

The firm under the spotlight: how stakeholder scrutiny shapes corporate social responsibility and its influence on performance

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Abstract-

Since stakeholders cannot directly observe corporate social responsibility (CSR) efforts, companies attempt to back up their increasing sustainability claims by sending CSR signals. The environment in which signaling takes place influences the credibility of the signals. Among the factors that make up the signaling environment, the overall exposure of the company to different stakeholders (i.e., stakeholder scrutiny) has been neglected by the literature. Using signaling and stakeholder theories, we argue how stakeholder scrutiny shapes CSR signals' credibility. We empirically analyze a sample of 5762 firms across several sectors from 23 developed countries from 2013 to 2017. Stakeholder scrutiny exercises a positive effect on the credibility of CSR signals through a mediated-moderated impact of CSR (across environmental, social, and governance dimensions) on firm performance.

Index Terms- corporate financial performance, corporate social responsibility, ESG, signaling theory, stakeholder engagement, stakeholder theory

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