

Effects of Corporate Social Responsibility Disclosure on Brand Value: An analysis of Interbrand Companies

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Abstract

The paper aims at investigating how CSR (Corporate Social Responsibility) and ESG (Environmental, Social and Governance) disclosure affect the brand value of a sample of Interbrand companies. Empirically results show that the brand value is positively related to the environmental disclosure, social disclosure, and ESG disclosure, whereas no significant correlation has been found for the governance disclosure. This study provides new evidence to the growing body of literature that identifies CSR as a means of improving the company's brand value and can represent a starting point in the discussion on the reputational benefits of CSR practices.

Keywords: brand value, CSR, ESG disclosure, Interbrand companies, Resource-based view

1. Introduction

In the last decades, Corporate Social Responsibility (CSR) has become increasingly widespread among large and mid-cap companies worldwide. This spread is mainly due to the well-established but growing demand for products and services that reduces the environmental impact (Cerin, 2002; González-Benito & González-Benito, 2006), as well as a fulfillment of the companies' duties towards the ever more stringent environmental regulations (Tsai, Chuang, Chao, & Chang, 2011). The disclosure of CSR practices, in addition, represents one of the strategies available to the company which allows it to manage its reputation (Robinson, 2004; Sun & Yuan, 2010; Zhang & Han, 2008). According to KPMG (2017), 93% of the world's 250 largest companies by revenue (based on the Fortune 500 ranking) issues CSR reports. This growing trend has been widely analyzed by literature, which has proposed several explanations for a company's CSR practices. In general, some authors are in favor of the CSR practices, recognizing them several corporation benefits; on the contrary, other authors have a highly critical opinion about the CSR initiatives. Specifically, they point out that CSR represents a superficial window-dressing and distracts from the fundamental economic role of businesses (Thakur, Srivastava & Panwar, 2019). There are, in summary, several theories about the decision of companies to pursue CSR practices (Ali, Frynas & Mahmood, 2014). Among these, the Legitimacy Theory (LT) and Resource-Based View (RBV) constitute two of the most adopted by the literature as a theoretical framework (Smith, 2003; Branco & Rodrigues, 2008). On one hand, under the LT, companies engage in CSR activities and disclosure as a result of a normative pressure; in other words, CSR activities is a legitimacy instrument used by companies to be seen acting within the bounds of what is considered acceptable according to the expectations of stakeholders on how their operations should be conducted (Guthrie & Parker, 1989; Owen, 2008). On the other hand, under the RBV, companies believe that CSR activities and disclosure increase the corporate reputation (Branco & Rodrigues, 2008) and help to build a positive image with stakeholders; in turn, these factors positively affect the economic results of the company. The RBV, as introduced by Wernerfelt (1984) and subsequently refined by Barney (1991), presumes that a firm's success is largely driven by the resources it owns and controls. The present paper embraces the RBV theory. According to this perspective, resources are typically assets or capabilities (Wernerfelt, 1984) that possess certain special characteristics: they are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Such resources are typically intangibles and able to generate a sustainable competitive advantage (Amit & Schoemaker, 1993; Michalisin, Smith & Kline, 1997). In this vein, CSR can be conceived as a fundamental intangible asset that is rare and difficult to imitate or substitute (Kim, 2019). Being accountable and transparent, the CSR practices have therefore a positive impact on brand value and stakeholder engagement.

According to Surroca, Tribó, and Waddock (2010), CSR allows strengthening at least four intangible resources, namely innovation, human resources, corporate culture, and reputation. CSR practices, indeed, regarding this latter, play an important role in providing valuable content toward brand image building because they impact intangible assets, such as brand image, brand association, or business reputation (Ramesh, Saha, Goswami, Sekar, & Dahiya, 2019). In this respect, Lynch and De Chernatony (2004) evidence that brands based on emotional values are more durable and less attackable by competitive actions. Therefore, CSR represents a relevant emotional characteristic of the brand image. Similarly, social and environmental performance pose a significant element in corporate reputation (Hart & Ahuja, 1996; Miles & Covin, 2000; Miralles-Quirós, Miralles-Quirós & Arraiano, 2017; Russo & Fouts, 1997; Zelenyuk & Zheka, 2006).

In summary, companies that implement and disclosure CSR practices benefit from higher reputation, compared to companies that do not demonstrate awareness towards these issues. In this perspective, reputation may be conceived as an intangible asset that measures stakeholders' perception of the company. The reputation, therefore, is strongly influenced by the CSR strategy pursued by the company, as well as the quantity and quality of relations with their stakeholders (Fombrun & Shanley, 1990).

The number of empirical studies which focused on the impacts of CSR has continuously increased since the 1980s. Some of these studies have attempted to identify how the disclosure of the CSR practices affect the overall organizational performance, providing empirical evidence on the relationship between these corporate behaviors and reputation, competitiveness, and sustainability of the organizations (Ajina, Roy, Nguyen, Japutra, & Al-Hajla, 2020; Chandler, 2017; Diallo & Lambey-Checchin, 2017; Fatima & Arshad, 2019; Kádeková, Savov, Košičiarová, & Valaskova, 2020; Kim, 2019; Melo & Galan, 2011; Pratihari & Uzma, 2018; Ramesh et al., 2019; Singh & Verma, 2018; Wang, Chen, Yu, & Hsiao, 2015).

In the wake of these arguments, the purpose of this study is to examine the effect of CSR disclosure – considered throughout the individual and overall dimensions – on brand value as a reflection of the corporate reputation. Using panel data models, the present research questions, investigating a sample of 80 Interbrand companies, how CSR and environmental, social and governance disclosure affect the brand value.

Currently, there are three leading international agencies (i.e. Interbrand, Brand Finance, The Brand Finance Group, in the press, and Millward Brown) that quantify and publish the most internationally esteemed brands yearly. Although their popularity and strict methodology, only a few previous studies (Madden, Fehle & Fournier, 2006; Melo and Galan, 2011; Sotorrio & Sánchez, 2008) analyzed the relation between CSR disclosure and brand value using these brand rankings.

The major contribution of the study is to provide a solid foundation for firms and researchers alike as to the influence of environmental, social, and governance disclosure on the brand value of a firm and can represent an additional point of reflection on the corporate performance benefits of CSR practices. Implications of research show how actively pursuing CSR disclosure practices can enhance corporate performance among all stakeholders generating a competitive advantage over competitors.

The paper is structured in five sections. The next section contains a review of the literature and outlines the development of the hypotheses. The third section explains the research methodology applied, while the fourth section presents and discusses the results of the panel data models. Lastly, the concluding remarks focus on the implications and limitations of the research.

2. Theoretical Background and Hypotheses Development

2.1 The Corporate Social Responsibility and the Resource-Based View

Nowadays, CSR has become an essential tool for companies and their managers. The concept of CSR is based on the mutual dependence between a corporate and society with several interactions that act in this relationship, which includes company and stakeholders, company and governments, company and environment, company and ethical, and company and sustainable competitive advantage (Gholami, 2011).

Academics and practitioners have been striving to establish an agreed-upon definition of this concept for over 30 years. In the first decades, most of the early research defined CSR as a set of charitable efforts. In recent years, instead, according to Staudt, Shao, Dubinsky, and Wilson (2014), managers conceive CSR as strategic efforts directed toward value creation and value enabling for an organization. An interesting definition of CSR has been provided by Carroll (1979, 1991), who conceives the concept as a four-dimensional construct that, embracing all range of business responsibilities, includes economic (acceptable profit), legal (respect laws and regulations), ethical (avoid morally unacceptable behaviors), and philanthropic (behave as good corporate citizens) considerations. Most authors use the lens of RBV to analyze the CSR (Gallego-Álvarez, Prado-Lorenzo, & Garcia-

Sanchez, 2011; Glavas & Mish, 2015; Hart, 1995; Hedstrom, McWilliams & Siegel, 2001; Nidumolu, Prahalad & Rangaswami, 2009; Poltorzycki & Stroh, 1998; Porter & Kramer, 2006; Russo & Fouts, 1997; Toppinen, Li, Tuppura, & Xiong, 2011). Specifically, Hart (1995) is one of the first scholars to apply RBV theory to CSR; he focuses his attention exclusively on environmental and social responsibility and argues that CSR represents a resource that leads to sustainable competitive advantage. The study of Russo and Fouts (1997), instead, empirically tests this theory on firm-level data regarding accounting and environmental profitability; it shows that companies with higher environmental performance also have higher financial performance. In addition to these, both the study of Hedstrom et al. (1998) and Nidumolu et al. (2009) indicate that CSR practices represent the greatest opportunity currently available to the business world to achieve greater success through new products and new technologies. McWilliams & Siegel (2001) used the RBV lens to develop a formal model of “profit-maximizing” CSR; in this model, managers conduct a cost-benefit analysis to determine the level of resources to devote to CSR practices. Therefore, up to the point where the marginal cost equals the marginal return, investing in CSR practices will increase the profits of the company. However, although theoretically valid, determining how to measure the value added by CSR to the firm and society is not without complications.

2.2 The Corporate Social Responsibility Disclosure and Brand Value

The RBV suggests that a company's competitive advantage results from a firm's internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Pursuing CSR practices can help companies to create resources and capabilities with these characteristics (Branco & Rodrigues, 2008). According to Galbreath's resource classification, we distinguish between tangible and intangible resources. The former are “factors that can be observed, are financial in nature, have physical properties and can be recorded on the firm's balance sheet” (Galbreath, 2005, p. 981). The latter are “non-physical factors that are used to produce goods or provide services or are otherwise expected to generate future economic benefits for the firm” (Galbreath, 2005, p. 981). Following this classification, the reputational assets can be considered as intangible assets regarding which the brand value could represent an ideal proxy of measurement. Brand value is a resource invested by a company to gain competitive differentiation from competitors (Ramesh et al., 2019). As specified by Kamakura and Russell (1993) brand value is derived from tangible or intangible components. The tangible components are represented by the physical features of a product, whereas those intangible (or “added value”) stem from consumers' perceptions and the associations that they make with a brand's name. When a CSR strategy is grounded in its daily company operations, the disclosure of the CSR practices should affect the value of the company in the eyes of consumers (Jeong, Jeong, Lee, & Bae, 2018; Luo & Bhattacharya, 2006), because the consumers tend to have greater trust in ethical companies, generating positive purchase intentions (Vlachos, Tsamakos, Vrechopoulos, & Avramidis, 2008); this increases the brand value (Chandler 2017; Diallo & Lambey-Checchin, 2017; Melo & Galan, 2011), enhancing the image and reputation of the company and customer satisfaction.

However, to become a source of image building for the companies, the CSR initiatives must be communicated to several stakeholders (Singh & Verna, 2018); in fact, the lack of effective communication leads companies to attain only minimal benefits from their CSR activities because their target markets are unaware of their CSR initiatives (Singh & Verna, 2018).

Several researchers (Ajina et al., 2020; Fatima & Arshad, 2019; Kádeková et al. 2020; Kim, 2019; Melo & Galan, 2011; Pratihari & Uzma, 2018; Ramesh et al., 2019; Singh & Verma, 2018; Wang et al., 2015) analyzed the impact of the CSR disclosure on brand value with contrasting results.

The study of Wang et al. (2015), analyzing Taiwanese high-tech companies over the period 2010–2013, shows that corporate social responsibility and brand value are positive and significantly correlated. On the contrary, Melo and Galan (2011), analyzing a sample of 47 brands owned by US-based corporations that were listed in at least one of the publications of the ‘100 Most Valuable Brands’, show that there was no correlation between brand value and CSR.

Other studies focus their attention on the Indian country. Among these, Singh and Verna (2018), with a questionnaire sent by email to 450 Indian participants, analyze the impact of CSR on brand image, brand value, and brand loyalty. Results show that customers' perceptions of CSR activities pursued by firms will have a positive impact on brand value. Ramesh et al. (2019), through a structured questionnaire submitted to Indian citizens purchasing products from FMCG companies topping the CSR spending list, found a direct positive relationship of CSR with the brand image.

Following, the study of Pratihari and Uzma (2018) affirms that economic, legal, ethical, and philanthropic elements of CSR have a significant impact on corporate branding and improve the loyalty of customers if CSR is an integral part of the corporate brand. This is also confirmed by the study of Fatima and Arshad (2019); using a questionnaire

sent to 524 employees of manufacturing sector organizations, it documents that CSR strategy can enhance corporate reputations among all stakeholders leading to get better performance and, mainly, providing a competitive advantage.

Moreover, Kim (2019) with cross-country and cross-industry data sets from 144 global brands across 17 countries, shows a general relationship between CSR activities and brand value and that firm size positively moderates the relationship between CSR activities and brand value.

Ajina et al. (2020), examining the local banks in Saudi Arabia, evidence how CSR disclosure can enhance the brand value for financial services firms in a developing and Islamic country.

Lastly, the study of Kádeková et al. (2020) evaluates the impact of CSR disclosure on the brand value of 125 food enterprises in Slovakia, evidencing that almost 96% of food enterprises that apply and communicate CSR activities see an increase in their brand value.

2.3 Environmental, Social and Governance Disclosure and the Brand Value

Some of the previous studies have also analyzed more deeply the specific components of CSR, such as the environmental, social, and governance disclosure (Huang & Watson, 2015).

Environmental sustainability represents the predominant face of CSR; in this regard, several authors (Hart & Ahuja, 1996; Miles & Covin, 2000; Russo & Fouts, 1997) assert that the disclosure of environmental performance affects corporate brand value providing a reputational advantage. However, the First and Khatriwal (2010) study's results do not support this relation; a possible reason is that the firms having high environmental performances have not sufficiently disclosed their results to their consumers. Concerning social disclosure, several authors (Melo and Galan, 2011; Surroca et al., 2010; Wang et al., 2015) evidence that social disclosure helps firms to improve both brand and corporate image. Corporate governance was another important topic object of research in the past decade as a result of scandals like Enron, Parmalat, and lastly 2008 global financial crisis. The topic was held in different perspectives: in particular, Zelenyuk and Zheka (2006) assert that, both in developed countries and developing countries, there is a positive association between corporate governance disclosure and firm performance. Contrary, results of the Ünlü, and Yagli's (2016) study indicate that there is not a statistically significant relationship between corporate governance disclosure and brand values.

Finally, Miralles-Quirós et al. (2017) analyze the three CSR disclosure individually to test whether investors of companies listed on the Brazilian stock exchange value these dimensions differently. The results evidence that the market does not significantly value the three CSR dimensions. Specifically, the market positively values the disclosure of the environmental practices carried out by companies not related to environmentally sensitive industries; in contrast, the market positively values the disclosure of the social and corporate governance practices carried out by the companies belonging to these sensitive industries.

In the present paper, starting from previous studies about the brand value and CSR and by looking at them through the lenses of RBV, we hypothesize that environmental, social and governance disclosure can affect the brand value of Interbrand companies. Respectively, the following hypotheses are assumed:

H1: *Ceteris paribus*, brand value is positively related to environmental disclosure.

H2: *Ceteris paribus*, brand value is positively related to social disclosure.

H3: *Ceteris paribus*, brand value is positively related to governance disclosure.

H4: *Ceteris paribus*, brand value is positively related to ESG disclosure.

3. Research Methodology

3.1 Sample Selection and Data Sources

To examine the relationship between brand value and CSR disclosure, our empirical research is based on a sample drawn from two different sources, i.e. Interbrand and Thomson Reuters Eikon. More specifically, the initial population includes all companies having at least one brand indexed by Interbrand Best Global Brands Rankings for at least one year from 2013 to 2018. Consistent with prior literature (Alcaide González, De La Poza Plaza & Guadalajara Olmeda, 2020; Sotorrio & Sánchez, 2008; Torres, Bijmolt, Tribó, & Verhoef, 2012), Interbrand companies have been considered an ideal setting for researching issues related to CSR disclosure since they are exposed to increased reputational risks (Fehle, Fournier, Madden, & Shrider, 2008). Therefore, they are encouraged to preserve the value of the brand value, where the corporate reputation is enclosed.

As regards information concerning CSR, to overcome some potential limitations of content analysis, third-party CSR disclosure data was collected from the Thomson Reuters Eikon database. Specifically, we manually collect

ticker symbols for companies whose brands are listed in the Interbrand during the 2013-2018 period from the Thomson Reuters Eikon database, i.e. one of the most comprehensive data providers in the industry. The latter has also been used in recent CSR-related academic studies (Qureshi, Kirkerud, Theresa, & Ahsan, 2020; Terzani & Turzo, 2020).

Starting from an initial population of 600 firm-years observations, the following ones have been removed: (a) financial companies (Note 1); (b) missing financial data from the Thomson Reuters Eikon database (c) missing CSR information from the Thomson Reuters Eikon database. As a result, the final sample is an unbalanced panel data of 80 firms, which leads to 420 firm-year observations. Table 1 reports the sample selection process.

Table 1. Sample selection process

| Steps | Subtraction | Total |
|--------------------------------------------------------------------|-------------|-------|
| Interbrand companies | | 600 |
| (a) financial and insurance companies | (60) | 540 |
| (b) missing financial data from the Thomson Reuters Eikon database | (48) | 492 |
| (c) missing ESG data from the Thomson Reuters Eikon database | (70) | 420 |
| Total year observations | | 420 |

The firms belong to the following 16 countries: Belgium, Canada, China, Finland, France, Germany, Great Britain, Hong Kong, India, Ireland, Japan, Korea, Netherlands, Spain, Sweden, USA. The most represented country is the USA, with 50.71% (213 firm-year observations)

Table 2, panel A, panel B and panel C, describes the sample composition by country, sector, and year, respectively. Whilst the years are evenly distributed within the sample, there is a slight prevalence of firms belonging to the automotive sector (15,95%).

Table 2. Sample composition

| Panel A: Sample by country | | | Panel B: Sample by sector | | | Panel C: Sample by year | | |
|----------------------------|-----------|--------|---------------------------|-----------|--------|-------------------------|-----------|--------|
| Country | Frequency | % | Sector | Frequency | % | Year | Frequency | % |
| Belgium | 6 | 1.43% | Alcohol | 24 | 5.71% | 2013 | 68 | 16.19% |
| Canada | 5 | 1.19% | Apparel | 21 | 5% | 2014 | 73 | 17.38% |
| China | 6 | 1.43% | Automotive | 67 | 15.95% | 2015 | 71 | 16.90% |
| Finland | 2 | 0.48% | Beverages | 18 | 4.29% | 2016 | 71 | 16.90% |
| France | 24 | 5.71% | Business S. | 43 | 10.24% | 2017 | 71 | 16.90% |
| Germany | 50 | 11.90% | Diversified | 17 | 4.05% | 2018 | 66 | 15.71% |
| G. Britain | 18 | 4.29% | Electronics | 33 | 7.86% | Total | 420 | 100% |
| Hong Kong | 3 | 0.71% | Energy | 6 | 1.43% | | | |
| India | 5 | 1.19% | FMCG | 40 | 9.52% | | | |
| Ireland | 6 | 1.43% | Logistics | 16 | 3.81% | | | |
| Japan | 39 | 9.29% | Luxury | 30 | 7.14% | | | |
| Korea | 17 | 4.05% | Media | 23 | 5.48% | | | |
| Netherlands | 14 | 3.33% | Restaurants | 17 | 4.05% | | | |
| Spain | 6 | 1.43% | Retail | 6 | 1.43% | | | |
| Sweden | 6 | 1.43% | Sporting G. | 12 | 2.86% | | | |
| USA | 213 | 50.71% | Technology | 47 | 11.19% | | | |
| Total | 420 | 100% | Total | 420 | 100% | | | |

3.2 Dependent Variable: Brand Value

According to previous similar studies (Agus Harjoto, & Salas, 2017; Alcaide-González et al., 2020; First & Khetriwal, 2010), instead of focusing on financial/market performance indicators, our dependent variable is a measurement of brand value (BV). Specifically, this concept encloses different intangible assets, among which image and reputation (Branco & Rodrigues, 2008).

Although it is the object of this study, it is worthy to note that the extant literature distinguishes between brand value and brand reputation, dealing them as separated but closely interrelated concepts (Agus Harjoto & Salas,

2017; Ettenson & Knowles, 2008). Moreover, while acknowledging these differences, at the methodology level it is difficult to separate the two concepts. Added to this, Ettenson and Knowles (2008) noted that – in contrast to the multi-brand companies – in mono-brand companies “the distinction between reputation and brand is murkier because the company communicates with all stakeholders under a single name.

Since the majority of the sampled companies fall into this latter category, we adopted the brand value (BV) as our dependent variable. The BV variable was retrieved from the Best Global Brand Rankings for each one of the brands indexed at least once in the Interbrand annual ranking. To provide a reliable value, Interbrand has been selected cause the fact its methodology is certified as compliant with the requirements of ISO 10668 (Note 2) and is expressed in terms of quantifiable measure. The value of the brand coming from Interbrand is not a mere subjective judgment, but a result of a strict assessment. In fact, to be included in the Best Global Brand ranking, a brand must comply with the following requirements:

- “at least 30 percent of revenue must come from outside of the brand’s home region”;
 - “The brand must have a significant presence in Asia, Europe, and North America, as well as geographic coverage in emerging markets”;
 - “There must be sufficient publicly available data on the brand’s financial performance”;
 - “Economic profit must be expected to be positive over the longer term, delivering a return above the brand’s cost of capital”;
 - “The brand must have a public profile and sufficient awareness across the major economies of the world”.
- We normalized the BV dividing it by the total assets.

To reduce the skewness of the data, the dependent variable is normalized as the natural logarithm of the brand value retrieved from Interbrand. In addition to this, where a company has multiple brands, the brand value is calculated by summing the individual values assigned to each brand.

3.3 Independent Variables

3.3.1 Environmental, Social and Governance Disclosure

To better examine the CSR disclosure concept, three CSR disclosure dimensions are considered. Taking into account the plethora of definitions of CSR (Huang & Watson, 2015), we adopt the ESG approach to measure CSR disclosure. This last is an alternative indicator of management competence, risk management, and non-financial performance (Galbreath, 2013). Following prior literature (Qureshi et al., 2020; Terzani & Turzo, 2020), we proxy the individual disclosure dimensions using a third-party ESG disclosure measurement identified in Thomson Reuters Eikon ESG scores, namely environmental score, social score, and governance score. Each disclosure dimension represents a subset of the overall disclosure released through the reports or elsewhere, which quantifies a company's commitment to providing information on these topics.

It should be noted that prior studies have used an aggregated measure of CSR. Nevertheless, a unidimensional measure of the concept underestimates the effects of the disaggregated dimensions, which could have different impacts compared with the aggregated one (Johnson & Greening, 1999).

Accordingly, our independent variables are the following: (1) the environmental disclosure (ED); (2) the social disclosure (SD) and, (3) the governance disclosure (GD). The three measured related to the individual CSR dimensions are based on 61 (environmental), 63 (social), and 54 (governance) disclosure indicators. The ED includes three categories: resource use, emissions, and innovation; the SD includes four categories: workforce, human rights, community, and product responsibility. The GD includes three categories: management, shareholders, and CSR strategy. All disclosure scores range from 0 (lowest level of CSR disclosure) to 100 (highest level of CSR disclosure).

3.3.2 Control Variables

A company's BV could be explained by several company-specific characteristics. In line with prior literature (Alcaide González et al., 2020; Melo and Galan, 2011; Torres et al., 2010; Wang et al., 2015), we control for company size (SIZE) by the natural logarithm of total assets; the market performance through Tobin's Q (MP); the financial performance through the ROE (FP) and the leverage through the ratio between the total debt and total assets (LEVERAGE).

3.4 Model

The hypotheses proposed are tested through panel data models using Stata 16 software. Panel data models, among other advantages, provide the researcher with many data points, increases the degree of freedom, allowing to

reduce the collinearity among the independent variables, and improving the efficiency attributable to unbiased estimators with the smallest variance for all possible parameter values (Gujarati, 2009).

The purpose of the model is to examine how CSR disclosure affects BV. To achieve this aim, we use the following four models, conceptualized in Figure 1.

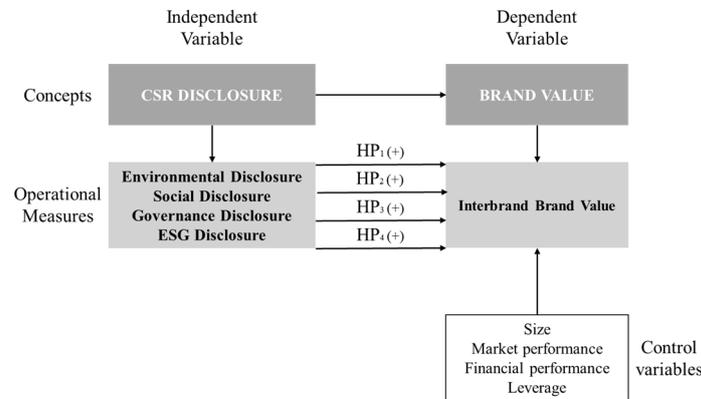


Figure 1. Research model

Specifically, the following equations are estimated:

$$BV_{i,t} = \beta_0 + \beta_1 ESGD_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 MP_{i,t} + \beta_4 FP_{i,t} + \beta_5 LEVERAGE_{i,t} + \beta_6 YEAR_{i,t} + \beta_7 COUNTRY_{i,t} + \beta_8 SECTOR_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$BV_{i,t} = \beta_0 + \beta_1 ED_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 MP_{i,t} + \beta_4 FP_{i,t} + \beta_5 LEVERAGE_{i,t} + \beta_6 YEAR_{i,t} + \beta_7 COUNTRY_{i,t} + \beta_8 SECTOR_{i,t} + \varepsilon_{i,t} \quad (2)$$

$$BV_{i,t} = \beta_0 + \beta_1 SD_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 MP_{i,t} + \beta_4 FP_{i,t} + \beta_5 LEVERAGE_{i,t} + \beta_6 YEAR_{i,t} + \beta_7 COUNTRY_{i,t} + \beta_8 SECTOR_{i,t} + \varepsilon_{i,t} \quad (3)$$

$$BV_{i,t} = \beta_0 + \beta_1 GD_{i,t} + \beta_2 SIZE_{i,t} + \beta_3 MP_{i,t} + \beta_4 FP_{i,t} + \beta_5 LEVERAGE_{i,t} + \beta_6 YEAR_{i,t} + \beta_7 COUNTRY_{i,t} + \beta_8 SECTOR_{i,t} + \varepsilon_{i,t} \quad (4)$$

Where:

BV=brand value, namely the financial worth of the brand measured by the ratio between the logarithm of the brand value provided by Interbrand;

ESGD= ESG disclosure;

ED=environmental disclosure;

SD=social disclosure

GD=governance disclosure;

SIZE=size of the company, measured by the logarithm of the total assets;

MP=market performance, measured by Tobin’s Q of the company;

FP=financial performance, measured by the ROE of the company;

LEVERAGE=leverage of the company, measured by the ratio between the total debt and total assets;

ε=error term.

All regressions include year, country, and industry categorical variables to control for variation across the year, country and industry (i.e., fixed-effects). The Hausman test was used to decide whether the fixed or random-effects model was appropriate. The test revealed that the fixed effects model was the most suitable method to be employed to test the hypotheses.

4. Results

4.1 Univariate Results

Table 3 shows the descriptive statistics for the companies included in the analysis. The mean (standard deviation) of the *ESGD* (75.999; 11.970), *ED* (79.964; 13.717), *SD* (79.152; 14.833) and *GD* (67.816; 18.791) indicates that the information disclosed by the Interbrand companies is quite high along the three dimensions. In addition, as represented in the literature (Miles & Covin, 2000; Russo & Fouts, 1997; Wang et al., 2015), results pointed out that the most disclosed dimension is the environmental one, followed by the social and governance disclosure. The sample includes firms with an average size (expressed by the natural logarithm of total assets) of 24.398 (2.587),

market performance of 2.390 (1.724), financial performance of -0.017 (2.723), and leverage of 0.851 (0.944).

Table 3. Descriptive statistics

| Variables | Obs | Mean | SD | Min | Max |
|-----------|-----|--------|--------|---------|--------|
| BV | 420 | 23.301 | 0.893 | 22.089 | 26.091 |
| ESGD | 420 | 75.999 | 11.970 | 36.137 | 95.957 |
| ED | 420 | 79.964 | 13.717 | 32.549 | 99.501 |
| SD | 420 | 79.152 | 14.833 | 25.685 | 99.043 |
| GD | 420 | 67.816 | 18.791 | 14.083 | 96.950 |
| SIZE | 420 | 24.398 | 2.587 | 20.689 | 32.794 |
| MP | 420 | 2.390 | 1.724 | 0.218 | 9.756 |
| FP | 420 | -0.017 | 2.723 | -40.817 | 8.449 |
| LEVERAGE | 420 | 0.851 | 0.944 | 0.000 | 8.345 |

Table 4 shows the Pairwise correlations between the variables, including statistical significance. All of the correlation values between independent variables are lower than the critical threshold of 0.8, indicating no multicollinearity problems (Gujarati, 2009). It is remarkable that, although they do not exceed the critical threshold of 0.8, the ESG dimensions are significantly correlated to each other. Following this, four different models are developed to consider the potential perverse effects. In addition, to further detect the presence of multicollinearity problems, several OLS regressions were used to calculate the variance inflation factors (VIFs) for the independent variables. Is a common rule that multicollinearity is a problem if the VIF exceeds the critical threshold of 10.0 In this analysis, the highest VIF is 1.44 (not tabulated for the sake of space), indicating multicollinearity is not a concern in these models.

Table 4. Pearson correlations for the disclosure indexes, the independent variables, and the control variables

| Variables | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|--------------|----------|-----------|-----------|----------|-----------|-----------|----------|--------|-------|
| (1) BV | 1.000 | | | | | | | | |
| (2) ESG | 0.226*** | 1.000 | | | | | | | |
| (3) ED | 0.200*** | 0.769*** | 1.000 | | | | | | |
| (4) SD | 0.209*** | 0.794*** | 0.534*** | 1.000 | | | | | |
| (5) GD | 0.114** | 0.731*** | 0.303*** | 0.305*** | 1.000 | | | | |
| (6) SIZE | 0.266*** | 0.193*** | 0.144*** | 0.060 | 0.229*** | 1.000 | | | |
| (7) MP | 0.007 | -0.143*** | -0.121** | -0.050 | -0.152*** | -0.487*** | 1.000 | | |
| (8) FP | 0.068 | -0.054 | 0.045 | -0.029 | -0.123** | 0.054 | -0.114** | 1.000 | |
| (9) LEVERAGE | -0.027 | -0.185*** | -0.302*** | -0.114** | -0.036 | -0.247*** | 0.019 | -0.073 | 1.000 |

*, **, *** indicate statistical significance at the 0.1, 0.05 and 0.01 levels, respectively (two-tailed tests).

4.2 Multivariate Results

The proposed models and the panel data results are presented in Table 5.

Table 5. Results of panel data models

| Variables | Predicted sign | HP | Models | | | |
|-----------------------|----------------|----|----------------------|----------------------|----------------------|----------------------|
| | | | Model 1 | Model 2 | Model 3 | Model 4 |
| ED | + | H1 | 0.004* (0.0017) | | | 23.6 |
| SD | + | H2 | | 0.006*** (0.0017) | | |
| GD | + | H3 | | | 0.001 (0.0011) | |
| ESG | + | H4 | | | | 0.007** (0.0022) |
| SIZE | | | 0.128*** (0.0300) | 0.137*** (0.0294) | 0.138*** (0.0302) | 0.128*** (0.0296) |
| MP | | | 0.005 (0.0173) | 0.002 (0.0172) | 0.004 (0.0174) | 0.001 (0.0173) |
| FP | | | 0.006 (0.0041) | 0.007 (0.0041) | 0.006 (0.0041) | 0.007 (0.0041) |
| LEVERAGE | | | -0.022 (0.0237) | -0.008 (0.0234) | -0.017 (0.0242) | -0.026 (0.0237) |
| Constant | | | Significant | Significant | Significant | Significant |
| Year Fixed Effects | | | Yes | Yes | Yes | Yes |
| Country Fixed Effects | | | Yes | Yes | Yes | Yes |
| Sector Fixed Effects | | | Yes | Yes | Yes | Yes |
| Prob > F | | | 0.000 | 0.000 | 0.000 | 0.000 |
| R-squared | | | 18% | 19% | 17% | 19% |
| N | | | 80 | 80 | 80 | 80 |
| NT | | | 420 | 420 | 420 | 420 |

Standard errors are reported in parentheses. *, **, *** indicate statistical significance at the 0.1, 0.05 and 0.01 levels, respectively.

As indicated in the table, Model 1, the environmental disclosure level is positive and significant in explaining BV (β at least > 0.004 ; $\rho < 0.1$). This result, consistent with the view expressed by previous studies (Hart & Ahuja, 1996; Miles & Covin, 2000; Russo & Fouts, 1997), suggests that the value of the brand improves with an increasing level of environmental disclosure. Given this, Hypothesis 1 can be accepted.

Regarding the social disclosure, as shown in Model 2, companies with higher SD increase their BV (β at least > 0.006 ; $\rho < 0.01$). Therefore, in line with the previous studies (Melo & Galan, 2011; Miralles-Quirós et al., 2017; Wang et al., 2015), this result asserts that social disclosure improves the brand image. Consequently, Hypothesis 2 can be accepted. Lastly, concerning the overall disclosure, in line with the majority of the literature (Pratihari & Uzma, 2018; Ramesh et al., 2019; Singh & Verna, 2018; Wang et al., 2015), companies with higher levels of ESGD increase their BV (β at least > 0.007 ; $\rho < 0.05$), as shown in Model 4. Hypothesis 4 can therefore be accepted.

The same considerations cannot be extended to the governance disclosure (GD), as shown in Model 3, where the GD coefficient is not statistically significant ($\rho > 0.1$). Therefore, in line with the study of Ünlü and Yaglı (2016), this result asserts that companies with a higher percentage of governance disclosure do not tend to have higher BV, not allowing us to accept Hypothesis 3.

Concerning the control variables, there is a negative and significant association between the BV and SIZE. In contrast, all other variables do not show a significant association with the BV.

5. Conclusion, Limitations and Suggestions for Future Research

For more than three decades, there has been an increasing interest in CSR, whereby firms are being held accountable for any actions affecting society, the community, and the environment. More specifically, in the light of RBV, in this paper, we investigate how CSR and environmental, social, and governance disclosure impact the brand value of Interbrand companies. This issue deserves special attention to these companies because they have a strong brand value to preserve. The answer is a partial “Yes”. In line with a large part of the literature, our study documents that the brand value is positively related to environmental disclosure, social disclosure, and ESG, whereas no significant correlation has been found for the governance disclosure. Therefore, can be asserted that

CSR initiatives are considered as not an optional strategy anymore; but an integral part of core strategies of the firm; they bring benefits not only for the local community, society, and the environment but also develop loyal consumers who increase the brand value of the companies.

Our study provides new evidence to the growing body of literature that identifies CSR disclosure as a means of improving a company's brand value. Although there are several contributions on the topic (Alcaide González et al., 2020; First & Khatriwal, 2010; Kádeková et al., 2020; Miles & Covin, 2000; Singh & Verma, 2018; Wang et al., 2015), the debate is still open.

Accordingly, this study provides innovative results, suggesting that those companies that increase environmental, social, and ESG disclosure improve their brand value, after controlling for other company-specific characteristics. In addition, it is possible to provide a solid foundation for firms and researchers alike as to the influence of environmental, social, and governance orientation on the brand value of a firm and can represent a starting point in the discussion on the reputational benefits of CSR programs.

As a direction for future research, it would be interesting to study the relationship between brand value and CSR disclosure with a further specification of the former, different from that one proposed by Interbrand. In the same way, different measures of CSR disclosure (and/or different CSR dimensions) may be adopted. Another suggestion is that the quality of disclosure should be related to brand value, especially for environmentally sensitive companies. Concerning the quality of disclosure, content analysis could be useful to analyze the comparability, consistency, reliability and verifiability that define the high-quality disclosure (Leuz & Wysocki, 2016). Lastly, new variables could be included, in the model to enrich – or disprove – achieved results.

Notwithstanding its contributions, this study presents some limitations inviting us to develop further future research. First, the generalizability of this study is to some extent limited to the companies included in the Best Global Brands provided by Interbrand. Nevertheless, although there are several brand value measurement approaches aside from Interbrand, it should be noted that most of them are difficult to apply and tend not to be numerical as they only provide a reference of brand value. Second, despite this paper's focus on brand value and CSR disclosure, other possible aspects will be included by future studies, like the impact of brand value on CSR disclosure, analyzing the inverse relationship. Third, future researchers could address their attention to the differences among different company types concerning the relationships tested here. Fourth, the paper did not consider intermediate effects, such as mediator or moderator role of the brand value towards the firm performance. Our future research is also directed to fill the research gap providing more evidence in this direction.

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Notes

Note 1. Financial companies were excluded from the potential sample due to their particular characteristics and reporting requirements. To identify the financial companies, the Interbrand classification was used.

Note 2. See www.interbrand.com

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