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Corporate social responsibility: Institutional ownership and gender diversity board effects in the food and beverage industry

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ABSTRACT

Corporate social responsibility refers to the companies' actions toward the society wealth with the aim of improving quality of lives, therefore firms are not anymore concerned only on their own business and the maximization of their profits, but instead they act in the pursuit of global well-being. Nowadays, these responsibilities are seen also as a source of competitive advantage in a diverse and globalized market, even though for some industries such liabilities represent more a compulsory duty, as the case of food and beverage industry. Indeed, it deserves a particular attention because of the strong impact that it has on the society motivated by its highly dependence on natural resources, added to the fact that in the last decades it has caused several societal problems, such as obesity and alcoholic addictions issues. At the corporate level, the decisions about which measures to adopt in order to address the social responsibility matter are taken at the board level, which in turn might be influenced by the shareholders' composition. In this respect, this study aims firstly at analysing how the corporate social responsibility ratings are affected by different gender board composition in food and beverage major companies. Secondly the effects of having institutions composing the shareholders' meeting. Moreover, as the matter can be divided into different subcategories, through several regression analysis it has been showed how female directors have a significant impact on the different ratings categories, instead the institutional ownership has no notable effects on corporate social responsibility classification, on the contrary of what the good management and risk-aversion theories assumed.

INTRODUCTION

Corporate Social Responsibility (CSR) has become of highly relevance in the last decades because, if effectively implemented by companies, has significantly positive repercussions on the quality of lives of everyone. Indeed, the concept is a broad one that embrace all the responsibilities that a company should account for in carrying on its business, not only focusing on enhancing the financial value. As it was firstly recognized by Bowen (1953), all the decisions and actions undertaken by companies have considerable consequences on society's wealth. Despite the criticisms (Friedman, 1970), the concept over the years had gained momentum, being perceived as a possible source of competitive advantage and therefore a strategic asset for the corporations (Burke and Logsdon, 1996). In this context, a strong debate has emerged over the years due to the fact that the definition of the CSR philosophy is not precise and shared by all. In point of fact, at the international level it has been argued that the policies undertaken by companies to behave responsibly are a matter that should not be regulated by governments or international organizations, because it should be left to the discretion of individual managers within companies (Mares, 2010), but obviously introducing binding legislative standards would be advantageous for the communities' welfare.

Despite the hard debate in this matter, it should be noted that if companies should adopt such responsible behaviours, on the other side there are some important mechanisms behind the choices of which CSR policy to consider. As a matter of fact, the purpose of this study is to investigate the relationship that corporate governance features have on CSR ratings, if having a particular board composition could strengthen or negatively affect the responsible behaviours. In particular, board gender diversity has been studied by several academics has an influential factor over CSR adoption, as reported by Boulouta (2013) or Bear *et al.* (2010). Women, who often are subject to several discriminations and prejudices when they have to cover some specific roles of leadership, have been studied as a factor that is able to boost CSR practices in determined companies. Even in this regard there are several debates concerning their positive impacts, without forgetting that at the same time they encounter many difficulties in entering such top-level positions. With the aim of achieving equality outcomes, many organizations and institutions are still fighting for the introduction of governmental binding quotas to achieve such equality standards, even though it is not a matter of just equality. The

objective of this study, as a matter of fact, is to find evidence of the positive implications that having women on the board could have on responsible practices, from which everyone will benefit, in order to sustain the idea that women should not be discriminated for their gender, but instead they should be given value for their incredible merits.

On the other hand, another important feature of corporate governance will be analysed: the ownership composition. More precisely, the implications that having institutions holding shares in a company could have on CSR involvement. In literature it has been an issue studied by many management researchers recently, but the results are still mixed. Indeed, institutions have focused their attention just in the last decades on the investments in public listed company, reaching the point in which nowadays they hold 41% of global market capitalization (De La Cruz *et al.*, 2019). Being the larger category that hold a portion of shares in companies, and their diffusion at the global level, it has been considered of high relevance to study their implication over a matter such as CSR, which is developing every year. The study conducted by Oh *et al.* (2011) reported a positive relationship, but others found a negative correlation (Erhemjamts and Huang, 2019), and in the last place there are even studies that show how the two factors are not correlated at all, that is institutions are not a determining factor for the adoption of CSR practices (Ducassy and Montandrau, 2015; Harjoto *et al.*, 2017). The intention of this research, therefore, is to add evidence to literature about this kind of relationship. The analysis that is going to be made is concentrated in a particular sample of companies, composed only by large and publicly listed international companies which belongs to the food and beverage sector. This choice has been made because this industry is of particular importance in human lives, as it refers to two basic needs of humanity that are drink and eat. Therefore, adopting responsible behaviours, or understand which factors could enhance their adoption, is of critical relevance. Indeed, food companies must face significant issues, such as guarantee food safety and maintaining high food quality standards, or avoid societal problems, especially obesity or alcoholic addictions for what concern beverage companies. In addition to the fact that they are strongly dependent from natural resources, which implies that the environmental issues and climate change ones are at the core of their daily concerns (Maloni and Brown, 2006).

The thesis is structured in the following way: first of all, in the first chapter it is deeply analysed the concept of corporate social responsibility, from its first appearance to its latest development. Consecutively, it has been described the debate between

proponents of voluntary measures and mandatory ones for companies in regard to CSR, with a broad explanation in this context of the Agenda 2030 proposed by the United Nations Organization and the relative 17 Sustainable Development Goals. In the last place, to conclude the first chapter, it has been included a description of the food and beverage industry in relation to CSR issues.

In the second place, the thesis proceeds analysing the board diversity features, and more specifically the gender diversity ones. For the development of the first set of hypotheses it has been analysed the literature in regard to CSR and female participation in boards. In addition, the following paragraph of the second chapter analyses the specific characteristics of ownership structures and more deeply the features of institutions. Indeed, the literature has been reviewed to develop the second set of hypotheses with respect to the effects of institutional ownership on CSR. To conclude the second chapter, it has been added a paragraph analysing the correlation between the financial performance and CSR, even if it is not an object of the research, because still several considerations in this field should be made when discussing this topic. The last chapter contains the outcomes of the regression analysis conducted and the relative discussion.

CHAPTER 1: Corporate Social Responsibility

1.1: Evolution of the concept

The beginning of corporate social responsibility expression

Corporate social responsibility (CSR) today has many different definitions available in literature proposed by numerous scholars that emphasize various aspects and concerns of the concept. In history the philanthropic idea has almost always been there, if it is taken into account all the several forms of business that had developed through time, in order to let the society and the creation of value work smoothly together. At the beginning of the 1900s with the industrial world that had already took hold as a form of creating profits, it arose the need to meet the working-class requests of welfare, so entrepreneurs or owners of industries started to work on the improvements possible for the society composing their company (Latapí Agudelo *et al.*, 2019). According to Carroll (2008), an important scholar who proposed the corporate social responsibility theory inside the management field for the first time, the 1920s and 1930s can be considered as the period in which the business leaders started to match their willingness to make profit as the result of their business activity and what the customers and employers were asking for the society's wealth. Subsequently, in this new way of thinking the community and its needs and desires were considered in the decisions of business managers for the first time. Obviously, during the two World War the concept inside the corporations had lost the appetite from entrepreneurs that had to face the difficult times, often changing completely their production in order to satisfy the needs of their country in that specific moment. But then, again at the beginning of the 1950s, the corporate social responsibility gained momentum in the sense that thanks to Howard Bowen, an American economist scholar and professor pioneer in the analysis of the connection between companies and society (Idowu, 2013), the concept received a clear and precise definition. With the intention to provide the definition, the scholar stated some principles which represented the actions that corporations must do in order to accomplish their responsibility against society. Firstly, he defined which are the duties of the "businessman", who nowadays we call corporate manager, underlining the fact that his decisions and deeds for the corporation have surely a repercussion on the community and society quality of living. Consecutively, he defined the "social responsibilities" of executives, such as policies and

actions to be implemented in the light of the fact that they are desirable with regard to "the objectives and values of our society" (Bowen, 1953). Therefore, he pointed out that the manager's responsibilities are interconnected with the wishes and desires of society's values. From this definition made by the Father of the concept, it subsequently developed in the following years due to the social movements that invaded the Sixties, with the first theorists who brought light to the fact that the social responsibilities can have a positive impact on companies' financial results (Davis, 1960), about this aspect I will go deeper further on.

Criticisms and further elaboration of the concept in the Eighties

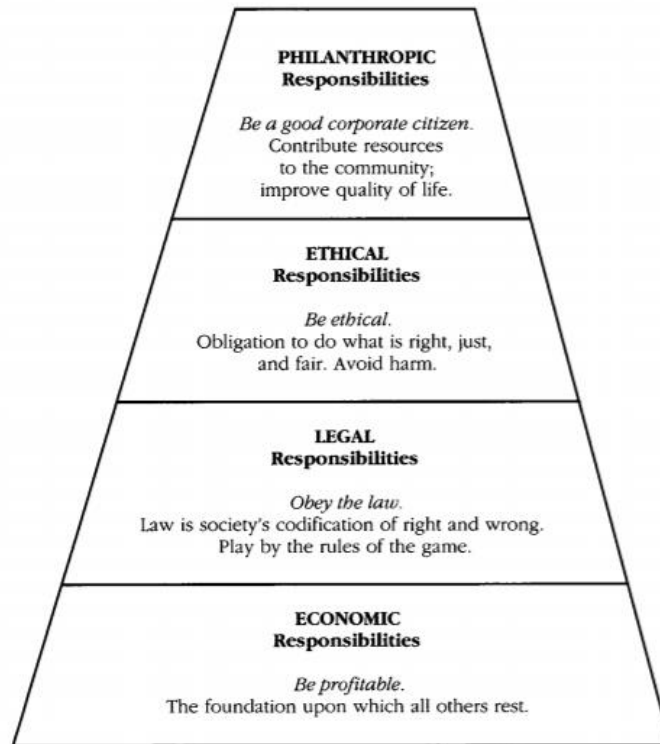
Obviously, as often happened, with the raising awareness of the CSR notion the criticisms did not take long to arrive, indeed in the 1970 Milton Friedman wrote a highly discussed article in The New York Times Magazine challenging the fact that the money used in the interest of society as a whole are not used in the best interests of the company's shareholders, meaning that the company should engage in those activities always having as a final end its shareholders' wealth (Friedman, 1970). Even though the critiques were there, the application of the concept started to also encompass activities for the general well-being of society, meaning that the practices put in place by companies were not only aimed at the wealth of local communities, but were including a broader set of application also for communities not directly affected by the actions of the firm in question. Another key point of that period was the growing attention posed to the human and labour rights, meaning that employees were demanding, and most of all expecting, more from their employers, in the sense of basic human prerogatives. For this reason, it was needed a clarifying definition that would unify what can be considered an application of CSR and what is something else, so Carroll in 1979 wrote "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time", which represents the explicit description of what companies could consider inside the big pot called CSR (Carroll, 1979). Nevertheless, as the world is a dynamic force always in continuous change, in the following years something unique happened at the political level, which however had repercussions on the society. The Eighties, in fact, have been characterized by the election of Ronald Reagan and Margaret Thatcher, who were those political leaders that have

brought light to the idea of one single free market all around the globe. If the political scene was characterized then by few states' interventions in the market and low trade barriers, reduced almost to zero, the same decade was hit by an environmental disaster, the Chernobyl nuclear one in 1986. This natural disaster was preceded by the establishment of the World Commission on Environment and Development in 1983, implying that the problems that humans were causing to the environment were gaining consciousness from the international institutions as well. According to these events, the entire population started to worry more about environmental problems that were arising as a consequence of the intensive industrial activities, asking more and more attention to the disposal of waste and to pollution problems (Latapí Agudelo *et al.*, 2019).

From the Nineties to the present days and first international standards

In the meantime, the 1990s were arriving and the globalization process was catching on, bringing with it the international popular idea of achieving a sustainable development and taking care of social responsibilities as extra duties of a corporation, which before was only concerned about the maximization of profits. Multinationals were the new form of organization that had to face different challenges, such as the competition with different business environments, different cultures, and the global visibility that an innovation in different countries all at sudden can bring. A central concept that arose in 1991 by Carroll was the idea that an organization should be a "good corporate citizen", he further developed the pyramid of responsibilities that a company should always take into consideration. Here there is an image representing the pyramid he theorized:

Figure 1: The Pyramid of Corporate Social Responsibility



Source: Carroll A. (1991), *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders,* Business Horizons, 34, 39-48, 10.1016/0007-6813(91)90005-G.

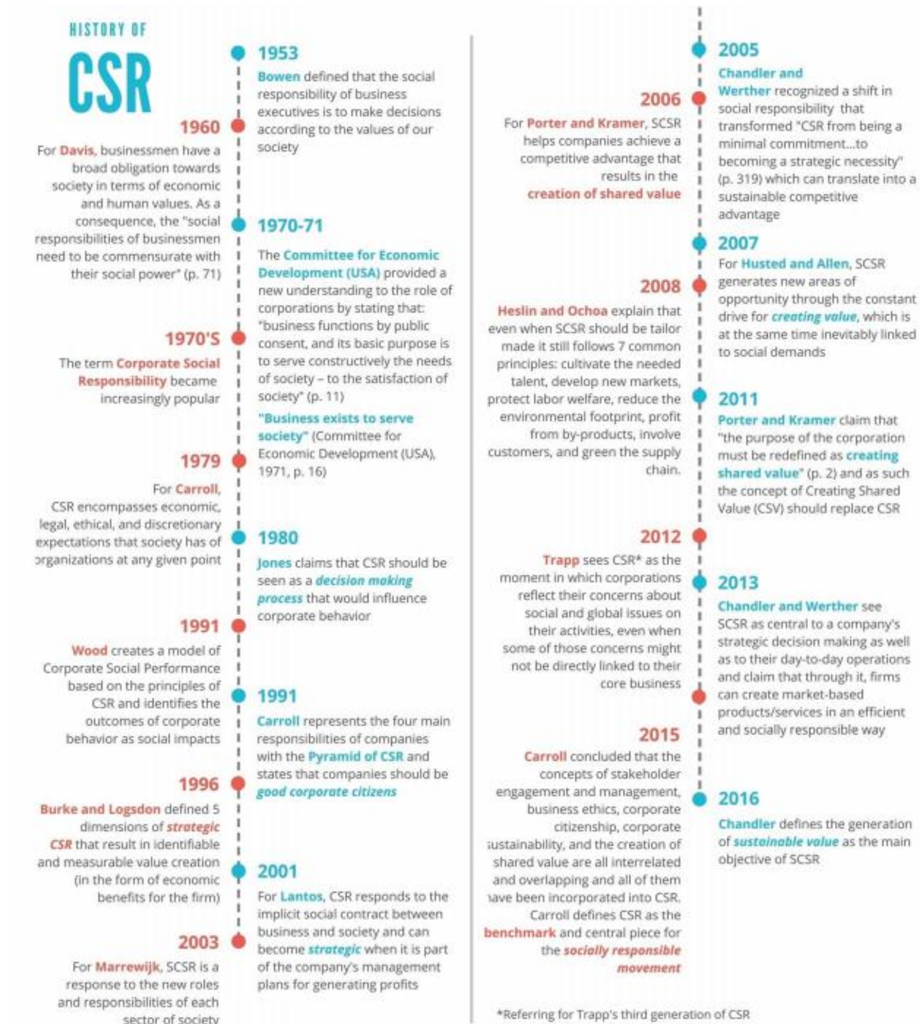
At the basis of the pyramid there are the economic responsibilities, then there are the legal ones, going up in the layers there are the ethical responsibilities, which refers to the actions taken by the company besides its legal and mandatory duties, and in the end at the top level there are the philanthropic responsibilities of the corporation which are referred to the society's wealth (Carroll, 1991).

Afterwards a new idea related to these types of actions emerged, in fact thanks to the contribution of Burke and Logsdon (1996), the CSR could be seen as a strategic aspect of firms in order to increase the value creation and support them in the achievement of their objectives. They focused on five different dimensions that CSR must have in order to be considered a strategic asset for the organization, which are the *centrality*, meaning the affinity of the social actions and the corporate's objectives, then the *specificity* is as important as the first dimension because it represents the capability of letting the company gain benefits from the CSR implementation. Moreover, another dimension of strategic CSR is the *proactivity*, that is the ability to anticipate the trends, the fourth one is

represented by *voluntarism*, which consists not only of complying with the mandatory requirements but doing something supplementary, and in the end, there is the *visibility*, that strategically is the most important dimension, it involves that the actions taken should always been recognizable by the inside and outside population (Burke and Logsdon, 1996). As can be understood by these dimensions, at the end of 1990s decade the first international certifications started to be conceived by several organizations, for instance by the International Organization for Standardization (ISO). If the latter represents a non-compulsory approach to the matter, governments initiated to investigate the topic and elaborated precise interventions through international agreements, which tried to regulate the new field of action. In the following years, the strategic aspect of CSR gained momentum in combination with the idea of creating a shared value exposed by Porter and Kramer (2011), who believes that in the evolution and progress of the business environment it is possible to implement policies and practices that can in parallel let the company advance in economic terms and improve the social conditions in which it operates. This evolution of the concept represents the idea of two apparently different paths that can be developed concomitantly, with the aim of capturing which are the real needs and demand of the community and implementing them in the production processes of the company. Hence, from the beginning of the new millennium another important category was added to responsible social behaviours, that is the anti-corruption policy, and from that moment on people were expecting companies to act responsibly, so companies were forced to implement and, obviously, inform their stakeholder about their actions toward the global societal well-being.

In 2015 with the Paris Agreement clearly a revolution has been made by governments on climate change matter, asking corporations to innovate their production facilities in order to pollute less and less (United Nations Climate Change, no date). Moreover, the 17 Sustainable Development Goals that have been defined at the UN Sustainable Development Summit in New York in the same year represented a turning point for the planet (United Nations Department of Economic and Social Affairs Sustainable Development, no date). Here there is a scheme which tries to sum up the evolution of the concept.

Figure 2: Evolution of the academic understanding of CSR



Source: Latapí Agudelo et al. (2019), *A literature review of the history and evolution of corporate social responsibility*, International Journal of Corporate Social Responsibility, https://doi.org/10.1186/s40991-018-0039-y

Differences between CSR and Sustainability concepts

Having understood where the Corporate Social Responsibility actions and practices comes from and their development from the first adoption until nowadays, a clarification must be done regarding the distinction between the concept of Sustainability and Corporate Social Responsibility, which are often confused mainly because there is uncertainty around those concepts' definitions. The definition that currently is still the most cited for what concerns the corporate social responsibility is the one proposed by Carroll in 1979, so encompassing all those responsibilities that goes beyond the mere

economic idea of profit maximization. Instead, regarding the definition of sustainability, or corporate sustainability, the first definition accepted in management literature is the one given by the World Commission on Environment and Development in their report *Our Common Future* in 1987, which said "Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, p. 43). Although this definition is widely comprehensive of many different practices, in the following years some researchers referred to sustainability meaning as just the ecological aspect, so all the actions and policies aimed at safeguarding the environment in which we live (Shrivastava, 1995), some others, instead, include in the sustainability the idea of economic, environmental, and social dimensions (Bansal, 2005). In an attempt to sum up, it could be said that CSR refers to the ethically behaviours put in place by businesses and simultaneously their ability to improve the quality of life of their stakeholders, including the local community (World Business Council for Sustainable Development, 2000). Therefore, CSR means taking responsibilities for the systematic risks associated with society. Obviously, it depends on some specific factors such as the context in which it grew and the type of relationship that exist between the firm and its stakeholders (De Stefano *et al.*, 2018). In conclusion, today companies engage in socially responsible practices for three basic reasons: on one hand because of the constraints imposed by law, secondly because CSR can help to minimize the risks associated with losses and damages to the business, and lastly because CSR activities can help to create value and be profitable for the company involving the local communities in the business and searching for new market opportunities as well (Swandari and Sadikin, 2016).

Corporate sustainability operations, instead, regards more the environmental aspects and implications that an organization can have on the planet, with growing interests for the economic and societal parts of the concept. The indispensable idea at the basis of sustainability remains the one of generating development not compromising future generations' needs (Strand *et al.*, 2015).

1.2: Differences between voluntary and mandatory practices, the Agenda 2030 and Sustainable Development Goals

The confusion around voluntary or mandatory approaches

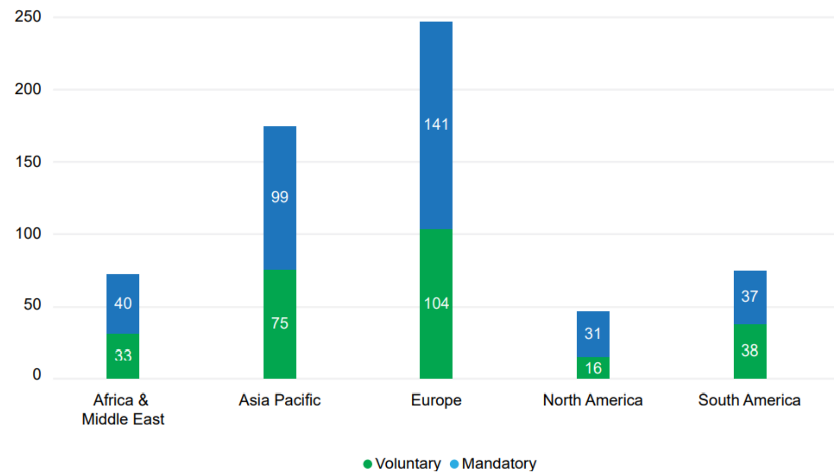
As we have seen in the previous paragraph there is a lot of confusion around the concept of corporate social responsibility, first of all concerning its definition. Indeed, the confusion is reflected in the adoption of different measures by companies, not reaching a coherent and standardized result. As the businesses should act in the pursue of general wealth for the society, meaning that they should contribute with products and services but always respecting the dignity of the human beings, with an exceptional attention to their rights (Gatti *et al.*, 2019), the activities related to CSR have always been treated as something that should be done based on the discretion of single managers inside corporations in order to achieve the idea of creating a common good with their operations. Having in mind that, if for the whole 20th century responsible behaviours have always been considered something that must be implemented on a voluntary basis by the singular initiative of a company, according to what it was stated in the Green Paper of European Commission in 2001 (Commission of the European Communities, 2001), in the 21th century it grew the attention from different governments and institutions around this concept and more in general the problem that could be solved by intervening in the companies' unethical actions. In CSR literature the discussion about the voluntary nature of CSR actions or mandatory ones is still in place since ages, highlighting therefore the fact that there is no general agreement on this matter due to the grey zone created in the years with different definitions. Apart from that, in 2011 the European Commission updated its definition recognizing the importance of having complementary regulations to be respected in addition to the voluntary actions undertaken by the entrepreneurs (European Commission, 2011). Accordingly, from that point on in the European zone, the discussion about practices of social responsibility was not seen any longer just as a management strategy to be discussed among the management team alone, but as some rules were dictated by the single government or other external institutions, this implied that the debate had been taken also to the law level (Gatti *et al.*, 2019).

The mandatory arguments

In the voluntary versus mandatory discussion, the party which is in favour of mandatory

CSR policies sustains that most importantly there is the need for more transparency. It is undeniable that transparency, with the advent of globalization, has been lost especially from big multinationals in respect of those unethical actions undertaken in the developing world, regarding human rights and exceptionally the conditions of labour they impose to those poor countries. Moreover, the proponents of mandatory regulations agree on the fact that the reporting on discretion could be of low relevance to the stakeholders because it could be seen as a game of interests, if we consider that a voluntary report depends just on what managers want to let outsiders know about the conduct of the business (Doane, 2002). In addition, there are some figures sustaining the idea that mandatory reporting increased the level of engagement and transparency in such practices. In a matter of fact, just because in 2011 the European Commission admit the complementarity of voluntary and regulatory measures of CSR (European Commission, 2011) the amount of reporting has significantly increased, according to the Global Reporting Initiative (GRI) statistics, which noted that in 2012 almost half of the reports published in their database were Europeans, just 17% from Asia and 14% from North America and the same percentage from Latin America (Matuszak and Różańska, 2017). According to the same report drawn by GRI called Carrot and Sticks of 2020, the European region is still the big leader in the number of voluntary and mandatory provisions regarding CSR, with the Asia Pacific area just lagging behind as we can see from the hereunder image (Van der Lugt *et al.*, 2020).

Figure 3: Number of voluntary vs mandatory provisions by region (2020)



Source: Van der Lugt C., Van de Wijs P. P., & Petrovics D. (2020), *Carrots & Sticks 2020 - Sustainability reporting policy: Global trends in disclosure as the ESG agenda goes mainstream*, Global Reporting Initiative (GRI) and the University of Stellenbosch Business School (USB), Available at: https://www.carrotsandsticks.net/ (Accessed: 8 April 2021)

This is due to the fact that many different Member States of the European Union have introduced some legal requirements about the disclosure of CSR measures adopted in their organizations, one of the first country in this commitment has been France, with the "Nouvelles Régulations Economiques" (NRE) of 2001, so even before the European Commission intervention of 2011 (Kühn, 2014). The introduction of legal requirements has brought Europe to accept more easily and before others the concerns that just in recent times at the global level are gaining momentum, this is one considerable evidence supporting the idea that governments should intervene in the CSR reporting scene.

Drawbacks of the mandatory approach

However, it could be said that the presence of mandatory requirements increases not only the quantity of reports but for sure even the quality of such reports, because of the scrutiny under which such measures are put (Matuszak and Różańska, 2017). Besides the aspects related to transparency and trustworthiness that voluntary measures could miss, another important downside of approaching the problem of CSR inside organization just as a discretionary matter is that it leaves the ground for free-riding conducts. Free-riding

stands for a market failure represented by the fact that some inhabitants of the community composing the market do not contribute at all to the common resource, or simply contribute in an unfair proportion, leaving to others the burden of the problem (Rasure and Investopedia Staff, 2020). Considering the same scenario, it is also arguable that with no compulsory transparency in the implementation of CSR policies, it is difficult, if not impossible, to punish those who do not adopt responsible behaviours (Gatti *et al.*, 2019). Another dimension of the lack of transparency and what unprecise definitions and unregulated environment can cause is that they leave the ground for the proliferations of greenwashing forms of communications. Greenwashing is a critical problem of today, in which communication about the environmental and social actions undertaken by the company is distorted from what is the reality state of actions taken by the company itself. As follows the dishonest way of communication implies that at the marketing level the company results as a hyper sustainable organization, attentive to the issues related to CSR, just to increase its reputation. The high level of reputation and the positive image of the company given by greenwashing marketing strategies can affect positively the market value of the company, leading the company growing and differentiating from competitors, at the same time the unethical actions of greenwashing aim at gaining trust from investors. Obviously, this type of misleading communication is completely illegal and severely punished if found out, the problem is that often is difficult for legal authorities to discover if it has been put in place. The possibility of entailing in greenwashing style of communication could not be denied with a completely mandatory approach to CSR. This is not possible because if on one hand the just voluntary practices give complete freedom to managers to state what they want and what they believe the stakeholders want, the only mandatory approach constrains excessively companies on a matter that have always been conceived as on discretion of the management team, and could provoke companies to search for alternatives to work around the law (Gatti *et al.*, 2019).

Possible mandatory interventions

The interventions that are possible by governments and institutions to regulate the market of CSR practices are many and could be of different intensity, for instance according to Ioannou and Serafeim (2011), there could be some stringent regulations imposing to a firm to report specific non-financial information and disclose them through

precise documentation; otherwise, it is possible to provide some incentives to companies in order to make them declare what they do for society's wealth. Additionally, the government could publicly approve the adoption of specific standards, such as the GRI Guidelines which are the most used at the international level and offering concrete help for their adoption. Besides this, the international institutions could share the best practices adopted by other states at the voluntarily level, in order to influence and encourage other companies to adopt similar practices, also referring to international standards. In the end, governments may transfer the power to regulate this aspect inside corporation to other authorities, such as the stock exchange, which can bind the presence on it to some specific rules to be followed in the field of CSR actions. These different forms of intervention by the governments, or more in general regulatory authorities, could be mixed one with the other by single countries in order to achieve the best results, but it is beyond doubt that governments have a strong impact in the promotion of CSR reporting, as we have already seen in the figures of GRI statistics (Hąbek, 2013).

The voluntary arguments

On the other side of the coin, the proponents of having just voluntary policies sustain the idea that regulations imposed by the government in the first place lead to increase the costs that a company must face, relating to the production costs which tend to increase due to the more stringent rules about way of producing goods. Secondly, with rules standardized for all different companies composing the country, the mandatory CSR practices will reduce competitiveness and there is a high probability that the governments will be inclined to favour their interests against the society's ones. For instance, they could opt for policies aiming at the construction of infrastructures useful for the country itself and with the scope of raising their power in opposition to surrounding economies, instead of pursuing the common good (Gayo, 2012). Furthermore, the introduction of laws in the matter of corporate social responsibility could prevent companies not only on the competitiveness level, but also on the ground of innovation, meaning that sometimes regulation could constrain companies to stuck on some dated technological processes of production just to comply with obsolete standards (Mares, 2010).

The mixed approach

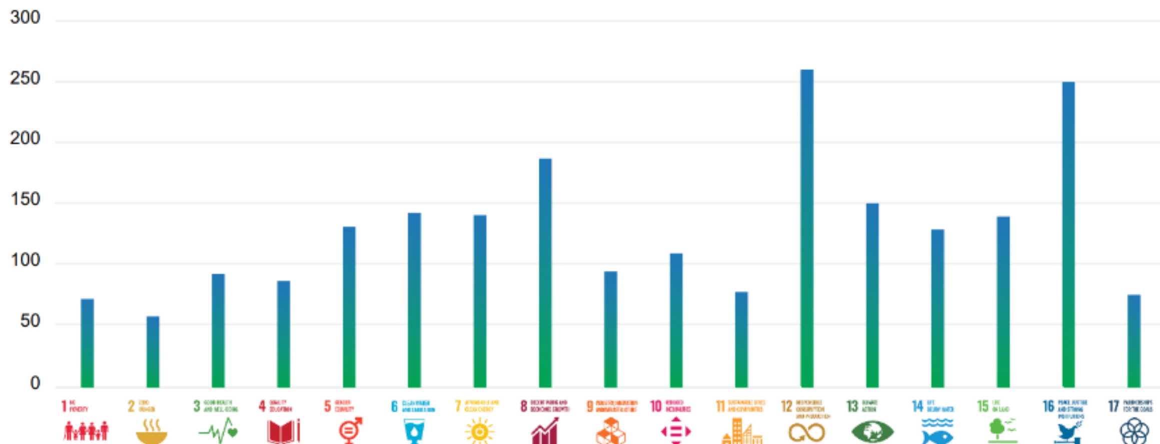
According to this strong and intense debate then, who will win? The proponents of voluntary or those of mandatory state of actions? The answer lays in the middle. Indeed, a correct engagement in CSR activities should be represented by finding the right mix between the discretion of managers and legal binding acts enforced by governments and institutions, that is voluntarism approach in a regulatory regime (Mares, 2010). In this regard, it should be done a distinction among different forms of law, which could be hard law in the case in which there is a legal obligation of doing something specific, in contrast with this type there is the form of soft law, which are rules not binding, so they can be seen as guidelines or forms of self-regulations adopted by companies. Among these poles there are different intermediary stages of law characterized by more or less power in the obligation of rule application and on the strength of the sanction method, this model proposed by Cominetti and Seele (2016), could find in reality some applications. For instance, the Global Reporting Initiative represents an approach of "hard-soft law" in which there is a high level of formalization, meaning that the rules proposed are clear and precise regarding the implementation of CSR activities, but they are just guidelines, so they are not mandatory, and companies can follow them or not, without incurring in sanctions. Instead, for the form of soft-hard law they found out that this approach corresponds to mandatory rules, which are not precise as the previous one but still are characterized by low level of sanctions (Gatti *et al.*, 2019). A practical example of this category is the European Union Directive 95/2014 about the Disclosure of non-financial and diversity information by large companies and groups, meaning that being a directive of the EU it should be implemented by singular Member States within their domestic law, imposing to those corporations having more than 500 employees to disclose information on environmental, social and governance matters, including the employee-related ones, diversity, human rights, bribery and anti-corruption as well. In this directive the subject of disclosure is set, so they specified the areas of interest, companies then have to signal the consequences of the implementation of such policies and the related risks, but the modality of disclosure were still on the companies' freedom, meaning that the directive still leave some discretion to singular agents (Doni *et al.*, 2019).

Attempt of harmonization at the global level

Despite that, this important and innovative European Directive is an attempt to bring harmonization among European member states, but the concern is still in place at the global level. For this purpose, the United Nations General Assembly have set seventeen goals to be reached by 2030 concerning the three different ground of sustainability: environment, social and economic one, they are called Sustainable Development Goals and are explained in a document generally known as Agenda 2030. But how did they arrive at the point of creating seventeen goals to be reached by all the 193 taking part of the United Nations Organization? The United Nations Conference started talking about problems related to social responsibility already in 1972, when in Stockholm they discussed about the rights of humanity to live in a safe and productive environment, afterwards they focused on discussions related to the human rights connected to nature, such as the right of people to get access to safe water. In the 1980 it was published the World Conservation Strategy in which it was already included the idea of sustainable development, but the explicit definition came out to the public in 1987. The idea of development was strictly connected to the idea of caring for the planet wealth, underlying the fact that the future of humanity is at risk if we, as humans, do not take into consideration the nature and the problems it is facing due to human interventions. Then in 1992 it was the real turning point for this matter, because in Rio de Janeiro it was held the first United Nations Conference on Environment and Development, in which it was drawn up the Programme for the 21st century where all nations involved took the responsibility to act toward innovation and progress, always bearing in mind the notion of sustainable development, encompassing the three fundamental economic, social and environmental pillars of sustainability. Exactly 20 years after, in 2012 it has been conducted the United Nations Conference on Sustainable Development, which is known also as "Rio 20", having three main objectives: first of all, ensure the continued commitment to the goals already set, then evaluate the actions already taken by different countries and their effects for sustainability, and lastly set new challenges to be faced for the future (Web Archive.org, 2012). After this important path of growth in the commitment to maintain the Earth a safe place where human beings and environment can coexist, it started the process of drafting the seventeen Sustainable Development Goals. They have been presented in New York in September 2015 when all the 193 countries adopted the resolution called "Transforming our world: the 2030 Agenda for Sustainable

Development", where not only are explained the seventeen goals but also the 169 targets imposed. The main problem that they addressed in the Agenda 2030 is poverty, in all its shapes, because the general idea behind the whole programme is that none will be left behind, reaching the idyllic state of equality around the globe. For what concerns people the purpose of the Goals is not only related to poverty, but also to end hunger in order to arrive at decent level of dignity of living everywhere. In respect of the same topic, they have set certain degrees of inclusion and diversity in workplaces; instead regarding the planet the main point is about safeguarding the environment from degradation and more in general, from the consequences that climate change is having on it, managing the resources that nature gives us every day with cautious in view of future generations. At the same time, the goals to be achieved also consider the idea of progress and innovation that human beings are for nature inclined to constantly research for, enjoying the prosperity that they can bring; together with the idea of reaching and maintaining a peaceful world, in which violence and fear are eradicated. Lastly, a fundamental aspect of the goals is the global alliance that they require in their implementation, meaning that we are all together in this, helping the poorest first and then concentrating on our daily concerns but jointly (United Nations Department of Economic and Social Affairs, 2015). In conclusion, if at the regional level everyone has implemented different forms of regulation more or less strongly through the exploitation of soft or hard forms of law, including the possibility to leave the ground to the voluntary approach to CSR, at the international level the Sustainable Development Goals represents what it must be achieved together reshaping the planet according to the damages that has already suffered and harmonizing the humanity development. In the below image it can be noticed which are the SDGs most included in the companies' reports.

Figure 4: Number of reporting provisions linked thematically with individual SDGs (2020)



Source: Van der Lugt C., Van de Wijs P. P., & Petrovics D. (2020), *Carrots & Sticks 2020 - Sustainability reporting policy: Global trends in disclosure as the ESG agenda goes mainstream*, Global Reporting Initiative (GRI) and the University of Stellenbosch Business School (USB), Available at: https://www.carrotsandsticks.net/ (Accessed: 8 April 2021)

Covid-19 impact on SDGs

Unfortunately, the Covid-19 crisis has not helped in the endeavour of reaching out these objectives by 2030, even though in the recent 30 years there have been several crises of different nature, the last one was the financial one of 2007-2009, this sanitary crisis in which we are living is affecting different levels. Not only the global health is at stake but also the economic one, with the stop of many businesses and the decreasing level of development, moreover, it should not be forgotten the educational problem that the closure of schools is causing (UNDP.org, no date). This pandemic has a particularly dramatic effect on SDGs achievement because already in September 2019, at five years from the implementation of the goals, the Member States of the United Nation Organization met in order to examine the advancement in the attainment of the challenges, and they came out recognizing that they should do more and faster in order to reach by 2030 those objectives. Considering this, the Covid-19 has only made more critical a situation already serious, even decreasing the achievements already done regarding poverty, hunger, and schooling (Min and Perucci, 2020). Now, policy makers should focus not only on the recovery of the pandemic but look beyond it. A possible solution is deciding to invest in four different areas, according to the study conduct by UNDP and the

University of Denver (2020), which are governance, social protection, green economy and digital disruption and innovation. Regarding the efforts that are needed for the governance area it is meant to reduce corruption and enhance democracy in most of the developing countries, instead the social protection refers to investments aimed at improving equality around the globe in many different aspects, such as education but also nutrition, for instance giving access to good quality water to everyone as it is indispensable to live. Advance in the green economy not only refers on improving environmental conditions that are related to climate change, but also reducing waste of food and it includes the fundamental need to use technology advancement to exploit renewable forms of energy. Last important area of action that must be considered is the digital advancement and innovation which can drive on the global development and integrated advancement, concretely it consists in dedicating more governmental spending in research and development but also allow more individuals to have access to digital connection.

1.3: CSR in the food and beverage industry

Steps in the adoption of socially responsible behaviours in a firm

After having understood what it means to talk about corporate social responsibility and its different ways of application, we can go deeper in the analysis of what CSR means inside the food and beverage industry, because every industry has a specific impact on the society and on the environment. Indeed, the food industry is highly dependent on natural resources, with a strong impact on the environment, often in the negative connotation of the term, as well as on the society. Needless to say, feeding 7.6 billion people in the globe not only is reducing the available resources but the food industry has caused over the years also some significant social problems such as obesity, dependence on alcohol, health-related problems (Nirino *et al.*, 2019). As a matter of fact, the Eighties represented the origin for the companies in this field of the implementation of CSR practices, firstly in order to address environmental problems related to the planet being destroyed and consumed, aiming at safeguard it for next generations, along with the attention by consumers on the food components which has increased, causing a change in the production lines of companies. But the corporate social responsibility activities undertaken by the organizations depend not only on the historical context, but also on the company internal and external resources used through the value chain and on the manufacturing sector, which it will be discussed better further on. According to Nazzaro *et al.* (2020), there are three different steps that companies used to follow when implementing the responsible behaviours: first of all, there is the initial stage in which the company start to develop a new business culture encompassing the practices of social responsibility, and on the other side it implies that the reputation of the company begins to increase. In this initial stage the company met the legal obligations, but the reputation is strengthened by the supplementary activities put in place. In the intermediate stage, called "development" one, the company has now been recognized in its responsible practices both internally and externally, causing an increase in productivity attributable to a more internal trust and motivation by workers. In the end there is the maturity stage in which the company has fully integrated the practices in the business and also the society recognizes them, leading to a reduction in total costs caused by a decrease in production costs, for the upgraded productivity already mentioned, and in the transaction costs, mainly correlated to the increase in reputational degrees. The scholars defined this

process the "CSR Life cycle", they underlined the fact that moving from one stage to the other implies that businesses pay attention to the resources available, constantly analysing and managing the situation (Nazzaro *et al.*, 2020). For this reason, the implementation of such practices entails an initial incrementation in costs, leading to a consequent reduction in the financial performance but, as reported in a study conducted by Nirino *et al.* (2019), companies are aware of the fact that these are necessary investments for the social well-being. Concurrently, those investments will lead to future gains, in particular the scholars have discovered that the environmental practices are the most expensive but nevertheless they lead to greater recognizability, which makes them the most important area of interest for support by stakeholders (Nirino *et al.*, 2019).

Problems related to the food industry

Moreover, it should be highlighted the point that the food industry is a particular one in terms of financial problems, because most of the times it is characterized by low margins, there exists many specificities related to the products such as their shelf life which can be very short causing high amount of waste, and another feature of products is their seasonality, which brings to uncertainty by many viewpoints. At the same time, the social and environmental problems, as already pointed out, have a strong impact on the trust, reputation, and loyalty by consumers' perspective, which most of the times they could drive the direction of the firm toward particular activities of CSR. Concretely the environment is affected by different points, the foremost problem is that food producers are exploiting natural resources, for example, just to mention one, there is the overfishing issue. Instead, for what concern food retailers and their negative impact on the environment, there are several noteworthy examples, such as their extensive use of plastic in packaging, the huge creation of waste that derives from retailing activities, without forgetting the amount of waste that producers generate as well as the one generated by consumers. In the end, we must consider the logistic impact of the industry on the atmosphere, that is the pollution created by different means of transportation around the globe, considering the fact that the km0 producers are often unavailable or not reliable, and that globalization has brought consumers to search for products not autochthonous, implying a higher involvement of the logistic sector in terms of quantities and route length in the food and beverage reality (Gangi *et al.*, 2020).

For what concerns the societal aspects, instead, it is of high relevance mention the food safety and quality which has been under scrutiny in the last three decades, firstly because food has a specific role in our life that is covering the basic need of eating, but the increased attention anyway has been achieved due to the changes in values and preferences of consumers, as well as the digital revolution of communication which allows more and more people from all around the globe to get access to specific information, about the food quality and provenience, healthiness and safety of what they eat. The attentiveness of customers, especially for food safety, has emerged due to recent scandals in which food companies' producers have been involved. There exist different kind of scandals, for example the one related to a single brand that presents an inadequacy in its products, such as contaminations problems, or the one which affects the entire product category, for instance when it happened the Bovine Spongiform Encephalopathy (BSE) or "mad cow disease" as generally known, which had affected the entire meat industry. The scandals in which a product is retired from the market for food safety problems, obviously, have many unfavourable consequences for the company, because it could generate a negative advertising, damaging the image and reputation of the firm. In economic terms, these effects are translated in a reduction of sales, as well as the level of effectiveness of its marketing strategies and the decreasing of company's competitiveness against other producers not affected by the scandal (Assiouras *et al.*, 2013). In order to protect themselves from these unwanted outcomes, the companies should always maintain a high degree of reputation, which could be reached if, already before the crisis, the company was engaged in CSR practices recognizable from the media. Indeed, in the study of Klein and Dawar (2004) it is demonstrated how positive activities related to CSR can attenuate the damage that a product recall or another food safety concern could create to a brand, even though in literature there are other studies not supporting this idea. It is difficult to understand the real effects of previous CSR engagement because the positive actions of a company are not perceived equivalently from consumers perspective as the negative ones, which gain much more attention in the first place from media, which then are able to influence the feelings of consumers about the brand (Assiouras *et al.*, 2013). Therefore, companies should engage in CSR practices also for the strategic role that they play, but at the same time they should not forget that those positive actions for the community will not be enough to cover the damages of the negative ones.

Food and beverage industry approaches to CSR

In general, food industry can have two different approaches to CSR practices, because despite the distinction we already made between voluntary or mandatory implementation, food companies have shown different attitudes. The first one, defined as defensive or reactive, consists of the company aiming at circumscribing the restraints imposed by institutions or other stakeholders, so the firm could be seen as not profoundly interested in responsible behaviours. Instead, the other approach is the active one, that involve companies more attentive to the society or environmental concerns, which imply a profound application in the sustainability field that bring to search also for new market opportunities in it (Staglianò *et al.*, 2014). Moreover, it has been observed that the companies that most often embrace the reactive approach are the multinationals. Or large corporations, instead the active approach is mostly adopted by cooperatives or small firms owned by employers or other stakeholders which are committed to the local community problems (Souza-Monteiro and Hooker, 2017).

Food supply chain framework toward CSR

As mentioned before the whole food industry should focus on responsible practices as they affect the human lives and healthiness. For this reason, Maloni and Brown (2006) proposed a framework in which there are different span of CSR activities that should be addressed by different organizations composing the entire food supply chain. This framework was born because stakeholders, in the last few years, found how important is not only the final product but also its origins and the stages it has done to arrive at the table of consumers. First of all, the scholars discussed about the animal welfare which is referred to all breeders' activities in the management of their animals, from housing to transportation and butchery, which most of the times, in order to reduce costs, farmers engage in intensive animal farming. This negative practice in respect to animals have gained momentum in the retailers' side of the chain when United States issue the Human Slaughter Act in 1978 and European Convention for the Protection of Animals in 1976 aimed at protecting the welfare of such animals, demanding higher standards to their suppliers. However, at the same time, consumers seem to still not be really concerned about this problem, because it has been demonstrated by Schröder and McEachern (2004) that consumers while eating are not capable to connect in their mind that what they have

in the plate were live animals. Furthermore, they added that there are no sufficient information available in the market for consumers about the differences in approaching the animal farming, consequently in order to improve this situation policy makers should require more labelling diffusion and higher standards for farmers.

Afterwards, Maloni and Brown (2006) reported another problematic dimension for CSR in their framework, which is the biotechnology one. They referred to it as the introduction of biological processes inside the products in order to obtain a useful product, which in concrete consists of combining DNA from different living organisms, cloning or test the genetics in order to select animals and the most well-known biotechnology activity by the public opinion which is the use of antibiotics. Even though from the producer point of view there are several benefits relating to the introduction of biotechnology in their production processes, for instance the reduction in costs, the higher yields with regards to plantations, the increase of product shelf life, the consumers still perceive them as negative practices for their food, requiring more precise labelling and traceability of such activities. Indeed, in recent times there have been several protests around the globe against the Genetically Modified Organisms. The food supply chain, for the two academics, must also contribute to the local community providing educational support or through the volunteering done by employees, which are always a potential strength for the influence that supply chain companies can have on stakeholders. These practices, unlikely, are still not implemented by this type of organizations, which at least can start from food donation to support their surrounding communities of people. Additional CSR activities should encompass the environmental aspect, besides the aspects already mentioned, the food supply chain is responsible of using chemicals such as pesticides, herbicides, fertilizers which damages the agricultural fields. The solution more spread is the production of organic food products, which if they represent the perfect answer to contrast intensive farming practices and the use of chemicals in the production process, they have many drawbacks for what is related to the food companies benefits. In particular, organic foods cannot be produced in the same quantities as the non-organic ones, moreover, the fact of not including the pesticides in the process implies a shorter shelf life of the products generating certainly more waste, and the process of cultivating organic products is more costly for the producers that will transfer the burden on consumers, not always willing to pay the higher price for the sustainable reasons or simply because they lack information about them, more precisely they probably do not

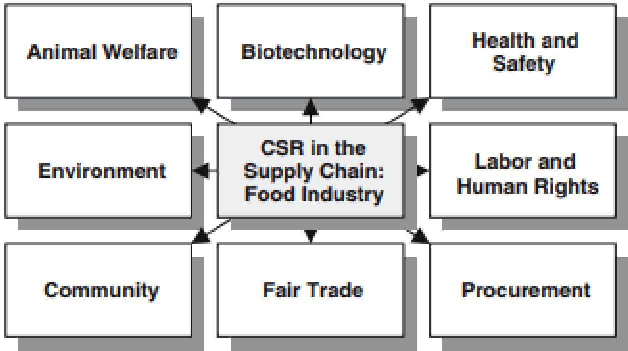
correlate the higher price with the less impact on the environment. Big multinationals should set precise standards to be met by their suppliers focusing on problems of air pollution first and foremost, then also for the management of water and energy consumptions, without forgetting the important impact of waste disposal on the environment which, instead, can be used in a recycling process.

The food supply chain should be supported by the big retailers for the problem of fair trade, meaning that retailers ought to allow their suppliers to run their business at an equitable way of living, therefore they should avoid poverty, even though it might represent an opposition to the aim of minimizing costs from the retailers' point of view. For the problems related to healthiness and food safety the best option that retailers have is that along the supply chain the problem should be found out before arriving in the shelfs of supermarkets causing the product recall and the damages already discussed. Traceability in this sense is fundamental from a consumer point of view to preserve their healthiness and at the same time let them have access to more information, but also from the retailers' perspective is important because it can prevent the image and reputational damages and their consequently costs. The point is that doing traceability is not always an easy task, which instead requires a lot of technological instruments, not often available or too costly for the suppliers. Beyond food safety problems, protecting the health of people from a nutritional perspective, for example addressing the problem of obesity, translates into letting consumers make more informed choices about their purchasing, involving then the creation of labels. If this can be a solution for the excess of food sugars and fat components, on the other side of the coin there is the world problem of hunger, which is certainly not a direct responsibility of food companies, but through important donations they can play a strategic role in addressing this issue, without mentioning the positive reputational impact that those charitable acts have.

Another significant topic of food supply chain CSR framework is related to the conditions in which agricultural labour is done, mainly characterized by low pay per hour, long workdays, and difficult working conditions and only a few, if any, workers' rights. In order to lower the costs, the workers in charge of doing the exhausting labour in farms are often children or unauthorized foreign workers, corporate social responsibility calls for action in this bad situation, including the one of the seasonal workers which are frequently subject to uncertainty, low wages, and stress. Last but not least issue to be considered is the one related to the procurement level, which is frequently characterized

by favouritisms, corruption, integration of binding contract provisions most of the times hidden. All of these problems are examples of power abuses that are unethical and could be solved introducing guidelines or setting standards for the retailers. (Maloni and Brown, 2006) With the aim of summing up the Maloni and Brown (2006) framework, here there is a useful scheme:

Figure 5: Dimensions of CSR in the Food Supply Chain



Source: Carroll A. (1991), *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*, Business Horizons, 34, 39-48, 10.1016/0007-6813(91)90005-G

Consequences of the CSR practices adoption in the food supply chain

As already mentioned, deploying resources for CSR activities in a company increases the costs, especially at the beginning the transaction costs tend to raise but as proposed by Stranieri *et al.* (2019), this trend could be avoided with a vertical coordination of the supply chain. Transaction costs increase because firms are required to meet certain sustainable standards from their own suppliers, which in turn involve that those agents increase the price of the goods exchanged because of the augmented amount of resources needed to satisfy the sustainable standards imposed, this in economic terms is called transaction asset specificity. Moreover, this aspect could increase the level of uncertainty as well, which is determined by the dependence among the parties involved in the bilateral transaction. From the study that Stranieri *et al.* (2019) have conducted among European food firms, it emerged that the size of a company affects the willingness of vertically coordination, meaning that the larger the company the less willing to achieve high levels of coordination because of the more flexibility and independence that such

firms are required to have in order to stay competitive in a global market. Instead, family firms will rely much more on strong and long-lasting relationships with specific suppliers. Additionally, they demonstrated how suppliers, which are asked to meet CSR policies, are more inclined to engage in enduring relationships because of the uncertainty aspect that is correlated with lower levels of coordination among supply chain (Stranieri *et al.*, 2019). In order to sustain the theory about extending the corporate social responsible behaviours to all the companies and entities which constitute the entire food supply chain there are other two important points to be analysed: spread these practices allow the food industry to build a culture around the sustainable behaviours, which will benefit the society as whole, allowing to influence all the stakeholders involved in the chain and nevertheless competitive advantage could be reached by organizations through innovation. Remarkably, the strategic aspect of CSR is represented also by the fact that such practices require an advancement in the quality of products and production processes, which if on one hand imply the involvement of more investment, on the other it entails in continuous innovations that help the firm to be active and responsive to market dynamics and challenges. In the end, the extension of requirements about sustainable measures becomes critical in relation to the efficient use of resources for companies, indeed efficiency represents a crucial aspect for the food industry because of the very scares resources used by the businesses (Nazzaro *et al.*, 2020).

Packaged food firms' characteristics

Besides food supply chain and its correlation with CSR actions, in the food and beverage industry we should distinguish the packaged food firms from other types of firm composing the industry, because of their special features and differences from the others. More precisely, they represent the firms that entail in processing the food with the result of convenience foods, frozen ones, chips and cookies, sauces and others. It is fundamental to make a point on these firms because they are mostly large multinationals, so they correspond to a large share of the entire industry, and for the type of products they produce they require particular attention from a healthy point of view. Being so large in size implies that they have a lot of market power in their hands, and the dependence of consumers from their products, due to the basic human need to which they answer, make them benefit of a steady and constant demand. Moreover, most of their products are over-

processed, meaning that they are constituted of several ingredients that make those companies to have a very long supply chains, which obviously result in difficulty of management them as well as complications in running CSR implementation concerning the environmental, health, safety, and labour rights aspects along all the chain. All the mentioned features of these firms imply that they are subject to the attention of many stakeholders, not only of different types but also of different nationalities because of their international and global orientation. This particularity leads such firms to have different pressures about the implementation of CSR practices, which could be satisfied answering to the specific interests of their stakeholders or complying with certifications provided by different organizations, two of the most important are the International Organization for Standardization (ISO) and Global Reporting Initiative (GRI) (Shnayder *et al.*, 2016). They offer many guidelines for companies, not only in relation to the food industry, but they are spread all over the world and this makes them more reliable because they are generally known and accepted by the stakeholders. As already highlighted in the previous paragraph, the certifications and standards in which companies engage could be voluntary ones, becoming means of communication to show the efforts and commitment related to CSR topics, but at the same time adopting the ISO and GRI guidelines implies that the company is trying to develop and reach precise values that could lead to a standardization of the responsible solutions in the industry as a whole (Stranieri *et al.*, 2019). An example in the matter of food safety is the ISO 22000 which represents a landmark for all the practices linked to hygiene in the production processes, even if it could be adopted for all the companies not directly involved in those processes as the related ones of cleaning services and production of food packaging (ISO.org, no date).

Food retailing organizations' features

For what concerns the companies involved in the food retailing, instead, the role of CSR is different. Indeed, these firms have the potential to influence the choices of the organizations at the base of the supply chain as well as the consumers ones. When I mentioned the organic products as a solution to health and safety problems, from a retailing point of view this could be translated into the creation of private labels that involve not only the organic food but also labels of fair trade as a certification of respecting

human and labour rights, so as to shape the range of alternatives available to consumers toward more sustainable ones. In this way food retailers can pursue the aim of profitability, because of the level of differentiation from competitors that is provided by such labels and at the same time they can help to create the sustainable culture along the chain. In addition, in order to let consumers make, not only more sustainable, but also more informed choices about the nutritional components of a product, the food stores can collaborate with public agencies providing the health standards. CSR for food retailers represent a source of competitive advantage in addition to a mean that shows coordination and cooperation through the value chain to the stakeholders and, in the end, a way to demonstrate commitment without entailing into the creation of costly national standards and norms (Souza-Monteiro and Hooker, 2017).

Conclusions about implications of CSR on food and beverage industry

In the attempt of summing up what the corporate social responsibility topic represents for the food industry there should be highlighted the three reason why the sector is subject to many challenges, identified by Hartmann (2011). First of all, this industry has strong consequences on resources of different kind, most importantly the natural ones but also the human ones, meaning the condition of labour of certain workers. Secondly, food represent a basic need for humanity which translated it into a particular attention by consumers in their purchase decisions, by institutions and governments in regulating the production phases and by all the other stakeholders in the behaviours of single companies. Last but not least, the food value chain is composed by many different kinds of firms which most of the times can be a source of disagreement in respect to the practices and policies to put in place, because of the different interests that drive their actions. Considering this background, the role played by consumers is fundamental in the implementation of different CSR strategies, because with their perception and evaluations can shape degree of companies' commitment, without forgetting that the negative impressions have a heavier weight on the company reputation driving up its costs (Hartmann, 2011). With the aim of concluding the discussion of CSR practices in the food and beverage industry it must be stressed the fact that the adoption of different practices without doubt depends on the type of product produced or commercialized, for example, as reported in the Nazzaro *et al.* (2020) analysis, a company involved in the production of

olive oil surely will have a lot of wasted water. For this reason, it becomes fundamental the water management, which comprehends the consideration of risks related to the water supply, water availability (which in areas where there is scarcity of freshwater is a fundamental matter), efficiency problems as well as expenditures required for the water extraction technologies (Weber and Saunders-Hogberg, 2020). Instead, if we concentrate on the possible implementation of CSR policies related to the soft drinks division, in addition to the water management related problems there could be also issues about the healthiness of such products, because the inclusion of sugars in many of those products has increased obesity problems of the young population, that once again compliance to CSR regulation will discourage. Mentioning the beverage industry often lead also to consider the packaging problems related to plastic bottles and cans, which through recycling policies could be addressed (Boumediene and Nour el Houda, 2018). In conclusion, CSR is of highly importance for this industry if strategically pondered and carefully implemented.

CHAPTER 2: Theoretical background

2.1: Corporate Social Responsibility and gender diversity

Once it has been understood when and how corporate social responsibility concept has been developed, in addition to the different methodologies of CSR application, that are the voluntary and the mandatory approaches, and in the end the development of such practices in the food and beverage industry, which is my field of interest, it is important to shed light on how and by whom the decisions about which socially responsible initiative has to be undertaken inside the corporation. For this purpose, the present chapter will focus on different levels of decision-making inside the organization that are able to influence more or less the corporate social responsibility actions, the degree of impact will be tested in the next chapter.

Board of directors features and its functions

First of all, corporate governance is the organ which drives all the decisions inside an organization, because it develops all the procedures and practices that are needed to achieve the objectives poses by different stakeholders. Board of directors is the group of individuals which is entitled to make important decisions that affect the company both related to the internal environment and to the external one, that have not only financial implications for the company but also non-financial ones as the ethical issues. In this perspective, the board is composed both by insiders and outside members, which have the main role of bringing distinct viewpoints to the group of decision makers (Chen and James, 2021). Moreover, the board has specific functions that worth attention: in the first place, as it has been highlighted by Hillman and Dalziel (2003), the main task is the monitoring function, or *control role,* which they cover with the aim of supervising the managers behaviours for the sake of shareholders. This function has been derived from the management theory called *agency theory*, that was developed when an increasing number of modern companies were introducing the separation of control from ownership. The theory is focused on the potential conflict of interests that can arise between the agents, which are the managers responsible for the executive operations, and the principles' interests, which refers to the ownership ones. In that regard, the board is

accountable of monitoring that managers (agents) act in the best interest of the shareholders. The potential conflicts which can emerge could depend on managers self-interests of growing reputation in order to advance in their career path, instead of pursuing the concerns of profit maximation in which shareholders are interested in, aimed at receiving the economic benefits (Hillman and Dalziel, 2003). Secondly, the other important function of the board is the one which is derived from the *resource dependence theory*. Covering the role of directors, the board team has the duty to provide resources to the organization, which means that once individuals are appointed as members of the board they became fully committed to the organization's needs, contributing with their support to solve the firm's problems. In this regard from the Pfeffer and Salancik's (1978) studies on the resource dependence theory, it emerged that boards could bring four different benefits to the organization. The basic benefit derives by the functions of advising and counselling managers, which represents their strategic role in the corporation, so as they can support and help the business in the moments in which they run into difficulties and hard challenges. Afterwards, directors provide legitimacy to the organization in order to foster its image to the public audience, meaning that the corporate' boards represent the storefront of the organization. In the third place, there is the important aspect covered by members which can facilitate the exchange of information through many different channels of communication between other external organizations and the firm itself. In conclusion, the last point of interest is the ability of the board to get favoured access to resources coming from external origins, which are able to sustain and support the firm success (Hillman and Dalziel, 2003). All these functions covered by the board and their degree of effectiveness obviously depend on the particular characteristics of each single member composing it. This is why many studies have investigated the board composition.

Moreover, it can be recognized another function of the board in addition to the one of monitoring and of providing resources, which is the potential to increase the sustainable and responsible behaviours of the company, and the capacity to meet the stakeholders' interests. This latter fundamental duty of the board takes its origin from the *stakeholder theory*, which shed light to the fact that firms must account for the interests of their first stakeholders, meaning those which have a direct interest in the business, such as the customer and employee categories, but the secondary stakeholders are relevant too, and for this reason they must be taken into account as well. The secondary

stakeholders are identified as the local authorities and local communities, the subcontractors and suppliers, accompanied by the non-governmental organizations, which are those categories most affected by the corporate social responsibility actions of a company (Manita *et al.*, 2018). For this reason, knowing the composition of the board becomes fundamental in studying the matter, as its members are those who take resolutions about it, trying to enforce the impartiality and clarity principles typical of the board decisions.

The meaning of board diversity

As already seen in the previous chapter, the CSR issue has received a lot of attention in recent years, bringing directors to be the drivers in the revolution of responsible behaviours inside corporations. As reported by Rao and Tilt (2016), in literature there are several studies investigating the effects of corporate governance over corporate social responsibility, bringing further on the research about how the composition of such boards is influential in the process of CSR decision making, as previously pointed out. For this purpose, the board diversity has received particular attention from scholars, and, at the same time, it is fundamental in order to understand the dynamics of the CSR activities development elaborated by the single company. Nonetheless, the concept around diversity is really broad and therefore, it deserves an explanation. In addition, the diversity of the board reveals to be essential and supportive to exercise the first function of the board, which is the monitoring one. In effect, as the more diverse the board is, the more diverse interests are at stake, which bring directors to effectively fulfil the function they have and act in the best interest of shareholders (Hillman and Dalziel, 2003). On the other hand, as previously observed, the board is the first face of the organization that appears to outsiders, and accordingly they should embody the population they serve which should lead them to be the most heterogeneous and inclusive as possible, in order to satisfy the entire community (Shaukat *et al.*, 2016).

However, when one refers to board diversity it stands for the mixed composition of the directors, which are not only described as insiders and outsiders, but they could differ in terms of age, nationality, gender, ethnicity, so all features which can be grouped as demographic attributes. At the same time, the board could be differentiated also in terms of cultural backgrounds, so as the religion to which they belong, the institutions in

which they grew up, as well as the functional dimensions that accompany a person in his/her professional career. For instance, during the career path the individuals can develop different skills related to communication, organization, as well as technical abilities, experiences about a specific industry or interests for a peculiar form of organization. There could be also differences among members in respect of sexual orientation, or political affiliations, in addition to personal values that distinguish one person from the other in terms of personality traits. Undoubtedly, diversity has some points in its favour, accompanied by some drawbacks. In particular, diversity surely helps to enlarge the viewpoints inside the board, in order to elaborate different alternatives and options in the process of decision-making. On the contrary, diversity allows for the creation of different subgroups inside the board, which can be divided into the majority and the minority that have different influence on the conflicts and on the alternative adoption of resolutions. Even though there exist limitations then, board diversity will almost always be beneficial for the corporation as it can contribute to the company enhancement of the problem-solving quality, bringing creativity and innovation inside the room and, in this way, overcoming the biases generated by the myopic vision that could exist inside homogeneous boards (Rao and Tilt, 2016).

Board gender composition: SDGs focus

As previously mentioned, the gender composition is one of the diversity features of the board, which worth a profound analysis. In the first place, gender equality is one of the seventeen sustainable development goals of the Agenda 2030 which has already been described in the previous chapter. Indeed, the 5th Goal wants to raise awareness of the 193 countries constituting the Organization about the women and girls empowerment topic, which embody the issues of letting women cover the leader positions and fighting against the discriminations in their regards. Moreover, it stresses the point of striving for minimum level of education in countries in which the girls are considered as not deserving education at all, fighting against violence and freedom of sexual choices, as well as the marriage choice (United Nations Regional Information Centre for Western Europe, no date). The United Nations Organization draws attention of a cultural problem that have always been there, which, despite the basic human rights not granted to women, is fundamental for the leadership roles that are mostly occupied by men. In addition, it

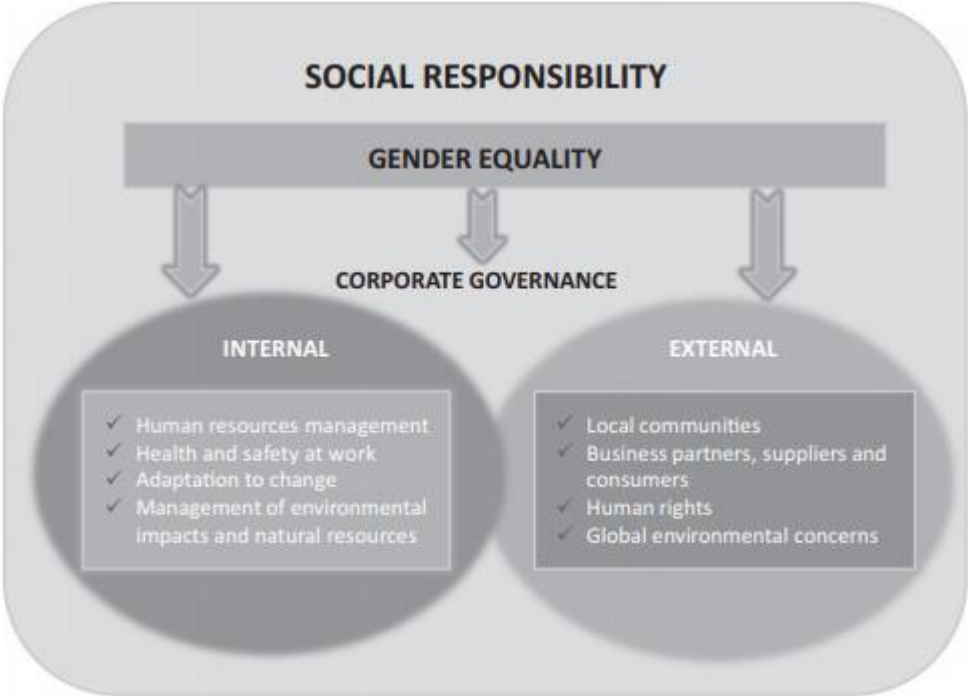
should be pointed out that there is a huge data gap which often makes the collection of data still unreliable and lead the analysis done about gender issues to be questionable. This happens because at the present time a low number of countries allocate economical resources to the collection of gender statistics (UN Women.org, no date), which makes difficult to understand at what point of progress, or regression, we are, and which policies should be integrated by governments in order to reach the Sustainable Development Goal number 5 (United Nations Department of Economic and Social Affairs, 2020).

Gender Social Responsibility

In accordance with the Goal and with the worldwide trends, it has been developed a new field of study named "Gender Social Responsibility", which refers to the integration of gender equality targets inside the broad concept of corporate social responsibility actions undertaken by a company. With the intention of stress it once again, it should be said that the practices of CSR must be referred both to the external stakeholders as well as to the internal one, and in this direction it is going also the gendered social responsibility measures, which must be addressed to both dimensions. Even though, as can be described by Figure 6, the highest level in which gender equality measures should be adopted is the corporate governance level. However, in order to explain in what consists the interventions of gendered social responsibility, the internal aspects are correlated to actions regarding human resource management in the first place, which refers to all those measures that comprehend equality in the processes of hiring, training, advancement of career, degree of compensation and lastly fair treatment for what regards work-life balance measures. In the second place, other measures of equality oriented toward the inside aspects of the company should include specific policies related to women's features in the corporate policies of occupational health and safety, preventing them to be victims of injuries or illnesses caused by the workplace. Moreover, another consideration in the area of women is the attention to the consequences that large changes have on them, such as restructuring the company either through mergers and acquisition or downsizing the organization. Lastly, Larrieta *et al.* (2014) have highlighted the management of environmental impacts aspect, which should imply the assignment of women to the organization's departments that are involved in the development of environmental-friendly measures for the company itself, fostering in this way innovation. On the other

side, the measures of gender social responsibility that should be introduced by companies to satisfy external stakeholders refers to the development of policies that enhance gender equality in local communities, so where the company performs its activities, promoting the same goal within business partners, along the supply chain and lastly on customers, meaning that there should be adopted actions or a campaign to favour the female consumerism. Moreover, the company should be responsible of taking the adequate measures to support human rights and committing resources for environmental issues which both have a negative impact on women (Larrieta *et al.*, 2015). In the following figure, there is the framework of the new field of study just described.

Figure 6: Gender Social Responsibility (GSR)



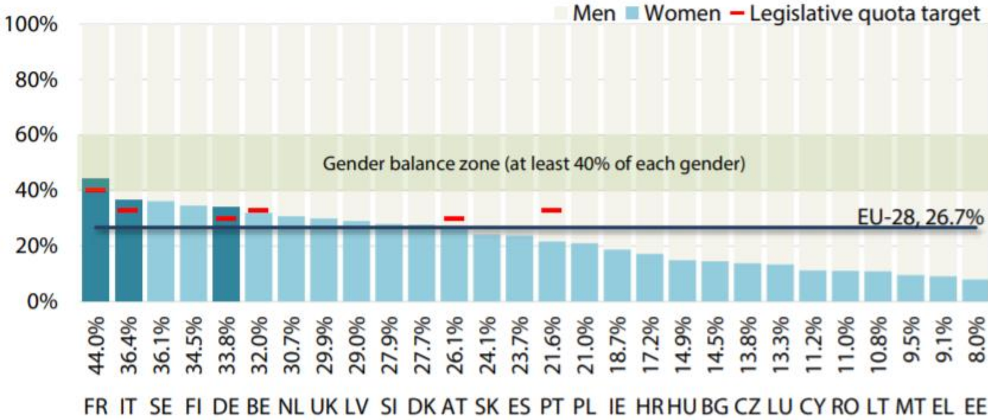
Source: Larrieta I., Velasco E., Aldamiz-echevarría González de Durana C., Guemez S. & Clemente M. (2014), *La responsabilidad social como instrumento para el fomento de la igualdad de género en la empresa: la Responsabilidad Social de Género,* Revista de Dirección y Administración de Empresas, 181-202

The mandatory approach to increase female board representation

As just pointed out, the corporate governance should be the first layer of interest for corporation to be committed into gender equality measures. For this reason, in recent years, all over the world it has been addressed the problem of not having a female

representation in the board at all, or having it in a small percentage, by introducing different forms of regulations mandatory or voluntary, or other softer forms of recommendations. The first example is the one of the European Commission which in 2012 proposed a directive for the introduction of a 40% quota of women mandatory in the board of directors of European firms listed on stock exchanges. Since that moment, the Commission is still troubling in finding an agreement among Member States because there are some opponents. Indeed, as it can be showed by the graph below, men are still the largest percentage of people covering the role of director in European largest public listed companies.

Figure 7: Proportion of women and men on the boards of the largest publicly listed companies in the EU, October 2018

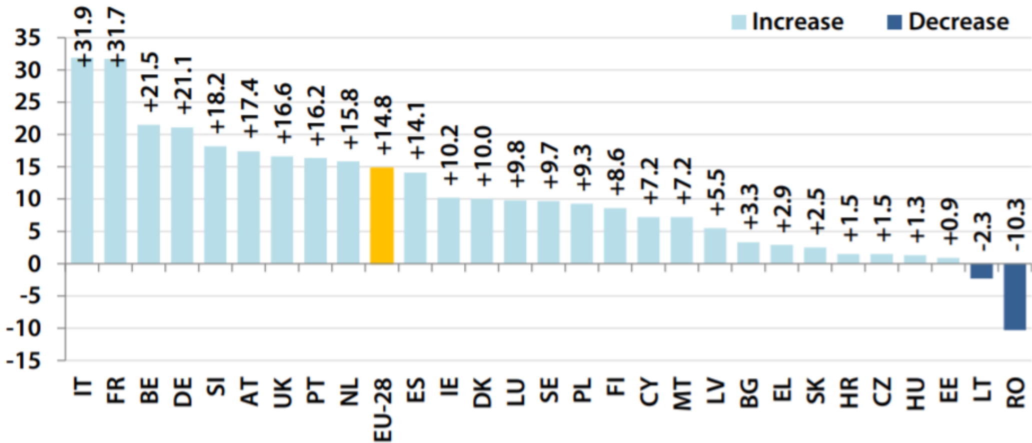


Source: European Union (2019), *Report on equality between women and men in the EU*, Available at: https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2019_en.pdf (Accessed: 23 April 2021)

The reason that lies behind the Member States that stand against such measures is that either they already have regulations in their countries, or they prefer non-binding measures. Moreover, they sustain the idea that these issues should be solved at the national level (European Parliament, 2021). However, from the Report on equality between women and men in the EU (European Union, 2019) it can be showed by the following chart how there has been an increase in most of the European countries in the last 10 years when the debate about it gained momentum, with Italy the most virtuous

country. Therefore, we are moving toward a change, but still slowly and in an unregulated environment.

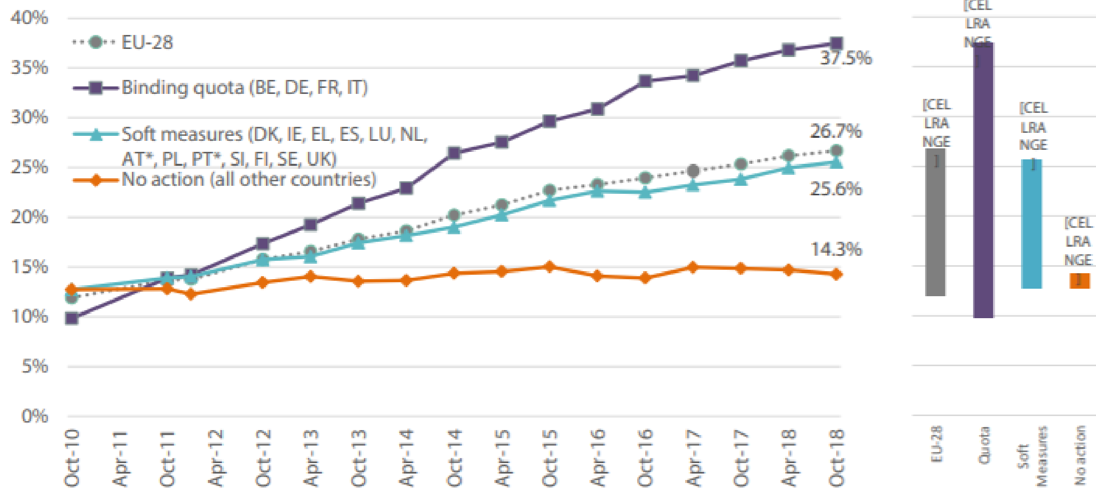
Figure 8: Change in the proportion of women on the boards of the largest publicly listed companies in the EU, October 2010 – October 2018 (percentage points)



Source: European Union (2019), *Report on equality between women and men in the EU*, Available at: https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2019_en.pdf (Accessed: 23 April 2021)

The proponents of the European Directive, instead, argue that the increase in female board representation, and so the fact of moving toward the gender equality in boardrooms, is strongly correlated with the introduction of binding quotas, as can be seen from the diagram below. Indeed, soft measures reported a raise in the quantity of women constituting the board, which in percentage terms it reveals to be 10% less than the raise of women in countries that adopted regulation through quotas.

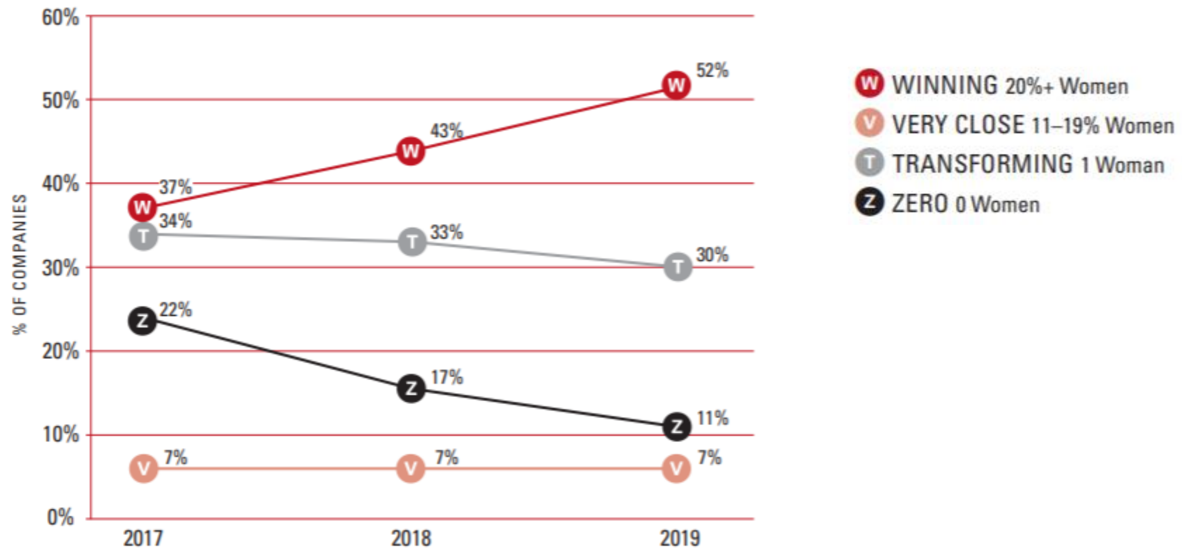
Figure 9: Changes in the proportion of women on boards 2010-2018, by type of action taken



Source: European Union (2019), *Report on equality between women and men in the EU*, Available at: https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/annual_report_ge_2019_en.pdf (Accessed: 23 April 2021)

From this perspective, it can be understood how much important the intervention of the European Commission is, which should have the aim of harmonize the fragmented situation in Member States that have all customized measures. But Europe is not the only geopolitical institution that is working on this aspect, as in United States it was developed a national campaign in 2010 that had the final purpose of pressing the American companies to enlarge the female representation in the boards. As they reached their goal of having 20% of women in boards based on the Russell 3000 Index in 2019, they have become a movement toward the gender balance, aiming then to achieve the very ambitious goal of having 50% of seats occupied by women in corporate boards (50/50 Women on Boards, 2019, *The History*). As they reported in their annual review of gender diversity, the trends affecting the American companies are presented in the following graph:

Figure 10: 2017-2019 Trends of women in boards [Russell 3000 Index]



Source: 50/50 Women on Boards (2019), *2020 Women on Boards Gender Diversity Index*, Available at:http://5050wob.com/wp-content/uploads/2019/10/2020WOB_Gender_Diversity_Index_Report_Oct 2019.pdf (Accessed: 23 April 2021)

It should be observed how more than half of the companies taken into consideration for this analysis have increased their female directorship by at least 20%, which is an incredible result for the gender equality (50/50 Women on Boards, 2019, *2020 Women on Boards Gender Diversity Index*). Finally, also other countries such as Australia are posing attention to the matter (Azmat and Rentschler, 2017), as well as some developing countries, including China and India (Rao and Tilt, 2016). It can be concluded, then, that the introduction of a larger number of women in the boards have been asked by not only governments (Australia), institutions (EU) and international organizations (ONU), but also from the society in general (50/50 Women on Boards, 2019, *2020 Women on Boards Gender Diversity Index*; Isidro and Sobral, 2015).

Female positive features in the board context

Nonetheless, why is it so important to have a female representation in boards, despite the matter of gender equality? Because women have some specific features which can be ascribed only to them and which lead the company to be one step further compared to the

others. As a matter of fact, in literature it is widely diffused the idea that women and men have different views of their role as a leader. In particular, it has been studied by Eagly *et al.* (2003) that men can be described as holders of *agentic* features, that are mainly correlated to ambition, independence, aggressiveness, and high levels of self-esteem. While, on the other side, women can be identified in features of kindness, empathy, gentleness, great care of and engagement in the welfare of surrounding people, as being amiable and qualities of helpfulness. In practice these characteristics in the workplace are translated into more collaborative behaviours, enhancing cooperation with others as well as trying to let others appreciate themselves. These feminine features are called *communal*, which make them to be more prone toward the accomplishment of stakeholders' interests and being less engaged in the achievement of financial performance results, compared to their masculine counterparts. Therefore, these communal features represent the first positive aspect of having women composing the board in order to enhance the CSR engagement of the company.

In the second place, it has been analysed how female directors have different backgrounds from the one of their male colleagues, indeed they often hold higher level of education, such as PhDs or MBAs (Bear *et al.*, 2010), as well as different experiences in the career paths . Most of the time, men which covers the role of directors have been Chief Executive Officer or Chief Operation Officer in the past. Instead, women have developed their degree of experience in voluntary institutions, in smaller organizations or in positions of inferior level of importance and with lower degree of responsibility in the company. These past experiences in different workplaces, anyway, help women to be more oriented toward the community interests, as well as having different viewpoints available developed in the years, which bring them to be supportive of many different stakeholders. Moreover, as it has already been pointed out, board diversity represents the expression of the people served by the company, indeed having female members can enhance the reputation of the organization and enhance its legitimacy. This could be possible in relation to the external population, meaning that they can meet certain societal gendered standards. In this regard a key theory comes into play, which is known as *signaling theory*. Indeed, as explained by Bear *et al.* (2010) the theory presumes that the relationship between the corporation and external stakeholders is strongly characterized by elements of information asymmetry, in which one party, specifically the company, will have more information in transactions than the ones hold by the other party. In order to

overcome this problem, the side of the contract with more availability of information can transfer them to the other party, not in a direct way though, but through observable signals that lead the counterpart to assimilate such relevant information. For this purpose, the number of women composing the board could be an interesting signal for outsiders that can observe this aspect, for instance, in the annual report of companies in the pictures exposed of their board. Recognizing this aspect in the reports, observers can draw their conclusions that the company is attentive to gender equalities policies, associating this aspect to the fact that accordingly the firm should be supportive not only of women, but also of other minorities, which could be used an indicator to conclude that the company is socially responsible firm (Bear *et al.*, 2010). On the other hand, inside reputation is a critical source as it is the external one, as a matter of fact female directorship could enhance the levels of ambition of female workers, along with the reputation of the company toward new potential women willing to be part of that specific reality.

In conclusion, thanks to the psychological traits of women and their past experiences inside and outside the organization, they can be more prone to engage in CSR specific activities, such as the ones related to the community and the environment (Manita *et al*., 2018).

Female negative features in the board context

However, there are some problems that women must face which frequently lead them to be not fully committed to CSR practices or not as much as they could wish. First of all, it happens due to the stereotypes and discriminations that they often have to face when they cover roles of leadership. Indeed, Boulouta (2013) reported in her study how female directors are subject to two conflicting stereotypes, one related to their gender and one related to the position they cover, which can induce them to adopt male traits in covering the leader roles. Indeed, there exist two opponents' characteristics of leadership style: the first one, which is generally adopted by men, is the *autocratic style* and it implies a centralised decision-making process, all in his hands, and a more task-oriented style of thinking. On the other side, women are expected to adopt a *democratic approach*, which is focused on participative decision-making process, which entails other employees in the course of actions, and an interpersonal orientation, meaning that they deploy more resources on discussing and supporting other employees, rather than focusing on the

attainment of financial results (Alonso-Almeida *et al.*, 2015). As can be understood by the description of the latter characteristics, having women with these particular traits will benefit the board and its engagement in CSR practices. Contrariwise, the tendency to adopt a more masculine approach to the role, can be damaging for the decisions about the involvement of resources for sustainable behaviours.

These aspects are embodied in the social role theory proposed by Eagly (1987), by which the two opposed genders act based on the stereotypes and beliefs that are tied in the social role that they cover. They consist of values and norms deeply rooted in the cultural environment in which people live, as well as the way of thinking typical of the working context. It has been already pointed out which particular features the social roles involve, the communal for women and the agentic for men, but Boulouta (2013) added an important claim in this respect. Indeed, in her research she argues how the agency theory and the stakeholder theory, which are the most diffused in literature to explain the relation between gender and engagement in socially responsible behaviours, are not explanatory at all. She sustained the argument in which the social role and the tensions that it brings to women are much more explicative of the results attained by the board, rather than the other two theories considered also from Bear *et al.*, (2010), in which gender is not strictly related with the outcomes reached (Boulouta, 2013). In order to be in conformity with the shared beliefs around a social role, men and women can act differently in the same organizational position because of the *gender role spillover*, which consists in the effective implementation of social expectations in the workplace for that particular gender in that specific situation. The social role theory, in addition, shed light on the fact that sometimes people seem to behave differently to what is expected from them in society. According to what it has been said before, it is the case of women leader acting with masculine characteristics in order to overcome the stereotypes correlated to the gender in that specific position. This is given by the fact that people not only occupy gender roles, but also different functional and organizational roles, therefore the behaviours expected from a particular agent based on his/her sex are often registered in situations in which there is uncertainty and ambiguity, or when there is the need to reach the approval of the specific audience of that sex (Boulouta, 2013).

Summary of women features that allows for CSR engagement

In order to sum up, there should be highlighted three different aspects that bring women to be more committed to engage in socially responsible practices. Firstly, it comes into place the expectations gravitating around the gender role covered by the director, which lead women to be charitable, attentive, friendly and spontaneously directed toward the community wealth. If on one hand these features are positively associated with engagement of corporate social responsibility actions, on the other hand they are seen as less profitable in leadership positions as the one of director, which lead women to operate embracing the features typical of men, that in turn will affect the gender expectations. This fact has indeed a name in literature, which is "double-bind dilemma" that depends only on the priorities posed by the individual woman and her personal traits. In the second place, what is exceptional for women in board structures, that can help the engagement in socially responsible behaviours and in board solutions at the vanguard for the company, is the different working experience done previously and the trajectory of their profession. In fact, for the high levels of examinations and standards needed for women in order to be appointed as directors, they most often have higher level of degree and qualification than men. Moreover, their past professional experiences tend not to be as linear as the one of men, which means that their tortuous past in different types of organization, as non-commercial ones, or organizations managed by the community, as well as the humanitarian ones, enlarge their commitment to social behaviours for sure. Innovation is a key driver of CSR, which is brought into the boards by women that had not only been part of different type of organizations, but also they grew in different industries, which indeed enhance the bundle of creative solutions they could bring. In the third and last place, women are often subject to discrimination of different kinds, not only, as already pointed out, their participation in boards are conditional to higher standards and level of scrutiny which men are not posed to, but women have also to challenge the prejudgements correlated to their sex. Therefore, female in working environments have hard times in relation to their competences and capabilities always put under discussion, as well as their personal choices. In this regard, one of the major problems they must face is the body shaming, discriminations regarding their appearance together with their dressing choices. With this in mind, women reflect these challenges into concrete actions aimed at intensifying the level of the corporate justice and impartiality, in addition to the greater level of transparency requested, which is surely beneficial for ethical issues and

then CSR concerns (Cook and Glass, 2017).

However, these features are all related to the positive association that women have with the engagement in CSR practices, which, going back to the debate about the introduction of mandatory representation of female in boards of directors in Europe and in other countries around the globe, seems to sustain the idea that these rules will be beneficial not only in terms of gender equality, but also they will promote the socially responsible behaviours of firms through an indirect channel (Kyak *et al.*, 2017).

Challenges for female representation in the boards

Nonetheless, the general idea that having women in the board will be always favourable for CSR engagement, which lead to increase its ratings, is challenged by two concepts of organizational literature. First of all, the *token theory*, which was postulated by Kanter (1977), is about two different positions that are likely to be covered by women in boards. Indeed, he defines solos as singular individuals belonging to a specific social group in a working environment, instead tokens are always member of the social group, but they are strongly underrepresented in the group itself. The features that distinguish these group components, solos and tokens, from the others, highly represented, is that they are exposed to a greater visibility, as well as discriminations and prejudice from the dominant group. This negative aspects of being a solos or tokens limit the desires of taking actions of such members, which is translated into women being less prone to engage in CSR activities. The other organizational theory that must be taken into account when considering the women as minorities composing the board is the *critical mass theory*, which is opposed to the previous one because, if the former aimed at finding the weaknesses of being underrepresented, the latter aims at finding the right proportion of members composing the board in this case, which can have an influence over the decision-making process and then the CSR practices undertaken. Indeed, the larger the minorities members are, the more possibilities they have to be heard and received trust by the majority. From the analysis carried out by Cook and Glass (2017) the minimum number of women that must be present in a board to influence CSR ratings is three.

Hypotheses development

Taken into consideration all the aspects just mentioned, and the fact that most of the companies still nowadays consider CSR issues as "soft" one, meaning that they should be a concern just of the most sensible gender (Boulouta, 2013), I developed the first hypothesis to be tested with the regression analysis:

Hypothesis 1a: Larger share of female board membership is positively associated with overall CSR ratings

Moreover, for the personality traits that characterize women that have already been largely described as communal features, another hypothesis should be done:

Hypothesis 1b: Larger share of female board membership is positively associated with CSR community ratings

Furthermore, as described before, the numerous different types of discrimination to which women are subject in their working environment, enhance their willingness to demand for transparency. Transparency, in turn, is often correlated to the disclosure and engagement in environmental practices, that reflects the impacts that the business operations have on the environment itself (Kathy Rao *et al.*, 2012). Therefore, higher level of transparency requested by women, and their higher education and diverse experiences, lead them to be more incisive in the decision-making process of environmental practices to be adopted. Accordingly, the next hypothesis comes as:

Hypothesis 1c: Larger share of female board membership is positively associated with CSR environment ratings

2.2: CSR and ownership structure

As it has just been pointed out not only board composition can have an impact over the implementation of corporate social responsibility policies, but other factors regarding corporate governance are important as well. Indeed, taking up the concept of corporate governance, which is the legal system that facilitate the enforcement of power in managing the business's operations, involving the oftentimes difficult relationship between stockholders, so the ownership structure, and the management, which is represented by the board of directors, now the focus of the attention will be on the ownership structure. It should always be kept in mind that the exercise of control of corporate governance is based on three fundamental principles, which worth mention because of their importance in relation to CSR: these are the responsibility rationale, compliance criterion and in the end the transparency standard (Salehi *et al.*, 2017).

Ownership structure definition

The ownership structure, instead, can be defined as the individuals or legal entities which have an important stake in the company, as they legally own one or more shares in the corporations in order to have certain rights. The rights of owners can be divided into two macro categories: the management one, that is the ability to have an influence in the appointment of the officers, and the economic rights, that concern the ability to receive dividends and profits from the business in which they have a stake. Being a shareholder not only brings rights to individuals obviously, but some responsibilities regarding the legal sphere as well, such as the administrative work they have to do and to be compliant with in order to set up the business. Moreover, they must decide on how to distribute the profits generated by the company, they have to manage the taxation of the firm in relation to its amount and deadlines to be respected, and lastly, they can have some special and personal duties if the corporation fails to make profits, generating a loss, and if it goes bankrupt as well (Eqvista, no date). Having highlighted which are the investors responsibilities and rights, it should be noted consequently that they can have a significant influence over the decision-making processes regarding different strategic aspects of the business organization, as well as they can impact the motivation inside the company and the distribution of power.

Shareholders' influence

An important remark should be done at this point, because if it is generally accepted the idea that owners can affect managers decisions, it is not always true. Indeed, it depends on the stake that the specific owner has in the business. For instance, if a corporation have numerous shareholders that differently own just a small amount of shares, they will not have any incentive to scrutinise managers decisions, even because they will not have the voting power to exercise control. Instead, in the scenario in which there are just few shareholders that in turn hold a great amount of shares, they will have considerable voting power, that can be exercised to appoint the directors they prefer (Oh *et al.,* 2011). Moreover, in the study conducted by Oh *et al.* (2011), it is highlighted how ownership composition can affect the resolutions regarding research and development allocation of resources and about innovation-related aspects influencing the directors of the board. Furthermore, as already stated, the decisions about capital structure and entrepreneurship, but lastly and most importantly they can affect the resolutions about the strategies of diversification, which are known to bring the most competitive advantage to companies. As in the previous chapter it has been pointed out, the corporate social responsibilities activities can be viewed as strategic investments, which can be related to aspects of innovation, R&D investments as well as forms of diversification. The strategic investments, indeed, enable the company to foster competitiveness and gain legitimacy from the society, which in turn it makes the owners of the company particularly interested in these investments. In addition, the relationship between CSR practices and the ownership structure deserves special considerations because different types of owners have diverse purposes which drive their actions inside the company, as well as they can have different time-horizon orientations that reveal to be fundamental in regard to social responsibility engagement (Oh *et al.*, 2011). In the end, companies that are considered as irresponsible in the social environment are often subject to sanctions and punishments not only by their government, but also at the international level, from international organizations and institutions.

Different types of ownership structure: managerial ownership

Many studies in literature have considered different owners taking as a reference the study conducted in Korea by Oh *et al.* (2011), which has divided owners into three major

categories that are the institutional one, the managerial and the foreign one. For what regards institutional owners it will be given a broader discussion later in this paragraph as it is my focus of interest in this research. Instead, managerial owners are referred to be the senior management team of the company which not only have the control of the business in their hands, but also own some shares. Moreover, within this category it might also be considered the outside directors. Leaving the possibility to top managers to buy the company's shares and therefore, being part of the ownership structure, with all the duties and rights related, could benefit the company in the sense that the agency problems already seen in the previous paragraph could decrease. Indeed, the problems that could arise in the management of a corporation are associated with the fact that often the interests of shareholders are not the same of the management, instead, if managers cover both roles there should be an alignment of interests, which can only be advantageous for the company. Alternatively, it deserves attention also the scenario in which outside directors are given the possibility to own a percentage of shares because, as previously noted, according to the resource dependence theory, they are those members of the board that can help the firm in the communication with external sources, helping through the process of engaging in socially responsible activities that external stakeholders require. According to this perspectives, managerial ownership should have a positive relationship with corporate social responsibility engagements and ratings, leading the company to take advantage of this context. Nonetheless, in reality, what the studies of Oh *et al.* (2011) and Nurleni *et al.* (2018) have found is that CSR and managerial ownership are negatively associated. If the former study explains this result based on the context of the analysis, that is Korea, a country in which the low level of transparency makes difficult for firms to develop such practices, the Nurleni *et al.* (2018) study, instead, referred at the phenomenon analysed as the *entrenchment effect*. It means that once the control over ownership shares is high it is difficult for other shareholders to take control over decision-making leading managers to pursue just their individual priorities. On the contrary, the study of Salehi *et al.* (2017) reported no significant relationship between the two variables. As a consequence, in order to conclude, management ownership based on theoretical frameworks should positively affect the CSR ratings, but instead there are other variables at stake which drive such relation toward the opposite direction.

Moreover, managerial owners, defined as insiders by Oh *et al*. (2017), have been studied in the perspective of a non-linear relationship between the CSR ratings and

different amount of shares owned by managers. Their study, indeed, supported the same idea proposed by Nurleni *et al.* (2018) in which different levels of management ownership bring to various and conflicting impacts on CSR ratings, but their results showed how this kind of relation assumed the form of a U-shaped pattern. It means that the CSR ratings decrease as the shares owned by managers increase until a determined point, which can be explained by self-oriented mechanisms of policy development inside the corporation pursued by the managers, but after that certain point the ratings start to increase again as the managers represents the majority, because they tend to align their interests with the long-term ones (Oh *et al.*, 2017). This result, added to the ones mentioned previously, shed light to the matter that the relationship between CSR ratings and ownership structure depends on many different aspects, not always easy to find.

Different types of ownership structure: foreign ownership

In the third place, another category analysed by the study conducted in the Korean context (Oh *et al.*, 2011) is the one of foreigner investors, which have increased in recent times due to the ongoing globalization process and the particular attention that both American investors and European ones have posed on Asian businesses and their different ways of managing operations, often still characterised by low level of transparency and blurred boundaries between ownership and control separation. Anyhow, foreign investors are seen as particularly beneficial for a company because they can bring the knowledge, practices, expertise and innovation from other countries affecting the operating mode. Moreover, the distinctiveness feature of coming from different contexts can encompass not only alternative way of thinking and of developing social actions, but they can also have different law restrictions in their home country. The same regulations can be not present in the country in which they invest, but if they have observed an advantage of such implementation in their country of origin, they will apply the same rules increasing the possibility of engaging in socially responsible practices, leading to a positive relationship between CSR ratings and foreign investors (Zaid *et al.*, 2020). A negative remark should be noted in relation to this type of shareholders: indeed, the lack of information that arise when investing in a foreign country may lead investors to experience the disadvantages correlated with uncertainty and information asymmetry. On the contrary, if the company is a socially responsible one, it is also able to reduce such

risks and therefore, the more a company engage in CSR activities, the more attractive it becomes also for foreigners. At the same time, this kind of investors may request higher standards of transparency in order to overcome the information asymmetry issue. Indeed, Oh *et al.* (2011) have found a positive relation between CSR ratings and foreign investors, given the long-term orientations they commonly have and the desire to demonstrate to their stakeholders that the investments they made outside their national borders are consistent with social responsible practices of their home country. The same positive connection between foreign shareholders and CSR classification is found also in the study conducted by Zaid *et al.* (2020), enriching the literature regarding this matter adding the fact that the more independent directors are constituting the board, in coexistence with this kind of shareholders, the better it is for the adoption of corporate socially responsible behaviours.

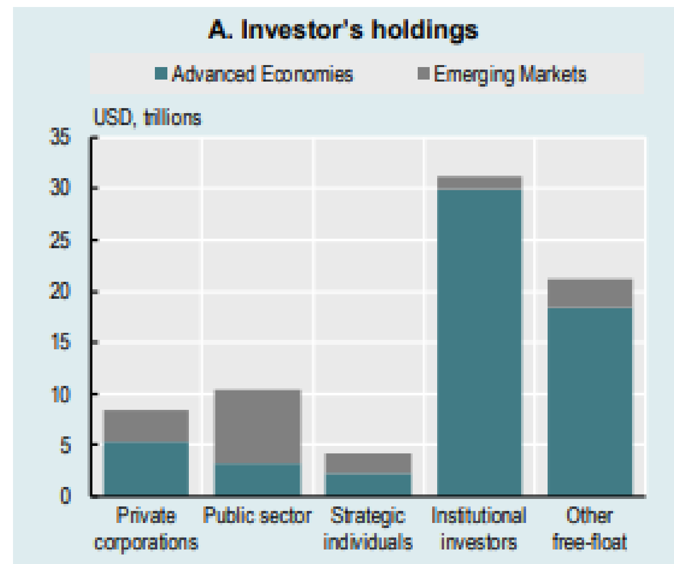
Different types of ownership structure: family ownership

The last category of ownership analysed in literature is the family one, which have been shown to be the most value-driven class. Indeed, the family often goes beyond the achievement of financial results because the image of the family involved is strictly correlated to the actions undertaken by the company that they personally own. Accordingly, in order not to be damaged publicly by irresponsible behaviours, which will be not only a reputational damage in business terms, but also it could lead to prejudices among people living in the community and society to which the family belongs, they are thought to be more compliant with CSR practices. The emotions and the sensitive values that are typical of a family-owned business are what lead the company to pay more attention to socially responsible behaviours, leading to a positive correlation between the family ownership and CSR ratings, but as found in the study conducted by Ducassy and Montandrau (2015), such relation is not so strong and direct. Actually, family-owners are able to reduce the negative effect that a concentration of a single type of shareholders could have over CSR practices, because, as mentioned previously, they are more inclined toward those type of actions (Ducassy and Montandrau, 2015).

Institutions' characteristics

Having understood that there could be a positive, a negative or an uncertain correlation between different kind of investors and the CSR practices, it is time to analyse the institutional ownership structure. Firstly, it will be analysed how and why institutional investors in recent years have received a growing attention by scholars, and how they are investing in various businesses. Then, it will be discussed the different features that are correlated with this type of shareholders, and in the end, it will be highlighted the alternative theories that emerged in literature in order to explain the relation with CSR engagement and ratings. According to the OECD report (De La Cruz *et al.*, 2019) containing a global overview of public listed companies type of ownership structures, the importance of institutional investors, and the reason why they deserve a particular attention, is that nowadays they hold 41% of global market capitalization, mainly due to their strong presence in the United States markets. Indeed, the report shows that inside the category of institutional investors, which are defined as intermediaries with the aim of maximising profits and that their core activity is to invest in the name of clients, the three largest nationalities at the global level are represented by the United States with 65% of the total category, being the largest portion. Afterwards, there is the United Kingdom that stands for the 11% of institutional investors and lastly Japan, which constitute the 4% of the global institutions investing in equity holdings. Moreover, it should be noted from the figure 11 that the institutional investors are present for the great majority in advanced economies.

Figure 11: Distribution of ownership by investor category



Source: De La Cruz A., Medina A. & Tang Y. (2019), *Owners of the World's Listed Companies*, OECD Capital Market Series, Paris, Available at: www.oecd.org/corporate/Owners-of-the-Worlds-Listed-Companies.htm (Accessed: 29 April 2021)

In point of fact, in order to go deeper into the analysis, the figure 12 shows how the investments made by institutions are predominant in the United States (72%), so in the same country in which they have their headquarters, as well as in advanced Asia (23%) and in Europe (38%).

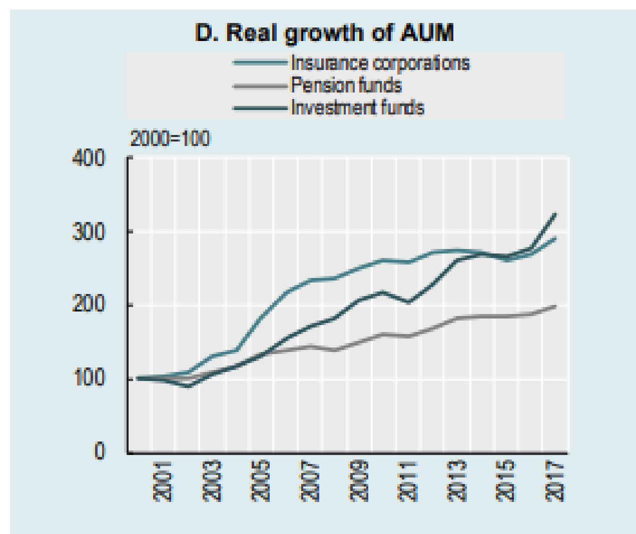
Figure 12: Regional ownership distribution by investor category

	Private corporations	Public sector	Strategic individuals	Institutional investors	Other free-float
United States	2%	3%	4%	72%	19%
Advanced Asia	17%	23%	7%	23%	30%
Europe	13%	9%	8%	38%	32%
China	11%	38%	13%	9%	28%
Emerging Asia excl. China	34%	19%	10%	16%	21%
Other Advanced	7%	4%	4%	39%	47%
Latin America	34%	7%	17%	20%	21%
Other Emerging	15%	28%	6%	20%	31%
Global average	**11%**	**14%**	**7%**	**41%**	**27%**

Source: De La Cruz A., Medina A. & Tang Y. (2019), *Owners of the World's Listed Companies*, OECD Capital Market Series, Paris, Available at: www.oecd.org/corporate/Owners-of-the-Worlds-Listed-Companies.htm (Accessed: 29 April 2021)

The great volume of institutions that just in recent years have increased so exponentially in relation to investments in publicly listed companies can be explained by different reasons. In particular, there has been a transformation in the systems that regulate pensions funds: if before the main scheme adopted by such institutions was the pay-as-you-go one, which means that the pension benefits that a person will receive are directly linked to the amount of taxes and contributions that the same individual has done (Investopedia, 2020), recently the change has been towards more fully funded pension plans. The latter consists in a pension plan which have a significant amount of assets available in a way that makes possible to satisfy the current people going to retirement and the future ones as well (Kagan and Wohlner, 2020). According to the OECD report (De La Cruz *et al.*, 2019), this category of institutions has increased in number both in private terms and as publicly controlled funds. As a matter of fact, in 2017 OECD countries registered a large amount of assets belonging to those pension funds, accountable for more than half of GDP in percentage terms (50,7%). In addition to the augmented proportion of such assets, over the past few years it has been spread the good practice consisting in investors having a more diversified portfolio, with the aim of improving the earnings and mitigating the risk effects. In this sense the investments done by different institutions have been significantly intensified in several companies across the globe. Lastly, the development of technology devices has promoted the possibility for families to bundle together their savings, leading them to have a greater amount of investments' possibilities given by the greater availability of resources, allowed also by the fact that technology and communication new channels have enabled the advancement of diversified investments. Indeed, this is illustrated by figure 13, which shows how three different types of institutional investors, namely insurance companies, pension funds and the investment funds have significantly increased the amount of assets under their direct control during the last 20 years (De La Cruz *et al.*, 2019):

Figure 13: Assets under management (AUM) by institutional investors in OECD countries



Source: De La Cruz A., Medina A. & Tang Y. (2019), *Owners of the World's Listed Companies*, OECD Capital Market Series, Paris, Available at: www.oecd.org/corporate/Owners-of-the-Worlds-Listed-Companies.htm (Accessed: 29 April 2021)

In the attempt to provide a general definition of institutional investors, Çelik and Isaksson (2013) found just one common feature that can be ascribed to every different institutions: they are not a physical person. Instead, they are legal subjects, which anyway differ in terms of legal forms. For instance, they can assume the pattern of stock companies, such as close-end funds, or they can also embrace the form of limited liability partnership, such as the case of private equity firms. Moreover, they can be independent companies, so acting alone in the market, or rather being part of a larger group or conglomeration, which is the case of many mutual funds that are often branch of banks or of insurance companies. The last differentiating point that should be mentioned is related to the identification made by the same report (Çelik and Isaksson, 2013) of three macro categories of institutions, which are defined as traditional institutions, alternative institutions, and asset managers. In accordance with the authors' view, the first category is composed by pension funds, investments funds and insurance companies that are the most spread forms of institutions in the world. Instead, the alternative group concerns those institutional investors that were born as a variant to the traditional ones or as a form of complementary institution, for instance inside this group there are the hedge funds and private equity firms, which are two forms of institutions that use pooled funds.

Furthermore, in the alternative category are considered also the exchange-traded funds, that substantially consist in baskets of securities that trade on an exchange, like the exchange stock, and, in the end, there are the sovereign wealth funds, which are investment funds owned by the state. The last macro category considered by the scholars is the asset managers one, which is defined as those institutions that are responsible of managing investments of other people on a daily basis, only in the name of their clients, never on theirs. The client can be a physical person as well as another investment fund or institution.

Until now it has been shed light on some general features of institutions, regarding the various commercial business models that they can adopt, but the differences can also be found in relation to their incentives and their investment strategies. Lastly, they could also differ in regard to the fulfilment of ownership duties, which can be related to more or less engagement in the responsibilities connected with ownership, that in turn affect the CSR policies adoption (Çelik and Isaksson, 2013).

Institutional ownership features and their implications for the companies

Once the definitions of different type of institutions have been underlined, it is important to study their influence over CSR policies, because in literature there are many mixed results that still makes scholars to experience difficulties in understanding which is the right direction of the relationship between institutional ownership and CSR ratings. Such relation, for instance, could be a linear and direct relation either positive or negative, as well as an insignificant correlation, or in the last case it could be a non-linear one, depending on the amount of shares owned by the single institution (Oh *et al.*, 2017). As a matter of fact, the percentage of shares owned by institutions have been stressed as being a fundamental feature in relation to CSR policies, because depending on this, institutions can have more or less voting power that is reflected in the higher or lower possibility to influence the corporate decisions. The other fundamental advantage that institutions have is the one related to information asymmetry, indeed, they normally own significantly more information about companies, due to the business they carry on, in comparison with other shareholders. They typically know better and can more easily predict the market trends, they can have extra direct contact with external sources of competitive advantage, and other important stakeholders. All these useful information can be exploited, in

addition with their power in the board, in order to significantly affect strategic decision making processes. Another fundamental property often associated with institutional shareholders is that, traditionally, they own a significant amount of shares, which as seen before, not only gives them the possibility to exercise more voting power, but on the other side they will experience harder times when trying to sell them. The difficulty that they can meet in selling the great portion of shares they own will lead them to be more concerned and adopt a thoughtful approach over firm's strategic decisions, compared to the other shareholders composing the ownership structure of the company (Oh *et al.*, 2011). Already these observable features underpinning the institutional ownership behaviours can lead to think that the relationship between socially responsible behaviours and institutional presence in the ownership structure is a positive one. Nonetheless, there are other noteworthy features and definitions that either sustain this hypothesis or go against it. Indeed, they are defined as risk-averse investors, which means that in accordance with *risk aversion theory* they represent that portion of investors in the market that are judicious in their choices of investments. As already mentioned, each of the different type of institution has specific investment strategy, which often consist in searching the most efficient investment considering both the risks associated with it, trying to minimize them, as well as the related returns, in light of the fact that it does not make any sense for an investor to commit resources in an unprofitable investment (Wahba and Elsayed, 2015). This latter point means that even if the social component of a company in recent years has been of particular importance for investors, still for the great majority of them the financial performance remains the discriminating factor. For this reason, which implies that the line of reasoning beyond the investment planning is to accomplish both profit and non-profit goals, institutional, governmental, and foreign investors are defined as *professional investors* by Zaid *et al*. (2020). This definition is strictly correlated with two main features: they are highly qualified investors, as well as knowledge-intensive (Zaid *et al.*, 2020). On the same ground, according to Mahoney and Roberts (2007), the institutional investors are identified as *superior investors*, which supported the idea that they are rational investors which weight a lot the information they have available before making an investment. Therefore, the process of information elaboration not only requires a lot of time, but will also lead to a better result, in the sense that institution will be able to formulate a more attentive judgement. The detailed activity of information research by institutions can be intensified by their possibility of reaching

economies of scale in the assessment process of different investments, leading them to not undervalue firms that prefer long-term investments to sustain the firm growth and value in the long run. Moreover, the process of choosing where to invest is done through a careful analysis, as stated by Mahoney and Roberts (2007), which is done for two main reasons, one already anticipated before. As a matter of fact, institutional owners traditionally hold significant amount of shares when they invest in a company, but in the case in which there is a loss in the firm financial performance, and so the shareholders might want to sell their shares, this is not an easy matter. Instead, it is a complicated situation because the great volume of shares to be sold will certainly affect both the share prices and the return stock volatility (Harjoto *et al.*, 2017), making the sale operating process even not appealing to others. Moreover, the second reason that lies behind the fact that institutions conduct an attentive analysis before investing, concerns the fact that they have to experience many challenges in order to find a new substitutive investment that is remunerative as well, because as already noted they are well diversified and widely present in the market (Mahoney and Roberts, 2007).

The fiduciary responsibility of institutions

Furthermore, there is another important feature of institutions that influence their willingness to invest in a particular company instead of another one, which is the fact that they are strictly and legally obliged to respect the fiduciary responsibility they have towards their clients. Indeed, as they handle money of others, they must act in the best interest of their customers, not pursuing their own interests. But the level of severity of such responsibility towards their clients depends on the different type of institutions, that in turn will affect the choices about which strategy to adopt in order to invest and acquire particular shares or not. Undoubtedly, the institutions that have a severe level of fiduciary responsibility are more vulnerable to changes in revenues in the short-term perspective, not to mention the fact that they have to cope with precise and prudent standard of investments, which in turn other institutions do not have to face. In addition to the adoption of cautious spending standards and connected to this aspect, this type of institutions will assume a more risk-averse approach toward their investments, which will lead them to have in their portfolio of investments only prudent shares. Indeed, the classification of institutions based on their level of strictness fiduciary responsibility

proposed in the study of Harjoto *et al.* (2017) comprehends at the first place banks, because they hold significant assets in the name of not only individuals, but also other institutions, in their trust divisions. Therefore, they will act in the most prudent way in managing such funds. The second layer of strictness in relation to fiduciary duties embraces a range of different institutions, which are the private and public pensions, the trust fund of universities and of foundations. They still have to face some accurate principles for investing, but not as strict as the one for banks. Afterwards, there are insurance companies which have to handle investment capitals as a mean for their premiums and therefore, they have to be compliant with less fiduciary restrictions. In the end, the investment companies and advisers, through mutual funds, are the last type of institutions in relation to the severeness required by the fiduciary duties, because they have just to manage investments on behalf of other individuals (Harjoto *et al.*, 2017). The different degree of fiduciary responsibilities it has been noted that not only have implications over the prudence in choosing the investment, but it has also some repercussions on the choices related to short-term versus long-term investments. Indeed, institutions can be classified according to their different time horizons of investments, because it affects the possibility to invest into socially responsible firms. In the study conducted by Erhemjamts and Huang (2019), the division between institutions with opposite time horizons has identified the public pension funds and private multiemployer funds as the ones with a longer time horizon perspective. Instead, those characterized with short-termism are banks, mutual funds, and insurance companies.

Institutions influence from companies

Another difference between different type of institutions should be noted, but not in general terms as the previous differences, but in terms of attitudes inside the corporation in which they invest. Indeed, in the study conducted in the Spanish context by Pucheta-Martínez and Chiva-Ortells (2018), the institutional directors are categorized based on the pressure they face in companies. Indeed, the first type named *pressure-resistant* is the one in which such institutions do not have to cope with conflicts of interest coming from deep relationships with the business and, the pressure from the company in which they invest has a low grade of influence, leading them to operate and interact in the business much more independently than the opposite category. In this first class of institutions are

considered the mutual funds, pension and investment ones, which, according to the authors, being independent and having a longer perspective in relation to time horizons can be translated into being subjects able to monitor more effectively managers actions, supporting at the same time the company towards change and development. On the other side, the opposed category of institutional investors is defined as *pressure-sensitive*, as it comprehends institutions like banks and insurance companies, which, as already highlighted, face higher pressure both in term of investment standards and in relation to their visibility toward the society, they will surely be able to influence companies in the adoption of CSR behaviours, also considering that they will have more strict business ties with the company in which they invest (Pucheta-Martínez and Chiva-Ortells, 2018). In order to sum up, it has just been seen how an active or passive approach adopted by institutional investors might depend on several factors, which can be summarized as their investment responsibility and engagement, on their investment term, that can be more or less long-term oriented, and what are the motivations behind their commitment (Martínez-Ferrero and Lozano, 2021).

Institutional investors and implications for CSR

Going deeply in the relation that institutional investors can have with the adoption of CSR practices in the company in which they make their investments, it is of fundamental importance to highlight that not only in literature exists many different and conflicting results, but there are also different perspectives that can be assumed in the analysis. Indeed, as already pointed out, the institutions tend to behave according to the risk-aversion theory, and since adopting socially responsible behaviours can help companies to reduce the levels of their stock volatility it should imply that the relationship between institutions and CSR is a positive one (Wahba and Elsayed, 2015). Not only the levels of instability in this regard can be reduced through CSR practices, but also considering that investors are in turn vulnerable to the negative externalities created by the firm, such as their pollution issues that can influence their reputation equally, they will seek for more socially and environmental responsible firms in order to reduce such negative risk (Zaid *et al.*, 2020).

On the contrary, the correlation between these two aspects could be a negative one given the fact that different institutions have different time horizons, but most of them

favour the short-term goals, according to the *myopic institutions' theory*. Indeed, the latter theory sustains the idea that institutions prefer to be repaid in the short-term, as the managers of such institutions are themselves measured on their capability to collect near-term profits. Therefore, they will avoid those opportunities of investment in which the company entails in high short-term costs to receive long-term benefits, as it is the case of adopting CSR policies that will repay only in the long run (Wahba and Elsayed, 2015). These different perspectives create confusion among scholars, even because two different and opposed theories support these ideas. First of all, the traditional idea proposed by Friedman (1970) states that the expenses in which a firm can incur in relation to CSR might generate damages to the purpose of creating a higher financial performance, which means not following the principle of maximization the shareholders wealth. On the other hand, the stakeholder viewpoint sustains the idea that all the stakeholders should be considered in the management of the company, including the society and community, and that enhancing their wellbeing will bring a considerable competitive advantage to the company, in addition to the possibility of maintaining a high value in the long-term (Erhemjamts and Huang, 2019).

Which are the negative implications?

Inside the sphere of the hypothesis that the relationship between institutions holding shares in a company and the CSR ratings of such company is a negative one, it could be considered also the scenario analysed by Pucheta-Martínez and Chiva-Ortells (2018), in which institutional investors, which are said to traditionally own significant amount of shares, will be willing to engage in tunnelling activities. Indeed, in this view institutions will act unethically and illegally in order to usurp value from other minority shareholders with the intention of achieving their personal goals, at the expense of controlling activities over managers, that according to agency theory would instead enhance the CSR performance (Pucheta-Martínez and Chiva-Ortells, 2018). Behind these actions and the other negative perspectives, there is the fact that often the uncertainty correlated with CSR actions lead institutional investors to behave towards the opposite direction, obstructing the engagement in more profitable CSR policies (Martínez-Ferrero and Lozano, 2021).

Taking into consideration the opposite view and according to the agency theory,

the relationship should be a positive one as institutions are sophisticated investors, as previously mentioned, meaning that they are more experienced and knowledgeable, therefore they are able to supervise efficaciously over managers actions exploiting the resources they have at their disposal. This is the theory most used in literature to explain the positive relationship (Oh *et al.,* 2011; Zaid *et al.*, 2020; Erhemjamts and Huang, 2019; Pucheta-Martínez and Chiva-Ortells, 2018; Salehi *et al.*,2017; Pucheta-Martínez *et al.*, 2018), but there could be a drawback correlated to this thesis. Indeed, as observed by the study conducted in UK from Elgergeni *et al.* (2018), there is the possibility to engage in the scenario of *attainment discrepancy*, which means that there exists a difference between the real performance and the expected one. Translating in the behaviours of shareholders it might imply that if they perceive the firm is performing well, it will imply that there is no need of their control. As a point of fact, control mechanisms are costly also for institutions, so if the impression they have is a positive one they will not display the effective monitoring at the basis of the agency theory, leaving the ground to more autonomous decisions in the hands of managers (Elgergeni *et al.*, 2018). Moreover, the effective monitoring can solve the problem related to the misalignment of interests between ownership and managers, but it should also be considered that its effectiveness could be reduced if more institutions with different orientations and features are present in the ownership structure, and they are willing to pursue only their own interests, bringing to conflicts even among different institutions which should be those in charge of reducing such conflicts (Oh *et al.*, 2017).

On the other hand, it will remain another issue to be solved as well. As a matter of fact, there could be a divergent view toward risks, which implies that the ownership components of the company have different attitudes toward risk opposed to the one of the control management, which subsequently spills over the decision-making process about strategic investments as it is the case of CSR (Zaid *et al.*, 2020).

Is it a positive correlation?

An additional framework supporting the idea that the institutions enhance the CSR ratings is the *good management theory*, which implies that the actions undertaken by the company as socially responsible ones are positively correlated with the creation of long-term value (Oh *et al.*, 2017). Moreover, as highlighted in the previous chapter, the CSR actions are not only a source of financial value, but they primarily are instrumental to

strengthen the reputation of a company. Therefore, in relation to institutional investors which are known to offer credence services to their customers, which means that they provide services whose benefits and favourable features are not directly observable from the client point of view even after purchase, it will entail a higher need of trustfulness from customers. This characteristic of pension funds, insurance companies and banks services imply that they need alternative sources in order to gain respect, such as it might be the case of investing in productive socially responsible corporations, implying their attentive strategy and concerns towards the community and society (Oh *et al.,* 2011).

Other variables at stake

Giving consideration to all these aspects, there should be another topic that deserve attention. In fact, in the relation between institutional ownership and CSR the context must be account as it is highly influential. For example, in the study of Martínez-Ferrero and Lozano (2021) it is reported how European countries are more subject to experience agency problems between majority and minority shareholders. As an example, indeed, in another study conducted in France (Ducassy and Montandrau, 2015) it has been noted how some specific characteristics correlated to the financial structure of the market or institutions, such as the French civil law, the features typical of French ownership density and the importance of families inside the ownership structure of the vast majority of French companies, could explain the low level of impact that institutional ownership have over decision-making processes in the French context (Ducassy and Montandrau, 2015). Considering a completely different context, instead, such as the Korean one, the authors of the study conducted by Oh *et al.* (2011) underlined the high degree of authority that the government has over financial institutions, that reveals to be positive since the government imposes to companies to adopt socially responsible behaviours, instead of searching only for short-term financial gains (Oh *et al.*, 2011).

From these examples and from what has been stated before, the factors that influence the relationship investigated in this study could be many, but most importantly these are the CSR adoption and its implications over the financial performance of the firm, and the constraints that the institutions have to face in relation to the society and their choices of investments (Harjoto *et al.*, 2017). Indeed, if the costs of entailing in CSR practices reduces the business value, then institutional investor will negatively impact

such practices by trying to reduce the involvement of the company in them. Instead, besides the constraints of investments, if the institutions are managed by people that want to pursue their personal goals, such as running for the political election, they will foster the adoption of CSR practices (Barnea and Rubin, 2010).

Hypotheses development

Therefore, my hypotheses are developed based on the evidence just described. Firstly, based on the agency theory, in which effective monitoring over managers is given by institutional ownership, which in turn have the duty of maximizing shareholders wealth and long-term value creation, the relation should be positive. Moreover, the relationship should be positive because of the legitimacy theory, which states that institutions will gain reputational points if they favour the adoption of CSR practices in companies in which they invest (Salehi *et al.*, 2017), and lastly because of the risk-aversion approach the institutions have, the preference of investments of them will be given to companies with higher level of responsible behaviours.

Hypothesis 2a: Larger share of institutional ownership is positively associated with overall CSR ratings.

Furthermore, as already stated at the beginning of this paragraph, different owners may have different orientations toward opposite time-horizons, different goals to be reached either for their personal interests or to attract the community by which they are surrounded and enhance their visibility and reputation. In this sense, not only shareholders have different impacts over corporate social responsibility actions as a whole, but they will even promote specific components inside the large concept of socially responsible practices. Indeed, as it has formerly pointed out, inside the framework of CSR there are many different components, from the community division, to the environmental, the employees focus and the governance one, meaning that this is a multidimensional pattern. Analysing the effect of institutions, which it has already been explained how diversified they can be under the same definition, only over the general concept can lead to imprecise results. This is the reason why this study focuses on the relation between the governance category of CSR, which comprehends the disclosure of policies of the corporation among stakeholders and the alignment of the management with sustainable

policies, which in reason of what it has been said about institutions and their influence over the board it should imply a positive correlation.

Hypothesis 2b: Larger share of institutional ownership is positively associated with governance CSR ratings.

In addition, the second component that is going to be tested is the employee division of the CSR concept, which refers to the disclosure of all those policies aiming at benefiting employees in terms of training, development, compensations, benefits and diversity policies. It has been shown in the study conducted by Erhemjamts and Huang (2019), that the different time-horizons orientations of different institutions have opposed implication for the employee segment. Indeed, just long-term orientation brings positive results on CSR ratings, specifically on the employee category. In addition to the fact that the analysis done by Chen *et al.* (2019), which divided the different subcategories of CSR in material and immaterial components, depending on the specific industry, obtained as a result that institutional shareholders firstly tend to improve those aspects more material in financial terms for the company and only afterwards, they will focus on the immaterial ones. According to these outcomes, combined with the fact that employees are those who bring value to the companies, representing therefore surely a material subcategory, the following hypothesis have been developed:

Hypothesis 2c: Larger share of institutional ownership is positively associated with employees CSR ratings.

The interaction term

In order to conclude, the analysis conducted in this study wanted to investigate the relationship between the two independent variables in relation to the dependent one. Therefore, as reported in the study conducted by Oh *et al.* (2017), there are two opposing role that can be assumed by governance components interacting with each other. One it is the complementary approach that refers to the role of effective monitoring adopted by institutional shareholders, as already highlighted useful to overcome the agency problems, which is positively connected with the board gender diversity. Indeed, women are able to achieve the goal of incentive alignment, in addition to what has been reported in the Pucheta-Martínez *et al.* (2018), by which female directors enhance the disclosure

of information regarding CSR trying to reduce the problem connected with information asymmetry. The combination of these two factors will then increase the shareholders' value, maximizing the firm prosperity, and applied to this research will mean to have also great levels of CSR ratings. Instead, the opposed role between the two governance mechanisms is the one in which they interact as substitutes. Therefore, the presence of one is more than enough to face the challenges posed by the agency problems, and it does not need the other factor intervening, as it will just be costly. Being substitutes factors will not lead to achieve efficiently the shareholders' wealth, having negative consequences on the CSR ratings as well. The result of their analysis supported the idea of a complementary approach which led to the formulation of the last hypothesis.

Hypothesis 2d: Larger share of institutional ownership will influence the positive effect of female board membership on overall CSR ratings.

2.3: CSR and financial performance

Even if it is not a direct object of the analysis conducted in this study, it is certainly of high importance to analyse the implications that CSR practices have on financial performance of a firm, also considering that some quick hint to this issue has already been made in the previous paragraphs and chapter. In this regard, many scholars in literature have investigated the relationship between corporate social responsibility actions and the firm financial performance over the last forty years, but still not finding either a clear and precise relationship between these two variables (Awaysheh *et al.*, 2020; Vaia *et al.*, 2017), or the direction toward which the connection, if exists, is oriented.

Negative relationship between CSR and financial performance

First in the timeline of the studies about this matter, it emerged the idea that the link between socially responsible practices and financial results is a negative correlation. In this context it could be found the traditional idea proposed by Friedman (1970), as already mentioned, of the shareholders theory, according to which managers should maximize shareholders' value. Indeed, the author further elaborated the concept expressing his idea that managers and directors have all the capabilities and skills necessary to manage the production processes, as well as the commercial side of the business, but they are not either well-informed or possess the right attitude toward social issues. This vision implies that if managers engage in socially responsible aspects with the aim of doing the best for the community and environment, they will reduce instead the shareholders' value (Pava and Krausz, 1996). As a matter of fact, as it has already been pointed out very clearly, investing in CSR practices is surely, at least at the beginning, very costly, which means that it will lower the firm profits. This approach to the issue, also known as *neoclassical perspective*, goes in the same direction of the agency viewpoint by which managers (agents) pursue their own interests, trying to grasp the grace of only those stakeholders that are part of their personal targets (Flammer, 2015). In conclusion, costly actions such as the socially responsible ones, which are also subject to high risk of failure because of the incapacity of unqualified managers, will generate a financial disadvantage for companies (Waddock and Graves, 1997; Van de Velde *et al.*, 2005), which

has been demonstrated even before in this paper that it is true at least in the short-term (Vaia *et al.*, 2017).

No relationship between CSR and financial performance

Moreover, the two variables at stake, CSR and financial outcomes, could also not being related at all. Meaning that there is no connection, or at least not a direct and observable one, because in the analysis are missing many other variables that could have significant effects on this relation (Waddock and Graves, 1997). For instance, just to mention some of them, the geographic localization of the firm is highly influential. As depending on the country in which it is situated there are differences in the legal framework shaping the normative rules of the company, not to mention the different levels of disclosure required and the degrees of transparency intrinsic of the institutional environment of a particular territory. Moreover, there should also be considered the differences that exist among states and geopolitical divisions about accounting standards, which normally significantly influence the research in this field (Kim *et al.*, 2013).

Positive relationship between CSR and financial performance

On the other hand, the last perspective that has been analysed by scholars over the years is the one related to a positive correlation between the two variables. Indeed, this viewpoint is based on the stakeholders' view, by which the firm should meet the needs and interests of all stakeholders involved in the corporation. It means that including socially responsible policies will positively impact the community surrounding the company increasing the firm reputation, which in turn will generate opportunities for growth and development in the long term by also reducing all those risks not associated with the financial performance (Van de Velde *et al.*, 2005). In this sense, Waddock and Graves (1997) reported how the costs in a company could be divided in explicit and implicit ones. If the former refers to the shareholders' theory, that imply debts and responsibilities toward them in financial terms, the latter, instead, means entailing in costs that, for instance, are correlated with product development and quality enhancement. At the same time, those costs could be referred with initiatives aiming at improving the relation with the community, or other type of costs, which are considered

as the highest ones, related to environmental issues and protection. Indeed, if a company has the only goal of minimizing the implicit costs, the outcome will be an increase in irresponsible actions that will certainly generate both reputational and financial issues, for instance in relation to fines and other repercussions by governments and institutions. Therefore, the positive explanation of the relation between CSR and financial performance lays in the achievement of all stakeholders' interests at the same time, through the benefits of the CSR actions that could be seen as central for the profitability of the company. Moreover, the two scholars identified other two possible explanations: indeed, they mentioned the presumption by which the costs related to CSR are not so high as Friedman's theory would suggest, but on the contrary the advantages that can be earned by such actions are greater (Waddock and Graves, 1997). In particular, it can be thought about the product development in the environmental-friendly field, which can benefit the company both in terms of reducing impact on the environment, and in customer engagement. In this way, it would be possible to attract all that portion of the market of green consumers as well as charge price premiums to all the already loyal consumers, focusing on their knowledge of the brand and trustfulness that they place on products, with the result of increasing competitiveness of the company (Flammer, 2015). In the end, the last perspective adopted by the study is the one related to the managers skills, contrarily of what Friedman stated, the higher the corporate socially responsible ratings are the higher the skills of the managers will be, because they have been able to implement such successful actions, which certainly will affect positively the financial performance as well (Waddock and Graves, 1997).

Is it possible only a direct relationship?

All these discussions have been made in relation to a direct relationship, but what if the relation is not even a linear one? As a matter of fact, according to Flammer (2015) the relation could be either a concave one or a convex one instead. In respect to the concave one, the author stated how the neoclassical theory, cited previously, could justify such relation in the sense that as a general rule it is expected that the production factors, that are capital and labour, are assumed to generate decreasing marginal returns, which means that after having reached an optimal level of capacity, the introduction of additional units of a production factor will yield to lower degree of output increase. Based

on the same ground, as CSR can be considered a source of profits, if at the beginning it will produce a huge amount of financial benefits for the company, afterwards it will be difficult to generate the same high level of profits. On the opposite view, there is the convex line of reasoning, which stands for the idea that the financial returns arrive for a company only after a great amount of resources invested in the CSR policies, so for example only having implemented several actions at the support of such practices (Flammer, 2015).

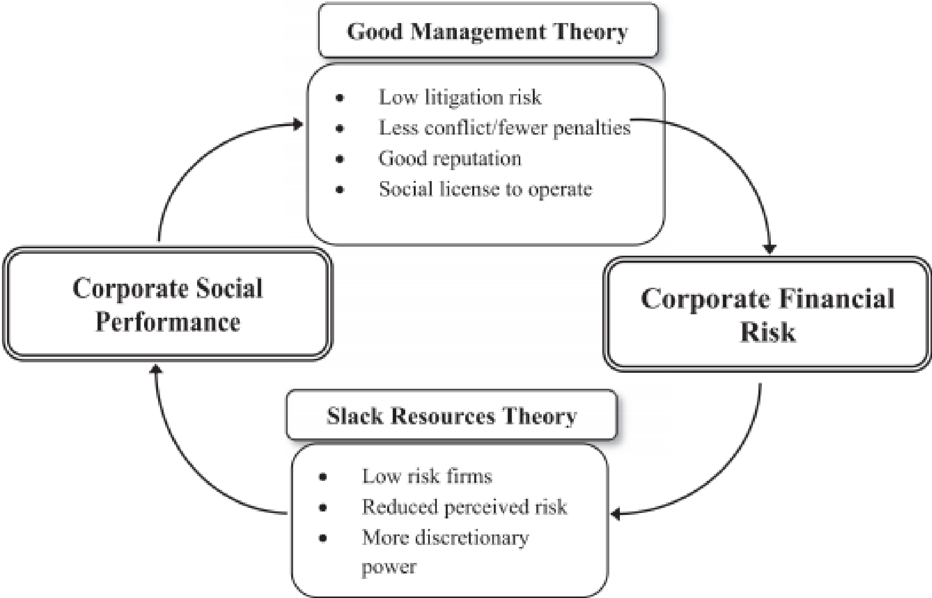
Direction of the relationship between CSR and financial performance

Another interesting point is the one related to the investigation of how the two variables affect one the other. Indeed, it should be noted that the two opposed possibilities are the one in which the corporate social responsibility actions generate a higher financial performance, or the alternative in which the fact that the company has a high level of financial assets implies that they can be destinated in the implementation of CSR practices. Therefore, the great economic performance allows for the existence of CSR actions and their subsequent high ratings. The secondary direction of causality is supported by the *slack resource theory*, according to which the superior financial performance provides the accessibility to slack resources, which can be both financial and non-financial. In turn those resources can be invested in social aspects, increasing the viability of corporate socially responsible behaviours (Waddock and Graves, 1997; Pava and Krausz, 1996).

On the other hand, the perspective in which it is the responsible behaviours that allows for a greater economic performance, is based on the ground of the *good management theory*, whereby the fact that the company entails in such practices will result in a higher involvement of all stakeholders, which in turn will have as a consequence the better overall performance. In this respect, there could be made many examples, for instance if the company engage in social practices to enhance the engagement of its employees, it will be able to achieve a greater productivity and efficiency in the working environment that obviously affects the financial performance (Waddock and Graves, 1997). At the same time, the company will be able to attract more valuable workers that will positively influence the capability of the company to commercialize its products or services rendering them more appealing to consumers, enlarging then the customer base.

In line with these two alternative perspectives, which will be the direction of causality of such relation? The CSR attitude is considered a predictor, therefore anticipating the economic performance, or differently it represents the outcome of a great financial performance? In the study conducted by Waddock and Graves (1997), the results supported both ideas, which led the authors to sustain that there is a sort of virtuous cycle between the two variables. Indeed, the sense is that the slack of resources allows for initial investments in CSR behaviours, which in turn will consequently provide the possibility to the firm to improve the relations with stakeholders. In this direction, therefore, the company will be able to attract more employees and customers, as mentioned previously, generating higher profits (Waddock and Graves, 1997). In conclusion, the cycle is able to generate long-term value which is continuously nurtured by a reciprocal and interactive relationship between CSR and economic performance (Vaia *et al.*, 2017). The following figure reports the relationship that characterize the virtuous cycle that comprehends the financial variable and the socially responsible one, integrating the two theories highlighted before.

Figure 14: The virtuous cycle between CSR and financial performance



Source: Chollet P., Sandwidi B.W. (2018), *CSR engagement and financial risk: A virtuous circle? International evidence*, Global Finance Journal, Volume 38, 65-81, ISSN 1044-0283, https://doi.org/10.1016/j.gfj.2018.03.004

In connection with what have been pointed out in the first chapter of this thesis, the food and beverage industry that is characterized by high standards of quality both by governments and by consumers, and at the same time it generates many environmental and social issues, as all the businesses involved in the usage of natural resources, it should take advantage of the virtuous cycle (Nirino *et al.*, 2020). Indeed, these companies can capitalize on their positive financial outcomes investing in responsible actions in order to enhance their reputation, the customers' engagement and in the end, to achieve even greater financial results.

CHAPTER 3: Empirical Analysis

3.1: Data and Methodology

Methods

In order to test the hypotheses made in Chapter 2 regarding the impact of female dictatorship on corporate social responsibility ratings, and the effects, either positive or negative, of institutional ownership, it will be used a sample of just food and beverage companies. Indeed, as analysed in paragraph 1.3, food and beverage companies are the ones which have the capability to affect the most the society, as food and drinking are two primary needs of humans and source of societal problems. Additionally, this industry has a severe impact on the environment due to its dependence from natural resources for the raw materials needed to produce the final products. Data about CSR ratings have been extracted from the CSRHub.com database, that is a database that rate more than 45 thousand companies around 148 countries and its ratings are based on 734 different sources, which comprehend databases as MSCI Indexes, GRI Indexes, Thomson ESG ones, that are the most used in literature to run similar analyses (CSRHub.com, no date, *Academic Researchers*; CSRHub.com, no date, *Our Data Sources*). All these numerous and differentiated sources are aggregated together to form a final rating which can range from 0 to 100 for each subcategory involved. In the CSRHub.com database the research of data can be done either by company's name, or by industry, or even by alternative countries. In this study the data have been extracted from the industries categories menu, more precisely they were chosen from the *Food, Beverage & Tobacco* section, and then there have been considered only the subdivisions of *food products* and *beverage manufacturing*.

Regarding, instead, the data about the number of women composing the board of directors of each single company, they were selected by either the last annual report available in the company's website or from the section *investors* in the same website, referring to the subdivision *corporate governance*. From the Yahoo Finance database, on the other hand, have been extracted the information regarding the other independent variable, which is the percentage of shares held by institutions for each company. This information can be found in the subcategory *holders* in the Yahoo Finance page dedicated to the specific company. In the end, the data related to the financial performance have been extracted from the annual reports referred to the financial year 2019, because the

collection of data of this study begun before the release of the reports for the financial year 2020, and because the 2020 has been a particular year characterized by a pandemic, which could have been a disturbing variable for this study.
The regression analysis has been run through the statistical software STATA.

Sample

In the CSRHub.com database the category of *food products* comprehends the analysis of 300 companies, instead the one of *beverage manufacturing* 87 companies, being all publicly traded ones. The sample has been reduced from the initial number of 387 companies because the information regarding the gender of all members composing the board of directors were not always available. At the same time, the sample has been lessened furthermore by reason of the fact that all the data regarding the shares hold by institutions, obtained from Yahoo Finance database, were not available for all the companies of interest. Therefore, the final sample is made of 191 companies.
In table 1.1 it can be seen the distribution of the sample divided into geography and industry features. Indeed, almost 30% (29,32%) of the companies analysed are Asian ones, which can be related to the fact that Asian governments are requiring more transparency from their companies, asking to disclose more information as possible regarding social practices, in order to develop the long-term growth and support value through time, as it has already been discussed in the study of Oh *et al.* (2011). Afterwards, Europe and North America are represented in the same precise percentage terms in this study, which is 25%. Subsequently, there is Latin America which is represented by just a little more than 10%, that most of all are companies situated in Brazil. The other regions of the world such as Australia, Middle East, Africa and the Pacific, which refers mainly to New Zealand, are accounted for less than 5%, which means that they are not really influential in this study. On the other hand, even if this research focused only on the food and beverage industry, unlike many other studies conducted in literature which comprehends the analysis of several industries at the same time, it has been done a further classification among the companies engaged both in food and beverage businesses, and those which are focused just on one of the two areas. The food production companies account for the vast majority, being almost half of the sample, instead at the last place there are the beverages companies, which certainly are less than the other

branches due to the fact that in the CSRHub.com database they were already present in lower number.

Table 1.1 Description of the sample (n = 191)

Sample characteristics		Frequency	Percentage, %
Geography	Asia	56	29,32
	Europe	48	25,13
	North America	48	25,13
	Latin America	21	10,99
	Australia	8	4,19
	Middle East	5	2,62
	Africa	3	1,57
	Pacific	2	1,05
Industry	Food	92	48,17
	Food and Beverage	61	31,94
	Beverage	38	19,90

Variables

Dependent variables

With the aim of testing the hypotheses of these study on corporate social responsibility ratings, it has been used as a main dependent variable the *overall ratings* measure from CSRHub.com database, based on the study conducted by Vaia *et al.* (2017). The overall measure comprehends four different categories: community, employees, environment, and governance one, which have been considered in the regression analysis in relation to specific independent variables. Moreover, each of the four category is further explained by other three subcategories. Indeed, the *community* rating reflects the engagement of the company in the local, national as well as the global community in which it is set up the business, also meaning the effects that the buildings actions can have on the environment. The success of the company in this framework is measured through its charitable donations and participation in voluntary associations, as well as the engagement level of the company in protecting its workers from accidents leading to the protection of public health. Nevertheless, the community rating not only involved these aspects as it accounts also for the consideration and awareness of human rights inside the company's context, which is translated into the avoidance of child and forced labour, and the management of all the single actors involved in the supply chain. Additionally, it concerns the products and services offered by the company, their influence on society along with their impact on the environment, whether their products are developed through sustainable practices,

processes, and technologies. In the end the community measure analyses if the final product is sustainable as a consequence of the processes used, which stands for the company's capability of enhancing quality and health of the population. For these purposes, the three subcategories used to illustrate better all the features of the community one are:

- Community development and Philanthropy subcategory;
- Product subcategory;
- Human Rights and Supply Chain subcategory.

The second broad category is the one named *employees*, which refers to all practices and policies adopted by the company, which have to be compliant with laws and regulations established by not only governments, but also by the International Labor Organization (ILO). In addition, it is related to the diversity and inclusion activities that must be granted in a corporation, as well as the practices adopted by the same company of non-discrimination in regard to its employees, allowing equal treatments in terms of different gender, age, religion, ethnicity, sexual orientation or even the political one. It also measures the capability of the company to authorize union associations. Furthermore, this rating includes the practices adopted by the firm to protect its employees from injuries and in order to guarantee a safe and productive working environment, it refers to the adoption of training practices for the development of the human resources. In the end, the category of employee not only evaluate the proactivity in the management procedures, but also the capability of the company to retain its resources by means of fair and equal compensations, and through the use of incentives and benefits with the aim of increasing productivity levels. For these reasons, the employees category is constituted by the three subcategories of:

- Compensation and Benefits;
- Diversity and Labour Rights;
- Training, Health and Safety.

The third category constituting the overall one is called *environment*, because it refers obviously to the implications that the company could have on the environment, in relation to the use of natural resources and the impact they have on them, as well as on the nature ecosystems. For these purposes, the measure evaluates the management of energy, water, materials including both raw materials and the one used for packaging targets. In this

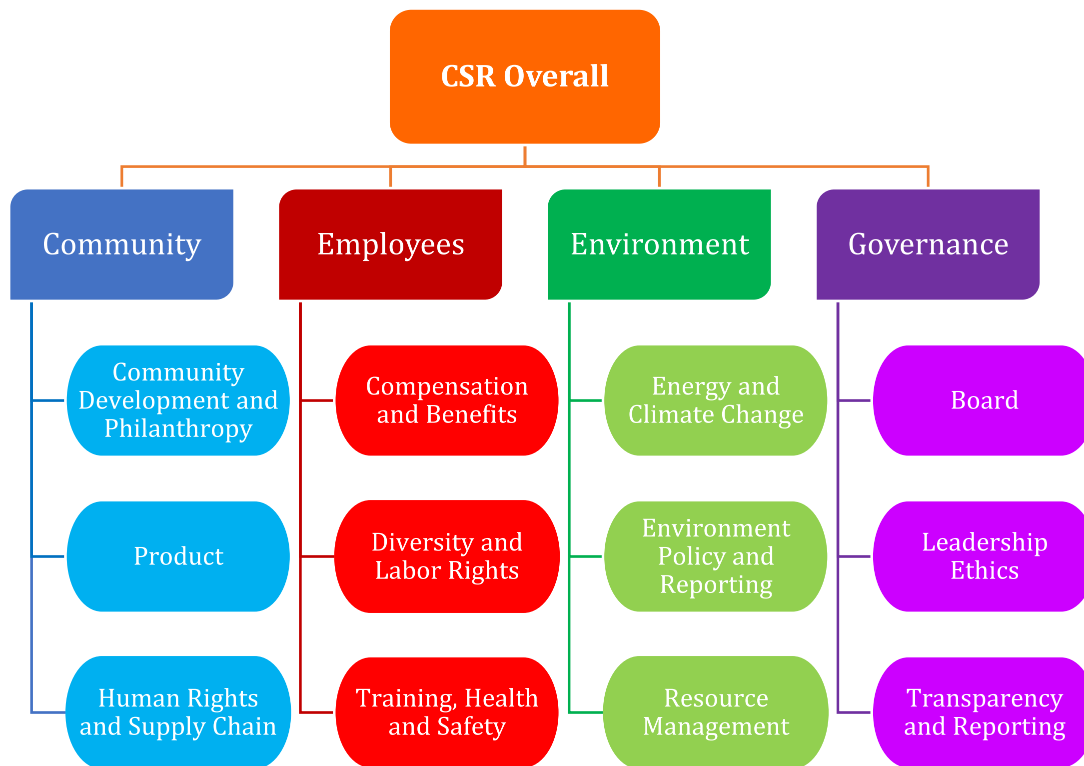
context, the measure accounts also for the recycling policies of the company, not forgetting all the policies related to the use of renewable energy as alternatives to impact less on the environment and on climate change issue. In addition, this segment analyses the level of disclosure and transparency on this matter by corporation even referred to stakeholders, as well as the ability of the company to meet the standards imposed by Global Reporting Initiative (GRI) and other regulatory institutions. Indeed, in this measure the subcategories that can be found are:

- Energy and Climate Change subcategory;
- Environment Policy and Reporting subcategory;
- Resource Management subcategory.

The last dependent variable used in this analysis, and category constituting the overall measure, is the *governance* one. It evaluates the board activities, as well as its degree of diversity and independence in order to attain not only financial goals, but also the non-financial ones. Moreover, it accounts for the attention and effectiveness that the executives pay for stakeholders' requests. In this respect, it analyses the capability of the company to maintain the relationships with them and the capacity of achieving certain levels of ethics in the decision-making processes. In addition to the levels of transparency requested in respect of stakeholders, this macro category focuses precisely on the ability to be aligned with corporate social responsibility targets and even on the ability of the management to be aligned with such objectives. As a matter of fact, this category is composed by:

- Board subcategory;
- Leadership Ethics subcategory;
- Transparency and Reporting subcategory.

From the following diagram it can be visually seen how the ratings are divided in subcategories (CSRHub.com, no date, *Our Data Schema*).



Source: Personal elaboration from CSRHub.com (no date), *Our Data Schema*, Available at: https://www.csrhub.com/csrhub-esg-data-schema (Accessed: 19 May 2021)

Independent variables

In order to analyse the effects that the presence of women in the board have on CSR ratings, it has been checked in the company's website of the selected firms the number of women composing the board of directors. Afterwards, it has been calculated the percentage of them, not considering the fact that they could have been either independent or not. Indeed, only the gender was considered, and the percentage was calculated over the total number of members composing the board.

Instead, the ownership by institutions have been extracted from the data available in Yahoo Finance and maintained in percentage terms for the analysis. In the study conducted by Oh *et al.* (2011), taken as a reference for what concern the ownership structure analysis, the institutional ownership has been split up in different subcomponents, that is different institutions. Indeed, they divided into pension funds, insurance, banks, and securities institutions, but for the purpose of this analysis it has not been done such division, considering them in an aggregate form.

Control Variables

For what concern the control variables, it has been considered several variables in order to control both financial and accounting results, and company's specific characteristics. Indeed, as quality and not quantity variable, it was taken into account the geography, so the region in which the company has its headquarter. This aspect has been controlled in light of the fact that, as already mentioned through this paper, the context in which the company operates could have several impacts on the adoption of CSR practices. Additionally, another quality variable considered in the regression analysis has been the industry of reference because, although this study is constrained only to the food and beverage industry, there could be differences if the business is totally oriented toward the food production or exclusively toward the beverage manufacturing, instead of being diversified and operate in both sectors.

Moreover, in this analysis there have been considered other controls that include numerical terms, more precisely they are some financial indicators. For what regards the *firm size* it has been taken the natural logarithm of firm sales, as reported by Oh *et al.* (2011) and Waddock and Graves (1997), in favour of the fact that it could represent an indication of engagement in CSR practices. Indeed, due to the lack of availability of resources or lack of interest in stakeholders' needs, a small company in this sense could not deploy its resources in CSR behaviours (Waddock and Graves, 1997). In addition, three ratios have been calculated and used as controls: the *Return on Asset* ratio (ROA), *Return on Equity* one (ROE) and the *debt ratio*. The ROA has been calculated as net income over total asset, and it can be a great hint for the financial performance, measuring how much profitable the company is. Therefore, this ratio could signal how efficient is the management of the company in generating returns from its assets: the greater it is, the better the financial performance will be, implying higher levels of CSR ratings. Always in relation to profitability, it has been used the ROE ratio, calculated as net income over shareholders' equity, which allows to understand the profitability of a company in relation to the availability of equity. Lastly, it has been considered the debt ratio calculated as total debt over total assets, that is the amount of assets that are financed by debt. It is a useful and interesting measure in this context because it helps to quantify the financial risk that the company has, and in turn it affects the company's participation in socially responsible behaviours (Vaia *et al.*, 2017 ; Nirino *et al.*, 2020; Waddock and Graves, 1997).

Descriptive statistics

Table 1.2 Descriptive statistics

Variable	Observations	Mean	Standard Deviation	Minimum	Maximum
Shares held by institutions	191	0,38	0,27	0,00	0,99
Women in the board of directors	191	0,21	0,14	0,00	0,58
Firm sales in $mln	191	8706,91	14637,63	9,24	101824,80
Debt ratio	191	0,54	0,21	0,02	1,46
ROA	191	0,05	0,07	-0,41	0,40
ROE	191	0,16	0,33	-0,55	2,87
CSR Overall Ratings	191	0,53	0,07	0,27	0,70
CSR Community Ratings	191	0,56	0,09	0,23	0,75
CSR Employee Ratings	191	0,54	0,08	0,35	0,75
CSR Environment Ratings	191	0,54	0,12	0,04	0,79
CSR Governance Ratings	191	0,50	0,06	0,31	0,69

In Table 1.2 are contained the descriptive statistics of all the variables included in this research. It could be observed as the number of shares held by institutions, in average terms, are less than half of the total shares, so it could be stated that institutions on average do not hold significant amount of shares in food and beverage companies. Women instead, always referring to average terms, are represented in boards for one fifth of the total members, which is a very small percentage. Moreover, even the maximum number of women composing the board are slightly over the half of the board, that means that even in those companies in which women are not underrepresented, among 191 companies selected there is not even one example of the extreme case in which women are overrepresented in the board of directors.

In regard to the financial performance, the ratios suggest that in average these companies are not highly profitable, and, according to the debt ratio, half of their assets are funded by financial debt, which could be a disadvantage for the CSR policies adoption. Concerning the social performance of the companies analysed, it could be said that the means are always over the average, which implies that in general the food and beverage companies perform good, not with extraordinary results although, in all corporate socially responsible dimensions. The environmental subcategory is the only one characterized by a wide gap between the minimum value (0,04) and the maximum one (0,79), indeed it has the highest value of standard deviation among CSR variables, equal to 0,12.

3.2: Analysis and Results

Table 1.3 Correlation matrix

	Variable	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
1	Shares held by institutions	1									
2	Women in the board of directors	0,31	1								
3	*Firm sales in $mln*	0,09	0,05	1							
4	*Debt ratio*	0,24	0,21	0,19	1						
5	*ROA*	0,03	0,00	-0,05	-0,41	1					
6	*ROE*	-0,06	0,08	0,01	0,26	-0,14	1				
7	CSR Overall Ratings	0,02	0,24	0,28	0,19	0,04	0,01	1			
8	CSR Community Ratings	-0,03	0,19	0,25	0,10	0,12	-0,04	0,92	1		
9	CSR Employee Ratings	0,00	0,28	0,22	0,21	-0,03	0,01	0,89	0,77	1	
10	CSR Environment Ratings	-0,05	0,11	0,31	0,14	0,00	-0,01	0,87	0,80	0,67	1
11	CSR Governance Ratings	0,18	0,33	0,15	0,23	0,08	0,11	0,66	0,49	0,62	0,34

Table 1.3 provides the correlation among all the variables considered in this study, which shows how the presence of women in the board is positively correlated with all the dimensions of CSR, not in high proportions, however. This seems to go along with the hypotheses made in Chapter 2, even if the environmental subcategory is the one with the lower degree of correlation, on the contrary of what hypothesized. On the other hand, considering the effects that institutions could have over CSR ratings, the correlation matrix appears to demonstrate no correlation at all, or even a negative correlation with some of the dimensions, which is incompatible with the hypotheses stated previously.

The regression analyses have been structured in the following way: first of all, in order to test the influence of the two independent variables on the CSR overall ratings, so the effects in general terms, it has been considered the overall measure as dependent variable. Afterwards, each single subdimension of the CSR ratings has been account as a dependent variable, considering the same independent variables and the interaction term between the two, in order to investigate if the effects of the independent variables were different according to different specificity of CSR dimensions.

Table 1.4 OLS regression model on CSR overall ratings

Variables	(1)	(2)	(3)	(4)
Geography dummy	Incl.	Incl.	Incl.	Incl.
Industry dummy	Incl.	Incl.	Incl.	Incl.
Ln Revenues	0,021*** (0,003)	0,021*** (0,003)	0,021*** (0,003)	0,021*** (0,003)
Debt ratio	0,042 (0,027)	0,034 (0,028)	0,021 (0,026)	0,020 (0,027)
ROA	0,112 (0,072)	0,097 (0,073)	0,070 (0,069)	0.069 (0,069)
ROE	0,001 (0,015)	0,004 (0,015)	-0,003 (0,014)	-0,002 (0,014)
Shares held by institutions		0,029 (0,022)	0,017 (0,021)	0,011 (0,038)
Women in the board of directors			0,172*** (0,036)	0,164*** (0,056)
Shares held by institutions x Women in the board of directors				0,025 (0,128)
Constant	0,432 (0,046)	0,421 (0,046)	0,399 (0,044)	0,401 (0,045)
Observations	191	191	191	191
R-squared	0,339	0,346	0,421	0,421
Adjusted R-squared	0,291	0,294	0,371	0,368

Standard errors in parentheses
*** p < 0,01, ** p < 0,05, *p < 0,1

Table 1.4 displays the results of the regression analysis over the first dependent variable, that is the measure of CSR which synthesizes all the sub-dimensions, the CSR overall ratings.

In Model 1, which represents the reference point of the analysis, are included only the control variables, the results suggest that there is no significant effect of debt ratio, ROA and ROE on overall CSR ratings. On the contrary, the control variable of total revenue, taken into logarithm terms, is statistically significant at the 1% significance level (β = 0,0212; p < 0,01), in a positive relation with the dependent variable CSR overall ratings when all the dummy variables are controlled for. This effect means that when all the geography and industry-related features are accounted for, the increase of 1% in firm sales increases the CSR overall rating by about 0,0212 points. This effect is in line with what has been pointed out in the paragraph 2.3, with reference to the slack resource theory proposed by Waddock and Graves (1997). As a matter of fact, the larger the company is, that is the more availability of resources it has, the greater will be the

engagement in CSR practices that results in higher ratings.

In Model 2 it has been introduced the institutional ownership variable, in percentage terms, inside the regression as an independent variable, but the results suggest that there is no significant effect of institutional ownership on the overall CSR ratings, on the contrary of what hypothesis 2a stated. Therefore, this hypothesis has not been confirmed by the OLS outcomes. The only statistically significant variable in the model remains the total revenue which still have a strong and positive relation with the dependent variable considered.

In the Model 3, it has been added to the regression another independent variable representing the percentage of women composing the board of directors, so it considers all the independent variables simultaneously. R^2 is equal to 0,4207, meaning that all the variables jointly are able to explain 42,07% of the CSR overall rating variation. However, the results of the regression show that the institutional ownership still remains statistically insignificant, instead the female representation is statistically significant at the 1% level. Moreover, women presence has a positive relationship with the dependent variable ($\beta = 0{,}1722$; $p < 0{,}01$), which signifies that the hypothesis 1a has been confirmed by this data. However, if it is calculated the magnitude of the effect of women on CSR overall ratings it results to be really tiny, which allows to draw the conclusion that, even if the relation between female dictatorship and CSR ratings is positive and statistically significant, in economic terms is not as significant as it could be thought based on theory.

In the Model 4 the two independent variables are still considered, which have the same effect as in the previous Model, that is statistically insignificance of the institutional ownership, instead the percentage of women composing the board is still positive and strongly significant ($\beta = 0{,}1637$; $p < 0{,}01$), but it has been introduced the interaction term between the percentage of female representation in the board and the institutional ownership, in order to test the hypothesis 2d. The outcome suggests that there is no moderating effect of institutional ownership, as the interaction term is statistically insignificant. It means that the magnitude of the effect that women have on the CSR overall rating does not depend on whether or not there are institutions holding shares in the company, therefore even the hypothesis 2d has been uncorroborated by the data.

Table 1.5 OLS regression model on CSR Community ratings

Variables	(5)	(6)
Geography dummy	Incl.	Incl.
Industry dummy	Incl.	Incl.
Ln Revenues	0,028*** (0,004)	0,028*** (0,004)
Debt ratio	0,011 (0,032)	0,009 (0,032)
ROA	0,157* (0,083)	0,154* (0,083)
ROE	-0,015 (0,017)	-0,014 (0,017)
Shares held by institutions	0,016 (0,026)	-0,008 (0,046)
Women in the board of directors	0,215*** (0,044)	0,182*** (0,067)
Shares held by institutions x Women in the board of directors		0,098 (0,154)
Constant	0,386 (0,053)	0,395 (0,055)
Observations	191	191
R-squared	0,442	0,443
Adjusted R-squared	0,394	0,392

Standard errors in parentheses
*** p < 0,01, ** p < 0,05, *p < 0,1

Table 1.5 exhibits the outcomes of the regression analysis that took in consideration both independent variables investigated in the previous table (i.e. Table 1.4), but the dependent one has changed. In the following models the regression has been carried out on the CSR community rating, in order to test the hypothesis 1b.

The Model 5 shows that the independent variables are jointly significant with a R^2 equal to 0,4418, consequently only 44,18% of the variation in CSR community rating is explained by those variables. The institutional ownership is statistically insignificant, as already registered in the previous models that considered the overall rating, therefore it could be easy to deduct that if it is studied a subdimension of CSR the results will always be the same, or they will be really close to each other. Instead, the female representation is strongly and positively statistically significant ($\beta = 0,2147$; $p < 0,01$), validating the results already found in previous models and confirming what was stated in hypothesis 1b: women are positively correlated with community ratings. For what concerns the financial control variables, the firm' sales one is not the only positive and statistically

significant variable ($\beta = 0{,}0276$; $p < 0{,}01$), but currently also ROA is positive and statistically significant ($\beta = 0{,}1570$; $p < 0{,}10$), even if at a different level of significance, which is the 10%, implying not a strong statistical relation between the variables. However, it could be agreed with studies in literature that suggested how a positive financial performance, or a greater financial profitability, are positively associated with CSR ratings. Remarkably, these results should not be considered in general terms, therefore valid for the CSR overall ratings, but instead with a particular reference to the community ratings. In other worlds, it could be observed how food and beverage companies have a growing tendency to focus on community dimension of CSR, and therefore invest on it, as the levels of profitability increase.

In Model 6 it has been introduced the interaction term of the institutional ownership with female representation over the dependent variable of community ratings. The effect remains unchanged, indeed the percentage of institutions holding shares are not statistically significant, instead the percentage of women are strongly statistically significant ($\beta = 0{,}1821$; $p < 0{,}01$). The relation is still positive, but since the coefficient is lower than before, in practical terms it means that board diversity variable has smaller impact on CSR community ratings compared to the one on CSR overall ratings. The interaction term is not statistically significant, implying that the effect on the community ratings of women presence in the board does not depend on institutions holding shares. The control variables have the same influence as in the previous Model. This is not a surprising result, reviewed what has already been derived from the previous analysis.

Table 1.6 OLS regression model on CSR Employee ratings

Variables	(7)	(8)
Geography dummy	Incl.	Incl.
Industry dummy	Incl.	Incl.
Ln Revenues	0,020*** (0,004)	0,020*** (0,004)
Debt ratio	0,024 (0,030)	0,026 (0,030)
ROA	0,012 (0,078)	0,013 (0,078)
ROE	-0,005 (0,016)	-0,005 (0,016)
Shares held by institutions	0,012 (0,024)	0,025 (0,043)
Women in the board of directors	0,193*** (0,041)	0,211*** (0,063)
Shares held by institutions x Women in the board of directors		-0,054 (0,144)
Constant	0,396 (0,050)	0,391 (0,051)
Observations	191	191
R-squared	0,351	0,351
Adjusted R-squared	0,295	0,292

Standard errors in parentheses
*** p < 0,01, ** p < 0,05, *p < 0,1

Table 1.6 includes both independent variables, but they are regressed on a different dependent one, which is the CSR employee ratings, with the aim of giving evidence to what it has been asserted in hypothesis 2c. The variables are jointly statistically significant ($p < 0,01$) but the R^2 is less than the other Models already analysed, as it is equal to 0,3508, which means that the variables used in the regression analysis explain just a little more than one third of CSR employee rating variance. However, the results of the regression of Model 7 do not differ substantially from the results obtained previously, as the institutional ownership is not statistically significant. This outcome suggests that the hypothesis 2c is unverified, and therefore institutions are not so involved in the internal well-being of the company in which they have a stake. Moreover, the women presence in the board is strongly statistically significant ($\beta = 0,1925$; $p < 0,01$), with a positive coefficient that is larger than the one encountered in the regressions on the CSR overall rating, but smaller than the one on the community ratings. This has implications just in economic terms, which indeed imply that the increase in the number of women inside the

board of directors will have a higher effect in percentage terms in the increase of community and employee CSR ratings rather than in the increase of the overall rating.

In Model 8 it has been added in respect to Model 7 the interaction term of institutional shareholders with female representation in the board on the CSR employee ratings. As already observed formerly, the institutional ownership has no effect on the CSR employee ratings, instead the women still have a positive and strong statistical relation with the dependent variable ($\beta = 0,2107$; $p < 0,01$). In relation to the interaction term, instead, it emerged also here that the effect of women composing the board is not affected by the institutional shareholders, so it is not statistically significant and moreover, the coefficient is even negative. Model 8 results, consequently, are in line with what has already been observed formerly.

Table 1.7 OLS regression model on CSR Environment ratings

Variables	(9)	(10)
Geography dummy	Incl.	Incl.
Industry dummy	Incl.	Incl.
Ln Revenues	0,035*** (0,005)	0,035*** (0,005)
Debt ratio	0,012 (0,042)	0,008 (0,043)
ROA	0,020 (0,111)	0,016 (0,111)
ROE	-0,010 (0,023)	-0,009 (0,023)
Shares held by institutions	0,013 (0,034)	-0,021 (0,061)
Women in the board of directors	0,211*** (0,058)	0,165* (0,090)
Shares held by institutions x Women in the board of directors		0,138 (0,205)
Constant	0,340 (0,071)	0,352 (0,073)
Observations	191	191
R-squared	0,400	0,401
Adjusted R-squared	0,348	0,346

Standard errors in parentheses
*** $p < 0,01$, ** $p < 0,05$, *$p < 0,1$

Table 1.7 illustrates the outcomes of OLS regression which considered both the independent variables, women presence in the board and institutional ownership, but they have been regressed on the CSR environment ratings for the purpose of testing the

hypothesis 1c. In Model 9 the variables are jointly statistically significant ($p < 0,01$) and the R^2 is equal to 0,3997, which means that almost 40% of the variance of CSR environment ratings could be explained by the variables considered in such analysis. The results are in accordance with what we have discovered before, that is the institutional shareholders are statistically insignificant and, conversely, the female representation on the board is strongly statistically significant ($\beta = 0,2107$; $p < 0,01$) with the coefficient that is higher than before, indeed it is closer to what we have seen in the 5th Model. In other words, the hypothesis made in the 2nd chapter about the influence that having women in the board could have over environmental issues is acknowledged by data.

In the following Model, the 10th, it has been added the interaction term, and the results are robust to what we have seen in the previous models, but with a slight difference. Indeed, the level of significance of the female representation variable is different from what has been observed formerly. Therefore, this independent variable is not as strongly significant as before, but it is only positively statistically significant at the 10% level of significance ($\beta = 0,1647$; $p < 0,1$), with the lowest level of its coefficient registered until now. The interaction term is not statistically significant, but now its coefficient is positive, not as in the case of the CSR employee rating used as dependent variable in Model 8.

Table 1.8 OLS regression model on CSR Governance ratings

Variables	(11)	(12)
Geography dummy	Incl.	Incl.
Industry dummy	Incl.	Incl.
Ln Revenues	0,006** (0,003)	0,006** (0,003)
Debt ratio	0,032 (0,024)	0,033 (0,024)
ROA	0,148** (0,063)	0,149** (0,063)
ROE	0,019 (0,013)	0,018 (0,013)
Shares held by institutions	0,003 (0,019)	0,020 (0,034)
Women in the board of directors	0,082** (0,033)	0,105** (0,051)
Shares held by institutions x Women in the board of directors		-0,068 (0,116)
Constant	0,450 (0,040)	0,444 (0,041)
Observations	191	191
R-squared	0,240	0,242
Adjusted R-squared	0,175	0,172

Standard errors in parentheses
*** p < 0,01, ** p < 0,05, *p < 0,1

In the last table containing the regression analysis, table 1.8, it has been considered the last dimension of CSR rating, which is the governance one. Indeed, in Model 11 the dependent variable examined is the CSR governance rating, with the two independent variables used in the previous models. The variables are jointly statistically significant, but as the R^2 is equal to 0,2405, all the variables considered in the model are able to explain just the 24,05% of the variance in the CSR governance ratings, meaning that most of the changes in these ratings are due to other factors. Indeed, we find this coherent with the results of the regression, which show that the institutional ownership is statistically insignificant. In other words, the hypothesis 2b made at the end of paragraph 2.2, stating that the larger the institutional ownership the greater will be the CSR governance rating, is not verified. Instead, the female representation is not anymore strongly statistically significant, as it is significant at the 5% level of significance ($\beta = 0,0825$; $p < 0,05$). For what regards the control variables, at the same level of 5% of significance both firm' sales and ROA are statistically significant with low but positive coefficients ($\beta = 0,0065$; $p < 0,05$

and $\beta = 0,1476$; $p < 0,05$ respectively).

The Model 12 contains the interaction term of institutional ownership with female representation in the board of directors, always considering the CSR governance rating as dependent variable. The results show that as in the other models the institutions do not play a statistically significant role in the variations of CSR governance ratings, instead the female representation is positively and statistically significant at the 5% level of significance ($\beta = 0,1052$; $p < 0,05$) even for this category of CSR rating. Nevertheless, the interaction term is not statistically significant, meaning that, as in the other cases analysed, the effect of women composing the board is not subject to the changes in percentage of institutional shareholders, and again the coefficient is negative as it was in the case of the CSR employee rating as dependent variable, in Model 8.

It should be noted that throughout the different models, which had the aim of analysing different components of CSR ratings because, as already pointed out, this is a multidimensional concept, the outcomes are robust. Female board participation, even if not economically strong, but it does have an influence over different elements of corporate socially responsible behaviours adopted by food and beverage firms. On the other hand, institutional ownership, unexpectedly, do not influence the capability of such companies to integrate in their action plans practices related to CSR, which could have led to better results in terms of socially responsible performance.

3.3: Discussion

The purpose of this research was to find which is the relationship between different features of corporate governance over the corporate social responsibility ratings but confined to food and beverage largest companies at the international level. For this reason, it has been tested if female dictatorship has a positive influence over the CSR ratings, and even if their presence can influence in different ways the alternative components of CSR dimension. On the other side, it has been examined if institutional ownership, which in literature has been broadly discussed but still reporting mixed results, is a favourable feature for the engagement and amelioration of CSR ratings.

Women presence in the board of directors' effects on CSR

First of all, it has been analysed the impact of having a larger number of women composing the board of directors over the corporate social responsibility ratings in broad terms. The hypothesis has been verified by data, indeed, the larger the number of feminine memberships in the selected food and beverage companies, the better will be the performance of such firms in socially responsible practices engagement. In accordance with what other studies have analysed it could be noted how these results confirm the idea that communal features of women, that in other words are those attitudes toward non-financial results, approaching the world of work in a more collaborative manner trying to embrace in the processes all the colleagues, are able to enhance the responsible behaviours of the belonging corporate (Manita *et al.*, 2018; Rao and Tilt, 2016; Boulouta, 2013).

Moreover, women, in order to be considered as valuable directors, must face significant discriminatory challenges and higher standards compared to their male counterparts. According to this, it is reasonable to conclude that the higher levels of education required from them, in order to have access to those positions, and their different past and diversified experiences are the competitive advantage that could boost their engagement in corporate socially responsible practices. Indeed, as noted by Manita *et al.* (2018) and Bear *et al.* (2010) in their studies, women are used to have a more diverse career path, not characterized by a strict and direct route as men, who from the beginning tend to grow in grade, so maintaining a vertical direction, but in the same business area.

Instead, women tend to enlarge their knowledgebase by covering more diverse roles, in different field of activities that give them the possibility to experience a horizontal growth instead of a vertical one. The abilities that they are able to develop enable them to be more oriented toward CSR practices, not only thanks to their professional experiences but also for the ones related to their personal sphere. Indeed, women in their background have much more voluntarism experiences, such as being part of a charitable organization or being active in the local community initiatives, because of their natural inclination toward the welfare of others. This innate tendency is not only reflected in the personal lives of the female population, but as the results of the regression analysis report, women are able to bring those features even in working environments, allowing the company in which they operate to have better corporate social responsibility evaluations boosting its competitive advantage in the field.

In addition, both CSR dimensions analysed of environment and governance, that refers, among the other things, to increased level of transparency, are positively correlated with women. It should be noted, therefore, that the discriminations and prejudices that numerous women have to cope with in the place of employment lead them, when they are in the top-level positions, to ask and fight for higher level of transparency and impartiality, downgrading the discriminations (Cook and Glass, 2017). The outcomes obtained in regard to the employee and community ratings can witness the same positive characteristics associated with the personal traits of women transposed in their jobs which in turn produce an advantage for the company in terms of CSR. On the contrary, what the regression analysis did not verify is the theory that regards the conflicting role that a woman could face in the director position, which can cause her to undertake the opposite role features, named autocratic (Bear *et al.*, 2010). Indeed, when women cover roles in high-levels of the corporation they could face the "double-bind dilemma" in which, even if due to their natural tendency they care much more for the socially responsible policies, they do not entail in such practices to respect the role in which they are assuming more masculine traits oriented only toward the financial results (Cook and Glass, 2017). In the food and beverage companies analysed it is not true, as well as are not verified the theories presented by Cook and Glass (2017) in which the only possible way for female directors to assert their own ideas oriented toward sustainable behaviours is when they are not underrepresented, as the token theory sustains, or just when they are more than 3 as critical mass theory states and the results obtained by Cook

and Glass (2017) shows. This is not true in this analysis as it has been seen in the distribution of data, where the mean amount of women composing boards corresponds to 21%, that is one fifth of the board, which surely can be viewed as an underrepresentation of female gender in this corporate governance organ. The company registered with the highest amount of female membership was the one with 58% of women, therefore just a little more than half of the members, instead in the sample there are much more companies with 0 female directors that is the reason why the mean value is around 20%. Therefore, in order to conclude, this analysis did not support the theories proposed by Cook and Glass (2017), but, instead, it is in accordance with what have been stated by Boulouta (2013).

Institutional ownership' effects on CSR

In the second place, it has been analysed if there is an effect on CSR ratings derived by the fact of having institutions holding shares in the company, as well as if such relationship is a positive one. Taking into mind that in literature results are still mixed around this topic, having some studies reporting a positive link (Oh *et al.*, 2011; Kathy Rao *et al.*, 2012; Nurleni *et al.*, 2018; Mahoney and Roberts, 2007), others reporting a negative one (Erhemjamts and Huang, 2019; Martínez-Ferrero and Lozano, 2021), and lastly someone reporting no significant relationship (Zaid *et al.*, 2020; Swandari and Sadikin, 2016; Ducassy and Montandrau, 2015; Harjoto *et al.*, 2017). Indeed, this last result is the one that characterized even this analysis, as it was possible to observe from the tables containing the regression analysis reflecting the insignificant effect that institutions had on the analysed sample of food and beverage companies' CSR practices. The hypotheses made in the previous chapter insisting on the positive correlation between institution ownership and commitment into socially responsible conducts were based on the premises that institutions have some specific features that lead them to behave differently from other investors. Consequently, the definition given by Zaid *et al.* (2020) that delineate the institutions as *professional investors*, which means that they appreciate the most the value created in the long term by companies and their capability to continuously growing maintaining a competitive advantage, is not verified by the results obtained in the OLS regressions. This could be derived from the fact that corporate socially responsible practices request an initial high investment which will be profitable only in

the long run. The results attained, instead, give evidence to the myopic institutions' theory (Wahba and Elsayed, 2015; Pucheta-Martínez and Chiva-Ortells, 2018), according to which institutions are characterized by short-termism, not valuing as much the corporate socially responsible behaviours. Another conclusion could be drawn from the resulted analysis, that is the fact that institutions in the largest food and beverage companies even if they hold significant amount of shares, which, as it has already stressed, could be a symptom of more attentive attitude over corporate decisions, is not an accountable factor in this example. Indeed, the is no correlation at all between the largest amount of shares hold by institutions and responsible practices, either in general terms or in the specific dimensions composing corporate social responsibility. Therefore, the theory according to which agency problems could be solved by effective monitoring (Oh *et al.*, 2017) pursued by institutions is not valid, as it is the case of other two theories not corroborated by data. As a matter of fact, the stakeholders' theory (Erhemjamts and Huang, 2019; Pucheta-Martínez and Chiva-Ortells, 2018; Salehi *et al.*, 2017) and the good management (Oh *et al.*, 2011), which were used in the previous chapter to sustain the idea that institutions should enhance the engagement in CSR practices, are definitely not explanatory at all of the regression' outcomes.

On the other hand, what could be useful to interpret the results obtained are the two different options, already acknowledged in the previous Chapter. First of all, the fact that the agency problems could not be solved if there is an attainment discrepancy (Elgergeni *et al.*, 2018), according to which the institutions perceptions about the management are the consequences of a misinterpretation of the situation, as institutions see managers as already performing well and pursuing the goals of all stakeholders. This misperception in which the management, instead, is just pursuing its interests, lead institutions to not interfere in the corporate decision-making processes, which resulted in a neutral relation with CSR. Otherwise, it should be noted that the institutions could either pursue just the shareholder's interests (Friedman, 1970) maximizing their profits and, therefore, focusing only on the financial outcomes, or at the extreme point they could entail in tunnelling activities (Pucheta-Martínez and Chiva-Ortells, 2018) carrying on just the personal interests of managers handling such institutions. However, it seems from the end result that even the risk-aversion theory (Zaid *et al.*, 2020; Wahba and Elsayed, 2015; Pucheta-Martínez and Chiva-Ortells, 2018), the most used in literature to explain the positive relationship between the two variables, in this case it should not be used to

interpret the results. What instead could be more explanatory is the possibility presented also in the study of Oh *et al.* (2017), based on which the relationship is not a linear and direct one, that is the reason why in this analysis it is not captured. In addition, always based on the perspective proposed by the same study (Oh *et al.*, 2017), having more and variated shareholders could lead to conflicts among them. More precisely, if the increasing amount of shares hold by institutions are widespread across different categories of institutions, which could have significant alternative features reflected in turn in different ways of adopting responsible behaviours, they could generate conflicts in the way of seeing investments, through distinct spending capabilities, opposed time horizons as well as inconsistent personal preferences. The desire to achieve personal interests, that could be at the disadvantage of other institutional shareholders, might result in no actions at all by the institutions concerning the sustainable practices.

In the end, what should be stressed because of its particular importance for the explication of the analysis results, is the fact that in the relationship between all the aspects related to responsible practices and the corporate governance there are several variables at stake that should be analysed (Ducassy and Montandrau, 2015). For its part, the CSR ranges in a multitude of aspects, as it could be understood from the analysis of the CSRHub.com way of aggregating sources and data. Moreover, my sample was made by numerous companies that most of the time had in common just the industry to which they belong. From the description of the sample (table 1.1) it is of easy understandability that the selected companies have different cultural, institutional, managerial, and contextual backgrounds, given by the fact that they are based on almost all regions of the globe. These aspects should not be left behind when considering the influence of institutions over corporate decision-making processes as they are dramatically influenced in turn from the surrounding environment, the legislative framework until the most used management practices in that specific country. The context, therefore, revealed to be essential for what concern the potential neutrality of institutions influence on CSR.

CONCLUSIONS

Corporate social responsibility in the last decades has received many attentions from scholars and organizations as it is an issue addressed also by governments and institutional organizations, but most of all it regards the future well-being of the Earth population. Despite its growing diffusion, it is still hard to find a clear definition. Many academics have tried to define it, but Carroll (1979) continues to be the most cited in literature, indeed he referred to CSR as all those actions and practices in which a company entail without the mere objective of profit maximization, but instead aimed at improving the quality of its stakeholders. Sustainability concept, on the other hand, refers to human capabilities to pursue development without compromising the possibility of future generations to achieve the same goal. It worth mention the attempt to harmonize at global level this matter thanks to United Nations Organizations, which in 2015 developed the Agenda 2030 containing 17 Sustainable Development Goals, based on the premises that no one should left behind and it should be achieved equality all around the globe.

Inside the vast and diverse subject of corporate social responsibility the focus of this research has been about one specific industry, as the broadness of the matter has to face different challenges in different industries. Indeed, in food and beverage sector the issues to be solved are not only the ones related to the environment, because of the substantial dependence on natural resources, great amount of waste produced or logistic impacts, but also in relation to the society. As a matter of fact, this industry is able to shape, in the real sense of the word, the society creating obesity problems, alcoholic addictions and all the worries related to food safety and food quality, which require elevated standards of transparency from companies. Moreover, often in this sphere the issues to be addressed are equally related to the working conditions, exploitation of workers, without forgetting the child labour used in the fields. If a company undertake actions aimed at solving all these questions, it could be considered a responsible one. But who undertakes the decisions? Corporate governance organ is the one in charge of such process of decision-making, which made the object of this research the study of its components in order to verify if they have an effective influence on CSR. Firstly, it has been considered gender board composition and in the second place the influence of institutional shareholders, therefore two different aspects of corporate governance: one more executive and the other related to the control side.

Heterogeneity in the board can generate substantial competitive advantages, which women presence can even enhance because of their personal traits oriented toward the wealth of others. Moreover, their levels of education are often higher than men ones because of the discriminations that women must face when they want to cover leadership roles. Concomitantly, these prejudices are beneficial for the CSR policies adoption as women will address such problems. In the last place, it should be considered the different and contorted past experiences of women, both in professional terms and in personal ones, because of their greater participation into voluntarism activities and experiences in different areas of the business that allow them to have a wider vision of the business itself. CSR ratings should, therefore, be positively associated with the participation of women in boards. The result of the regression analysis reported that all these premises were corrected and consequently it gave one extra evidence to those fighters for mandatory quotas of women in leadership roles, with the aim of enhancing CSR practices.

In the end the analysis has been concentrated on institutions because of their growing interests for investments in public listed companies, and the potential positive implications that such participation in the ownership structure could have for the food and beverage companies. Nevertheless, the results witnessed the neutrality effect that institutions have on CSR dimensions, which challenged the assumptions made. Indeed, it was thought that due to institutions' risk-aversion orientation, their capability of exercising significant control power over managers decisions due to their ownership of significant amount of shares and their orientation toward long term results, the influence of institutions on CSR should have been positive. The neutral and statistical insignificant outcomes are explanatory, instead, of the fact that different variables must be put under discussion. For instance, the context in which the company grew and developed its business is highly influential in the relation between institutions and the adoption of responsible behaviour, because institutions are affected by governmental binding acts, industry features, cultural aspects that determine diverse way of managing. Moreover, one limitation of this study should be identified in the incapacity to understand which type of institution is holding shares in the specific company. It could have lent to different results knowing the specific type of institution because, as seen in the second chapter of this thesis, the different institutions distinguish in terms of incentives and interests in investment strategies, different engagement in ownership duties, as well as specific features of the business model they assume.

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