Linking CSR to firm performance: the moderating role of advertising expenditure

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Abstract

This research integrates agency, legitimacy and resource-based theories to examine how advertising expenditure moderates the relationship between corporate social responsibility (CSR) and firm performance. Based on a worldwide dataset, we run fixed effects panel regressions. The results underscore advertising, a signal of reputation and visibility as is CSR, as a critical factor influencing firm performance. In developed countries and countries with a strong CSR culture, the relationship between CSR and firm performance is more pronounced for firms with high advertising intensity, meaning that CSR and advertising can be complementary rather than substitute. The results have important implications for firms when deciding about CSR and advertising budgets. They also highlight that economic development, alongside with CSR culture, significantly impact sustainability outcomes.

Track: Sustainabilty, CSR and Marketing