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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE: THE SPANISH CASE

Responsabilidade social corporativa e desempenho financeiro: O caso espanhol

Responsabilidad social corporativa y desempeño financiero: El caso español

ABSTRACT

The enormous interest aroused by corporate social responsibility both in the academic and the business worlds forms the background for this study. Its objective is to analyze the relationship between corporate social responsibility and financial performance in view of the debate in the literature on the subject. The study focuses on a sample of Spanish companies taken from the IBEX 35 stock market index, using panel data methodology, which offers advantages in comparison to methodologies used in other studies. We analyzed the period from 2003 to 2010. Our findings suggest that there is no obvious relationship between corporate social responsibility and financial results, at least in the case of Spain.

KEYWORDS | Corporate social responsibility, panel data, performance, Spanish firms, IBEX 35.

RESUMO

O enorme interesse gerado pela responsabilidade social corporativa tanto no mundo acadêmico quanto no empresarial forma o pano de fundo para este estudo. Seu objetivo é analisar a relação entre a responsabilidade social corporativa e o desempenho financeiro em vista do debate existente na literatura sobre o tema. O estudo concentra-se em uma amostra de empresas espanholas tomadas do índice IBEX 35, da bolsa de valores de Madri, utilizando a metodologia de dados em painel, que oferece vantagens em comparação com metodologias utilizadas em outros estudos. Analisamos o período que abrange os anos de 2003 a 2010. Nossas conclusões sugerem que não há relação óbvia entre a responsabilidade social corporativa e os resultados financeiros, ao menos no caso da Espanha.

PALAVRAS-CHAVE | Responsabilidade social corporativa, dados em painel, desempenho, empresas espanholas, IBEX 35.

RESUMEN

El enorme interés que despierta la responsabilidad social corporativa tanto en el ámbito empresarial como académico da sentido a este trabajo. El objetivo del trabajo es analizar la relación entre la responsabilidad social corporativa y sus resultados financieros, ya que existe debate en la literatura académica sobre esta cuestión. La cuestión de análisis se aplica a una muestra de empresas españolas que cotizan en el IBEX 35, utilizando una metodología de datos de panel que aporta novedades a otros análisis realizados. El período de análisis abarca desde 2003-2010. Los resultados sugieren que la relación entre responsabilidad social y resultados no es tan obvia, al menos para el caso español.

PALABRAS CLAVE | Responsabilidad social corporativa, datos de panel, resultados, empresas españolas, IBEX 35.

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INTRODUCTION

It is a well-known fact that businesses are currently incorporating corporate social responsibility (henceforth, CSR) criteria into their activities. The demands of a changing environment have led firms to pay ever greater attention to their influence over it, both in economic and social terms and those of the environment.

In this context, firms have also been seeking competitive advantages sustainable on a long-term basis in a turbulent, uncertain environment by incorporating CSR policies into their activities, while doing so as a key to value creation.

Furthermore, in the international context, policies and measures have been introduced that are aimed at encouraging the growth of CSR. At the same time, changes have occurred in society's values which have included a growing interest in environmental and social consequences of business activities, as well as in the ethics and transparency of business activities, the latter as a consequence of the most recent global economic crisis with its financial scandals and revelations of abusive practices by some firms.

The academic literature has taken account of this phenomenon and, starting from the 1970s until today, numerous studies have sought arguments in favor of CSR. An aspect of the literature worthy of particular note is the controversy regarding whether the integration of CSR into a firm's activities can improve its performance. The conclusions reached in this regard have been various. Some have found that CSR has a positive effect on profitability while others have found a negative relationship, and still others found no relationship (Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003; Peloza, 2009; Waddock & Graves, 1997; Wu, 2006, among others). The differences found arise from different ways of measuring variables, errors in the models used and the study design, and a failure to deal with the problem of endogeneity.

This present study seeks to contribute to this debate by examining the abovementioned relationship in the case of a sample of Spanish firms quoted in the IBEX 35 Stock Exchange Index on a longitudinal basis between 2003 and 2010. The length of the period studied reflects the fact that the impact of CSR might take time to manifest itself.

The present study contributes to the literature on CSR in various ways. It does so in the first place by deepening our knowledge of how CSR practices may impact on firm financial performance. This is an issue that has received attention since as early as the 1970s (Bragdon & Marlin, 1972; Moskowitz, 1972), continuing until today. Attention has also been paid to it in Spain, with the works of Reverte (2009, 2011), Prado, Gallego, García, and Rodríguez (2009), García-Castro, Ariño, and Canela, (2010), and Martínez-Campillo, Cabeza-García, and Marbella-Sánchez (2012) being particularly noteworthy.

The second aspect of the contribution made by this paper lies in the methodology it employs. The methodology in question is panel data, which includes temporal heterogeneity, thus allowing macro-economic effects to be controlled for, as well as individual heterogeneity, which allows the individual characteristics of firms to be controlled for. This methodology also includes the dynamic performance of firms. In the reviewed literature of the effects of CSR on firm performance, cross-section data has mainly been used. The use of panel data methodology allows more consistent and robust results to be obtained as well as to correct for the problems of endogeneity inherent to the relationship between CSR and firm performance, a problem that has received much attention in the literature (García-Castro et al., 2010; Gómez-García, 2008).

The third contribution made by this study has to do with the fact that it focuses on a sample of Spanish firms while the majority of existing studies look into British and American ones. The problems and particularities of the two groups are quite different.

The following section presents the theoretical basis for the study and the hypotheses to be tested, the third describes the database, the fourth discusses the methodology and results, and the fifth summarizes the main conclusions.

THEORETICAL FRAMEWORK

The most widely accepted theoretical framework treating the existence and nature of the relationship between CSR and firm performance is to be found in the work of Preston and O'Bannon (1997). They establish six possible relationships between the two variables. This theoretical framework is the one used in the present study; its hypotheses are formed based on the six proposed relationships. The authors firstly present the hypothesis of social impact (higher or lower levels of CSR lead to higher or lower levels of corporate performance). Stakeholder theory supports this positive association (Freeman, 1984) because CSR allows various stakeholders to be satisfied, which in turn leads to an improvement in the external reputation of the firm, and, thus, in its performance. Conducting CSR practices is also seen as occurring in the context of a differentiation strategy on the part of the firm, leading to a positive effect on value creation for the firm and benefits for its clients, and, in due course, to an improvement in its own performance (Baron, 2008; Maignan & Ralston, 2002). Investment in CSR may also produce greater client loyalty, new market opportunities, and the development of new capacities, etc., which may also result in improvements to firm performance (Peloza, 2009).

Carroll and Shabana (2010) explain how CSR activities can have a positive influence on profits based on arguments put forward by Kurucz, Colbert, and Wheeler (2008). These arguments relate specifically to the reduction of costs and risks that comes with the adoption of CSR activities, as they reduce the threat of environmental regulation, avoid negative reactions from society, and bring about tax advantages.

Other arguments refer to competitive advantages through differentiation, the development of the firm's reputation and legitimacy in the eyes of shareholders, and, finally, the adoption of a win-win perspective in the sense that adopting CSR practices satisfies the demands of stakeholders while at the same time allowing the firm to develop its activities and achieve its objectives.

In the context of this hypothesis, CSR can be treated as an independent variable that explains the firm's results, the sign of this relationship being positive. A significant number of studies support the existence of such a relationship, in chronological order: Moskowitz (1972, 1975), Bragdon and Marlin (1972), Cochram and Wood (1984), McGuire, Sundgren, and Schneeweis. (1988), McGuire, Schneeweis, and Branch (1990), Waddock and Graves (1997), Simpson and Kohers (2002). In the case of Spain, Fernández-Rodríguez, Gómez-Ansón, and Cuervo-García (2004), Fernández and Luna (2007), Prado et al. (2008), and Charlo and Moya (2010) also point in this direction. These results are also supported by recent meta-analyses which support the idea that adopting CSR practices and responding to shareholders expectations can produce a complete advantage and an improvement in the firm's results (Allouche & Laroche, 2005; Margolis et al., 2003; Margolis, Elfenbein, & Walsh, 2007; Orlitzky et al., 2003; Pelozo, 2009; Wu, 2006).

The second of Preston and O'Bannon's (1997) hypotheses which we make use of in this study is positive synergy. This hypothesis suggests that a virtuous circle exists relating the variables involved: more CSR leads to better results, which in turn lead to better management and communication of CSR. The meta-analyses cited in the previous paragraph support this hypothesis.

In light of the foregoing, the following hypothesis is proposed:

H₁: There is a positive relationship between the practice of CSR and firm performance.

Thirdly, the negative synergy hypothesis holds that there is a negative, interactive relationship between CSR and firm performance. More CSR leads to worse firm performance, which may in turn lead to managers feeling encouraged to put more efforts into CSR. Investment in CSR produces costs that are a source of competitive disadvantage to the firm in comparison with other firms that do not have to spend in the same way (Waddock & Graves, 1997). Another determining factor here is the opportunity costs arising from missing opportunities to spend the same money on more profitable activities.

There are fewer studies supporting this hypothesis; among the most noteworthy are the studies of Vance (1975), Aupperle, Carroll, and Hatfield (1985), and Patten (2002). In the case of Spain, López, García, and Rodríguez (2007) found a negative but not significant relationship between the two variables. In light of the foregoing, the second hypothesis is proposed:

H₂: There is a negative relationship between the practice of CSR and firm performance.

We finally add the hypothesis of moderating variables proposed by Gómez-García (2008). It holds that there is no clear and significant relationship between CSR and firm performance, and maintains that other variables such as R&D, firm size, and industry sector might moderate this link and account for the fact that some studies have found no conclusive relationships between them. On this basis and that of results obtained previously (Angla-Jiménez & Setó-Pamiés, 2009; Aupperle et al., 1985; Bajo & Durán, 2009; Callado & Utrero, 2008; Charlo & Moya, 2010; Fernández et al., 2009; García-Caastro et al., 2010; Gil, Giner, & Gríful, 2009; McWilliams & Siegel 1997, 2000, 2001; Waddock & Graves, 1997), the following, final, hypothesis is proposed.

H₃: The practice of CSR has no influence on firm results.

Materials

Sample

The sample comprises firms in the IBEX 35 stock market index in 2010, excluding financial sector firms, due to their accounting and financial peculiarities. All the firms included were large and relevant in their sectors and so have enough resources and motivation to engage in CSR practices.

For these firms, panel data covering the years 2003-2010 were produced. The necessary economic and financial data were taken from the SABI database (*Sistema de Análisis de Balances Ibéricos*, Bureau Van Dijk, Electronic Publishing) and the information referring to CSR from the *Observatorio de Responsabilidad Corporativa*. With the financial sector firms excluded, the sample consisted of 208 observations.

Variables

Firm performance

Many different ways of measuring firm performance have been employed in the literature on CSR. There are various meta-analyses which have magnificently analyzed this question, as well

as measures used to determine it, and among those of particular note are the studies of Margolis and Walsh (2003), Orlitzky et al. (2003), Wu (2006), and finally – and most recently – that of Pelozo (2009). These studies make it clear that, sometimes, the main measures of results used are based on accounting and financial data and, sometimes, on other market measures. Furthermore, they show that the measures used referred to both long and short term effects.

Some studies have used partial financial performance measures such as an increase in sales and productivity (Prado et al., 2008) and profits before and after tax (López et al., 2007; McWilliams & Siegel, 2000). More use has been made of indicators of financial or economic profitability (Angla-Jiménez & Setó-Pamiés, 2009; Bajo & Durán, 2009; Berman, Wicks, Kotha, & Jones, 1999; Charlo & Moya, 2010; Gil et al., 2009; Godos-Díaz, Fernández-Gago, & Cabeza-García, 2012; Griffin & Mahon, 1997; López et al., 2007; Martínez-Campillo et al., 2012; Reverte, 2009, 2011; Waddock & Graves, 1997) and the market value of shares (Black, Carnes, & Richardson, 2000; Callado & Utrero, 2008; Fernández et al., 2009; McGuire et al., 1988; Nieto, Fernández, & Cabeza, 2012; Prado et al., 2008; Roberts & Dowling, 2002).

In this study, we have chosen the financial option and used ROA (return on assets) and ROE (return on equity), given its possible influence on the future development of CSR activities, according to information provided by the database used. We have also chosen these measures of performance in financial terms so as to confirm our results with those obtained in previous findings.

Corporate social responsibility

The CSR indicators used come from the *Observatorio de Responsabilidad Corporativa* and have been previously used in studies of Spanish firms (Nieto et al., 2012; Reverte, 2009, 2011). This body was created in 2003 by various organizations that had previously worked separately on the study and encouragement of CSR. They include nonprofits, trade unions, charities, and consumer organizations. Since 2003, the observatory has published an annual report titled *La responsabilidad social corporativa en las memorias anuales de las empresas del IBEX 35* [CSR in the Annual Reports of IBEX 35 Firms] with the purpose of evaluating the quality of the information related to CSR provided in the general documentation and annual reports of IBEX 35 firms. With this aim in mind, the report measures both the level of technical quality and coherence as well as the contents and management systems described. It also seeks to measure the degree to which annual reports of CSR are in fact useful tools that provide information for the internal control and management of

the firms themselves. Efforts are also made to determine what actual use the firms make of their CSR reports, whether they are purely informative in nature or a fundamental accountability and management tool.

The tools used in the report, which are used for calculating the CSR indicators, are from the Global Reporting Initiative (GRI) and include the GRI Profile and Index, GRI Indicators, and GRI Principles. The second tool is corporate governance, using the Código Aldama's good governance requisites, additional recommendations from the Comisión Nacional del Mercado de Valores (CNMV) [Stock Market Regulatory Body], Sarbanes-Oxley Act requirements for U.S.-listed companies, and the Código Unificado de Buen Gobierno de la CNMV (Código Conthe). A third tool is the NNUU norms on human rights for transnational companies. Finally, the report also uses AA1000 (Accountability), including AA1000 Requirements, AA1000 Principles, and the model of the New Economics Foundation (NEF).

With these four instruments, an index was constructed with a range from 0 to 4 for the degree of compliance with the abovementioned recommendations.

Size

This variable was used as a control variable in the model employed. Various measures have been used for this variable in the literature, such as asset value, sales, number of employees, etc. In this study, we have used asset value measured in millions of euros (Godos-Díaz et al., 2012; López et al., 2007; McWilliams & Siegel, 1997, 2000; Nieto et al., 2012; Reverte, 2009; Waddock & Graves, 1997). Size has usually been positively associated with CSR practices due to the greater exposure of large firms to the public opinion, the socio-economic impact on the environment in which they carry out their activities, and the fact that large firms can pay greater attention to the interests of stakeholders and respond to their demands.

Business sector

This factor has been used because the differences arising from the characteristics of different sectors have to be controlled for (Godos-Díaz et al., 2012; López et al., 2007; McWilliams & Siegel, 1997, 2000; Nieto et al., 2012; Reverte, 2009; Waddock & Graves, 1997). The sectors concerned were grouped into five blocks according to the classification under which they are listed on the Spanish stock exchange. The blocks were: energy, transport, industry, construction, and, finally, services.

Dummy variables with value 1 were used when the firm belonged to this last sector and 0 when it belonged to the rest of the sectors.

METHOD AND RESULTS

Panel data was used to test the hypotheses. This methodology allows dynamic aspects of the performance variable to be taken into account, i.e., both temporal heterogeneity, which allows macroeconomic effects to be controlled for, and unobservable individual heterogeneity, which allows hard-to-measure firm-level features that can impact firm value to be controlled for. This technique provides more complete information about the hypothesis to be tested as it allows the mentioned aspects to be taken into account. The results so obtained are thus more robust than those obtained in the literature so far, in which mainly cross-section data have been used.

The model proposed to test the hypotheses is the following:

$$Performance_{it} = \beta_1 Performance_{it-1} + \beta_2 CSR_{it-1} + \beta_3 SZ_{it} + \beta_4 Sector_{it} + \beta_5 YR + \eta_i + v_{it}$$

$Performance_{it}$ captures the performance measures considered in the study of firm i in year t (ROE and ROA are used alternately). In order to include dynamic performance indicators, the model introduces one-period lagged performance, where parameter β_1 measures the level of performance persistence.

CSR_{it-1} is the CSR indicator of the firm i in year $t-1$. A lag has been introduced into this variable because the view was taken that the CSR efforts made by firms would not have an immediate effect and that the effects will be felt later.

The value of assets (log) is the proxy for firm size (SZ). Finally, Sector is the variable that indicates the activity sector of the firm. Both are control variables.

The choice of appropriate methodology to achieve the objectives is vital to the robustness of the results. This study employs panel data methodology for a number of different reasons. Firstly, the method incorporates the dynamic features

of the variable under analysis. In addition, the model controls the time effect through the Year variable, the individual heterogeneity by introducing the unobserved individual effect, η_i , and, finally, the random disturbance, v_{it} .

The estimation of the dynamic model uses a two-step generalized method of moments (GMM, Hansen, 1982) that provides a consistent and efficient estimator (Arellano & Bond, 1991) to address potential endogeneity in the model. The instruments are the lags of the dependent variable from $t-2$ and the lags of the independent variables from $t-1$.

Hansen's statistic tests instrument validity. Hansen's over-identification test follows a chi-square distribution with degrees of freedom equal to the number of over-identifying restrictions. In order to eliminate individual effects, and given that η_i may be correlated with the remaining variables, the analysis applies the first differences of the variables. The model estimation uses the error correction procedure proposed by Windmeijer (2005) for small samples. The tests m_1 and m_2 – serial correlation tests for order 1 and 2, respectively – have been calculated using residuals in the first differences. The tests are asymptotically distributed as $N(0, 1)$ under the null hypothesis of no serial correlation, and the m_2 statistic is calculated following Arellano and Bond (1991). In addition, the estimation offers two Wald's statistics: z_1 , for the joint significance of the model coefficients; and z_2 , for joint significance of the time dummies. Both statistics are asymptotically distributed as a chi square under the null hypothesis of no joint significance. All estimations were performed using STATA/SE 10.

Firstly and prior to presenting the results of the analysis carried out, Table 1 presents the main descriptive statistics (mean, standard deviation, maximum and minimum value) of the variables used in the study, while Table 2 shows the bivariate correlations between them.

Table 1. Descriptive statistics

Variables	N	Mean	Std.Dev	% ^a	Max	Min
ROA (%)	208	7.68	9.78		83.16	-9.41
ROE (%)	208	17.88	23.54		110.26	-159.64
CSR	208	1.13	0.62		2.17	0
Size	208	9.387,326	1.63e+07		9.31e+07	264.142
Enersector				23.06		
Indusector				42.31		
Consusector				11.54		
Servsector				11.54		
Tecnolsector				11.54		

Note. %^a of firms belonging to each sector.

As Table 1 shows, there is a high level of heterogeneity among the firms in the sample, as the ranges of profitability and size indicate. Basic Materials sector stands out as the top sector followed by Industry and Construction. There is also a high level of variability in the CSR indicator used to measure the objective of this study in the companies that make up the sample, so this value remained low over the analyzed period.

Table 2 shows the correlations between the explanatory variables. Although some of them show a significant correlation, factor analysis of variance inflation (VIF) indicated no evidence of collinearity since in any case the VIF values were over 10.

Table 2. **Matrix of correlations**

Variables	1	2	3	4	5	6	7
1 CSR	1.00						
2 Size	0.45**	1.00					
3 Enersec	0.42*	0.27*	1.00				
4 Indusec	-0.46*	-0.30*	-0.47*	1.00			
5 Consusec	-0.12	-0.12*	-0.2*	-0.31*	1.00		
6 Servsec	0.10	-0.10	-0.2*	-0.31*	-0.13	1.00	
7 Tecnsec	0.17*	0.4*	-0.2*	-0.31*	-0.13	-0.13	1.00

Note. **p < 0,01; *p 0,05.

Tables 3 and 4 show the result of the GMM estimation used to test the hypotheses, with the size of the firms and their sectors controlled for. Performance is the dependent variable, and the explanatory variables are CSR lagged by period, firm size, and the activity sector to which it belongs. A lag was also included in the dependent variable.

Model 1 shows firm performance measured with ROA and Model 2 measured with ROE.

Table 3. **GMM results**

	Model 1 Dependent variable ROA	
Independent variables	β	p-value
ROA (t-1)	0.42	(0.01)
CSR (t-1)	1.02	(0.58)
Size	-0.94	(0.52)
Indusec	-2.31	(3.72)
Consusec	3.52	(0.28)
Servsec	-1.89	(3.81)
m1	-2.19	(0.03)
m2	0.94	(0.35)
Hansen test	5.41	(1.00)

The results of Model 1 in Table 3 show a positive but not significant relationship between ROA and the carrying out of CSR activities. These results are in line with those produced by McWilliams and Siegel (1997, 2000, 2001) and those by Gil et al. (2009), Bajo and Durán (2009), and García-Castro et al. (2010) in the case of Spain.

Table 4. **GMM results**

	Model 2 Dependent variable ROE	
Independent variables	β	p-value
ROE (t-1)	0.54	(0.004)
CSR (t-1)	-10.18	(0.4)
Size	0.13	(0.96)
Indusec	-7.12	(0.56)
Consusec	7.42	(0.58)
Servsec	-8.23	(0.69)
Tecnsec	13.87	(0.86)
m1	-2.30	(0.02)
m2	1.05	(0.29)
Hansen test	6.43	(1.00)

Model 2 shows a negative but not significant relationship between financial ROE and the CSR indicator, and this result coincides with those of Aupperle et al. (1985), McWilliams and Siegel, (1997, 2000, 2001), Angla-Jiménez and Setó-Pamiés (2009, 2011), Gil et al. (2009), Bajo and Durán (2009), and García-Castro et al. (2010) in the case of Spain.

Both models show the significance of the lag for the dependent variable, which shows the persistence of performance over time. The Size variable did not prove significant, but keeps its place as it has been broadly used in the literature as a control variable. The variables representing activity sectors are not significant in any model.

These results confirm the existence of a neutral relationship between the measures of firm performance and the CSR indicator used in this study. Thus Hypotheses 1 and 2 are rejected while Hypothesis 3 is accepted.

CONCLUSIONS

This study examined the question of the relationship between CSR and financial performance, and examined hypotheses designed to determine if such a relationship is positive, negative, or neutral.

To this end, panel data was used from a sample of IBEX 35 firms over the period from 2003 to 2010.

This paper, therefore, contributes to the current debate on this relationship. Previous studies in this area have relied on cross-section methodology, and the use of panel data deals with a number of its deficiencies, the existence of which can be seen in the literature. The results obtained show the existence of a neutral relationship between CSR and financial performance, since in the models used the relationship between the two of them did not prove to be significant.

A comparison between the results found here and those produced by older studies gives rise to some reflections. Firstly, if firm performance is measured by ROA, then the results coincide with those of McWilliams and Siegel (1997, 2000, 2001), as well as those of Bajo and Durán (2009), Gil et al. (2009), and García-Castro et al. (2010). It has been shown that including variables that cover R&D and advertising intensity (McWilliams & Siegel, 2000) has an effect on firm results and would therefore affect the results of the model. García-Castro et al. (2010) maintain the importance of including in this type of model some measure of management quality, as this is a factor that is probably related to the carrying out of CSR practices and, thus, with the values these indicators might reach. When using ROE as a measure of performance, we can add the studies of Aupperle et al. (1985), Bajo and Durán (2009), Gil et al. (2009), and Angla-Jiménez and Setó-Pamiés (2009) in the case of Spain, to corroborate the results found here.

These results show in all cases a neutral relationship between CSR and financial performance, so they are in line with the international results discussed in the previous section. CSR does not mean worse economic outcomes for Spanish companies.

We can add reports on the state of CSR in Spain that reveal that Spanish companies recognize the value generated by CSR. According to the latest study by Forética (2011), we can say that most Spanish companies (94% of large companies and 80% of small and medium) believe that an active CSR policy provides competitive advantages, particularly related to improvements in management (climate, competitiveness, productivity), brand, and visibility (reputation, loyalty).

Occupational hazard prevention, environmental management plans, conciliation, and gender equality are Spain's most integrated management areas.

Seventy eight percent of Spanish firms consider that CSR contributes to reduce costs (human factor productivity, higher levels of motivation and satisfaction, efficient use of resources, and supply chain optimization) and 76% consider that it can improve income (margin increase, image enhancement, increased turnover due to customer loyalty and new markets).

Finally, with regard to the formalization of CSR policies, 5% of Spanish companies have a formal CSR policy in writing, and 11% are in the process of formalizing their policies.

Other possible causes of the neutral relationship between financial performance and CSR are measurement problems, which are particularly significant for the CSR variable and could hide the real relationship between it and any other variable. As indicated by Griffin and Mahon (1997), there is still no ideal empirical measurement for the CSR construct, something which may significantly affect the results found here. Furthermore, besides the variables indicated previously, there are many others involved in the relationship, so there is no necessary reason for such a relationship to exist, except perhaps occasionally (Ullman, 1985). None of this means that firms should not make efforts to develop CSR practices, since doing so will have an effect on the creation of value. CSR is seen as a way of promoting changes in consumer preferences, introducing new differentiation variables and, finally, improving the firm's working climate, trust, legitimacy, and support. Good CSR management offers an opportunity to contribute greater value to the firm as it is a suitable instrument for creating and accumulating intangible assets such as reputation, brand, and human capital, which are things the market is beginning to value.

This is a pioneering study in that it uses panel data methodology and controls for both individual and temporal homogeneity. However, it suffers from a number of limitations which should be addressed in future research. Other CSR indicators could be used, such as the MERCO. It would be impossible to use KLD – a very widely used indicator in studies of British, American, and European companies – as few firms in the sample are included in it. Secondly, other variables could be used in the study that would take account of R&D, given its possible influence on results.

Finally, there is the question of the size of the sample, as it is formed from IBEX 35 companies only and excludes firms from the financial sector because of the possible distortions they might cause. An attempt was made to minimize the impact of this factor by using Windmeijer's (2005) correction for small samples. Nevertheless, the sample's size continues to represent a limitation to this study.

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