Firm Performance, Disclosure of Corporate Social Responsibility and the Effect of Corporate Reputation and Corporate Governance: A Cross Country Analysis

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Abstract: - This study examines the impact of corporate governance and corporate reputation on firm performance and corporate social responsibility disclosure. For this purpose, we use a moderating-mediation approach, utilizing data from 4255 observations across 732 enterprises from 2009 to 2021. The research findings reveal that corporate social responsibility disclosure significantly influences corporate reputation, particularly in enhancing business performance. The findings also demonstrate a moderate association between corporate governance, corporate social responsibility, and corporate reputation. Moreover, the investigation highlights the critical role of corporate reputation, ownership concentration, and CEO integrity in promoting corporate social responsibility disclosure and improving business performance. Finally, the paper discusses the practical and theoretical contributions of the research.

Key-Words: - Corporate reputation, CEO integrity, Ownership concentration, Firm performance, and Corporate social responsibility disclosure

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1 Introduction

Under ISO 26000 corporate social responsibility (CSR) rules, most businesses must provide annual statements detailing their CSR activities. [1], presents three reasons for disclosing CSR data: first, it enhances a company's financial and economic performance; second, it improves its reputation and credibility; and third, it strengthens social ties. A correlation between organizational performance and corporate social responsibility disclosure may develop when businesses proactively disseminate CSR-associated data that encounter or exceeds stakeholder expectations, [2], [3], (Figure 1).

However, stakeholders have increasingly criticized certain companies' CSR practices, suspecting insincere motivations behind some CSR programs. They view some CSR initiatives as "greenwashing," where businesses consistently display their CSR commitment while concealing questionable commercial practices. [4], [5], found that when corporate social responsibility disclosure is voluntary, firms tend to disclose only positive commercial data that reflects favorably on business performance. Some concerns announced that CSR initiatives might not be genuinely implemented, leading to doubts about their authenticity. Consequently, CSR reporting by companies has suffered credibility loss and started to work against them, [6], [7], [8]. If CSR efforts are communicated carelessly, it could tarnish a firm's image as individuals may prioritize superficial attributes over actual benefits, adversely impacting the organization's performance. Therefore, management procedures must thoroughly understand how CSR reporting influences organizational performance.

Several empirical studies on the relationship between Corporate Social Responsibility Disclosure (CSRD) and business performance have reported conflicting results, [9]. Given the considerable variation in this relationship, further research is necessary to ascertain the direct link's significance and determine whether it is beneficial or detrimental, [9], [10], [11]. Various literature reviews on the subject, [12], [13], [14], suggest that additional complicating factors influence the direct link between the two. These variables warrant further empirical exploration. It is crucial to acknowledge that CSR programs offer a means for companies to comply with societal norms, [15], [16], [17], [18] [19]. Rating agencies frequently compile lists of companies ranked by their adherence to legal requirements, which are then reported by the media. Using this publicly existing data, stakeholders can weigh a firm's commitment to social responsibility. Consequently, companies are striving harder to distinguish themselves by launching CSR initiatives to maintain a favorable societal reputation, [19], [20], [21]. Nonetheless, a comprehensive examination of the factors influencing this relationship and its outcomes is lacking.

Firms offer social, political, and economic benefits to the entities that support them to thrive and grow, [22], [23], [24]. As such, the necessity for companies to act in ethically, ecologically, and socially responsible ways is progressively recognized in the corporate world, [25], [26]. As companies become more aware of stakeholder expectations, the importance of corporate social responsibility reporting grows in order to uphold their dedicated responsibilities, [27], [28]. The theoretical framework proposed by Ullmann has been supported by several empirical studies, except for the impact of shareholders, who are considered key stakeholders, [27]. Since the study focused on a specific subset of shareholders with concentrated ownership, the conclusions regarding the targeted stakeholder group were unclear. This observation is based on the premise that the priorities of numerous shareholders may not align with corporate social responsibility practices and exposures, potentially explaining the insignificance of the findings.

As such, it is common in many Western Continental European nations for a dominant shareholder to retain control over a firm while possessing only a minor portion of its revenue. Various strategies, including share classes, pyramid structures, and cross-holdings, are often used to maintain this control, [6], [22], [29], [30], [31]. Companies implementing ethical practices will likely discover untapped economic opportunities and benefits that may not immediately favor investors, [32], [33]. Moreover, companies must clearly articulate their conduct to the market to protect their reputation. According to, [34], [35], and [36], shareholders' active involvement in corporate governance processes significantly affects corporate governance's ethical, social, and environmental aspects. In line with this, our research aims to investigate the influence of dispersed ownership and shareholder control on the decision to disclose corporate social responsibility reports, considering other factors proposed by Ullmann. Previous studies have identified the key stakeholders in the Spanish and European frameworks as financial institutions, shareholders, and central shareholders, [37], [38], [39]. Additionally, earlier research has revealed conflicting objectives regarding CSR and its disclosure.

The present research seeks to explore the role of CSR disclosure (CSRD) in moderating the relationship between corporate performance and corporate reputation (CR), given empirical and theoretical evidence that CR can be enhanced through CSR-related initiatives and that the impact of CSR performance on corporate performance varies when mediated by CR, [40], [41]. The findings of, [42], [43], [44], which examined the relationship between managerial decisions and ethical executives linked to CSR, also form the basis for this research. It intends to fill a research gap regarding the primary mechanism that links executives' integrity to a company's CSR approach, as highlighted in earlier studies, [41], [45]. The study also investigates whether the integrity of the executive team and ownership concentration, especially that of the chief executive officer, chief financial officer, and chief marketing officer, could lessen the CSR disclosure's influence on a firm's reputation.

This investigation contributes several significant novel perspectives to existing knowledge. First and foremost, it enhances our understanding of Corporate Social Responsibility (CSR) initiatives, corporate reputation, CEO characteristics, and corporate performance by highlighting the significance of CSR disclosure (CSRD) in attaining a competitive advantage for enterprises. Secondly, it examines the impact of corporate reputation and CEO integrity, providing a novel lens through which to study the relationship between CSR disclosure and business performance. Thirdly, the research considers potential factors like corporate reputation and ownership concentration to ascertain the indirect and direct associations between CSR disclosure and business performance. Therefore, this study supplements corporate reputation, executive characteristics, corporate performance, and CSR disclosure information. The study's conclusions are drawn from analyzing data collected from 830 of Fortune's top-ranked global corporations, spanning 31 countries from 2005 to 2011. The data were analyzed using the Generalized Method of Moments (GMM) methodology, implemented through Stata 13.

The remainder of the article is structured as follows: The second section discusses relevant theories and presents related empirical evidence. The methodology adopted is detailed in segments 3, 4, and 5, presenting the research findings and fostering an argument around them. Following this, an analysis of the practical and theoretical contributions of the study is conducted, leading to the conclusion of the research.

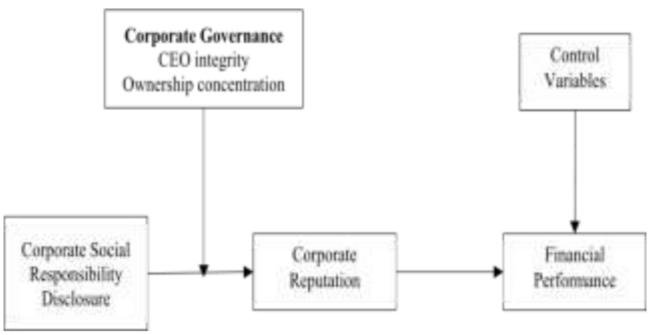

Fig. 1: Conceptual Structure

2 Theoretical Evidence & Development of Hypotheses

2.1 Firm Performance and Corporate Social Responsibility Disclosure (CSRD)

"CSRD" refers to an organization's disclosure or public discussion of its societal actions, encompassing aspects of society, the environment, and employees. There are two potential strategies for CSRD. Firstly, it can be mandated by law, necessitating businesses to provide information about their societal actions. Secondly, Corporate Social Responsibility disclosure can be voluntary, permitting companies to decide whether or not to reveal specific details, [46]. In this latter case, the quantity and nature of the information disclosed would differ from company to company, [6]. Over time, many countries have adopted mandatory CSR reporting, viewing it as a requirement for transparency, [3]. A company may take a proactive stance by deliberately exceeding minimum shareholder expectations in managing CSR-related information or reporting, or it may adopt a reactive stance by yielding to public pressure, [46], [47], [48], [49], [50]. Regardless of the strategy used, a company's CSRD provides insights into its CSR-related activities and initiatives, thereby revealing the extent of its involvement in CSR projects.

Current research focuses on stakeholder engagement to explore the relationship between corporate social responsibility and company performance. According to stakeholder theory, various stakeholders in a company, including suppliers, customers, and employees, can influence the implementation of initiatives, [51], [52], [53]. By meeting their expectations and addressing their concerns, a company can avoid behaviors that could lead stakeholders to resist or obstruct the company's objectives. [54], legitimacy theory posits that a group seeks to conform to societal norms and be recognized as a valuable member of society. From this perspective, a company's reputation could be at risk if it fails to uphold societal values. Hence, shareholders and the public tend to perceive companies with a good track record in CSR activities as credible. This perceived credibility can significantly influence the company's financial outcomes. Conversely, companies involved in negative CSR practices risk their legitimacy being questioned. In light of these perspectives, several researchers have demonstrated that CSR initiatives positively influence corporate performance.

Companies that actively disclose positive CSR data that meets or surpasses stakeholder expectations could enhance the relationship between Corporate Social Responsibility Disclosure (CSRD) and company performance. Supporting this viewpoint, various researchers have provided evidence that CSRD positively impacts company performance, [55], [56], [57]. However, [41], argues that empirical studies relating CSRD to corporate performance have yielded contradictory results. Given this preceding discussion, we propose the following hypothesis:

H1: Corporate Social Responsibility Disclosure (CSRD) significantly influences firm performance.

2.2 Corporate Reputation (CR) Like a Mediator

Corporate Reputation (CR) serves as a measure of an entity's overall performance. It represents the evaluation of stakeholders—clients, employees, investors, and vendors—of the company's behavior compared to other businesses and their objective expectations for business practices, [58]. [59], emphasized three facets of a company's reputation in their review: 1) recognition, 2) acknowledgment of a specific quality, and 3) widespread acclaim. This research focuses on the third facet, defining corporate reputation as the holistic view that encapsulates public opinions about a company.

According to, [60], a corporation can enhance its reputation by engaging in CSR activities. Therefore, ethical actions by a company can positively impact the public's perception and evaluation of that company. From the public's perspective, transparency and publicity about a firm's CSR efforts are necessary to increase their awareness. The positive societal influence of CSR programs hinges on efficient disclosure and communication.

Regardless of the financial investment in CSR initiatives, they are considered ineffective if not publicly disclosed. Therefore, through CSRD, a company can gain vital insights into the aspects contributing to an enhanced reputation. Numerous scholars support that corporate reputation (CR) positively impacts business performance. Following the resource-based perspective theory. [52], [61], found that the firm's reputation substantially influences its effectiveness, [62], [63]. Aligning with this, [64], [65], and, [66], examined 230 companies featured in Fortune's list of America's Most Admired Companies and demonstrated a company's reputation's crucial role in its success.

Within the realm of existing research, few scholars have explored and advocated for the mediating role of corporate reputation (CR) in the relationship between company performance and CSR disclosure, such as, [67], conducted a study on a sample of ninety-six industrial firms in Taiwan, revealing that corporate reputation partially mediates the relationship between CSR and brand performance. A comparative study of 280 Australian businesses, [35], [48], and, [68], found that corporate reputation fully mediates the link between CSR and company performance. Echoing these findings, [69], analyzed 205 Iranian firms and found that corporate reputation and customer satisfaction are intermediaries between corporate social responsibility and organizational performance. Further, concentrating exclusively on SMEs of Ghana, [40], underscored the significant mediating effect of business reputation between CSR and firm performance. Limited research investigates the mediating role of corporate reputation (CR) in the relationship between CSRD and company performance. Drawing from the above discussion, we propose the following hypothesis:

H2: Corporate reputation mediates the relationship between corporate social responsibility disclosure and firm performance.

2.3 CEO (Chief Executive Officer) Integrity Like a Moderator

Integrity is often understood as adherence to strong ethical values and transparency. However, there remains a lack of consensus among scholars studying ethical governance over the precise interpretation and definition of integrity. Current literature often associates integrity with honesty, ethical conduct, consistency, and fairness, [45]. Despite limited scholarly attention, [70], [71]. Existing studies have identified common integrity-related features. We adopt the concepts of integrity outlined by, [70], [71], defining a chief executive officer's integrity as loyalty, honesty, and ethical courage.

In the context of ethical leadership, a CEO or top executive with ethical discernment is presumed to avoid engaging in unethical practices. Furthermore, their behavior would promote ethical courage, honor, and integrity among followers. A CEO with high integrity is likely to stick to steadfast values and beliefs, hence recognizing ethical implications during decision-making processes, carefully weighing these factors, and prioritizing ethical considerations in business decisions for success, [72]. Through this approach, the company could implement tangible corporate social responsibility (CSR) strategies. From this perspective, when the public perceives a company's genuine commitment to CSR, they are likelier to trust the information related to CSR disclosure (CSRD), [71].

CEOs with high integrity are inclined to provide accurate and transparent information about CSR activities and the actual performance of their business. It, in turn, enhances the community and stakeholders' trust in the company's sincere commitment to CSR, thereby improving its reputation and benefiting from positive public perceptions. Essentially, a CEO's high integrity amplifies the influence of CSR disclosure (CSRD) on a company's reputation (CR). In light of the preceding discussion, we propose the following hypothesis:

H3: The integrity of the chief executive officer moderates the relationship between corporate social responsibility disclosure and corporate reputation.

2.4 Ownership Concentration, Like a Moderator

Within existing corporations, potential conflicts of interest between shareholders and management may arise, potentially leading to a decrease in the organization's value if managers prioritize their interests over enhancing the company's reputation. Corporate Social Responsibility (CSR) may be seen as a principal-agent problem if managers overly emphasize spending on CSR initiatives to bolster the company's reputation as a responsible entity, [73]. This enhanced reputation might boost executives' overconfidence, leading to decisions that could ultimately diminish value, [74]. Thus, it is essential to consider the aspect of ownership concentration when examining the association between a company's reputation and corporate social responsibility.

The entrenchment theory proposes that managers use this technique to retain their power, preserve their positions, and increase their financial benefits instead of focusing on augmenting the firm's overall value, [75]. This theory suggests that concentrated ownership structures exacerbate agency problems. A key motivation for shareholders is acquiring knowledge to influence corporate policy, which can lead to information asymmetries. These asymmetries can, in turn, impact CSR decisions, [76]. Due to information inequality, managers might obscure the true intentions behind their CSR decisions. It often results in the privileging of managers' interests over the firm's well-being, which could adversely affect the company's financial performance.

On the other hand, stakeholder theory asserts that organizations should treat all their stakeholders equitably and that investment in corporate social responsibility can ramblingly enhance a company's, [77]. The resource-based view further suggests that CSR can improve financial performance by helping companies develop internal assets like managerial expertise, technological know-how, and organizational culture whereas simultaneously boosting the company's reputation and reaping external benefits, [78]. This view is supported by several empirical studies, like those of, [79], [80], who found that investments containing the highest CSR-performing businesses yielded positive abnormal returns. However, some studies have failed to establish a strong link between CSR and corporate reputation, [81]. In light of the above discussion, we propose the following hypothesis:

H4: Ownership concentration moderates the relationship between corporate social responsibility disclosure and the company's reputation.

3 Data & Methodology

3.1 Sample Selection & Data

Our research relied on the World's Most Admired Firms (WFMA) list, published by Fortune, to select firms. We conducted data collection in three stages. First, we manually extracted data from Fortune's website, gathering information such as the names of WFMA firms, their industries, and the location of their headquarters. This data covered the period from March 2009 to March 2021. Our final list was confined to publicly listed companies operating as of March 2021.

In the second stage, we utilized data from Fortune's rankings, which evaluate a firm's economic resilience and global reputation. These rankings, ranging from 1 to 17, are fundamentally based on a company's reputation. Simultaneously, we dynamically retrieved financial data from Bloomberg. It included net income, sales revenue, return on equity (ROE), return on assets (ROA), the proportion of independent board members, the debt-to-equity ratio, CEO remuneration, expenditures, total assets, and various economic indicators. We calculated Tobin's Q ratio for 2009 to 2021 using this information. It was instrumental in exploring the dichotomy of the CEO using financial information.

Bloomberg also provided a CSRD (Corporate Social Responsibility Disclosure) transparency rating from 2009 to 2021. This rating assessed corporate performance in governance, environment, and social responsibility. Our data set comprised 4255 observations from 732 companies in 30 distinct industries, per Fortune's WFMA classification. We excluded any data with erroneous values. These observations were collected over seven fiscal years, from March 2009 to March 2021. Furthermore, we utilized data from the World Economic Forum's Global Competitive Report, which includes annual business turnover and the standard of auditing and reporting criteria for each nation.

Since 2009, the Global Competitive Report has been published annually to examine the unique and innovative characteristics of 125 countries. This report evaluates public and private organizations within each nation by applying 22 variables. The scores included in our study are derived from an annual executive survey conducted in each respective country. The constituent parts of the organization's pillar were rated using a Likert scale, with 1 being the minimum score and 7 denoting the maximum. The aggregate score for the organization is derived from the weighted scores assigned to each component of the organization's pillar.

3.2 Control Variables

3.2.1 CEO (Chief Executive Officer) Duality

A strong and transparent governance structure can be established when a company's CEO also serves as its board chairperson. However, this dual role can also result in an overreliance on the CEO, potentially damaging the company's image and financial performance. To quantify CEO duality, we utilize a dummy variable; a value of 1 denotes that the CEO is also the board chairperson, and a value of 0 signifies that they are not, [82].

3.2.2 Firm Size

Historically, a firm's financial strength has been correlated with its performance and reputation. [83], [84], combined total assets and the number of employees to calculate a firm's size in their previous studies.

3.2.3 Leverage

Financial performance is a critical determinant of a company's debt level and a potential solution for agency issues in publicly listed firms. Following previous studies by, [85], [86], we use the debt-to-equity ratio to measure financial leverage.

3.2.4 Institutions

Institutions significantly shape the evolving patterns of social, political, and economic relations, [87]. One form of an institution, the legal system, can influence how financial actors operate within an economy. Therefore, the presence and characteristics of a legal institution can influence an organization's performance and reputation. We utilize an assessment method that accounts for the institutions' effects. Additionally, we examine if the institutions in the home countries of the selected firms, as identified by the Global Competitive Report of the World Economic Forum, significantly influence their business practices.

3.2.5 COVID-19 Period

The onset of the COVID-19 pandemic in December 2019 and its rapid spread in 2020 harmed the public image and performance of the companies under investigation. Our data set includes the COVID-19 period, such as 2020 and 2021. We use a dummy variable named COVID-19 to account for the pandemic effect on our results, assigning a value of 0 to data before the pandemic and 1 in 2020 and 2021.

3.2.6 Industry Performance

The effect of the industry in which a company operates is often taken into account in previous studies on firm performance. We incorporate this element in our study to fully represent the organization's impact on performance. This approach to understanding an organization's influence is informed by the research conducted by, [88], [89]. We can evaluate the average performance within specific industries by examining every organization's mean return on assets.

3.2.7 Dummy Year

We counteract the impact of the yearly influence because some factors that were not accounted for in our methods significantly affect a company's operations and performance.

3.2.8 Dummy Country

Numerous elements related to a company's home country can influence its performance. It can be due to the diversification of demand and capital expenditure across different countries. Country-specific factors can also significantly impact the competitive appeal of companies in global markets, thereby influencing their performance and reputation. These elements underscore the importance of considering the local context when evaluating a company's performance and reputation.

3.3 Empirical Approach

To test Hypothesis H1, which suggests that company performance (the dependent variable) is influenced by CSRD (Corporate Social Responsibility Disclosure, the independent variable), we use equation (1). This equation incorporates several control variables to consider potential impacts on business performance. These models are constructed using explanatory and control variables with a one-year lag based on the premise that the previous year's actions influence the current year's success, [90], [91]. Therefore, we incorporate lagged explanatory and control variables into these models.

$$FP_{k,t} = \alpha_0 + \alpha_1 CSRD_{k,t-1} + \alpha_{ky} y_{k,t-1} + \alpha_{9Crisis_t} + \alpha_{10} Dummy\ Country_k + \alpha_{11} Dummy\ Year_k + \text{C}_{k,t} \quad (1)$$

Following the recommendations of, [92], for using structural equation modeling (SEM) to evaluate indirect links, we construct two equations. In equation (2), Corporate Reputation (CR) is the dependent variable, and corporate social responsibility disclosure is the independent variable. In equation (3), company performance is the dependent variable, and Corporate Reputation (CR) is the independent variable. This approach also accounts for various control factors affecting CR and company performance. In our study, these control variables are represented by the y_k to y_t, including leverage, industry influence, CEO duality, board independence, performance, COVID-19, country, size, and year.

$$CR_{k,t} = \alpha_0 + \alpha_1 CSRD_{k,t-1} + \alpha_{ky} y_{k,t-1} + Ꞓ_{k,t} \quad (2)$$

$$FP_{k,t} = \alpha_0 + \alpha_1 CR_{k,t-1} + \alpha_{ky} y_{k,t-1} + \alpha_{9Crisis_t} + Ꞓ_{k,t} \quad (3)$$

Table 1. Estimations of Descriptive Statistic

Variables	Mean	SD.	Min	Max
CSR-disclose	21.05	20.58	5.19	69.28
Firm reputation	19.38	41.48	-161.56	601.98
Institutions	1.05	2.47	1	2
Ownership concentration	19	12.47	-16.48	71.34
ROE	1.23	1.01	-71.38	41.23
ROA	3.11	2.48	-1.23	16.18
CEO-duality	5.98	1.21	3.29	9.45
Tobin’s Q	21.34	31.23	-9.11	11.2
CEOintegrity1	23.59	19.96	2.47	81.05
CEOintegrity2	-1.39	1.29	-59.28	17.45
CEOintegrity3	2.49	1.43	-12.576	21.36
Industry	21.48	5.29	3	20.49
Employee	40.19	190.38	3	5100.32
Asset	7.001	4.29	-4.32	13.59
Leverage	52.49	20.482	2	150
COVID-19	5.1	2.34	2.49	11.49

To explore the moderating impact of H3, we use the sequential regression method proposed, [92], [93]. This method assesses the moderating (interaction) effect of the chief executive officer's integrity on the connection between corporate social responsibility disclosure (CSRD) and corporate reputation (CR). In equations (4) and (5), corporate reputation is depicted as the dependent (endogenous) variable. At the same time, Corporate Social Responsibility Disclosure, chief executive officer integrity, and ownership concentration are portrayed as independent (exogenous) variables.

Furthermore, equation (4) incorporates control variables to account for their potential influence on Corporate Reputation. Additionally, our study assumes a one-year lag for the forecaster variables, postulating that activities performed in the prior year influence the current year's Corporate Reputation.

$$CR_{k,t} = \alpha_0 + \alpha_1 CSRD_{k,t-1} + \alpha_2 CEO_{k,t-1} + \alpha_3 CEO_{k,t-1} * CSRD_{k,t-1} + \alpha_{ky} y_{k,t-1} + \alpha_{11crisis_t} + \alpha_{12} Dummy\ Country_k + \alpha_{13} Dummy\ Year_k + Ꞓ_{k,t} \quad (4)$$

$$CR_{k,t} = \alpha_0 + \alpha_1 CSRD_{k,t-1} + \alpha_2 OC_{k,t-1} + \alpha_3 OC_{k,t-1} * CSRD_{k,t-1} + \alpha_{ky} y_{k,t-1} + \alpha_{11crisis_t} + \alpha_{12} Dummy\ Country_k + \alpha_{13} Dummy\ Year_k + Ꞓ_{k,t} \quad (5)$$

Given the limited existing research on chief executive officer (CEO) integrity, there is a need for an enhanced scale to measure its influence. Previous studies, such as, [72], [71], have utilized surveys of employees to gauge CEO integrity. These studies have indicated that CEOs often perform their duties to enhance their organization. However, our research is grounded in agency theory (particularly as outlined by, [73], and posits that impulsive decisions by CEOs could result in agency costs for shareholders.

4 Analysis

In this investigation, we applied the variance inflation factor (VIF) to confirm that no multicollinearity issues were present in the data. The VIF values of all estimators were below 3, significantly lower than the acceptable threshold of 5, [94], indicating multicollinearity was not a concern. Our investigation examined potential endogeneity in corporate social responsibility disclosure (CSRD). The pooled OLS approaches, which utilized Return on Assets, Return on Equity, and Tobin's Q as dependent variables, respectively yielded residuals C_1, C_2, and C_3. To address endogeneity related to CSRD, where cyclical causation occurs between the dependent and independent variables, we adopted the Generalized Method of Moments (GMM) strategy suggested by, [95]. In line with, [41] recommendations, we also employed lagged variables to evaluate corporate social responsibility disclosure. The comprehensive data from the Sargan test indicates the independent variable's substantial influence on the outcome. Besides, the Sargan (score) test results show no over-identifying restrictions in our method ($p > .05$). Thus, endogeneity is not considered a significant issue in this study. The insignificant AR2 results also suggest that our approach is autocorrelation-free, [96].

The dependent variables for Equations (1) and (3) in this research are Return on Assets, Return on Equity, and Tobin's Q. CR is the dependent variable for equations (2) and (4). CEO integrity-1, 2, and 3 are employed to estimate Equations (4) and (5). Equations (1) and (5) are estimated using the GMM technique. Equations (2) and (4) are estimated concurrently using the Structural Equation Modeling (SEM) method, specifically the bootstrapping methodology. The bootstrapping method also assesses indirect effects, [97].

5 Findings

Table 1 presents the dependent and independent variables' means, medians, standard deviations, and minimum and maximum values. The table does not include the sector, country, or year dummy variables. The results of equation (1) are displayed in Table 2, revealing a significant and positive correlation between corporate social responsibility disclosure and ROA and ROE. It also demonstrates that corporate social responsibility disclosure significantly influences Tobin's Q. Given that Return on Assets, Return on Equity (financial performance), and Tobin's Q (market effectiveness) are all indicators of firm performance, we found evidence supporting hypothesis H1. This hypothesis suggested that corporate social responsibility disclosure directly impacts these metrics. These findings are in line with, [23], [25], [56].

Table 3 presents the results of equation (2), derived using Structural Equation Modeling (SEM), particularly the bootstrapping method. The findings indicate that corporate social responsibility disclosure has a significant and positive effect on Corporate Reputation's performance, specifically its financial and market performance ($\alpha = 1.393$, with a p-value of 0.001 for ROE; $\alpha = 1.482$, with a p-value of 0.006 for ROA; $\alpha = 1.893$, with a p-value of 0.008 for Tobin's Q). These results were obtained from methods 4, 5, and 6, which use Tobin's Q, ROE, and ROA as indicators of firm performance. These findings are in line with, [45], [66], [76], however are different from, [71], [75], [87].

The results of equation (3) are presented in Table 4, indicating a significant and favorable association between Corporate Reputation (CR) and company performance. Specifically, ROE has $\alpha = 1.393$ and a p-value of 0.006, ROA has $\alpha = 1.592$, and a p-value of 0.001, and Tobin's Q has $\alpha = 1.382$ and a p-value of 0.002.

Table 5 displays the indirect impact of CR on the relationship between corporate social responsibility disclosure and firm performance, as determined by structural equation modeling (SEM). The results demonstrate that CR facilitates the expected association between corporate social responsibility disclosure and company performance in a significant and favorable manner. Specifically, Tobin's Q has $\alpha = 1.303$, $p = 0.039$, CI = [0.21981: 0.488281]; ROE has $\alpha = 1.349$, $p = 0.029$, CI = [0.38329: 0.84984]; and ROA has $\alpha = 1.243$, $p = 0.039$, CI = [0.343232: 0.536372]. These findings support hypothesis 2 and suggest that CR mediates between corporate social responsibility disclosure and company performance. These findings are in line with, [35], [46], [99], however are different from, [34], [36], [74].

Table 6 demonstrates that CEO integrity significantly and positively moderated the association between CR and company performance. When Chief Executive Officer-integrity 1 is represented by the sale-to-asset ratio, $\alpha = 41.393$ with a p-value of 0.021. Similarly, Chief Executive Officer-integrity2, represented by the sale-to-expense proportion, has $\alpha = 1.853$ with a p-value of 0.031. Chief Executive Officer-integrity3, represented by the income to Chief Executive Officer ratio, has $\alpha = 1.494$ with a p-value of 0.035. These results, obtained through three distinct proxies of CEO integrity, provide further validation for the relationship and support hypothesis 3. Table 6 also shows the substantial moderating influence of ownership concentration (OC) on the association between CR and company reputation ($\alpha = 41.393$, p-value = 0.021 when Chief Executive Officer-integrity1 is assessed using the sale-to-asset ratio; $\alpha = 1.853$, p-value = 0.031). These findings suggest that investigating the moderating influence of OC using proxies strengthens the relationship and supports hypothesis 4 (Table 7).

To confirm the hypothesized influence of CEO integrity, the researchers employed the Generalized Method of Moments (GMM) technique and the Generalized Least Squares (GLS) methodology. The outcomes presented in Table 6 align with those obtained using the GMM approach (Table 5), providing robust evidence for the hypothesized moderating impact.

6 Discussion and Conclusion

The findings of this study demonstrate a reciprocal relationship between Corporate Social Responsibility Disclosure (CSRD) and corporate performance. Specifically, we found that corporate social responsibility disclosure negatively impacts corporate reputation (CR), which, in turn, negatively impacts business performance. Previous research has produced conflicting results when examining the direct influence of corporate social responsibility disclosure on organizational performance, with discrepancies arising from excluding the mediating role of Corporate Reputation. Our findings align with the research conducted by, [69], and, [98], who also investigated CR's mediating function in the association between corporate social responsibility and company performance. However, unlike prior research that predominantly utilized cross-sectional data, this investigation relies on longitudinal data collected from a diverse international business sample. Consequently, our research unequivocally demonstrates that corporate social responsibility disclosure enhances CR, which, in turn, enhances firm performance.

According to the research results, Corporate Social Responsibility Disclosure (CSRD) demonstrably influences company performance. However, the favorable influences of corporate social responsibility disclosure on organizational performance may be overshadowed by other variables, resulting in an insignificant impact. Previous research has produced contradictory findings due to the inadequate evaluation of intervening factors that might affect the link between corporate social responsibility disclosure and organizational output. In contrast, our research solves this issue by integrating intervening factors and experimentally examining their influence on the relationship between corporate social responsibility disclosure and organizational performance. This research highlights the importance of the chief executive officer's integrity as a key element that moderates the effect of Corporate Social Responsibility Disclosure (CSRD) on Corporate Reputation (CR).

The concept, [12], presented in their empirical study, emphasizing the significance of the chief executive officer's integrity in enhancing the legitimacy of Corporate Social Responsibility Disclosure, aligns with this conclusion. Furthermore, we observed that ownership concentration has a favorable impact on the link between corporate social responsibility and CR, indicating the existence of efficient regulatory mechanisms in this association. In companies with concentrated ownership structures, the interests of minority stockholders must be safeguarded. Investing in corporate social responsibility (CSR) programs can enhance performance in these companies, [99], [100], [101]. The results of our research also help to clarify the managerial decisions made in connection with CSR that may result in the exploitation of minority stockholders in companies with concentrated ownership, [102], [103].

Table 2. Direct Influence on Firm Performance by Corporate Social Responsibility Disclosure

Constructs	**Approach-1 Tobin Q**	**Approach-2 Return on Equity**	**Approach-3 Return on Asset**
L. CSRD	.621*** (.000)	.809*** (.004)	.899*** (.000)
L. CEO duality	5.291*** (.007)	8.381*** (.000)	.591*** (.000)
L. Industry average	8.218*** (.000)	1.819*** (.000)	2.491*** (.000)
L. Institutions	− 3.192** (0.031)	− 8.193** (0.039)	1.392 (0.581)
L. Employee	1.394 (0.819)	1.394 (0.349)	− 1.309 (0.338)
L. Asset	− 1.439*** (0.003)	− 2.493* (0.082)	− 1.945 (0.501)
L. Leverage	3.191*** (0.001)	− 8.299*** (0.002)	− 1.393*** (0.003)
COVID-19	− 3.459 (0.892)	− 1.394 (0.498)	1.359 (0.592)
AR 2	1.349	1.483	1.291
SUGAN ESTIMATION	1.682	1.492	1.953
Dummy Country	Yes	Yes	Yes
Dummy Year	Yes	Yes	Yes

*Note: The parentheses indicate the P-value, where ***,**, and * illustrate the significance level of 1%, 5%, and 10%.*

Table 3.Direct Influence on Corporate Reputation by CSRD

Constructs	Approach 4 Tobin's Q	Approach 5 Return on Equity	Approach 6 Return on Assets
CSRD	1.893*** (0.008)	1.393*** (0.001)	1.482*** (0.006)
Asset	1.339*** (0.002)	1.911*** (0.002)	2.391*** (0.001)
Employee	5.291*** (0.003)	5.201*** (0.001)	5.219*** (0.002)
Industry average	1.329** (0.021)	8.232*** (0.003)	8.329** (0.021)
Institutions	− 3.191 (.657)	− 3.101 (0.321)	− 3.232 (0.321)

6.1 Practical Implications

According to the study, businesses should embrace Corporate Social Responsibility (CSR) and integrate it into their daily activities, as it contributes to building a company's reputation and enhancing overall performance. The findings of this research hold significance for investors, managers, and governments. It is encouraged to allocate funds for CSR projects and include them in company reports.

Table 4. Direct Impact on Firm Performance by Corporate Reputation

Constructs	Tobin Q	Return on Equity	Return on Asset
CR	1.382*** (0.002)	1.393*** (0.006)	1.592*** (0.001)
Asset	− 1.001* (0.081)	− 1.595*** (0.008)	− 1.320** (0.031)
Employee	− 1.394** (0.038)	1.493 (0.521)	1.393 (0.583)
CEO DUALITY	1.491*** (0.001)	9.329* (0.081)	9.443*** (0.008)
LEVERAGE	− 1.430*** (0.004)	8.320 (0.312)	− 8.291*** (0.001)
INDUSTRY AVERAGE	1.301*** (0.001)	8.942*** (0.001)	1.432*** (0.002)
Institutions	1.304 (0.320)	− 8.329 (0.385)	− 1.304 (0.321)
COVID-19	1.910 (0.472)	1.403 (0.843)	1.458 (0.551)

Table 5. The Corporate Reputation's mediating role in the Association between Firm Performance and CSRD

Constructs	APPROACH 7	CI [LL 2.5%; UL 97.5%]	APPROACH 8	CI [LL 2.5%; UL 97.5%]	APPROACH 9	CI [LL 2.5%; UL 97.5%]
CSRD→FR→DV	1.303** (0.039)	0.21981 0.488281	1.349** (0.029)	0.38329 0.84984	1.243** (0.039)	0.343232 0.536372
CEO DUALITY	1.329** (0.034)	− 0.293221 0.472801	1.340*** (0.005)	0.204091 0.639291	2.103** (0.039)	1.35839 2.43943
Industry average	1.329** (0.023)	0.129329 0.291091	1.304** (0.041)	0.193881 0.293910	1.573** (0.038)	0.193939 0.83949
Employee	1.392*** (0.003)	0.183022 0.827371	1.494** (0.038)	0.294921 0.49212	1.942*** (0.002)	0.472819 0.898932
Asset	1.34943*** (0.001)	0.192811 0.329921	1.954** (0.057)	0.019392 0.193931	1.303*** (0.001)	0.23773 0.193922
Institutions	− 1.320 (0.493)	− 0.1032091 0.390293	− 1.583 (0.392)	− 0.528811 0.82177	− 1.473 (0.391)	− 0.34838 0.584002
LEVERAGE	1.439 (0.832)	− 0.193320 0.399301	5.992 (0.302)	− .492981 4.210932	− 3.201 (0.392)	− 2.39493 5.49921
COVID-19	1.394 (0.487)	− 0.930929 0.843991	1.504 (0.842)	− 0.399291 0.294828	2.402 (0.938)	− 0.59430 0.103409

Table 6.Moderating Influence of Ownership Concentration and CEO (Chief Executive Officer) Integrity

Corporate Reputation	**Approach 10**	**Approach 11**	**Approach 12**	**Approach 13**	**Approach 14**	**Approach 15**	**Approach 16**	**Approach 17**	**Approach 18**	**Approach 19**
L.CSRD-CEO-FR	1.393*** (0.001)	1.942*** (0.002)	1.438* (0.089)	9.329*** (0.004)	− 1.549 (0.811)	1.329 (0.391)	8.498*** (0.008)	– –	– –	– –
L.CSRD–OC–FR	– –	– –	– –	– –	– –	– –	– –	1.459*** (0.003)	1.342*** (0.001)	1.942 (0.953)
Moderator variables L. CEOintegrity1		329.439** (0.032)			8458.458*** (0.005)					
L. CEOintegrity2			81.439*** (0.001)			80.329*** (0.002)				
L. CEOintegrity3				1.243 (0.843)			8.693** (0.039)			
L. OC									1.929 (0.330)	1.403 (0.582)
Moderator variables L. CEOint1*CSRD					41.393** (0.021)					
L. CEOint2*CSRD						1.853** (0.031)				
L.CEOint3*CSRD							1.494** (0.035)			
L. OC*CSRD **Control**										1.395 (0.021)
L. Asset	1.950*** (0.001)	1.593*** (0.002)	1.949*** (0.009)	− 1.492 (0.439)	1.953*** (0.006)	1.499*** (0.003)	1.503 (0.853)	1.243 (0.248)	1.387** (0.042)	1.964*** (0.001)
L. CEO duality	81.439*** (0.001)	80.581*** (0.002)	82.953*** (0.001)	882.459*** (0.004)	81.329*** (0.006)	8.491*** (0.001)	817.459** (0.039)	1.423 0.391	1.320 0.812	1.945 0.328
L. Institutions	8.349 (0.590)	8.439 (0.572)	− 9.439 (0.834)	51.942 (0.827)	8.393 (0.692)	− 3.291 (0.847)	89.491 (0.845)	1.695 (.291)	1.485 (0.674)	1.496 (0.439)
L. Leverage	− 8.329** (0.032)	− 8.438** (0.038)	−1.382 (0.843)	−5.292* (0.069)	−1.494 (0.829)	− 1.439 (0.853)	− 8.327** (0.031)	1.493*** (0.001)	1.303 (0.492)	1.438*** (0.009)
COVID-19	4.209*** (0.003)	8.439*** (0.002)	5.239** (0.018)	5.322 (0.450)	5.209** (0.039)	5.292** (0.019)	8.491 (0.659)	1.409 (0.590)	1.903*** (0.001)	1.428*** (0.004)
SARGN	1.383	1.582	1.683	1.382	1.853	1.883	1.857	1.493	1.201	1.483
AR 2	1.595	1.055	1.506	1.985	1.683	1.593	1.494	1.049	1.392	1.492
Dummy Country	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Dummy Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 7.Findings of GLS (Generalized Least Square)-(Estimation of Robustness)

Variables	**Approach 10**	**Approach 11**	**Approach 12**	**Approach 13**	**Approach 14**	**Approach 15**	**Approach 16**	**Approach 17**	**Approach 18**	**Approach 19**
L. CSRD $\rightarrow CSR \rightarrow FR$	1.942*** (0.002)	1.394*** (0.004)	1.489* (0.081)	5.392*** (0.003)	-1.598 (0.372)	1.958 (0.857)	6.382*** (0.001)			
L. CSRD $\rightarrow OC \rightarrow FR$								1.437*** (0.006)	1.954*** (0.002)	1.493 (.438)
Moderator Variables										
L.CEOIntegrity1		69.392** (0.0452)			9462.92*** (0.009)					
L.CEOIntegrity2			31.494*** (0.001)			40.498*** (0.002)				
L.CEOIntegrity3				1.394* (0.0736)			3.291** (0.031)			
L.OC									1.304*** (0.002)	3.291*** (0.008)
Moderator Variables										
L.CEOint1*CSRD					21.409** (0.049)					
L.CEOint2*CSRD						1.943** (0.023)				
L.CEOint3*CSRD							1.372** (0.021)			
L.OC*CSRD										3.193*** (0.005)

Financial volatility or unfavorable events are advised to actively engage in CSR activities to minimize potential damage to their credibility. Furthermore, managers can consider increasing their involvement in CSR projects to enhance the company's reputation and overall image, resulting in improved performance. Detailed disclosure of CSR information can significantly enhance a firm's performance and reputation, leading to substantial financial rewards from CSR initiatives. Policymakers should take action to ensure the successful implementation of CSR disclosures (CSRD) to achieve the anticipated social benefits.

In situations where concerns regarding the integrity of corporate executives arise, it is recommended to appoint a supervisor or evaluator nominated by the board to oversee corporate social responsibility disclosure. This oversight serves as a safeguard, especially when executives lack integrity. The underlying assumption is that CEOs with compromised moral character may engage in fraudulent activities, which can undermine the accuracy of reports on corporate social responsibility and adversely affect the company's performance.

6.2Theoretical Implications

This study has significant implications for the existing body of literature. Firstly, it contributes to the literature by offering comprehensive analysis and empirical evidence of the relationship between corporate social responsibility disclosure (CSRD) and corporate performance. The research suggests that while CEO integrity modifies, corporate reputation (CR) mediates the link between corporate social responsibility disclosure and business performance. These findings challenge previous assumptions of a direct relationship and highlight the complexity and depth of the association between CSRD and firm performance. The study employs robust statistical methods, extensive data, and modern regression techniques to provide in-depth evaluations. The conclusions drawn from this research contribute more reliable findings than prior studies that focused solely on the direct connection between corporate social responsibility disclosure and company performance.

Secondly, the results of this study demonstrate that corporate reputation (CR) may operate as a channel through which the effects of corporate social responsibility disclosure influence organizational performance. While previous research has projected CR as a potential mediator in the relationship between firm performance and corporate social responsibility disclosure, empirical evidence supporting the positive effects of corporate social responsibility disclosure on organizational performance via CR has been limited.

Thirdly, this research is one of the few studies that suggest and provide evidence for the moderating effects of CEO integrity and ownership concentration on the effectiveness of CSRD. Considering these moderating factors, the study enhances our understanding of how corporate social responsibility disclosure can impact company performance.

Lastly, this research arranges the basis for developing a measuring scale for CEO integrity. Unlike prior investigations that relied on subjective employee evaluations or personal biases when assessing managers or CEOs, this research employs objective metrics derived from the firm's financial data to evaluate CEO integrity.

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6.4 Limitations and Future Research

This research is subject to several limitations. One limitation is the method used to measure chief executive officer integrity, which may not have fully captured all the diverse aspects of integrity. Therefore, this study suggests improving the assessment of chief executive officer integrity. Further investigation into the moderating effect of chief executive officer integrity is also recommended to validate the present study's findings. Excluding chief executive officer integrity from the research approach could skew the results.

Another limitation is that the research focused solely on publicly traded firms, and the findings may differ if smaller businesses were included. Future research could consider using a larger sample size encompassing participants from multiple countries to address this limitation. Furthermore, exploring other aspects of organizational management, such as CEO pay, corporate ownership, and family ownership, may provide valuable insights into understanding the moderating effect of family ownership. These areas present promising opportunities for further research, [23], [52], [104].

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Appendix

Variables	Proxies
Firm's Performance	ROA, Tobin's Q, and ROE calculations evaluate company performance, [12].
Firm reputation	The Firm Reputation of a company is determined by looking at the total reputation score it earns from success in a given year, [34]. Each of the businesses is given a score between 1 and 17, with one being the highest and 17 being the smallest, according to Fortune's worldwide reputation rating methodology.
Industry Performance	The sector is regulated to measure the sector's impact, comparable to earlier research on company performance.
Corporate Social Responsibility Disclosure	The Bloomberg ESG group's unique disclosure index evaluates CSR (Corporate Social Responsibility) disclosure. This rating considers how well the business has disclosed information about its ethical, environmental, and management obligations. The disclosure score is derived to determine the degree of transparency of the business and reporting on corporate social responsibility (CSR) problems by taking these factors into account.
Institutions	Our research utilizes the World Economic Forum's worldwide competitive reports, [45], to determine each nation's overall institution rating.
Chief Executive Officer Integrity	In the present investigation, we use three substitution measures to assess the integrity of CEOs. These parameters are chosen by considering a nation's audit and reporting standards and the board's independence. Additionally, we look at the ratio of sales to operational expenses in connection to the degree of board independence and the caliber of auditing and reporting requirements in the nation to evaluate the integrity of the CEO. According to, [67], another metric for evaluating chief executive officer honesty is the contrast between net business income and chief executive officer benefits.
CEO Duality	For CEO duality, a dummy variable is utilized, with one representing that the chief executive officer is also the board chairperson and 0 representing the reverse, [42].
Ownership Concentration	Ownership concentration is the proportion of an organization's stock held by its biggest stakeholder.
Size	Determined through the overall quantity of assets and employees, [15].
Leverage	We computed the financial leverage by dividing debt by equity, [42].
Industry influence	It is shown by the mean Return on Assets of all sectors for a certain year, as defined by Le and O'Brien, [84].
C	The value of COVID-19 is 1 for the 2020-2021 data, whereas it is 0 for the other observations.
Year	We could not include it in our framework because of certain possible inaccuracies. Nevertheless, this may impact how a company operates and performs.
Country	It is a dummy variable.

Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

-ALMUATASIM MUSABAH SAIF AL MUTAIRI, wrote the whole manuscript, collected data, analysed data, and obtained the necessary results. Moreover, this author also wrote the results discussion part.

-SUZAIDA BTE. BAKAR, supervised the whole project, proofread the contents of whole project and corrected all the grammatical and sentence structure issues as highlighted by the Editor and the reviewers.

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