two out of the 12 variables proposed are statistically relevant: SIZE and CONSUMER GOODS industry, which reflect control variables with a significant and positive effect. The remaining control variables have a positive influence – except for TECHNOLOGY and UTILITY – but they are non-significant from a statistical perspective.

The independent variables proposed to test the effect of CSR practices, in general, and marketing-based CSR practices, in particular, on business reputation enable us to observe that they are positively valued by interest groups, although their effect cannot be considered as statistically significant. Consequently, hypothesis H1 cannot be accepted.

Model 2, used to check the impact of sustainable practices on value creation for shareholders, displays an explanatory capacity of 64.20 per cent, for a confidence level of 99 per cent.

Six out of the 13 variables proposed – four control and two independent variables – are statistically significant. Specifically, the variables representing oil and gas,

	Mean	Maximum	Minimum	Standard deviation
VARIATION_SVC*	−0.5563	0.71	−0.98	0.25849
Variation ROA0607	0.1062	5.81	−3.31	1.05143
Size	351.288	1949.00	4.17	530.67261
CSR	47.2242	69.40	1.50	14.09128
CSR Marketing	27.9783	69.40	0	24.26285

Note: *VARIATION SVC is shareholder value creation variation

Table I.
Descriptive statistics

Table II. Bivariate correlations

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	VARIATION_SVC															
2	REPUTATION	0.1169														
3	Size	−0.3791	0.0936													
4	Oil and gases	0.2584	0.1873	−0.1095												
5	Telecommunications	0.1634	0.1873	−0.1100	−0.0526											
6	Basic materials	0.1442	0.1306	−0.1577	−0.0571	−0.0571										
7	Industrials	−0.1033	−0.0258	−0.1466	−0.0653	−0.0653	−0.0709									
8	Health care	0.1427	−0.0546	−0.1542	−0.0613	−0.0613	−0.0665	−0.0761								
9	Financials	−0.4469	−0.0077	0.7727	−0.1383	−0.1383	−0.1501	−0.1717	−0.1612							
10	Technology	−0.1751	−0.1249	−0.1147	−0.0526	−0.0526	−0.0571	−0.0653	−0.0613	−0.1383						
11	Consumer goods	0.1555	0.0255	−0.2152	−0.1147	−0.1147	−0.1244	−0.1424	−0.1336	−0.3015	−0.1147					
12	Consumer services	0.0266	−0.1272	−0.1869	−0.0834	−0.0834	−0.0905	−0.1035	−0.0971	−0.2192	−0.0834	−0.1817				
13	Utilities	0.1144	−0.1227	−0.1454	−0.0613	−0.0613	−0.0665	−0.0761	−0.0714	−0.1612	−0.0613	−0.1336	−0.0971			
14	Variation ROA0607	0.1643	−0.0363	−0.1409	−0.0538	−0.0194	−0.0457	0.0705	0.1687	−0.1268	−0.1765	0.0334	0.1910	−0.0286		
15	CSR	0.2796	0.3721	0.0648	0.1838	0.1143	0.0609	0.0683	0.0331	0.0011	−0.0609	−0.1575	−0.1597	0.0864	−0.0335	
16	CSR marketing	0.2679	0.0829	−0.1652	0.0955	−0.0960	0.0595	0.0583	0.0125	−0.0935	−0.0678	−0.0295	0.0322	0.1013	0.1228	0.1337

	Model 1b (Dependent variable: reputation) Beta	Wald
(Intercept)	−0.4439	0.0574
Size	0.0012	3.8017**
Oil and gases	21.5963	0.0000
Telecommunications	21.7648	0.0000
Basic materials	21.6991	0.0000
Industrials	1.3644	1.1927
Health care	1.9033	1.6768
Technology	−0.4544	0.0903
Consumer goods	2.3167	3.6791**
Consumer services	1.0179	0.7178
Utilities	−0.3862	0.1068
CSR	−0.0081	0.0794
CSR marketing	0.0099	0.6416

$R^2 = 0.382$
Chi-square = 27.277***

Notes: *p-value < 0.1; **p-value < 0.05; ***p-value < 0.01; Financials was removed because of collinearity problems among dummy variables

Table III.
Logistic regression results

	Model 2b (Dependent variable: shareholder value creation) Beta	t
(Intercept)		−7.0845***
Size	−0.1330	−0.9140
Oil and gases	0.2808	2.3786**
Telecommunications	0.2455	2.1320**
Basic materials	0.1638	1.3421
Industrials	−0.0244	−0.2054
Health care	0.2271	2.0489**
Technology	−0.0569	−0.5403
Consumer goods	0.2572	1.9165**
Consumer services	0.1200	0.9800
Utilities	0.1721	1.5281
Variation ROA0607	0.1043	1.0885
CSR	0.1778	1.7450**
CSR marketing	0.1920	2.0332**

$R^2 = 0.642$
F = 3.893***

Notes: *p-value < 0.1; **p-value < 0.05; ***p-value < 0.01; Financials was removed because of collinearity problems among dummy variables

Table IV.
Linear regression results

telecommunications, health care and consumer goods industries exhibit a positive and statistically significant impact, for a confidence level of 95 per cent.

The independent variables CSR and CSR marketing positively influence value creation for shareholders, for a confidence level of 95 per cent. The finding that CSR marketing has a significant and positive effect indicates that such practices create more added value than those featured as non-marketing-based. This result gives support to the proposed hypothesis *H2*.

6. Discussion of results

The findings show that all CSR practices (both those undertaken with a reputational purpose and those which are not) have a positive effect on shareholder value creation, so that investors are able to detect the level of corporate commitment to sustainable development.

These results are in accordance with the findings obtained previously, such as those of Mittal *et al.* (2008) and Hillman and Keim (2001), whose evidence supports a positive and significant relationship between certain CSR practices and market measures related to value creation for shareholders.

On the other hand, our results linked to shareholder value creation are opposed to those of Poddi and Vergalli (2009), for whom there is an inverse relationship between market measures and the increase in CSR practices.

As for our findings related to corporate reputation, none of the types of CSR practices analysed evidence a relevant and significant influence on reputation. This finding seems to suggest some degree of scepticism regarding these issues on the part of different interest groups, perhaps due to their inability to differentiate between real CSR practices or marketing-based CSR practices. In this sense, our findings are in line with Poddi and Vergalli (2009), who obtain that the reputation index is not significant, thereby highlighting either errors of their empirical model or a combination of internal weights.

Therefore, the findings obtained indicate that all CSR practices undertaken by companies do create value for shareholders; however, they do not influence corporate reputation.

7. Conclusions

7.1 General conclusions

Nowadays, there is an increasing and greater concern about the social and environmental effects of companies' practices. In this vein, the triple bottom line can be used to capture the whole set of values, issues and processes that companies must address in order to minimise any harm resulting from their practices and to create economic, social and environmental value.

The creation of value beyond the strictly economic value has changed the debate in current corporations, which may undertake socially responsible practices in order just to reinforce their reputations or indeed to create real value for shareholders. Consequently, many corporations can use CSR practices as a marketing tool or propaganda.

By taking into consideration that the understanding of CSR should be extended to an examination of the strategic use of CSR practices, especially in a context in which companies engage in CSR strategically on the basis of the RBV theory, this study has attempted to provide some insights about whether CSR as a marketing tool oriented to enhance firms' image can be considered as a value driver. The effect of CSR practices on reputation and shareholder value is analysed. With the purpose of identifying whether CSR practices – both those CSR practices related to marketing-based strategies and those which are not – generate the same value creation, we have developed a binary variable that identifies whether companies' social behaviour has increased above their industries' average or not in the 2006-2008 period.

After studying the effect of CSR practices on a sample of the 120 largest European firms, we find that all CSR practices, and especially those related to marketing purposes, that is, those linked to enhancing a company's image and that we have denominated CSR marketing, since it identifies the practices of firms that improve their behaviour above the average of the industry they operate in and determines which companies are making larger investments in CSR, and have a positive effect on shareholder value creation, so that investors are able to detect the level of corporate commitment to sustainable development.

According to McWilliams *et al.* (2006) these CSR practices would be assimilated to CSR strategies oriented to marketing, which enable them to differentiate themselves from competitors, since different stakeholders – and, especially, customers – are able to identify them. However, none of the types of CSR practices analysed evidence a relevant and significant influence on that reputation.

7.2 Managerial implications

The importance of CSR in society is not a fashion issue and is not likely to decrease any time soon, since as, we have found in our research as well as others authors such as Mittal *et al.* (2008) and Hillman and Keim (2001), CSR practices (both those undertaken with a reputational purpose and those which are not) have a positive effect on shareholder value creation.

Thus, managers at companies that engage in CSR need to consider what it implies for the organisation. Moreover, the literature clearly states that a CSR strategy has to be part of the main company strategy to be successful in the long term (Porter and Kramer, 2006). And, in this sense, the findings of the current work should be considered by managers when designing a corporate CSR strategy.

More specifically, managers should consider that, in order to obtain competitive advantages from these strategies, firms can increase their investment in CSR significantly as compared to their competitors, so that the latter will be unable to imitate them. These situations could lead different stakeholders – clients, investors, etc. – to be able to appreciate the behaviour of a sustainable company, by comparison with the remaining companies, which can create added value for the company.

7.3 Limitations and future research

On the one hand, this research should not be regarded as conclusive enough. From our perspective, future studies should extend the number of practices analysed and the number of companies used, by employing observations from different countries worldwide (and not just from European companies), thereby considering different regulatory contexts. Another issue which can be improved is the time period analysed.

Concerning performance measures, other choices can be employed, such as Tobin's Q or accounting measures of performance (e.g. return on assets and return on equity).

Nonetheless, according to the previous literature, these performance measures are less useful because they are not as successful in capturing the long-term value of the company or value created for shareholders.

Note

1. Data for 2006 and 2008.

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