

RESEARCH ARTICLE

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

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Abstract

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

KEYWORDS

corporate financial performance, corporate social responsibility, ESG, signaling theory, stakeholder engagement, stakeholder theory

1 | INTRODUCTION

Despite the growing literature on signaling theory (Spence, 1973, 2002), the environment in which signaling occurs remains under-researched (Connelly et al., 2011; Vanacker et al., 2020). The signaling environment is central to the signaling process because it affects the credibility of signals and their capability to reduce information asymmetries in the market (Lester et al., 2006). Some studies have analyzed several components that make up this environment, such as institutions, industries, or firm-level variables (Lester et al., 2006; Ndofo & Levitas, 2004; Park & Patel, 2015; Sekerci et al., 2022; Yang et al., 2021). Other studies explicitly consider specific stakeholders as an element of the signaling environment (Gallus & Frey, 2017; Jiang et al., 2020; Vanacker et al., 2020). Nevertheless, this strand of the

literature has overlooked the combined effect of the firm's stakeholders in the signaling environment. The firm's stakeholders constitute a significant context in which the firm's signaling occurs, especially for those activities that impact a wide range of stakeholders (i.e., CSR activities). Firm-stakeholder relationships are increasingly characterized by “polyphonic” relationships (Glozer et al., 2019) that conditionate the survival of the firm (Vurro et al., 2022).

Concerns about the role of companies in promoting (or endangering) sustainability are increasing across the board (Bhandari et al., 2022; de Bakker et al., 2020), which shifts the scrutiny of firms' corporate social responsibility (CSR) activities. This pressure motivates companies to be (and appear) sustainable for their stakeholders (Lee, 2020; López-Concepción et al., 2022; Seroka-Stolka & Fijorek, 2022). Thus, it is becoming critical that firms

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effectively communicate (or signal) their CSR efforts to their different stakeholders. Consequently, CSR activities are particularly well-suited for analyzing the potential role of the firm's stakeholders as a signaling environment. Despite the vast literature exploring how stakeholder pressure shapes CSR and how stakeholders perceive and evaluate CSR (Freeman et al., 2004; Helmig et al., 2016; Kassinis & Vafeas, 2006; Murillo-Luna et al., 2008; Yi et al., 2022), the impact that stakeholders have overall on firm's CSR remains unexplored.

We contribute to the body of literature that analyzes the signaling environment by considering the firm's stakeholders as a relevant factor affecting the credibility of the firm's signals. We theorize how a company's overall exposure to different stakeholders (i.e., stakeholder scrutiny) affects CSR information asymmetries between a firm and its stakeholders. The repeated interaction between the firm and its stakeholders generates information that influences the credibility of the firm's signals, facilitates stakeholder reciprocation, and improves corporate financial performance (CFP). Stakeholder scrutiny increases the costs of false signaling, leading to a separated equilibrium where stakeholder scrutiny generates credible CSR signals. This equilibrium exerts a twofold influence on the link between CSR and CFP. Stakeholder scrutiny positively moderates the CSR-CFP link and indirectly affects CFP through the firm's CSR. The instrumental value of CSR subsequently increases along with the intensity of stakeholder scrutiny.

We use SEM methodology to empirically analyze the simultaneous effects of stakeholder scrutiny at different levels (organizational, industrial, and macroeconomic) on the CSR-CFP link for a sample of 2258 companies from 23 developed countries across several industries over 5 years (2013–2017). The remainder of this paper is organized as follows. The following section covers the theory and the development of our hypotheses. The methodology section and results follow this. Finally, we discuss our findings and present our conclusions.

2 | THEORY AND HYPOTHESES

Information asymmetries between the firm and its stakeholders in the market for CSR compel the firm to send CSR signals to reveal private information on the true nature of its CSR (Adams et al., 2001; Zerbini, 2017). The CSR market can hardly exist without these signals. Despite the firm's signaling efforts to reduce information asymmetries, an information problem regarding the credibility of the firm's CSR signals remains (Wickert, 2021). Credibility arises when actions are consistent with statements or signals (Jolink & Niesten, 2021). Among the different factors that influence the credibility of the signals, the signaling environment where the signaling process occurs is key (Connelly et al., 2011). Within the signaling environment, the potential recipients of the firm's signals (i.e., the firm's stakeholders) constitute a relevant but neglected element in the literature. We argue that the repeated interaction between a firm and its stakeholders generates information that influences the credibility of the firm's signals. The intensity of this interaction can be captured by the

notion of stakeholder scrutiny, representing the overall degree of exposure of an organization to different stakeholder groups (Sutton & Galunic, 1995), which “reflects a cumulative, temporal, persistent aspect of external stakeholder pressure” (Pérez-Batres et al., 2012).

First, we argue that stakeholder scrutiny enhances CSR signals credibility in the market for CSR. Second, we offer some hypotheses for testing the credibility of CSR signals affected by stakeholder scrutiny. Specifically, we hypothesize that the stakeholders' CSR expectations are confirmed (i.e., a separated equilibrium is generated) when stakeholder scrutiny intensifies the effect of CSR signals on CFP.

2.1 | Stakeholder scrutiny and the signaling environment

The signaling environment is where the signaling process occurs and affects the credibility of the signals (Connelly et al., 2011). In the market for CSR, the firm's exposure to the broad set of stakeholders (i.e., stakeholder scrutiny) constitutes the signaling environment. Stakeholder scrutiny stems from different levels, that is, firm, industry, and macro (Orlitzky et al., 2017). Firm size, listing in international indexes, and internationalization are firm-level factors that imply the interaction with a variety of stakeholders, whether they are suppliers, employees, investors, or international buyers (Gallo & Christensen, 2011; Gamerschlag et al., 2011; Hart & Sharma, 2004; Quéré et al., 2018). Industry forces constitute another important source of stakeholder scrutiny (Hull & Rothenberg, 2008). Firms closer to the final consumer are more closely scrutinized than firms in the early stages of the value chain (Brower & Mahajan, 2013; Shabana et al., 2017). Besides, high environmental (oil, energy) and social (tobacco, alcohol, gambling, military, firearms) impact industries bear a “stigma” that attracts more attention and scrutiny from stakeholders than less controversial firms (Yu et al., 2017). Macro-level forces also generate stakeholder scrutiny. Enhanced civic participation through social media (Lyon & Montgomery, 2013), NGOs (Doh & Guay, 2006), and think-tanks give rise to new modes of governance which involve civil society. Similarly, public awareness results in significant scrutiny of a firm's behaviors through media coverage (Shabana et al., 2017).

2.2 | Stakeholder scrutiny and the CSR-CFP link

An essential element of the separated equilibrium is the signal confirmation or “whether the expected quality of the signal is realized through subsequent experience” (Bergh et al., 2014). The CSR market achieves equilibrium when the (credible) CSR signal is confirmed; that is, the underlying CSR fulfills the stakeholder's social preferences, and then the firm receives the promised reciprocation. Stakeholder support will positively impact the firm CFP; thus, the returns from stakeholder reciprocation offset the signaling costs. In other words, the enhanced credibility of the CSR signal affected by stakeholder scrutiny reinforces the link between CSR signals and CFP.

We explore the impact of stakeholder scrutiny on CFP: on stakeholders' perception of the CSR signals and the CSR signals emitted by the firm. The first impact implies that stakeholder scrutiny moderates the link between CSR signals and CFP by shaping stakeholders' perceptions of the firm's CSR signals. Stakeholder scrutiny enhances CSR signal credibility, thereby improving the stakeholder's perception of the signaler's honesty and thus positively reinforcing the link between CSR and CFP. On the other hand, stakeholder scrutiny shapes the firm's CSR signals, thus indirectly influencing CFP. The firm learns from the stakeholders and incorporates this information into its CSR, improving both CSR quality and CSR signals. Subsequently, we argue that firms under intense stakeholder scrutiny will be more effective in enhancing CFP through CSR than weakly scrutinized firms.

2.2.1 | How stakeholder scrutiny improves stakeholders' perception of CSR signals. Stakeholder scrutiny as a moderator of the CSR-CFP link

Stakeholder theory considers the firm's stakeholders as a contextual factor that moderates the CSR-CFP relationship (Rivera et al., 2017; Wang et al., 2016). Signaling theory recognizes the signaling environment as a moderator between the firm's signals and different factors. As we argued, stakeholder scrutiny makes up the signaling environment, shaping stakeholders' perceptions of CSR signals and transforming them into enhanced CFP. Stakeholder scrutiny generates information in the market for CSR, improving the CSR signal credibility. Due to enhanced information on consistent behavior, stakeholders from highly scrutinized firms perceive CSR signals as more credible and truthful. Thus, as stakeholder scrutiny over a firm grows, the firm's CSR signals will have a stronger impact on the stakeholders' behavior, achieving a higher level of reciprocation. Subsequently, stakeholder scrutiny enhances the effectiveness of CSR signals as drivers of CFP.

The stakeholders' perception of credible CSR signals contributes to building social capital (Henisz et al., 2014). Social capital relies on trust, confidence, and commitment (Moldaschl & Fischer, 2004) within a network of actors. Credible CSR signals are associated with the firm's reputation for CSR, stimulating stakeholder reciprocation (Vishwanathan et al., 2020). Reputation also includes the expectation of future behavior based on collective perceptions of past behavior (Brammer & Pavelin, 2006; Love & Kraatz, 2009). CSR-based reputation underpins CFP through different channels: signaling product quality, improving customer loyalty, increasing the likelihood of customers paying premium prices (Boehe & Cruz, 2010), facilitating talent attraction and retention (Turban & Greening, 1997), attracting investors (Lourenço et al., 2014), since CSR reputation serves as an early indicator of future CFP (Ioannou & Serafeim, 2012) and lower investment risks, better funding conditions (Jiraporn et al., 2014), removal of boycotts (McDonnell & King, 2013); and positive comments in social media (Dutot et al., 2016). Finally, a CSR reputation protects in the event of corporate scandals (Godfrey et al., 2009).

As a result of the above arguments, we propose the following hypothesis on the moderating effect of stakeholder scrutiny on CSR signals and the CFP link:

Hypothesis 1. *Stakeholder scrutiny positively moderates the relationship between the firm's CSR signal and the CFP.*

2.2.2 | How stakeholder scrutiny improves the firm's CSR. The CSR-CFP mediation effect

Studies framed in stakeholder theory argue that stakeholder pressure shapes a firm's CSR effort (Helmig et al., 2016; Jamali, 2008; Pérez-Batres et al., 2012) and its CSR signals (Reverte, 2009). Brower and Mahajan (2013) distinguish three factors related to stakeholders influencing CSR: sensitivity to stakeholder demands, diversity of stakeholder demands, and exposure to stakeholder scrutiny. In addition to this strand of literature, some studies consider CSR to be a mediator between CFP and different variables related to specific stakeholders, that is, customer and market orientation (Kiessling et al., 2016), board diversity (Harjoto et al., 2015), CEO characteristics (Yook & Lee, 2020), customer satisfaction (Saeidi et al., 2015), or stakeholder management capability (Torugsa et al., 2012).

Intense stakeholder scrutiny of the firm provides more information about stakeholders' CSR preferences. Firms can use this information to improve the underlying CSR and the CSR signal fit. Stakeholder scrutiny may enhance the CSR signal fit, tightening the correspondence between stakeholders' expectations and the actual signaler behavior. Firm learning through experience from the iterations with stakeholders focuses managers on crucial stakeholders' needs, improving the CSR fit (Bettinazzi & Zollo, 2022). For example, learning from institutional stewardship improves CSR fit, redirecting corporate behavior to the pledges of institutional investors (Barko et al., 2022). Similarly, scrutiny from strong labor unions can enhance managers' ability to satisfy primary stakeholders such as employees.

The complementary resources to the firm's CSR are "the organizations' knowledge, skills, and processes relating to the planning, implementation, and evaluations of CSR activity" (Lee et al., 2013), are knowledge-based, built "from complex interaction relationships of various social groups" (Moldaschl & Fischer, 2004). This knowledge, accumulated through successive interactions with stakeholders (Barnett, 2007), generates heterogeneous CSR (Tetrault-Sirsly & Lamertz, 2008). CSR heterogeneity refers to the differences among firms in their responsible behavior and the capacity to satisfy stakeholders (Brammer & Pavelin, 2006; Surroca et al., 2010).

Stakeholder interactions consequence of stakeholder scrutiny contribute to the generation of heterogeneous CSR through absorptive capability and economies of scope. Stakeholder scrutiny generates knowledge that stimulates the different dimensions of a firm's absorptive capability (Lane & Lubatkin, 1998): acquisition, assimilation, transformation, and exploitation (Zahra & George, 2002). Firms facing interactions with diverse stakeholders are more sensitive to what

types of CSR activities better align with stakeholders' demands. For example, some corporations tend to be part of roundtables in regional administrative units, dedicated forums, or form industry alliances to gather information from multiple entities, such as competitors, small suppliers, or regional governance bodies. Thus, CSR implemented in this realm is more likely to be reciprocated by stakeholders. In contrast, less scrutinized firms have less chance to learn from interactions with different stakeholders. Therefore, they may engage in less valuable CSR initiatives from a stakeholder perspective, resulting in less "effective" CSR from a financial payoff perspective.

Companies addressing multiple stakeholders' claims can benefit from economies of scope (Teece, 1980) by sharing resources among various CSR activities. A particular CSR action can simultaneously benefit multiple stakeholders (Sen et al., 2006). For example, specific actions toward consumers, such as offering healthier products, can also benefit employees' alignment with corporate values and loyalty. Similarly, initiatives that fulfill sustainability demands from civic organizations can also favor the demands and interests of institutional investors. Thus, firms can use CSR actions specifically focused on a given stakeholder group on other stakeholders (Bosse et al., 2009; Shabana et al., 2017). This can generate savings whilst simultaneously achieving the demands of multiple stakeholders. The convergent CSR view (Jamali, 2010; Waddock, 2008) holds that multinational firms replicate the CSR implemented at headquarters in their subsidiaries. Companies may profit from economies of scope once a particular action has been designed and developed at headquarters and disseminated across countries.

CFP is primarily attributable to heterogeneous resource endowments (Barney, 1991; Maritan & Peteraf, 2011). CSR heterogeneity allows the differentiation of products from competitors (Torugsa et al., 2012), increases employee morale and productivity and improves attitudes in the workplace (Turban & Greening, 1997; Wright et al., 2001), generates cost savings and enhanced turnover associated with environmental innovations (Hart, 1995), and favors a better evaluation of product quality by customers (McWilliams & Siegel, 2011).

This discussion suggests that stakeholder scrutiny generates complementary resources that, in turn, increase CSR heterogeneity, constituting a forerunner of CFP. Thus, we propose the following hypothesis regarding the direct effect of stakeholder scrutiny on firm CSR and its indirect impact on CFP:

Hypothesis 2. *Stakeholder scrutiny influences CFP through the firm's CSR signal. Stakeholder scrutiny positively impacts the firm's CSR signal, and the firm's CSR signal positively impacts CFP.*

3 | METHODS

3.1 | Sample

Our sample includes listed companies from developed countries with a CSR evaluation by Thomson Reuters ASSET4 (Table 1). The sample

TABLE 1 Sample distribution across geographic areas and sectors

Geographic area	Number of firms	Sector	Number of firms
Asia	667	Energy	545
Europe	1150	Basic materials	675
Oceania	507	Industrials	1163
North America	3438	Cyclical consumer goods & services	1165
		Non-cyclical consumer goods & services	462
		Healthcare	646
		Technology	697
		Telecommunication services	152
		Utilities	257
Total	5762	Total	5762

comprises 14,905 observations from 5,762 companies in 23 countries across every sector except finance (Berrone et al., 2017), and over 5 years (2013–2017). We winsorize variables at the 99th percentile to rule out abnormal data.

3.2 | Variables

We measure the dependent variable (CFP) by the natural logarithm of return on average assets (ROAA) (Hull & Rothenberg, 2008). Our independent variable (CSR) draws from Thomson Reuters ASSET4 Environmental, Social, and Governance (ESG) ratings (Cheng et al., 2014). The ESG overall annual score provides a single, continuous measure, scaled 1–100, of a firm's relative management of ESG issues across 10 main themes, including 178 critical measures and 400 data points. Thereby, ESG ratings from an external third party such as Thomson Reuters constitute an indirect or endorsement signal on firms' CSR efforts (Luffarelli & Awaysheh, 2018).

Our variable of interest, Stakeholder Scrutiny, is calculated for different levels: organizational (size, internationalization, membership of a global stock benchmark), industry (consumer-oriented sectors, controversial industries), and macroeconomic level (pressures from civil society and the degree of the home country's globalization). Company size (Size) is measured by the natural logarithm of a firm's total assets (Brammer & Pavelin, 2006; Marquis et al., 2016). We use a dummy variable (International) valued as one for companies selling abroad and zero otherwise (Zhang et al., 2022). Membership in a global stock benchmark is proxied by the Morgan Stanley Capital International World Index (MSCI) constituents, valued one for those companies included in the index during the period considered, and zero otherwise (Covrig et al., 2007). Regarding industry-level scrutiny, belonging to consumer-oriented sectors is measured by the variable consumer, which takes the value one for cyclical consumer goods and services industries, and zero otherwise (Brower & Mahajan, 2013). The

variable controversial measures being part of controversial sectors, which takes the value one for distillers and vintners, conventional electricity, defense, and tobacco, and zero otherwise (Drempetic et al., 2020). We identify these industries using the Thomson Reuters Business Classification. Regarding scrutiny at the macro-level, the prominence of NGOs in a given country (NGO) is proxied by the total number of NGOs per million population (Esty et al., 2005), sourced from the UN and World Bank databases. The KOF globalization index (KOF) proxies the degree of openness of a society (Marquis et al., 2016).

We combine the previous variables in an aggregated measure of stakeholder scrutiny intensity. We transform each of the seven stakeholder scrutiny sources described above into binary variables. For this purpose, the continuous variables size, NGO, and KOF are valued one when they show values above the mean and zero otherwise. The rest of the variables do not require a transformation due to their dichotomic nature. The combination of the seven sources of stakeholder scrutiny results in variable Stakeholder Scrutiny, ranging from 0 to 7, where seven implies a company experiencing all sources of stakeholder scrutiny, and zero implies none. The individual variables are also aggregated on levels of stakeholder scrutiny to depict stakeholder scrutiny on organizational (0–3 score), industry (0–2 score), and macro (0–2 score) levels.

We lag our main independent variables for 1 year (van Beurden & Gössling, 2008). To analyze the moderating effect at each level of stakeholder scrutiny on the relationship between CSR and CFP, we use the interaction variables: Stakeholder Scrutiny Organization*CSR, Stakeholder Scrutiny Industry*CSR, and Stakeholder Scrutiny Macro*CSR. To test the overall effect of stakeholder scrutiny on the CSR-CFP strength, we covariate Stakeholder Scrutiny*CSR.

We use some control variables. As a proxy for risk, we use the natural logarithm of the beta coefficient (Beta) (Chollet & Sandwidi, 2018), which measures systematic risk based on a firm's stock volatility. For financial soundness, we incorporate the natural logarithm of the percentage of total debt over total assets (Leverage). We include GDP growth (GDP growth) (Lattemann et al., 2009). Finally, we build a dummy variable (Stakeholder country) to control for the orientation of the home country toward overall stakeholders versus shareholders, valued as one and zero, respectively (Simnett et al., 2009). The former cluster consists of continental European countries, Korea and Singapore (Thijssens et al., 2015), and the latter consists of the remaining countries in our sample.

3.3 | Statistical procedures

We use the structural equation model (SEM) since the moderation suggested by Hypothesis 1, and the moderated-mediation effects suggested by Hypothesis 2 require a model that integrates moderation and mediation effects, that is, a moderated-mediated model (Hayes, 2015). We estimate some additional models to ensure the robustness of our results.

4 | RESULTS

Tables 2 and 3 contain the descriptive statistics and Pearson's correlation matrix, respectively, where no correlations exceed the 0.4 thresholds that would prompt multicollinearity concerns. The variance inflation factor (VIF) tests for all regression models ranging between 1.26 and 2.84, well below the critical value of 10, indicating multicollinearity (Hair Jr et al., 2014).¹

Models 1a and 1b (Table 4) show a positive and significant direct impact of Stakeholder Scrutiny on CSR and CFP. Moreover, CSR exerts a positive and significant effect on CFP. The moderating effect (Stakeholder Scrutiny*CSR) on CFP (Model 1b) can be confirmed ($\beta = 0.246$) at the 0.01 level, supporting Hypothesis 1. To disentangle the effects of the different stakeholder scrutiny levels, we run the same models in Table 4, using Stakeholder Scrutiny Organization (Models 2a and 2b), Stakeholder Scrutiny Industry (Models 3a and 3b), and Stakeholder Scrutiny Macro (Models 4a and 4b). To identify the relative effects across the different stakeholder scrutiny forces influencing the transferability of CSR to CFP, we use standardized coefficients that allow direct comparisons. The moderation term (Stakeholder Scrutiny Organization/Industry/Macro*CSR) in Models 2b, 3b, and 4b shows a positive and significant effect at the 0.01 level on CFP ($\beta = 0.139$, $\beta = 0.019$, and $\beta = 0.031$, respectively), further confirming Hypothesis 1.

We check the fit for all SEM models, including the likelihood-ratio test (LR-test), Tucker-Lewis coefficient (TLI) and comparative fit index (CFI), root mean square error of approximation (RMSEA), and the coefficient of determination (R^2). All our models meet the conditions associated with each test.²

Regarding the moderated mediated relationship predicted by Hypothesis 2, Table 5 shows the indirect effects, total effects, and the proportion of total effects mediated across the different stakeholder scrutiny sources, all significant at the 0.01 level. The positive and significant indirect effect of Stakeholder Scrutiny on CFP through CSR is calculated by multiplying the coefficients in Table 4 of the variables Stakeholder Scrutiny (Models 1a, 2a, 3a, and 4a) and CSR (Models 1b, 2b, 3b and 4b). The total effect is the sum of the indirect and direct effects of Stakeholder Scrutiny on CFP reported in Table 5. The proportion of total effect mediated, that is, indirect effect divided by total effect, equals 0.20 for the overall stakeholder scrutiny. These results indicate that CSR partially mediates the relationship between Stakeholder Scrutiny and CFP, supporting Hypothesis 2.

As a post-hoc robustness check, we test the conditional indirect effect using a bootstrap analysis (MacKinnon et al., 2002), which minimizes the likelihood of type 1 error. Table 5 shows different values of the moderator variable (Stakeholder Scrutiny) and confirms that the conditional indirect effect on CFP via CSR is positively related to the moderator variable Stakeholder Scrutiny, thereby providing robustness to prior results. More specifically, as shown in Table 5, when the value of the moderator (Stakeholder Scrutiny Organization, Industry,

¹The results are available under request.

²For the CFI and TLI, values greater than 0.90 indicate a good fit, and for the RMSEA, values lower than 0.08 are considered a good fit.

TABLE 2 Descriptive statistics

Variables	Obs.	Mean	SD	Min	Max
ROAA	13,308	4.575	2.406	-4.102	1.819
CSR	14,513	53.298	12.590	20.2	87.7
Stakeholder Scrutiny	14,905	2.690	1.289	0	7
Stakeholder Scrutiny Organization	11,853	0.623	0.401	0	3
Stakeholder Scrutiny Industry	14,855	0.271	0.257	0	2
Stakeholder Scrutiny Macro	14,907	0.334	0.471	0	2
Beta	11,706	1.064	0.531	-0.180	2.170
Leverage	12,378	3.334	0.986	0.495	4.437
GDPgrowth	14,906	2.055	0.687	0.576	3.063
Size	11,852	16.098	2.793	7.428	26.416
NGO	14,906	11.907	1.121	9.740	16.131
KOF	14,906	82.795	4.544	64.22	91.31

TABLE 3 Pearson's correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) CSR	1.00								
(2) Stakeholder Scrutiny	0.29***	1.00							
(3) Stakeholder Scrutiny Organization	0.28***	0.57***	1.00						
(4) Stakeholder Scrutiny Industry	0.03***	0.20***	0.02***	1.00					
(5) Stakeholder Scrutiny Macro	0.01***	0.36***	0.01***	0.03***	1.00				
(6) Stakeholder country	0.13***	0.15*	0.10**	-0.01	0.19***	1.00			
(7) Beta	-0.03***	-0.01	0.01*	0.02**	-0.02**	-0.07**	1.00		
(8) Leverage	0.16***	0.02*	0.01**	0.02*	-0.03***	0.02***	0.05***	1.00	
(9) GDPgrowth	-0.08***	-0.10***	-0.11	0.01***	0.03***	-0.07**	0.06***	0.03***	1.00

* $p < 0.1$. ** $p < 0.05$. *** $p < 0.01$.

TABLE 4 SEM results for the moderated mediated analysis.

Dependent variable	Stakeholder Scrutiny		Stakeholder Scrutiny Organization		Stakeholder Scrutiny Industry		Stakeholder Scrutiny Macro	
	1a - CSR	1b - CFP	2a - CSR	2b - CFP	3a - CSR	3b - CFP	4a - CSR	4b - CFP
CSR		0.206***		0.106***		0.116***		0.110***
Stakeholder Scrutiny	0.276***	0.227***	0.295***	0.190***	0.032***	0.011***	0.023***	0.043***
Stakeholder ScrutinyxCSR		0.246***		0.139***		0.019***		0.031***
Stakeholder country	0.078***	-0.002	0.103***	0.002*	0.119***	-0.001	0.123***	0.002**
Beta	-0.026***	-0.125***	-0.01***	-0.126***	-0.021***	-0.127***	-0.020***	-0.127***
Leverage	0.179***	-0.087***	0.157***	-0.090***	0.159***	-0.094***	0.164***	-0.093***
GDPgrowth	-0.048***	0.045***	-0.038***	0.050***	-0.074***	0.042***	-0.073***	0.043***
Constant	3.27***	-0.240***	3.755***	0.225***	3.982***	0.24***	3.989***	0.273***
LR test	24,444.30***		1472.66***		522.35***		3047.01***	
Number of observations	14,905		14,905		14,905		14,905	
RMSEA	0.004***		0.025***		0.034***		0.008***	
CFI	0.976		0.988		0.986		0.881	
TLI	0.982		0.985		0.981		0.886	
R ²	0.17		0.16		0.12		0.13	

* $p < 0.1$. ** $p < 0.05$. *** $p < 0.01$.

TABLE 5 Results of indirect effects, total effects, conditional indirect effects, and proportion of total effects mediated across stakeholder scrutiny sources.

Dependent variable: CFP mediator: CSR							95% CI	
Moderator	Indirect effect (i)	Total effect	Proportion of total effect mediated	Value of moderator	Conditional indirect effects	SE	Lower	Upper
Stakeholder Scrutiny	0.056***	0.283***	0.200	M - 1 SD	0.108***	0.019	0.071	0.144
				M	0.179***	0.016	0.147	0.209
				M + 1 SD	0.249***	0.024	0.202	0.296
Stakeholder Scrutiny Organization	0.031***	0.221***	0.140	M - 1 SD	0.344***	0.077	0.214	0.457
				M	0.494***	0.053	0.404	0.608
				M + 1 SD	0.643***	0.066	0.491	0.756
Stakeholder Scrutiny Industry	0.004***	0.015***	0.267	M - 1 SD	0.099***	0.027	0.048	0.158
				M	0.103***	0.028	0.050	0.154
				M + 1 SD	0.107***	0.030	0.046	0.163
Stakeholder Scrutiny Macro	0.003***	0.046***	0.070	M - 1 SD	0.037***	0.015	0.011	0.073
				M	0.040***	0.016	0.011	0.077
				M + 1 SD	0.042***	0.017	0.010	0.078

Note: (i) Indirect effect is the result of multiplying the coefficients of stakeholder scrutiny (Models 1a, 2a, 3a, and 4a in Table 5) and CSR (Models 1b, 2b, 3b, and 4b in Table 5). Results are based on 5000 bootstrap resamples.

Abbreviations: CI, confidence interval; M, mean; SD, standard deviation.

*** $p < 0.01$.

and Macro) intensifies, moving from one standard deviation below the mean toward one standard deviation above the mean, the conditional indirect effects become stronger.

CSR is composed of environmental, social, and governance dimensions. We test our models for these pillars (Table 6) to compare the stakeholder scrutiny effect on the CSR performance relationship across the different CSR pillars. We estimate models using the variables Stakeholder Scrutiny, Stakeholder Scrutiny Organization, Industry, and Macro. Similar to earlier models, we use standardized coefficients to compare the magnitude effects on CFP derived from stakeholder scrutiny at each CSR dimension.

Stakeholder scrutiny positively impacts CSR and CFP for every CSR pillar, in line with previous works (Gupta & Das, 2022). Also, every CSR pillar exerts a positive and significant effect on CFP. Table 7 shows a positive and significant indirect effect of stakeholder scrutiny on CFP through CSR. Results indicate that every CSR pillar partially mediates the relationship between stakeholder scrutiny and CFP. Nevertheless, for the Governance pillar, the mediation is less intense. Overall, these findings support Hypothesis 2. The moderation term for each CSR pillar shows a positive and significant effect on CFP, in line with Hypothesis 1.

We run the same models to disentangle the effects of the different stakeholder scrutiny levels (organization, industry, and macro) by the different CSR pillars. Results in Table 6 show a positive and significant direct impact of stakeholder scrutiny at the firm, industry, and macro levels on CSR and CFP for every CSR pillar. Additionally, every CSR pillar exerts a positive and significant effect on CFP. Table 7 presents the indirect effect of stakeholder scrutiny on CFP through CSR,

showing that the relationship between both variables is partially mediated by the different CSR pillars. Nevertheless, in the case of the macro level, there is very little mediation of the different CSR pillars on the relationship between stakeholder scrutiny at the macro level and CFP.

The results for the moderated mediated analysis (Table 7) show a conditional indirect effect of stakeholder scrutiny on the linkage CSR-CFP for each CSR pillar at the different stakeholder scrutiny levels. Stakeholder scrutiny intensity at the firm level exerts the most significant impact (total effect) on the social CSR pillar. In contrast, stakeholder scrutiny from industry sources exerts a larger impact on the governance dimension of CSR. When stakeholder scrutiny is sourced at macro levels, the largest impact on CFP passes through the environmental dimension of CSR.

We use conventional econometric methodologies to guarantee additional robustness to our results. We estimate an unbalanced panel dataset with a linear regression model with fixed effects. Table 8 includes different regressions for CSR and CFP as dependent variables for the different levels of stakeholder scrutiny (global, organization, industry, and macro). We account for the fixed effects at the years and country levels to eliminate the potential time-invariant omitted variables that could influence the dependent variable. Furthermore, we robustly estimate the variance and covariance matrix since we consider potential autocorrelations between residuals at the firm level. We run two different sets of models with two lags to control for endogeneity problems. The results align with our hypothesis, offering additional robustness to our empirical results.

TABLE 6 SEM results for moderated mediated analysis across the different CSR pillars

Dependent variable	Stakeholder Scrutiny Organization		Stakeholder Scrutiny Industry		Stakeholder Scrutiny Macro		Stakeholder Scrutiny		Stakeholder Scrutiny Industry		Stakeholder Scrutiny Macro		Stakeholder Scrutiny Organization		Stakeholder Scrutiny Industry		Stakeholder Scrutiny Macro								
	5a - ENV	5b - CFP	6a - ENV	6b - CFP	7a - ENV	7b - CFP	8a - ENV	8b - CFP	9a - SOC	9b - CFP	10a - SOC	10b - CFP	11a - SOC	11b - CFP	12a - SOC	12b - CFP	13a - GOV	13b - CFP	14a - GOV	14b - CFP	15a - GOV	15b - CFP	16a - GOV	16b - CFP	
CSR	0.142***	0.077***	0.359***	0.155***	0.028***	0.015***	0.019***	0.047***	0.262***	0.148***	0.280***	0.192***	0.018***	0.008***	0.010***	0.042***	0.026***	0.076***	0.032***	0.083***	0.031***	0.024***	0.025***	0.058***	0.060***
Stakeholder Scrutiny	0.331***	0.125***	0.359***	0.155***	0.028***	0.015***	0.019***	0.047***	0.262***	0.148***	0.280***	0.192***	0.018***	0.008***	0.010***	0.042***	0.026***	0.076***	0.032***	0.083***	0.031***	0.024***	0.025***	0.058***	0.060***
Stakeholder Scrutiny x CSR	0.128***	0.107***	0.359***	0.155***	0.028***	0.015***	0.019***	0.047***	0.262***	0.148***	0.280***	0.192***	0.018***	0.008***	0.010***	0.042***	0.026***	0.076***	0.032***	0.083***	0.031***	0.024***	0.025***	0.058***	0.060***
Stakeholder country	0.156***	-0.008	0.179***	-0.003	0.206***	-0.005	0.205***	-0.004	0.175***	-0.012	0.196***	-0.006	0.215***	-0.011	0.216***	-0.010	-0.151***	0.015	-0.149***	0.018	-0.146***	0.023	-0.0142***	0.026***	0.026***
Beta	-0.049***	-0.125***	-0.040***	-0.125***	-0.044***	-0.125***	-0.043***	-0.126***	-0.079***	-0.122***	-0.066***	-0.122***	-0.068***	-0.122***	-0.068***	-0.123***	0.060***	-0.134***	0.054***	-0.133***	0.054***	-0.133***	0.055***	-0.133***	-0.133***
Leverage	0.105***	-0.081***	0.089***	-0.084***	0.095***	-0.085***	0.099***	-0.085***	0.095***	-0.081***	0.079***	-0.085***	0.084***	-0.085***	0.087***	-0.086***	0.184***	-0.086***	0.167***	-0.089***	0.166***	-0.089***	0.166***	-0.089***	-0.090***
GDPGrowth	-0.140***	0.050***	-0.131***	0.052***	-0.171***	0.050***	-0.171***	0.052***	-0.090***	0.048***	-0.083***	0.051***	-0.115***	0.047***	-0.114***	0.049***	0.152***	0.029***	0.153***	0.032***	0.149***	0.023***	0.150***	0.026***	0.026***
Constant	2.211***	0.187***	2.734***	0.437***	2.994***	0.437***	2.991***	0.463***	2.172***	0.098***	2.597***	0.369***	2.801***	0.015***	2.803***	0.417***	1.978***	0.389***	2.060***	0.514***	2.084***	0.567***	2.091***	0.603***	0.603***
LR test	24.27027***	1260.34***	447.95***	447.95***	262***	262***	262***	262***	24.15563***	24.15563***	1116.367***	1116.367***	374.61***	374.61***	2040.726***	24.985***	1781.79***	1781.79***	377.43***	377.43***	1925.46***	1925.46***	1925.46***	1925.46***	1925.46***
Number of observations	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905	14,905
RMSEA	1.276***	0.291***	0.986	0.992	0.992	0.992	0.982	0.982	1.273***	1.273***	0.274***	0.274***	0.158***	0.158***	0.370***	1.295***	0.346***	0.346***	0.899	0.893	0.893	0.893	0.893	0.893	0.893
CFI	0.988	0.986	0.986	0.986	0.986	0.986	0.982	0.982	0.898	0.898	0.896	0.896	0.891	0.891	0.899	0.896	0.899	0.899	0.899	0.899	0.893	0.893	0.893	0.896	0.896
TLI	0.991	0.989	0.989	0.989	0.989	0.989	0.986	0.986	0.896	0.896	0.891	0.891	0.93	0.897	0.897	0.899	0.911	0.911	0.911	0.892	0.892	0.892	0.893	0.893	0.893
R ²	0.22	0.24	0.24	0.24	0.24	0.24	0.11	0.11	0.18	0.18	0.17	0.17	0.11	0.11	0.10	0.12	0.11	0.11	0.11	0.10	0.10	0.10	0.10	0.10	0.10

*p < 0.05, **p < 0.01, ***p < 0.001.

TABLE 7 Results of conditional indirect effects for each of the CSR pillars.

Dependent variable: ROAA				Mediators: ENV, SOC, GOV			95% CI	
Moderator	Indirect effect	Total effect	Proportion of total effect mediated	Value of moderator	Conditional indirect effects	SE	Lower	Upper
<i>Environmental</i>								
Stakeholder Scrutiny	0.047***	0.172***	0.27	M - 1 SD	0.096***	0.020	0.055	0.134
				M	0.151***	0.018	0.116	0.187
				M + 1 SD	0.207***	0.026	0.155	0.267
Stakeholder Scrutiny Organization	0.028***	0.183***	0.15	M - 1 SD	0.219***	0.079	0.081	0.376
				M	0.407***	0.061	0.290	0.552
				M + 1 SD	0.595***	0.080	0.426	0.732
Stakeholder Scrutiny Industry	0.003***	0.018***	0.17	M - 1 SD	0.070***	0.022	0.031	0.114
				M	0.073***	0.021	0.035	0.114
				M + 1 SD	0.075***	0.023	0.040	0.126
Stakeholder Scrutiny Macro	0.002***	0.049***	0.04	M - 1 SD	0.056***	0.013	0.023	0.082
				M	0.075***	0.091	0.037	0.112
				M + 1 SD	0.087***	0.063	0.103	0.123
<i>Social</i>								
Stakeholder Scrutiny	0.048***	0.196***	0.25	M - 1 SD	0.096***	0.016	0.059	0.120
				M	0.153***	0.013	0.127	0.176
				M + 1 SD	0.211***	0.021	0.169	0.249
Stakeholder Scrutiny Organization	0.030***	0.222***	0.14	M - 1 SD	0.224***	0.060	0.130	0.354
				M	0.434***	0.047	0.344	0.354
				M + 1 SD	0.643***	0.060	0.527	0.754
Stakeholder Scrutiny Industry	0.002***	0.010***	0.20	M - 1 SD	0.056***	0.024	0.015	0.109
				M	0.058***	0.244	0.015	0.110
				M + 1 SD	0.060***	0.026	0.015	0.110
Stakeholder Scrutiny Macro	0.001***	0.043***	0.02	M - 1 SD	0.016***	0.013	0.006	0.049
				M	0.017***	0.014	0.007	0.049
				M + 1 SD	0.019***	0.014	0.006	0.051
<i>Governance</i>								
Stakeholder Scrutiny	0.002***	0.078***	0.03	M - 1 SD	0.011***	0.004	0.010	0.021
				M	0.015***	0.005	0.011	0.041
				M + 1 SD	0.018***	0.006	0.013	0.102
Stakeholder Scrutiny Organization	0.002***	0.009***	0.22	M - 1 SD	0.037***	0.012	0.017	0.063
				M	0.039***	0.012	0.019	0.061
				M + 1 SD	0.040***	0.013	0.020	0.071
Stakeholder Scrutiny Industry	0.002***	0.026***	0.08	M - 1 SD	0.022***	0.014	0.001	0.050
				M	0.026***	0.015	0.003	0.052
				M + 1 SD	0.029***	0.017	0.006	0.062
Stakeholder Scrutiny Macro	0.002***	0.006***	0.03	M - 1 SD	0.024***	0.007	0.013	0.020
				M	0.028***	0.007	0.018	0.038
				M + 1 SD	0.031***	0.008	0.022	0.043

Note: Results are based on 5000 bootstrap resamples.

Abbreviations: CI, confidence interval; M, mean; SD, standard deviation.

*** $p < 0.01$.

TABLE 8 Fixed effects regression results on CSR-CFP analysis with two different lags. Different stakeholder scrutiny levels

Dependent variable	Lag = 1												Lag = 2											
	Stakeholder Scrutiny		Stakeholder Organization		Stakeholder Scrutiny Macro		Stakeholder Industry		Stakeholder Scrutiny		Stakeholder Organization		Stakeholder Scrutiny Industry		Stakeholder Scrutiny Macro									
	17a - CSR 17b - CFP	18a - CSR 18b - CFP	18a - CSR 18b - CFP	19a - CSR 19b - CFP	19a - CSR 19b - CFP	20a - CSR 20b - CFP	20a - CSR 20b - CFP	21a - CSR 21b - CFP	21a - CSR 21b - CFP	22a - CSR 22b - CFP	22a - CSR 22b - CFP	23a - CSR 23b - CFP	23a - CSR 23b - CFP	24a - CSR 24b - CFP	24a - CSR 24b - CFP									
CSR	0.060***	0.035***	0.034***	0.034***	0.028***	0.107***	0.031***	0.058***	0.058***	0.058***	0.058***	0.058***	0.058***	0.058***	0.054***									
Stakeholder Scrutiny	2.700***	0.950***	7.370***	2.427***	0.889***	0.773***	0.173***	1.162***	2.314***	1.045***	6.155***	0.012***	1.065***	2.921***	0.206***	1.446***								
Stakeholder ScrutinyxCSR	0.012***	0.024***	0.014**	0.014**	0.020**	0.018***	0.010***	0.044***	0.044***	0.044***	0.044***	0.044***	0.044***	0.044***	0.023***									
Stakeholder country	2.321**	-0.771***	5.281***	0.745***	3.337**	-0.814***	3.379**	-0.818***	1.760**	0.292**	4.794***	0.455***	2.471**	0.0357**	2.524***	0.338***								
Beta	-0.015*	0.083	0.356	0.123	0.120**	0.102*	0.140**	0.092	1.560**	-1.584*	0.607**	-1.677**	0.284**	-1.565*	0.308	-1.616***								
Leverage	1.730***	0.096*	1.682***	0.156***	1.764***	0.119**	1.761***	0.116***	1.690***	-0.275**	1.653**	-0.416	1.719**	-0.330**	1.717***	-0.326								
GDPGRrowth	-0.317*	0.585***	0.630**	0.928***	-0.621***	0.636***	-0.612**	0.651***	-0.322	0.164	0.455**	0.302**	-0.607**	0.189*	-0.596**	0.206**								
Constant	42.200***	-59.007**	46.980***	-12.006***	50.421***	-91.277***	50.530***	-86.447***	44.785***	-0.875**	49.016***	3.820***	51.982***	2.065***	52.108***	2.298**								
Year Fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes								
Country Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes								
Number of observations	7877	8878	6658	7683	7858	8852	7877	8878	5480	5368	4591	4444	5467	5269	5480	5281								
Number of clusters (firms)	2448	2689	2213	2464	2442	2678	2448	2689	1954	1932	1811	1785	1949	1920	1954	1925								
F	57.92***	54.48***	75.64***	105.78***	19.67***	42.90***	19.65***	43.22***	41.22***	45.36***	50.56***	50.32***	38.28***	48.65***	33.25***	36.84***								
R ²	0.12	0.12	0.13	0.23	0.12	0.11	0.11	0.10	0.11	0.12	0.12	0.13	0.11	0.13	0.10	0.12								

*p < 0.1. **p < 0.05. ***p < 0.01.

**TABLE 9** Endogeneity tests. SEM and two-stage least square (2SLS) models

Dependent variable	SEM		2SLS	
	25a - CSR	25b - CFP	26a - CSR	26b - CFP
CSR_Average	0.189***		0.188***	
Loss	-0.126***		-0.121***	
CSR		0.286***		0.266***
Stakeholder Scrutiny		0.054***		0.061***
Stakeholder Scrutiny Organization		0.028***		0.033***
Stakeholder Scrutiny Industry		0.015***		0.021***
Stakeholder Scrutiny Macro		0.031***		0.037***
Beta		-0.128***		-0.253***
Leverage		-0.067***		-0.089***
GDP growth		0.048***		0.056***
Constant		-1.439***		-1.440***
LR test	2448.47***			
Number of observations	14,905			7499
Covariance between the error term, CFP and CSR	0.319***			
R ²	0.19		0.29	0.39
Number of clusters (firms)				2347
F			356.88***	109.97***
Test for endogeneity				65.869***
Cragg-Donald F statistic				45.793
KP Wald F statistics				34.351
F-test of excluded instrument				24.486***

*** $p < 0.01$.

Finally, to rule out a potential endogeneity bias stemming from reverse causality between CSR and CFP, we estimate a two-stage least square (2SLS) model and a SEM regressing first on CSR and subsequently on CFP as a dependent variable (Benlemlih, 2019; El Ghouli et al., 2011) (Table 9). The 2SLS estimation procedure consists of a two-step regression (Models 25a and 25b). In the first step, we regress CSR on our two instruments and control variables. We regress CFP on the predicted CSR value and control variables in the second step. We introduce two instruments³: the first is industry-year averages of the overall CSR score (CSR Average); and, the second is equals one if the previous year's earnings are negative (Loss) and zero otherwise (Earning) (Benlemlih, 2019; El Ghouli et al., 2011). The results for the 2SLS model in Table 9 (Models 26a and 26b) show that our instruments are relevant (Cragg-Donald Wald F statistic [$F = 45.793$] is greater than the available penultimate critical value), and our specifications do not suffer from weak instrument concerns. The results show that the relationship between CSR and CFP is positive and statistically significant, thus providing robustness to our previous findings.

³These instruments meet the basic requirement for the validity of an instrument, which is that it should not affect the dependent variable (CFP) other than through its effect on the suspected endogenous variable (CSR).

5 | DISCUSSION AND CONCLUSIONS

Our empirical results from a five-year panel of 5762 firms demonstrate how stakeholder scrutiny positively influences CFP through two different paths: moderating the effect of the CSR signals on CFP and pushing CSR activity. These results are robust to different CSR pillars and consistent across stakeholder scrutiny levels (firm, industry, and macro). These results confirm our theoretical arguments that stakeholder scrutiny promotes credible CSR signals that generate CFP payoff. We have demonstrated that exposure to a broad set of stakeholders results in disclosing CSR information, showing a more intense commitment to sustainability.

This paper contributes to the signaling theory by broadening the elements framing the signaling environment, particularly the firm's stakeholders. This idea is a consequence of incorporating, as Connelly et al. (2011) suggest, the role of diverse receivers in analyzing signaling. We extend previous studies that only consider particular stakeholders as the signaling environment (Gallus & Frey, 2017; Vanacker et al., 2020). We have highlighted that it becomes critical to consider the firm's stakeholders as the framework for the signaling process. The dynamics of the interactions between the firm and the different stakeholders generate helpful information regarding the firm's signals. Notably, our study offers insights into the aggregated role of the firm's stakeholders in making inviable false signaling (i.e., greenwashing), in line



with Bansal and Roth (2000), Marquis et al. (2016), and Pérez-Batres et al. (2012). As stakeholder scrutiny is applied, pooling equilibrium (Kirmani & Rao, 2000) vanishes, and stakeholders can increasingly punish greenwashing.

Our results align with prior analyses that find a positive link between CSR and CFP (van Beurden & Gössling, 2008; Waddock & Graves, 1997; Zhao & Murrell, 2016). Nevertheless, an important heterogeneity in the linkage between CSR and CFP remains among the various studies (Orlitzky et al., 2017; Wang & Choi, 2013). We combine disjointed literature traditionally focused on moderation (Dixon-Fowler et al., 2013; Tang et al., 2012; Wang et al., 2016) or mediation (Surroca et al., 2010; Vishwanathan et al., 2020) effects. The studies considering stakeholders are scarce in the literature exploring the mediating and moderating factors. In particular, Wolf (2014) considers moderating and mediating effects in analyzing stakeholder pressure on firms' CSR. Helmig et al. (2016) find that CSR mediates stakeholder pressure and market performance. We extend this study by offering evidence that stakeholder scrutiny simultaneously influences firm CSR and the perception of the firm's CSR. This double effect is relevant because it indicates that stakeholder pressure affects both the firms performing CSR and their stakeholders.

Our study is in line with the theoretical model of Pelozo and Papania (2008), which describes how firms' CSR impacts stakeholder perceptions, which are transferable to CFP. Nonetheless, we extend their framework by empirically showing the effect of stakeholder scrutiny in shaping firms' CSR, which opens another channel of influence of stakeholder scrutiny on CFP through CSR. Jiang et al. (2020) consider host-country media freedom and the information about the firm available to the stakeholders as moderators between parent firm CSR and subsidiary CFP. Our analysis generalizes this study by considering all categories of stakeholders.

The organizational context is affected by multiple stakeholders with different demands, particularly as sustainability becomes a global concern (Glozer et al., 2019). Our study incorporates multi-stakeholder relationships by examining multiple sources of stakeholder scrutiny. Prior studies mainly focus on a single stakeholder (e.g., Backhaus et al., 2002; Jiang et al., 2020; Zhang et al., 2022) or, alternatively, focus on various stakeholders pursuing the same collective claim toward the firms (e.g., pollution control) (Hoque et al., 2016). Few empirical studies (e.g., Brower & Mahajan, 2013; Helmig et al., 2016; Orlitzky et al., 2017) have analyzed how stakeholders may drive the firm's CSR responses. To this strand of the literature, we add the idea that stakeholders simultaneously influence the firm's CSR and its impact on CFP. This dual effect allows us to claim that stakeholders' pressure on a firm generates CSR signals showing a firm's higher commitment to sustainability and an improvement in the stakeholder's perception of its CSR actions. In other words, we demonstrate how firms that respond to stakeholders' pressure by showing an increasing commitment to sustainability are rewarded by stakeholders.

This study has several limitations that deserve attention and further research. First, our different measures of stakeholder scrutiny do not allow for the differentiation of various stakeholder groups according to their importance to the company (Mitchell et al., 1997), their

degree of influence on the firm's decisions, and their potentially conflicting demands (Zyglidopoulos et al., 2012). Further analysis is needed to understand the role of each specific group of stakeholders in modifying the credibility of the firm's CSR signals. On the other hand, the results of our study are limited to developed countries, and the signaling effect of CSR could be different in developing countries (Su et al., 2016). These markets present critical institutional weaknesses that can influence the stakeholders' perception of CSR signals due to lower confidence in CSR than stakeholders from developed countries (Child, 2002). For example, Su et al. (2016) found that in emerging countries with low information diffusion, the influence of CSR on CFP is more intense than in countries where the information diffusion is high. These results differ from those derived from a sample limited to developed countries.

This paper yields important managerial implications. Our findings may help business managers in their decisions about the intensity of CSR investments under different scenarios of stakeholder scrutiny to achieve their strategic goals. Likewise, the study presents additional valuable managerial implications since we identify defenses, such as CSR, that may overcome heightened stakeholder scrutiny and serve as a response to increasing stakeholder pressures on highly visible companies.

By exploring the nature of the relationship between CSR and performance or doing good by doing well, we hope to answer the question of under which circumstances it pays to engage in CSR. This may advance our understanding of how CSR is converted into enhanced performance. In addition, our findings may assist companies in leveraging their strategic CSR investments while creating social good.

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