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Examining drivers and outcomes of corporate social responsibility in agri-food firms

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Abstract: This study attempts to contribute to the debate on the impact of corporate social responsibility (CSR) on the financial performance (FP), image and reputation (IR) of agri-food firms, examining whether the legal form of organization (LFO) (cooperatives *vs.* capital firms) moderates these relationships. To this aim, we also consider the potential effects of two scarcely investigated factors that can determine firms' CSR orientation, that is, the capacity to absorb CSR-related knowledge and the perception that managers have of ethics and social responsibility. Using data from a sample of 107 trading firms in the agri-food sector in Almeria (Spain), we show that both factors play a decisive role in the firms' CSR orientation, which has been measured as a multidimensional construct. Also, the orientation towards socially and environmentally responsible practices positively affect IR of agri-food firms and their FP. The relationship with the FP is stronger in the case of cooperatives compared to capital firms. Key implications for researchers and practitioners are discussed.

Keywords: absorptive capacity; legal form of organization; perception of ethics and social responsibility; reputation; sustainability

Corporate social responsibility (CSR) is gaining increasing attention in the agri-food sector in response to the need for firms to react to pressures in matters of the environment, food safety, labour relations, etc. The study of CSR in the agri-food sector is especially relevant because this sector not only has an important economic function (i.e. production and distribution of raw materials and food) but also a social function as it contributes to the viability of rural areas and balanced territorial development. Furthermore, its activity has a clear immediate impact, positive or negative, on the environment. However, the debate on the determinants and consequences of CSR orientation in agri-food firms is still limited.

This study aims to contribute to this debate by examining the potential impact of two factors on CSR orientation: the firm's knowledge absorptive capacity (ACAP) and the manager's perception of the importance of ethics and social responsibility (PRESOR). To recognise and respond to social demands, it is critical for firms to develop the capacity not only for acquiring new CSR knowledge from their dialogue with stakeholders, but also for assimilating, transforming, and exploiting it. In the agri-food context, this ACAP

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would enable firms to develop new, CSR-oriented products, systems and processes that adapt to pressures (Ingenbleek and Dentoni 2016). While previous studies recognise the existence of a relationship between stakeholders' pressure, knowledge, and innovation, there is a lack of research that explores how ACAP can facilitate a CSR orientation in firms (Nawi et al. 2020). In addition, the ability of firms to integrate social demands into their strategies may also depend on PRESOR. Managers play a key role in the process of developing CSR orientation in their firms by allocating the necessary resources, managing the relationships with stakeholders, and incorporating CSR practices into the company's strategy. This raises the question of whether PRESOR may be relevant to understand the extent of CSR orientation in agri-food firms.

With these antecedents, this study pursues two main objectives. First, we examine ACAP and PRESOR as determinants of CSR orientation of agri-food firms and, additionally, the effects of this orientation on image, reputation, and business performance. Meeting social demands through the implementation of CSR initiatives allows firms to protect their reputation or social legitimacy, an essential resource for their long-term survival (Palazzo and Scherer 2006). Such initiatives would contribute to positioning these firms and their products as socially and environmentally responsible (Boehe and Barin 2010), which could translate into improved financial performance (FP). Accordingly, we attempt to expand the results of prior empirical research (Heyder and Theuvsen 2012; Resmi et al. 2018) by examining the extent to which CSR is related to image and reputation (IR) and FP in agri-food firms. As a second aim, this study also tests the potential effect of the legal form of organization (LFO) in the proposed model. Despite its importance in practice, this aspect has been generally neglected or scarcely considered when it comes to the study of the effects of CSR orientation in agri-food firms. In this regard, cooperatives have a strong presence in the agri-food sector compared to capital firms. In Spain, our context of the study, the direct turnover of the agri-food cooperatives represented 63% of final agricultural production in 2018, similar to the 60% it represents in the EU. Previous studies highlight the close relationship between CSR and the cooperative legal form (Castilla-Polo et al. 2018), which may be associated with higher profits. This encourages to investigate the interaction between LFO and the CSR-IR and CSR-FP relationships, so that in associative LFOs both relationships are more intense than in capital firms.

Theoretical background and hypotheses development. CSR requires the voluntary assumption by firms of a series of commitments to society and the environment beyond legal and regulatory requirements. These commitments involve considering the expectations and interests of all the agents that affect or are affected by the company's activity. In this regard, the stakeholder theory (Freeman 1984), which is one of the most widely used in the literature on CSR, claims that an organization is made up of a series of agents (stakeholders) that affect its activity or are affected by business decisions. From this approach, CSR can be observed as a multidimensional concept in the agri-food domain, which captures CSR orientation towards shareholders, employees, customers, farmers, community, and competition, as main firms' stakeholders (Coppola et al. 2020). To conceptualise CSR in this study, we consider not only these dimensions, but also CSR orientation towards the environment because of the relevance that environmental issues in the agri-food sector have.

ACAP is referred to as the set of routines and processes that a firm develops to acquire, assimilate, transform, and exploit new external knowledge in order to create value (Zahra and George 2002). Based on this general definition, CSR-driven ACAP is defined here as the firm's ability to recognise, assimilate, and apply knowledge about its obligations to society and its stakeholders beyond legal compliance (Ingenbleek and Dentoni 2016). Zahra and George (2002) suggested that the concept of ACAP consists of two dimensions: potential knowledge absorptive capacity (PACAP) and realised knowledge absorptive capacity (RACAP). In this study, PACAP would refer to the efforts made by the company to identify and acquire new external CSR knowledge, as well as to interpret and understand it. RACAP would capture the company's efforts to transform and apply this new knowledge through the development of new products, processes, or forms of organisation. Authors such as Ingenbleek and Dentoni (2016) and Nawi et al. (2020) found that there is a positive correlation between CSR-driven ACAP and a firm's orientation towards socially and environmentally responsible practices. We suggest that agri-food firms that are committed to developing mechanisms to acquire, assimilate, transform, and apply new CSR knowledge should be more likely to develop CSR-oriented innovations and to position themselves accordingly (Ingenbleek and Dentoni 2016). Formally stated:

H_1: ACAP is positively related to CSR orientation in agri-food firms.

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PRESOR is defined here as the set of managers' personal perceptions of ethics and social responsibility. These personal perceptions, conditioned by their characteristics and by their moral values, can determine the relationship with the firm's stakeholders and, in this way, affect the firm's behaviour concerning CSR (Singhapakdi et al. 2008; Vitell et al. 2010). It is expected that those agri-food firms whose managers perceive that ethics and social responsibility, far from being an obstacle to the development of the company, are elements that contribute to maximising its long-term value, will be more oriented towards CSR than those whose managers tend to subordinate ethics and social responsibility to aspects more related to maximising shareholders' value (Singhapakdi et al. 2008). Also, previous studies in other research contexts (Yin et al. 2016) have found a positive relationship between PRESOR and the firm's CSR orientation. Accordingly:

H_2: PRESOR is positively related to CSR orientation in agri-food firms.

The concept of image gathers up the perceptions that different stakeholders have of the company and its activities. Reputation is a synthesis of these perceptions based on both past performance and future projection (Fombrun 1996). As IR can generate competitive advantages, it is one of the most valuable intangible assets of any company. The main motivation for firms to carry out CSR initiatives is to improve their IR. The socially responsible behaviour of firms can positively affect the opinions of their stakeholders, which, as mentioned above, form the basis of their reputation. CSR will enhance a firm's reputation if its stakeholders consider that it will behave in accordance with their expectations (Brammer and Pavelin 2006). Indeed, in the German agribusiness context, Heyder and Theuvsen (2012) found that CSR efforts predict corporate reputation. Accordingly:

H_3: CSR is positively related to IR in agri-food firms.

One of the most debated issues related to CSR today is to what extent its implementation determines firms' FP. FP represents here the achievement of economic and financial objectives, through the perception of managers about the evolution of sales, market share, productivity, and profitability of the company (Richard et al. 2009). The stakeholder theory suggests that there is a positive relationship between CSR and FP. CSR requires a greater awareness on the part of the company of its stakeholders' expectations and a greater predisposition to change its priorities and objectives to adapt to these expectations. Acting responsibly towards all stakeholders leads the company to the best long-term results (Donaldson and Preston 1995). In this sense, recent studies that examine the relationship between CSR and FP, suggest a positive relationship between both variables (Liu et al. 2020). Accordingly:

H_4: CSR is positively related to FP in agri-food firms.

There are clear similarities between the principles promoted by CSR and the cooperative principles by which cooperatives are governed. Cooperatives put into practice the values of self-help, self-responsibility, democracy, equality, equity, and solidarity, which sustain their identity and are closely related to CSR. Also, the business configuration and the governance model of cooperatives respond to a stakeholder model. In these organisations, the partner assumes different roles as owner, supplier, worker and sometimes even customer. This uniqueness allows cooperatives a greater integration of their stakeholders, which facilitates dialogue between them, transparency, trust, and the satisfaction of their expectations in a balanced way (Campillo-Alhama and Igual-Antón 2021). There is, therefore, an intrinsic CSR in this type of organization inherent to its own existence, which can increase the intensity of CSR-IR and CSR-FP relationships compared to capital firms. Accordingly:

H_{5a}: LFO moderates the relationship between CSR and IR, making it stronger in the case of cooperative societies compared to capital firms.

H_{5b}: LFO moderates the relationship between CSR and FP, making it stronger in the case of cooperative societies compared to capital firms.

MATERIAL AND METHODS

Sample and data collection. To carry out the empirical study, data were collected through a survey addressed to trading firms in the agri-food sector in Almeria (in south-eastern Spain) from January to March 2019. The agri-food sector in this area is very relevant in Spanish agriculture. Agriculture in Spain is a strategic sector with great economic, social, territorial, and environmental importance. It generates 13% of the EU's agricultural production and is the second EU country in terms of extension and agricultural production.

It is a sector in the development of which social and environmental aspects have acquired special relevance. Indeed, it has been used as a study context in previous studies on CSR. The sector consists of 287 firms according to the Iberian Balance Sheet Analysis System. A subset of 164 firms with a turnover of more than EUR 5 million was selected and sent an online questionnaire. This subset was chosen to ensure that

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the firms in the sample had a minimum organisational infrastructure and accounted for a high percentage of turnover and employment in the sector.

A total of 107 valid responses were obtained, representing a response rate of 65.2% of the questionnaires sent. This, in turn, represents 37.3% of the total population (see Table 1 for a comparative description of the sample). This sample size was acceptable in terms of representativeness of the selected population [confidence level of 95%, $p = q = 0.5$ (where: p – probability that a phenomenon will occur in the population; $q = 1 - p$)]. President, CEO, or the general manager of the company answered 61% of the questionnaires, 20% were answered by human resources managers, 7% by those responsible for the quality, and the remaining 14% by members in other management positions. The sample size exceeds the minimum threshold necessary for the application of the partial least squares (PLS) technique used in this research for parameter estimation.

Measures. From a review of the literature, a total of 34 items adapted from those used by Turker (2009), Öberseder et al. (2014) and Luo et al. (2017) were used to measure the CSR dimensions. A total of 13 items were adapted from the scales used by Ahimbisibwe et al. (2016) to measure ACAP. To measure PRESOR, we used the reduced version of the scale proposed by Singhapakdi et al. (1994). A seven-item scale adapted from Ahearne et al. (2005) was used to measure IR. FP is measured using four items adapted from Delgado-Ferraz and Gallardo-Vázquez (2016). A seven-point Likert-type scale was used in all cases. The selected items were subsequently revised by a panel composed of 13 experts, i.e. researchers, practitioners and a public sector representative. The electronic supplementary material (ESM) provides the complete list of items (for the ESM see the electronic version).

Data analysis. To test the model, the structural equation modelling procedure is applied using the PLS technique, which is recommended in those investigations that include models with reflective and formative indicators and when the samples, being representative, are limited (Hair et al. 2014), as is the case in this study. SmartPLS 3.0 software was used to carry out the analysis.

Table 1. Compared descriptive statistics of the sample

Sample and population	Average annual turnover (EUR millions)	Average number of employees
Final sample	32.3	101.3
Selected population	25.7	114.6
Total population	14.8	69.06

Source: Authors' own calculation

RESULTS AND DISCUSSION

Measurement model

The model consists of twelve first-order variables, of which seven correspond to the dimensions of the CSR and another two to the dimensions of the ACAP, both second-order constructs. Figure 1 exhibits the conceptual model. The 64 items maintain a reflective relationship with their corresponding variables, except in the case of those measuring the dimensions of the CSR. In this case, the relationship is formative, as these items refer to different aspects of each dimension, are not necessarily interchangeable and are not expected to be correlated with each other. For the evaluation of the measurement model, the build-up approach technique was used, which is suitable for those models that incorporate second-order constructs.

First, a confirmatory factor analysis (CFA) was performed and four items were deleted after a scale purification process. A new CFA showed all factor loadings were high and significant, which suggests convergent validity. Cronbach's alpha, average variance extracted (AVE) and composite reliability of all constructs exceeded the threshold established in the literature. The ESM provides key indicators for each indicator and construct (for the ESM see the electronic version). Discriminant validity was assessed in two ways using the square root criterion of the AVE values (Fornell and Larcker 1981) and the Heterotrait-Monotrait (HTMT) criterion (Hair et al. 2014). It was found that both criteria were met, except for the HTMT ratio between PACAP and RACAP which reached a value of 0.927, close to the threshold of 0.900. These results suggest no discriminant validity problems in the scales with reflective indicators. Regarding the constructs with formative indicators (i.e. the CSR dimensions), there was no evidence of collinearity. The variance inflation factor (VIF) was below the threshold of five in all cases. The weight-loading ratio of each formative indicator was calculated using the bootstrapping technique. Items Env1 and Com1 were deleted as their weights (–0.275, –0.314) were not significant, and their loadings (0.186, 0.368) were less than 0.500 and not significant (Hair et al. 2014) (see ESM; for the ESM see the electronic version).

The second step of the build-up approach technique requires converting the CSR variable into a first-order factor by converting its dimensions into indicators. Thus,

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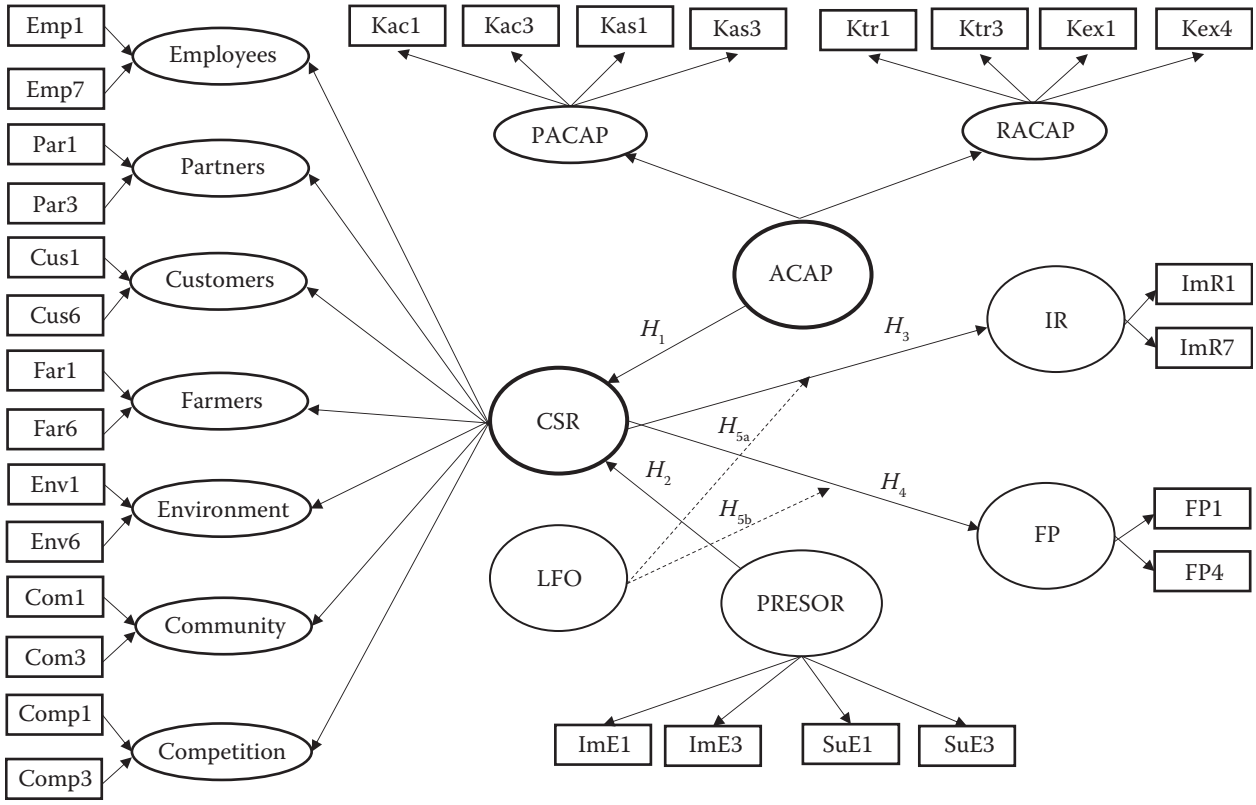

Figure 1. Conceptual model

CSR – corporate social responsibility; ACAP – absorptive capacity; PACAP – potential absorptive capacity; RACAP – realised absorptive capacity; PRESOR – perceived role of ethics and social responsibility; IR – image and reputation; FP – financial performance; LFO – legal form of organization; for explanations of individual variables entering the model, see ESM (for the ESM, see the electronic version)

Source: Authors' own elaboration

all variables in the model now have reflective indicators. Again, internal consistency, convergent validity and discriminant validity were tested through the PLS estimation process with satisfactory results. The AVE, in all cases, exceeds the 0.500 threshold except for the CSR variable, which is slightly below this threshold (0.494). Note, however, that the indicators for this variable are derived from the substitution discussed above.

Structural model and multi-group analysis

The structural model was assessed using the standardised coefficients (β), the effect size (f^2), R^2, Q^2 and predictive Q^2 statistics. The results indicated that the effect of ACAP on CSR is positive, high and statistically significant (β = 0.503; f^2 = 0.463; t = 6.359), thus confirming hypothesis H_1. The effect of PRESOR on CSR is positive and significant (β = 0.369; f^2 = 0.249; t = 4.441), confirming hypothesis H_2. CSR is related to IR (β = 0.791; f^2 = 1.671; t = 23.669) and FP (β = 0.538; f^2 = 0.407; t = 9.103), thus confirming hypotheses H_3 and H_4. The values of the R^2, Q^2 and predictive Q^2 statistics indicate that the model has the predictive capacity or relevance for all dependent variables (R^2 > 0.10; Q^2 > 0; predictive Q^2 > 0).

The multi-group analysis tests whether there are significant differences in the β value of the relationships between CSR and IR and FP according to their LFO. Previously, we confirmed the invariance of the measurement instrument through the measurement invariance of composite models (MICOM) procedure (Henseler et al. 2016). Multi-group analysis was performed using the permutation method and the partial least squares multigroup analysis (PLS-MGA) method. The results indicated that the standardised coefficients (β) of all the relationships in the model are statistically significant for both groups, so hypotheses H_1, H_2, H_3, and H_4 are satisfied for both cooperatives and capital firms. We found no difference between groups for the CSR-IR relationship (–0.052; P > 0.050), thus hypothesis H_{5a} is rejected. However, we found a significant

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difference between groups for the CSR-FP relationship (0.277; $P < 0.050$). The effect of CSR on FP is significantly greater for cooperatives than for capital firms, thus hypothesis H_{5b} is confirmed.

Discussion

Theoretical implications. The results of this study contribute to the literature on CSR by showing that ACAP and PRESOR may determine CSR orientation of agri-food firms. The significant relationship between ACAP and CSR confirms the findings of some previous works (Ingenbleek and Dentoni 2016; Nawi et al. 2020) that analyse how ACAP can pave the way for the implementation of socially and environmentally responsible practices in companies. The positive and significant association between the PRESOR and CSR also supports the findings of previous research in other contexts (Yin et al. 2016). This study contributes to demonstrate that these antecedents are relevant to explain to a large extent the CSR orientation in the context of agri-food companies, which implies that they are determinants to be considered in works related to CSR in the field of management and the sustainable development of agronomy.

Moreover, the results show that there is a strong link between CSR and IR in agri-food companies, which is in line with the findings of previous work (Heyder and Theuvsen 2012). Therefore, the study contributes to the current debate on the link between CSR and IR in different contexts (Singh and Misra 2021). It is also found that the intensity of this association does not depend on the LFO of the company. Therefore, operating under the principles of associative forms does not influence the relationship between CSR and IR. The results also show, in line with previous research (Liu et al. 2020), that there is a close relationship between CSR and FP. In this case, the main contribution is that the link is even stronger for companies with associative LFOs, i.e. cooperatives. The moderating effect of LFO on the relationship between CSR and FP is thus confirmed, which sheds further light on previous literature that calls for empirical research on the internal mechanisms that influence the relationship between the two variables. For example, Tang et al. (2012) argue that companies benefit more from CSR when its adoption is based on internal organisational aspects. In this respect, it should be noted that cooperatives are governed by principles and operating rules that implicitly include a commitment to CSR in its various manifestations.

Finally, the results also contribute methodologically to previous literature as they are based on a broad and multidimensional conceptualisation of CSR, including internal dimensions (employees and shareholders), external dimensions (customers, farmers, community, and competition), as well as the environmental dimension due to its special relevance in the agri-food context.

Practical implications. CSR can be used by agri-food firms as a tool to increase not only their FP but also intangible assets that are difficult to imitate and that can ensure their viability and competitiveness over time, such as IR. Thus, CSR is a tool available for firms' managers in the sector to eliminate or reduce reputational risk. CSR can be conceived as a differentiation strategy both at the product level (based on the social and environmental characteristics of its products) and at the company level (based on the company recognition by its stakeholders as a responsible company). For the latter, it is important for the company to develop an internal and external communication strategy focused on its commitment to CSR. Moreover, the development of ACAP in agri-food firms is critical as a strategy for the implementation of socially and environmentally responsible practices. As a first step, these firms must develop mechanisms to acquire new CSR knowledge in their relationship and dialogue processes with their stakeholders. This study also shows that agri-food firms need to consider the profile of their managers and foster conditions that favour positive perceptions of ethics and social responsibility. They should therefore design CSR-related incentives and include elements linked to CSR-related activities in the performance appraisal of their managers.

Limitations and further research

The research has several limitations. First, the model has been tested in the agri-food sector in Almeria (Spain), limiting the generalisability of the results to other settings. However, the importance that this sector has in the Spanish and European contexts makes the results interesting and they can also be extrapolated to settings with similar characteristics to the intensive agricultural model of Almeria. Future research should validate these findings in other sectors and geographical locations. Second, as our respondents are mainly managers, future research could test the hypotheses of this study based on the perceptions of other stakeholders such as employees, customers, or farmers, to check if there are differences in the results. The third limitation is the cross-sectional nature of the data, which prevents us from contrasting the effects of implementing CSR practices over time. Future research might use longitudinal data and cross-sectional lag analysis to ex-

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clude potential reverse causality bias and to study the relationships between variables over time. This study could be complemented by further research incorporating new variables to be included in a CSR orientation strategy for firms, such as the level of stakeholder integration. Also, it is interesting to examine the extent to which the effects of CSR on IR and FP may be conditioned by the level of CSR sensitivity of the target markets.

CONCLUSION

This study identifies two determining elements in the implementation and/or development strategy of CSR in firms in the agri-food sector, namely ACAP and PRESOR. The study is also consistent with previous research on the effects of CSR on two key elements of company performance, one tangible (FP) and the other intangible (IR). In both cases, the effect is found to be positive and significant. Furthermore, it is shown that the CSR-FP relationship is stronger in cooperatives than in capital firms. This research has both theoretical and practical implications. It contributes to a better understanding of the antecedents and consequences of a CSR orientation in agri-food firms. Also, we highlight the role of LFO in the relationship between CSR and FP. On a practical level, our findings suggest the need for agri-food firms to develop ACAP through dialogue processes with their stakeholders and to incorporate their organisations' managers with personal values and beliefs related to ethics and social responsibility. These factors have the potential to increase CSR orientation.

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