A Contingent Resource-Based Perspective on Corporate Social Responsibility and Competitive Advantage: A Focus on Transition Countries

http://doi.org/10.21272/bel.6(1).92-108.2022

Dr Khurshid Djalilov, ORCID: https://orcid.org/0000-0002-2903-9123

Senior Lecturer, Department of Accounting, Finance and Economics, Bournemouth University, UK

Abstract

Although many studies investigate the relationship between corporate social responsibility (CSR) and performance, they mainly explore the U.S. and Western developed countries and ignore other emerging economies and transition countries. However, the Contingent Resource-Based View (Contingent RBV) argues that the CSR-performance link varies across different business environments. Due to the absence of relevant research, little is known about the underlying mechanisms associated with the CSR-performance nexus in transition countries. Thus, the aim of this research is to investigate the moderating role of the business environment, namely dynamism, on the CSR-performance relationship in the banking sector of 21 transition countries for the period 2002 to 2014. We specifically chose the period of 2002-2014 as this best captured a mix of turbulent and stable transition countries. This study applied system GMM while exploring an unbalanced panel sample for 319 commercial banks and considering the dynamic nature of bank performance. Moreover, this approach allowed us to control the endogeneity problems successfully. The findings indicated that the direct association between CSR and performance was negative, but the opposite was confirmed when the link was moderated by *Dynamism*. Specifically, system GMM showed that *Total CSR*, *Community involvement* and *Environment* had a positive association with banks' competitive advantage in a dynamic context. This study concluded by highlighting the theoretical and managerial implications.

Keywords: Corporate Social Responsibility, Dynamism, Transition Economies, Contingent Resource-Based View.

JEL Classification: G21, L21, M14, P20.

Cite as: Djalilov, K. (2022). A Contingent Resource-Based Perspective on Corporate Social Responsibility and Competitive Advantage: A Focus on Transition Countries. *Business Ethics and Leadership*, *6*(1), 92-108. http://doi.org/10.21272/bel.6(1).92-108.2022.

Received: 07 February 2022 **Accepted**: 18 March 2022 **Published**: 29 March 2022

1. Introduction

The performance implications of various management practices, including corporate social responsibility (CSR) and its disclosure, are among the most fundamental challenges widely debated in the strategic management, organization studies, and international business literature (Aragón-Correa & Sharma, 2003; Keats & Hitt, 1988; Peng et al., 2008). Over the last decades, CSR and its disclosure have attracted significant attention due to the emergence of severe problems associated with the degradation of the natural environment (Chen et al., 2017). However, prior empirical results of the CSR-performance relationship are still inconclusive (Brooks & Oikonomou, 2018), the majority of which show a modest positive result (Orlitzky et al., 2003; Wang et al., 2016), while others indicate it to be negative (Makni et al., 2009) or even neutral (Seifert et al., 2004; Soana, 2011). Scholars recently argue that this inconclusiveness and inconsistency are mainly due to the conceptual shortcomings of prior research and are suggesting that the channels through which CSR and CSR disclosure affect the performance variables are more sophisticated than a simple direct association (Hull & Rothenberg, 2008; Kim et al., 2018). It additionally implies that many studies remain to be explored to fully understand the CSR-performance nexus.

This research illustrates this sophisticated link by applying the Contingency RBV (resources-based view). According to the RBV, competitive advantage results from the continuous development of organizational capabilities (Barney, 1991; 2001). A few RBV studies argue that exogenous external factors contribute to

Business Ethics and Leadership, Volume 6, Issue 1, 2022
ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

developing valuable capabilities allowing organizations to obtain competitive advantage (Aragón-Correa & Sharma, 2003). Although the RBV fails to fully explain how specific features of the business environment affect the development of competitive capabilities, it recently suggests that the competitive contribution of valuable capabilities changes with the evolution of market conditions (Aragón-Correa & Sharma, 2003). On the other hand, the Contingency theory advocates that the competitive advantage is an outcome of the appropriate match of the organizational capabilities with the external exogenous conditions. Thus, with the integration of these two theories, the Contingent RBV better explains (1) how the business environment contributes to the development of valuable capabilities and (2) how the business environment moderates the performance implication of competitive capabilities (Brush & Artz, 1999; Zajac et al., 2000).

Although many studies have investigated the performance implications of CSR and its disclosure, they mostly explore the U.S. and Western developed countries, where resources are abundant, institutions are well developed, and market conditions are relatively stable. Moreover, there are only two studies, Goll and Rasheed (2004) and Wang et al. (2008), that are investigating the moderating effects of the business environments (munificence and dynamism) on the CSR-performance link. Both consider the context of the U.S. economy by employing data from the late 1990s and the early 2000s. However, the empirical implications of these studies are not "universally applicable" for other emerging markets and developing countries due to their distinctive business, institutional, and market conditions, and are consistent with the Contingency RBV (Aragón-Correa & Sharma, 2003). Although there are recent calls for CSR investigations in some emerging and developing countries (Abreu, 2009; Julian & Ofori-Dankwa, 2013; Chen et al., 2017), the research exploring the performance implications of CSR and its disclosure in terms of the transition countries of Europe and the former Soviet Union (FSU) has been limited. It is a significant omission when these studies consider the unique conditions in these transition countries, leaving many theoretical and empirical questions unanswered. Accordingly, this research extends the theoretical perspectives of the organization-environment interface while exploring the CSR-performance nexus in the context of the transition countries of Europe and the FSU. Specifically, this study aims to investigate the moderating role of the business environment (dynamism) on the link between CSR disclosure and performance in the banking sector of transition countries for the period 2002-2014.

The transition countries of Europe and the FSU provide important opportunities to develop new theories due to their unique conditions, which are not observable in other emerging and advanced countries (Meyer & Peng, 2005). These countries have enjoyed significant economic growth over the last three decades. However, they are still relatively new market economies with young market-oriented banking sectors and less developed financial markets. Although some of these countries have established compulsory CSR activities, the latter are still not popular due to their weak enforcement. Moreover, non-governmental organizations (NGOs) and institutions supporting CSR are still underdeveloped in transition countries. Furthermore, better-performing organizations may evade CSR compliance in the business environment with higher levels of corruption (Uberti, 2018). This research claims that the business environment plays an important but different role regarding the performance capabilities of management practices, including those of the CSR and CSR disclosure, in terms of the transition countries of Europe and the FSU. Considering their progressive integration into the EU, and thus to the world economy, the environmental and social issues in these countries have strong potential effects worldwide.

The CSR research in the banking sectors of transition countries is interesting for two reasons. Firstly, the banking sectors of emerging markets and transition countries are generally viewed as the leading industry promoting CSR practices in these countries (Sun et al., 2015). Secondly, banks have come under significant pressure after considering their role in the global financial crisis (2007-2009), and thus their negative impacts on society (Platonova et al., 2016; Esteban-Sanchez et al., 2017). Financial intermediaries have been criticized for failing to be socially responsible in business decisions (Cornett et al., 2016). Due to their socially irresponsible practices and their resultant damage to society over the last decades. Although some positive signs of restoring this trust, poorly managed banks with their significant profit maximization obsession can still negatively affect society (Jizi et al., 2014; Cornett et al., 2016). Consistent with Stakeholder theory. Therefore, managers' decisions must be aligned with socially acceptable ethical standards, allowing banks to survive and prosper. The remainder of the study proceeds as follows. Section 2 develops the theoretical arguments on the performance implications of CSR disclosure and presents the hypotheses. Section 3 describes the data, variables, and methodology. Section 4 presents the empirical findings, while Section 5 discusses them and then concludes.

2. Literature Review

Managing the interface between organizations and business environments, which leads to competitive advantage, is among the core problems in strategic management and organizational studies. The literature equally acknowledges the importance of both internal resources-capabilities and the conditions needed in the external environments for organizational strategy and performance (Miller & Friesen, 1983; Russo & Fouts, 1997). Therefore, the theoretical concepts associated with internal resources-capabilities and business environments are essential frameworks to explain how organizations achieve and sustain competitive advantage in different business environments. In this section, therefore, we discuss the relevant theories and then present our research hypotheses.

2.1. The Contingent RBV. The essential principles of the RBV are related to organizational resources and capabilities. The RBV specifies mainly three types of resources, such as the physical (e.g., machines and buildings), human (e.g., intelligence and specific skills) and organizational (i.e., production, marketing) assets that organizations use to create values (J.B. Barney, 1986; J. Barney, 2001). Furthermore, the concept of capabilities is associated with processing these resources used to implement organizational value-creating strategies. The traditional RBV argues that resources are heterogeneously distributed among organizations, but those organizations with valuable, rare, costly to imitate (inimitable) and non-substitutable (VRIN) resources and capabilities can achieve and sustain a competitive advantage (J. Barney, 2001; J.B. Barney, 1986; Eisenhardt & Martin, 2000).

However, the traditional RBV fails to explain why some organizations achieve a competitive advantage in fast-changing, turbulent and uncertain (dynamic) environments, which seems unlikely in these conditions. Therefore, the contemporary RBV advocates the importance of the business environment characteristics when assessing the competitive value of resources and capabilities (Arrive & Feng, 2018; García-Sánchez, 2020). Nevertheless, the Contingency theory supports the view that organizational competitive advantage results from a suitable match between endogenous organizational resources-capabilities with exogenous characteristics of the business environment (Aragón-Correa & Sharma, 2003). Thus, neither of these theories, described immediately above, thoroughly explains the competitive performances of organizational resources-capabilities in different business contexts.

Hence, we apply the integration of the RBV and Contingency theories (the Contingent RBV) to explore the nature of superior organizational performance. In particular, the Contingent RBV argues that organizations need to implement different decisions consistent with various levels of environmental variations and changes (Chen et al., 2017). This theory explicitly highlights the importance of managerial perceptions of the business environment directly affecting organizational strategies. To sustain superior performance, organizations develop dynamic capabilities to support the match between changing managerial perceptions, and thus organizational resources-capabilities, and exogenous (external) business conditions. While organizations need to systematically acquire, integrate and reconfigure their resources-capabilities to align with the market changes, dynamic capabilities are organizational routines and activities associated with the changing and evolving business environments (Eisenhardt & Martin, 2000).

The literature highlights various characteristics of the business environments, but munificence, complexity, and dynamism are among the most popular ones (Dess & Beard, 1984). However, this study focuses on dynamism only while equally acknowledging the importance of the others. Strategic management theories often associate dynamism with the changes in those business environments that are most difficult to predict (Keats & Hitt, 1988). Specifically, one must distinguish the unpredictability of business environments from the general changes of business environments, where the first describes dynamism (Dess & Beard, 1984). The literature often uses some alternative terms to dynamism, such as uncertainty, velocity and volatility (Goll & Rasheed, 2004). According to the Contingent RBV, dynamic capabilities are the main source of competitive advantage, and their nature varies in stable and dynamic business environments (Aragón-Correa, 1998; Aragón-Correa & Sharma, 2003; Eisenhardt & Martin, 2000). Specifically, the Contingent RBV argues that organizations tend to implement more reactive strategies while responding to existing regulations and stakeholder pressure in relatively stable environments. Consistently, the changes are predictable, and the market boundaries and key stakeholders (i.e., customers, competitors, and complementers) are well-known in stable environments (Eisenhardt & Martin, 2000). Therefore, organizations mostly rely on their well-established routines, existing knowledge, and experience in this situation. Thus, managers often develop sophisticated and detailed dynamic capabilities with relatively predictable outcomes in stable environments (Eisenhardt & Martin, 2000).

Business Ethics and Leadership, Volume 6, Issue 1, 2022
ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

However, dynamism severely threatens an organization's survival as managers find it challenging to predict and respond to environmental changes (Chen et al., 2017). So, the Contingent RBV theory states that the nature of dynamic capabilities becomes more proactive in the environments where the changes (e.g., regulations, economic-business trends) are unpredictable. To avoid the negative effects of unexpected changes, organizations tend to significantly redesign their operations, resource processes, and thus their dynamic capabilities (Aragón-Correa & Sharma, 2003). In uncertain environments, therefore, dynamic capabilities become simple, innovative, and experiential with unpredictable outcomes, as these capabilities are strongly associated with new knowledge (Eisenhardt & Martin, 2000). In doing so, organizations adopt best practices, take greater risks, improve product variety, and decentralize their structures to minimize the negative effects of uncertainty and adapt quickly to the ongoing changes (Aragón-Correa & Sharma, 2003). In sum, the literature often predicts reactive and proactive dynamic capabilities in stable and dynamic environments, respectively.

2.2. Theoretical Framework and Hypotheses. One approach for organizations to handle the harmful effects of dynamism is to improve their legitimacy through CSR commitments. While considering CSR disclosure as part of the organizations' dynamic capabilities, this research follows the definition of CSR, which was initially developed by Carroll (1991, 2016) but was then extended by Jizi et al. (2014) and Cho and Lee (2017). Specifically, CSR disclosure is the voluntary reporting of organizational activities associated with community involvement, environmental protection, employees' well-being, and social products and service quality. Overall, CSR empirical studies can be broadly divided into two groups. In particular, the first group investigates the benefits of CSR (Brammer and Millington, 2008; Jayachandran et al., 2013; García-Sánchez and Martínez-Ferrero, 2019), while the second explores the factors affecting CSR (Julian & Ofori-Dankwa, 2013; Chen et al., 2017; Orazalin, 2020). This study belongs to the first group as it focuses on the CSR-performance nexus.

Prior theoretical research implies that CSR performance and disclosure provide financial and strategic benefits for organizations (Lewis et al., 2014; García-Sánchez et al., 2020). CSR and its disclosure may promote the organizations' images, integrated risk management practices, reputation, and relationship with various relevant stakeholders, ultimately improving their competitive advantage and profitability (Tetrault Sirsly & Lvina, 2019; Lu et al., 2020). However, empirical studies are still inconclusive about the CSR-performance nexus. While most of them imply that the relationship is positive (Orlitzky et al., 2003; Lee et al., 2016), some studies argue that the link is negative (Makni et al., 2009) or even neutral (Soana, 2011). Scholars associate this inconsistency to various theories, such as the "trade-off hypothesis", "instrumental stakeholder theory", and "good management theory" (Preston and O'bannon, 1997; Platonova et al., 2016). For example, Preston and O'Bannon (1997) support the negative link between CSR and performance, which is consistent with Friedman's argument, showing that organizations move away from their main goal of profit maximization while engaging in social activities (the "trade-off hypothesis"). However, the "instrumental stakeholder theory" predicts a positive relationship between CSR and performance, suggesting that organizations achieve superior performance by satisfying the needs of their main stakeholders. Consistently, the "good management theory" also predicts a positive relationship by arguing that organizations' better relationships with stakeholders lead to their higher performances (Platonova et al., 2016).

Empirically, Garcia-Castro et al. (2010) relate this inconsistency to the endogenous nature of CSR, which was largely ignored in previous studies. They mainly argue that the results of prior studies may change if scholars consider the endogeneity of social and environmental activities. Another research stream suggests that the CSR-performance link may be more complex than a simple direct link (Hull & Rothenberg, 2008; Kim et al., 2018). Yet, the research addressing the characteristics of the business environment, which is moderating the organization's CSR strategy and performance, is limited (Wang et al., 2008; Ofori-Dankwa and Julian, 2013; Chen et al., 2017). Thus, this study examines the relationship between CSR disclosure and performance in the banking sector of transition countries while considering the moderating impact of dynamism (Figure 1). Over the last three decades, the transition countries of Europe and the FSU have conducted radical and sophisticated political-economic reforms comprising the establishment of political and economic institutions, privatizations, and liberalizations (Djalilov & Piesse, 2019). Most of these changes were unpredictable, providing a significant threat for the organizations in these countries. Most of these countries still face constrained economic conditions, where economic growth and job creation have relatively a higher priority than CSR activities (Julian & Ofori-Dankwa, 2013). Moreover, the social-environmental regulations and the institutions supporting CSR are relatively underdeveloped in the transition countries of Europe and the FSU, providing less restrictions and more flexibility for the organizations to implement CSR strategies.

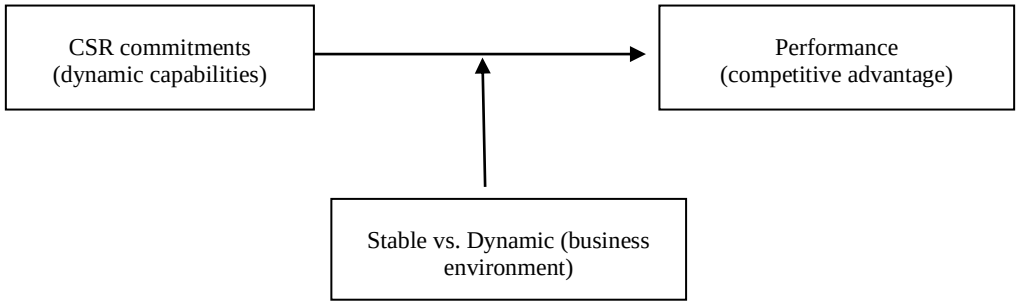

Figure 1. Contingent RBV of CSR

Source: Compiled by the author

Thus, this research argues that CSR strategies may be more reactive and even costly to the organizations of the transition countries in stable (less dynamic) business environments (Chen et al., 2017). Some prior research additionally advocates that stringent CSR regulations contributing to reactive strategies (e.g., inefficient investments, increased costs) may lead to a loss of competitive advantage (Aragón-Correa & Sharma, 2003). However, the nature of CSR strategies may be more proactive in dynamic business environments, with less stringent CSR regulations, ultimately strengthening the organizational competitive advantage. It may also imply that the benefits associated with CSR activities outweigh their costs in dynamic business environments. Therefore, dynamism is an important moderator contributing to the CSR-performance nexus in the transition countries of Europe and the FSU. Our hypotheses consider the performance effects of overall (total) CSR disclosure and its four categories such as *Community involvement*, *Environment*, *Employees* as well as *Product and customer service* quality.

Hypothesis 1: Organizations are more likely to implement proactive CSR strategies strengthening their competitive advantage while competing in a dynamic business environment.

Hypothesis 2: Organizations are more likely to implement proactive Community (CSR) strategies strengthening their competitive advantage while competing in a dynamic business environment.

Hypothesis 3: Organizations are more likely to implement proactive Environment (CSR) strategies strengthening their competitive advantage while competing in a dynamic business environment.

Hypothesis 4: Organizations are more likely to implement proactive Employees (CSR) strategies strengthening their competitive advantage while competing in a dynamic business environment.

Hypothesis 5: Organizations are more likely to implement proactive Product and customer service (CSR) strategies strengthening their competitive advantage while competing in a dynamic business environment.

3. Method

3.1 Data. This study uses an unbalanced panel sample for 319 commercial banks sourced from *Bankscope*. We specifically choose the period of 2002-2014 as it includes a mix of turbulent and stable transition countries, consistent with the aim of this study. The World Bank's World Development Indicators and the Regulation and Supervision surveys are the sources for the macroeconomic and the banking regulation data, respectively. In addition, the economic freedom data is sourced from the Heritage Foundation.

3.2. Empirical Specification. This study applies system GMM (Arellano and Bover, 1995; Blundell and Bond, 1998) to estimate the hypotheses while considering the dynamic nature of bank performance (Athanasoglou et al., 2008). Furthermore, this approach allows us to control successfully for the endogeneity problems. Consistent with the literature, the bank-specific and macroeconomic variables are treated as predetermined (weakly exogenous) and endogenous variables, respectively (Männasoo and Mayes, 2009; Agoraki et al., 2011; Djalilov and Piesse, 2019). Furthermore, the lags of instrumented variables are employed as instruments, and their overall validity is tested by the Hansen-test (Roodman, 2009). Thus, the empirical specification is as follows:

$$\text{Performance}_{i,j,t} = \delta\text{Performance}_{i,j,t-1} + b_1\text{Bank}_{i,j,t} + b_2\text{Industry}_{j,t} + b_3\text{Macro}_{j,t} + b_4\text{EU}_{j,t} + b_5\text{CSR}_{i,j,t} + b_6\text{CSR}_{i,j,t} * \text{Dynamism}_j + \mu_{i,j,t} \quad (1)$$

for bank *i*, in country *j* and at time *t*. While showing the speed of adjustment, the coefficient δ ranges between 0 and 1. **Bank, Industry** and **Macro** comprise bank-specific, industry and macroeconomic control

Business Ethics and Leadership, Volume 6, Issue 1, 2022
ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

variables, respectively. To control for the effects of EU membership, this study uses a dummy by taking a value of 1 if a state is an EU member for a particular year and 0 otherwise.

3.2.1. Bank Performance (Dependent Variable). The determination of industrial best performers and an investigation of the sources of their superiority are important problems in strategic management. However, scholars often face challenges to develop a performance variable that could best describe superior performers with a significant competitive advantage (C.-M. Chen et al., 2015). The concept of "competitive advantage", relevant to superior performers, is associated with both cost efficiency (minimization) and revenue maximization. However, the most commonly used performance variables in empirical studies are organizational financial returns such as Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q mainly covering the dimension of revenue maximization only (Goll & Rasheed, 2004; Surroca et al., 2010). Empirical studies indicate that the strategies implemented to improve an organization's cost efficiency are often different from those designed to maximize revenues (C.-M. Chen et al., 2015). Therefore, this study measures bank performance by using the methodology of relative profit efficiency (competitive advantage) covering two dimensions (cost efficiency and revenue maximization) simultaneously. It is the superior method that is describing an organizational performance that is consistent with the concept of a "competitive advantage" of strategic management.

The measure of bank performance (competitive advantage) is calculated by using a stochastic frontier model (SFA) following the approach proposed by Battese and Coelli (1995). The main advantage of SFA (compared to Data Envelopment Analysis) is that it separates inefficiency from other stochastic shocks when measuring efficiency (Semih Yildirim and Philippatos 2007; Pasiouras et al., 2009). This study employs three input (Wit) and two output (Yit) variables in SFA following Gaganis and Pasiouras (2013), Luo et al. (2016), and Djalilov and Piesse (2019) considering banks as financial intermediaries[1]. Due to its flexibility and consistency with the literature (Tabak et al., 2012; Luo et al., 2016), this study uses a translog (transcendental logarithmic) for the SFA model specification as follows:

$$logProfit_{it} = f(Y_{i,t}, W_{i,t}) + \text{Controls} - u_{it} + \upsilon_{it} \quad (2)$$

where $\nu_{i,t}$ is the random error, which is independent and identically distributed as N(0, σ_{ν}^2); while $u_{i,t}$ is the term for a non-negative random inefficiency following a truncated-normal distribution.[2] This specification additionally uses macroeconomic and institutional variables (GDP per capita and Economic freedom) to control for the cross-country heterogeneity[3].

3.2.2. Measuring CSR Disclosure. Due to their limited coverage of transition countries, the CSR ratings are not suitable in this study. Therefore, we employ the content analysis to develop the CSR disclosure variable. Although this approach is not perfect, it is the superior method currently available to cover CSR in the transition countries of Europe and the FSU. Moreover, previous studies find a positive link between the CSR disclosure and CSR performance, implying that good CSR performers tend to report their social and environmental commitments (Clarkson et al., 2008; Chen et al., 2017).

Thus, this study measures the four categories of CSR disclosure, such as *Community involvement*, *Environment*, *Employees* as well as *Product and customer service quality* following Jizi et al. (2014). Specifically, the content of each CSR category was assessed from zero to five according to the quality and richness of disclosed information, while *Total CSR* scores (comprising all four categories of CSR) vary between zero and twenty[4]. This study assessed the content of bank annual reports while measuring the categories of CSR disclosure as their readership is significantly wider among the most relevant stakeholders (Jizi et al., 2014). Moreover, the content of annual reports is audited extensively compared to that of specialised CSR reports (Perego & Kolk, 2012). Therefore, the content of annual reports is the most reliable source to assess and construct the CSR disclosure variables in the banking sector of transition countries of Europe and the FSU.

[1] To save space, we dropped the description of the input-output variables. Please see the stated studies for their detailed descriptions.
[2] Please see Battese and Coelli (1995) for more detailed descriptions. The estimates of profit efficiency are calculated as Efficiency=exp(-u), where $u_{i,t}$ are the point estimates of Inefficiency.
[3] The same frontier specification is employed by Djalilov and Piesse (2019).
[4] Please see Jizi et al. (2014) for the details of the CSR framework. The author provided a period of training to a coder in assessing the CSR content of annual reports. To conduct the reliability test, the author and the coder independently assessed the content of 11 annual reports and calculated the correlation above 60% between these two groups of scores. While the author well acknowledges that a content analysis is open to criticism, there has been limited prior CSR empirical research exploring the transition countries of Europe and the FSU. Thus, this paper represents the start of a journey utilising the best CSR data for the transition countries.

3.2.3. Other Variables. Dynamism is calculated in two steps following Chen et al. (2017). In the first step, the natural logarithm of industry's (banking) total assets and an index variable of years (a time variable) were regressed, where the latter was serving as an exogenous variable. In the second step, the antilog of the standard error of the slope regression coefficient was calculated to measure a score of *Dynamism* (Chen et al., 2017). This research additionally includes the bank, industry, institutional and macroeconomic control variables following the literature (Agoraki et al., 2011; Delis & Kouretas, 2011; Tabak et al., 2012). The detailed descriptions of these control variables are presented in Table 1.

Table 1. Variables and Their Sources

Variables	Description	Source
A. Main variables		
Bank performance	SFA is used to measure the dependent variable (bank profit efficiency or competitive advantage)	Authors' calculations
CSR	This study assesses the quality of disclosed information in banks' annual reports to measure four CSR categories following Jizi et al. (2014).	Banks' annual reports
Dynamism	1. The natural logarithm of industry's (banking) total assets and an index variable of years (a time variable) were regressed (the latter was serving as an exogenous variable). 2. The antilog of the standard error of the slope regression coefficient was calculated to measure a score of *Dynamism*.	Authors' calculations
B. Bank-specific control variables		
Return on Assets (ROA)	Profit (pre-tax)/Total Assets	Bankscope
Size	Natural logarithm of total assets	
Liquidity	Gross loans/Total deposits	
Capital Ratio	Equity/Total Assets	
Foreign	According to the major shareholders, this study classifies three types of bank ownership such as Foreign, State and Private, and uses three relevant dummy variables.	Banks' websites
State		
Private		
C. Bank regulation and competition control variables		
Capital requirements	Higher scores indicate higher capital stringency.	Bank Regulation and Supervision survey (World Bank)
Boone indicator	Following Tabak et al. (2012), this study uses the inverse of Boone making the latter positively proportional to competition.	Global Financial Development (World Bank)
D. Institutions and Macroeconomic variables		
Economic freedom	While ranging between 0 and 100, this index shows a level of economic freedom in a country, i.e., higher scores imply more economic freedom.	The Heritage Foundation
Domestic credit to private sector	Domestic credit to private sector provided by a financial sector (% of GDP)	World Development Indicators (World Bank)
GDP per capita	GDP per capita in current US dollars	
GDP growth	Percentage changes (annual) in GDP	
Inflation	Percentage changes (annual) in consumer prices	

Note: Similar variables and data sources are used by Djalilov and Piesse (2019) and Djalilov and Hartwell (2021)

Source: Compiled by the author

4. Results

Table 2 reports the means, the standard deviations, and the correlations for all the bank-specific variables included in this study. The standard deviations for Size, Liquidity and *Total CSR* are relatively large, implying that these variables vary significantly across the banks. In addition, Table 2 shows that the two types of ownership, such as Foreign and Private, are highly correlated so we will use Foreign and State in the subsequent analyses. Moreover, the categories of CSR disclosure are all highly correlated, and, therefore, we will consider only one of them at a time. The other variables are not highly correlated.

Table 2. Descriptive Statistics and Correlation Matrix

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	Mean
1. Efficiency	0.49	0.24													0.49
2. ROA	0.01	0.05	0.17												0.01
3. Size	6.57	1.87	0.12	0.03											6.57
4. Liquidity	1.01	2.56	-0.03	-0.22	-0.07										1.01
5. Foreign	0.69	0.46	-0.02	0.03	0.15	-0.02									0.69
6. State	0.07	0.25	0.01	-0.06	0.07	0.00	-0.40								0.07

Business Ethics and Leadership, Volume 6, Issue 1, 2022
ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

Table 2 (cont.). Descriptive Statistics and Correlation Matrix

7. Private	0.25	0.43	0.01	0.01	-0.21	0.02	-0.84	-0.15							0.25
8. Capital ratio	0.16	0.13	-0.20	0.12	-0.50	0.14	-0.03	-0.01	0.03						0.16
9. Total CSR	0.81	2.46	0.00	0.02	0.31	-0.01	0.11	-0.01	-0.11	-0.07					0.81
10.Community involvement	0.39	1.02	0.02	0.02	0.35	-0.02	0.11	-0.02	-0.11	-0.10	0.88				0.39
11.Environment	0.11	0.51	0.00	0.01	0.24	0.00	0.10	0.01	-0.11	-0.04	0.85	0.64			0.11
12. Employees	0.20	0.75	-0.01	0.01	0.23	-0.01	0.09	-0.01	-0.09	-0.04	0.89	0.69	0.69		0.20
13. Product and customer	0.11	0.56	0.00	0.01	0.20	0.00	0.06	0.01	-0.07	-0.03	0.82	0.54	0.73	0.70	0.11

Note: The main variables of interest (CSR) are italicized

Source: Compiled by the author

Table 3 presents the average means of the country-environmental variables, such as Inflation, Domestic credit to the private sector, GDP growth, and *Dynamism* for 2002-2014. The table particularly shows that the average means of Inflation and GDP growth are lower in EU member states, implying that non-EU member states have experienced higher inflation and economic growth. Furthermore, the average means for the Domestic credit to the private sector indicate that the EU states have relatively better developed financial sectors, providing more resources for the development of the private sectors.

Table 3. Country-Environmental Variables

Countries	Inflation (CPI, annual %)	Domestic credit to private sector (% of GDP)	GDP growth (annual %)	Dynamism
EU				
Bulgaria	4.554	52.411	3.608	1.008
Croatia	2.189	60.333	1.493	1.012
Czech Republic	2.143	39.315	2.501	1.003
Estonia	3.686	75.607	3.541	1.017
Hungary	4.486	48.659	1.795	1.006
Latvia	4.579	69.562	3.788	1.007
Lithuania	2.886	47.751	4.341	1.022
Poland	2.407	38.144	3.805	1.010
Romania	7.985	28.692	3.747	1.008
Slovak Republic	3.477	43.699	4.244	1.003
Slovenia	3.065	64.555	1.861	1.008
Average EU	**3.769**	**51.702**	**3.157**	**1.010**
non-EU				
Armenia	4.630	22.256	7.097	1.007
Azerbaijan	6.704	15.622	11.773	1.006
Belarus	23.016	23.715	6.118	1.017
Bosnia and Herzegovina	2.392	46.918	3.259	1.009
Georgia	5.210	27.297	6.194	1.028
Kazakhstan	8.046	37.553	7.092	1.007
Macedonia	2.118	35.737	3.203	1.007
Moldova	8.369	31.555	5.100	1.009
Serbia	9.965	35.479	3.144	1.018
Ukraine	9.330	57.650	2.724	1.015
Average non-EU	**7.978**	**33.378**	**5.570**	**1.012**

Source: Compiled by the author

Although the average means for *Dynamism* in EU and non-EU states are similar, Belarus, Georgia, Estonia, Lithuania, Serbia, and Ukraine have had more dynamic banking sectors from 2002 to 2014. It might partially cause the severe impact of the global financial crisis (2007-2009). Furthermore, the revolutions in Belarus, Georgia, and Ukraine are likely to have had significant effects. Following Klomp and De Haan (2012), this study applies the "general-to-specific" approach while selecting the control variable to be included in (1). Specifically, the model initially comprises all control variables. Then, the least significant control variable ($p>0.10$) is removed, and the model is re-estimated. This procedure is repeated until (1) becomes free from the least effective of the control variables. Consequently, the least important variables, such as Foreign ownership, Boone indicator, Domestic credit to the private sector, and the EU membership, are removed.

This research tested the hypotheses with many regression models and reported the results in Table 4. While Model 1 presents the control variables only, the main variables and their interactions are included in Models 2-6 (Table 4). The results confirm the absence of over-identifying restrictions (the Hansen test). Furthermore, the coefficients appear to be stable across all models. Although the first-order autocorrelation is present, this does not imply that

the results are inconsistent. It would only be the case if the second-order autocorrelation were present (Arellano & Bond, 1991). Furthermore, the Arellano-Bond (AB) test results indicate the absence of the second-order autocorrelation. The coefficients of the lagged dependent variable that range between 0 and 1 imply the persistence of bank performance (competitive advantage).

Table 4. GMM Dynamism

Variables	(1)	(2)	(3)	(4)	(5)	(6)
Competitive advantage$_{t-1}$	0.468***	0.449***	0.459***	0.448***	0.440***	0.469***
	(0.051)	(0.050)	(0.046)	(0.048)	(0.050)	(0.048)
Size	-0.005	0.001	-0.003	-0.001	-0.002	-0.004
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)
Liquidity	0.003**	0.003	0.003	0.003*	0.003*	0.003**
	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.001)
State ownership	0.101*	0.110*	0.126*	0.107**	0.111*	0.087
	(0.060)	(0.062)	(0.071)	(0.053)	(0.060)	(0.059)
Capital ratio	-0.325**	-0.305**	-0.276**	-0.302**	-0.284**	-0.309**
	(0.136)	(0.135)	(0.136)	(0.127)	(0.130)	(0.133)
GDP growth	0.006***	0.006***	0.006***	0.006***	0.006***	0.006***
	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Inflation	-0.000*	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Crisis (2007-2009)	-0.021**	-0.023**	-0.023**	-0.022**	-0.021**	-0.022**
	(0.011)	(0.010)	(0.010)	(0.010)	(0.011)	(0.010)
ROA	0.738*	0.890*	0.844**	0.852*	0.783	0.989**
	(0.447)	(0.490)	(0.424)	(0.459)	(0.476)	(0.499)
Capital requirements		0.006	0.008	0.007	0.009	0.005
		(0.006)	(0.005)	(0.006)	(0.006)	(0.006)
Dynamism		-1.349	-2.470	0.202	-1.421	0.690
		(1.873)	(1.944)	(1.807)	(1.856)	(1.758)
Total CSR		-0.820*				
		(0.442)				
*Total CSR * Dynamism*		0.806*				
		(0.436)				
Community involvement			-3.079***			
			(1.120)			
*Community involvement * Dynamism*			3.043***			
			(1.107)			
Environment				-4.903*		
				(2.651)		
*Environment * Dynamism*				4.824*		
				(2.616)		
Employees					-1.254	
					(2.477)	
*Employees * Dynamism*					1.229	
					(2.448)	
Product and customer						0.627
						(2.710)
*Product and customer * Dynamism*						-0.647
						(2.680)
Number of instruments	166	232	232	225	225	222
Hansen-test	0.625	0.658	0.554	0.628	0.558	0.475
AB test AR(1) (p-value)	0.000	0.000	0.000	0.000	0.000	0.000
AB test AR(2) (p-value)	0.625	0.591	0.572	0.599	0.565	0.640
Observations	1,960	1,960	1,960	1,960	1,960	1,960

*Note: * Significant at the 0.10, ** at the 0.05, *** at the 0.01 levels. Windmeijer-corrected standard errors are in parentheses. The constant term is included, but not reported. The number of instruments is limited to restrict the lag range to two. The main variables of interest (CSR and Dynamism) and their interactions are italicized*

Source: Compiled by the author

In Models 2-6 (Table 4), *Dynamism* is not statistically significant. In addition, *Total CSR* enters Model 2 as significantly negative (β= -0.820, $p<0.10$), implying that *Total CSR* is negatively associated with banks' competitive advantage in the transition countries. It is consistent with Friedman's argument that companies move away from their profit maximization goal by engaging in social projects. Moreover, this argument is further supported by Preston and O'Bannon (1997) in their "trade-off hypothesis," suggesting that companies lower their financial performances by their active participation in social initiatives. Similarly, *Community*

Business Ethics and Leadership, Volume 6, Issue 1, 2022
ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

involvement appears to be significantly negative (β= -3.079, p<0.01), implying its negative association with the dependent variable. It suggests that the banks' participation in community related social projects (such as charities, sponsorship of education, health, and culture) negatively contributes to their competitive advantage in the transition countries. *Environment* also enters Model 4 as significantly negative (β= -4.903, p<0.10), suggesting its negative relationship with the banks' competitive advantage. Similarly, the banks' commitment to environmental projects (such as recycling, protection of natural resources, and energy saving) decreases their competitive advantage in the transition countries. However, the other categories of CSR, such as *Employees* and *Product and customer*, are not statistically significant, implying the absence of their direct association with the dependent variable.

Models 2-4 (Table 4) show that the interaction coefficients are positively significant, implying that *Dynamism* moderates the CSR-performance relationship. In particular, the interactions of *Total CSR* (β= 0.806, p<0.10), *Community involvement* (β= 3.043, p<0.01) as well as *Environment* (β= 4.824, p<0.10) have positive associations with banks' competitive advantage supporting Hypotheses 1, 2 and 3 only (Table 4). The control variables, such as GDP growth and ROA, appear significantly positive. It indicates that the countries with more economic growth, proxied by GDP growth, tend to have better-performing banks, consistent with Barth et al. (2013). This further implies that banks' profitability is associated with their competitive advantage. Interestingly, the state-owned banks appear to be more efficient in this sample, consistent with Haque and Brown (2017). However, the Capital ratio negatively enters the models, indicating its negative link with a competitive advantage, consistent with Dong et al. (2017). The results additionally suggest that banks tend to have lower efficiency over the crisis period (2007-2009). Finally, Size, Liquidity, Inflation, and Capital requirements do not appear statistically significant and robust across the models.

This research additionally presents how the slopes of competitive advantage, conditional on the various facets of CSR, differ depending on the values of the *Dynamism.* Specifically, Figure 2 shows this in *Total CSR* (2a), *Community Involvement* (2b), and *Environment* (2c), as only their interactions have appeared to be statistically significant in the preceding analysis. The figures particularly indicate the CSR-performance relationship with pointwise 95% confidence intervals at six different levels of *Dynamism*, ranging from 1.0100 (most stable) to 1.0275 (most dynamic). Furthermore, the figures showed the link at all levels of *Total CSR* (0 to 20), *Involvement* (0 to 5), and *Environment* (0 to 5).

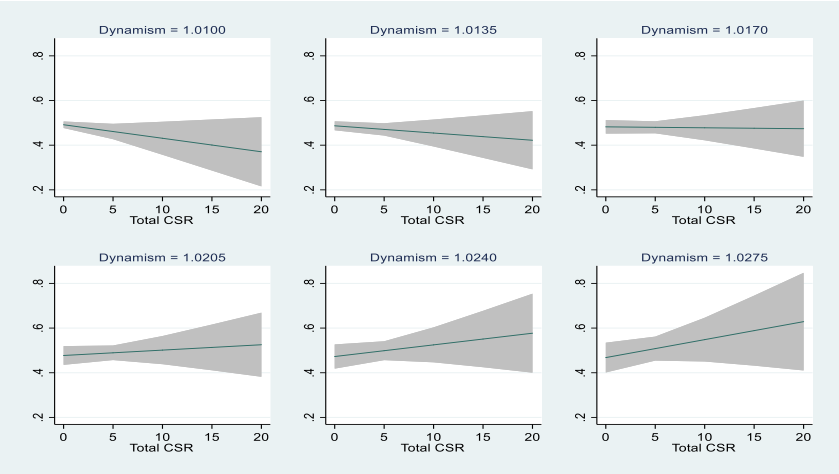

Figure 2a. Effects of *Total CSR* Contingent on Dynamism

Source: Compiled by the author

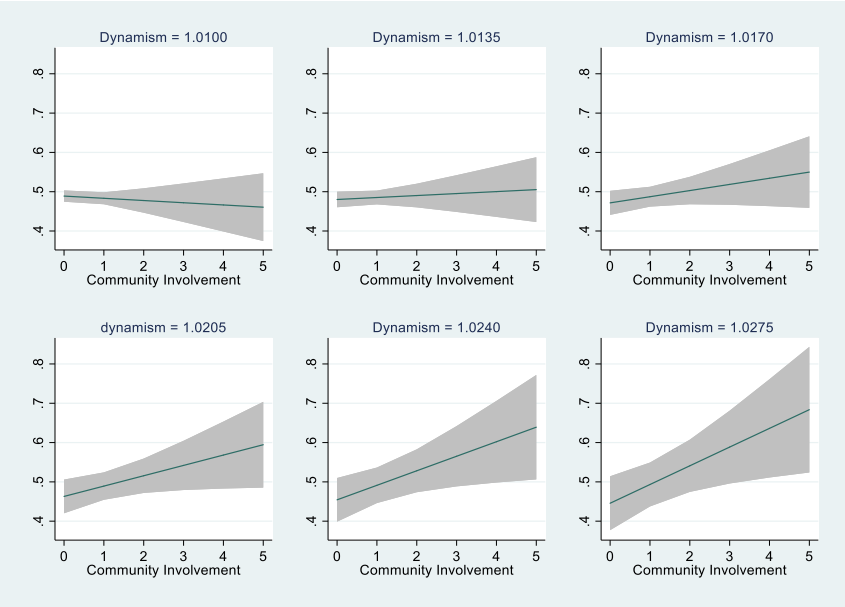

Figure 2b. Effects of *Community Involvement* Contingent on Dynamism

Source: Compiled by the author

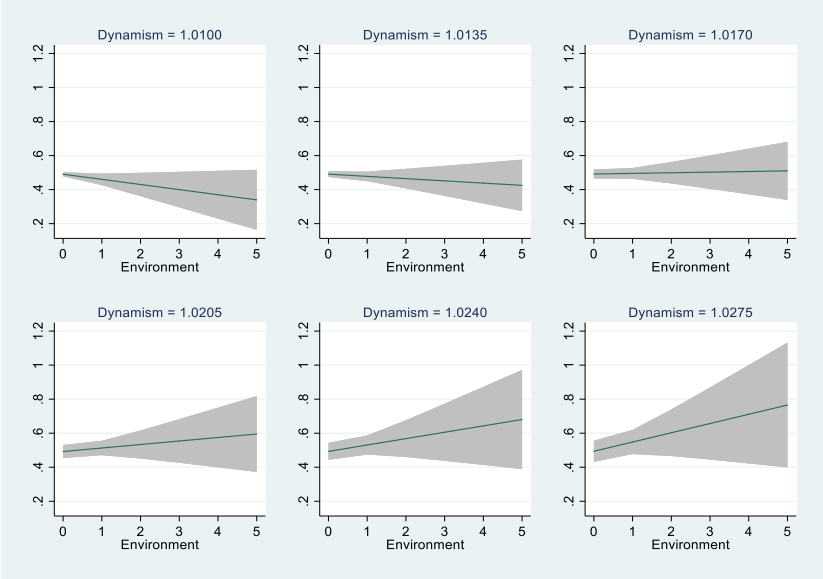

Figure 2c. Effects of *Environment* Contingent on Dynamism

Source: Compiled by the author

As the *Total CSR*, *Community Involvement*, and *Environment* scores increase further (Figures 2a, 2b, and 2c), their link with the competitive advantage becomes more negative in stable business environments (i.e., *Dynamism*=1.0100). However, the opposite occurs in dynamic environments (*Dynamism*=1.0275). Specifically, the figures imply that the performance benefits of CSR significantly outweigh their costs in dynamic environments. Thus, the social and environmental commitments support banks to sustain and improve their competitive advantage further in the fast-changing, uncertain and dynamic environments only. Overall, the figures show that the relationship between CSR and performance depends on the levels of *Dynamism*. To address the robustness of our results to the methodological choices, we replaced Crisis (2007-2009) and Capital requirements with Post-crisis (2010-2014) and Activity restrictions, respectively (Models 1-5, Table 5). However, the results of Table 5 are like those presented in Table 4, implying that they are not sensitive to any specification.

Business Ethics and Leadership, Volume 6, Issue 1, 2022
ISSN (online) – 2520-6311; ISSN (print) – 2520-6761

Table 5. GMM Dynamism (Robust)

Variables	(1)	(2)	(3)	(4)	(5)
Competitive advantage$_{t-1}$	0.427***	0.429***	0.417***	0.411***	0.436***
	(0.044)	(0.044)	(0.045)	(0.045)	(0.045)
Size	0.004	-0.000	0.003	0.002	0.000
	(0.007)	(0.008)	(0.008)	(0.008)	(0.007)
Liquidity	0.003	0.003	0.003*	0.003	0.003*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
State ownership	0.097	0.125*	0.107**	0.107	0.076
	(0.073)	(0.071)	(0.054)	(0.073)	(0.068)
Capital ratio	-0.332**	-0.317**	-0.317**	-0.344**	-0.333**
	(0.138)	(0.135)	(0.134)	(0.136)	(0.138)
GDP growth	0.007***	0.007***	0.007***	0.007***	0.007***
	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Inflation	-0.000	-0.000	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Post-crisis (2010-2014)	0.020*	0.017	0.018*	0.019*	0.019*
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
ROA	0.968**	1.012**	0.887*	0.932*	0.991**
	(0.485)	(0.503)	(0.480)	(0.515)	(0.490)
Activity restrictions	0.004	0.003	0.004	0.003	0.003
	(0.004)	(0.004)	(0.003)	(0.004)	(0.004)
Dynamism	-1.083	-2.177	0.050	-1.329	0.349
	(1.797)	(1.879)	(1.849)	(1.808)	(1.793)
Total CSR	-0.765*				
	(0.434)				
*Total CSR * Dynamism*	0.752*				
	(0.427)				
Community involvement		-2.626**			
		(1.124)			
*Community involvement * Dynamism*		2.598**			
		(1.111)			
Environment			-5.146**		
			(2.535)		
*Environment * Dynamism*			5.063**		
			(2.500)		
Employees				-1.465	
				(2.398)	
*Employees * Dynamism*				1.436	
				(2.370)	
Product and customer					0.355
					(2.569)
*Product and customer * Dynamism*					-0.385
					(2.540)
Number of instruments	232	232	225	225	222
Hansen-test	0.523	0.317	0.400	0.571	0.650
AB test AR(1) (p-value)	0.000	0.000	0.000	0.000	0.000
AB test AR(2) (p-value)	0.564	0.533	0.547	0.526	0.579
Observations	1,960	1,960	1,960	1,960	1,960

Source: Compiled by the author

5. Discussion

Overall, the results indicate that the direct association between CSR and performance is negative, but the opposite is true when the link is moderated by *Dynamism*. Specifically, system GMM shows that *Total CSR*, *Community involvement*, and *Environment* positively associate banks' competitive advantage in a dynamic context supporting Hypotheses 1, 2, and 3. It implies that organizations implement more proactive CSR in dynamic business environments and is consistent with the literature (Aragón-Correa & Sharma, 2003; Chen et al., 2017). Furthermore, this also indicates that *Dynamism* is a significant moderator of the CSR-performance nexus within the transition countries of Europe and the FSU.

This study has theoretical and managerial implications. The perception of the CSR-performance link is significantly improved when they are assessed in a CSRlow − CSRhigh/Environmentstable − Environmentdynamic matrix. This finding, in particular, informs the theory of Contingent RBV that CSR has different effects in stable and dynamic business environments. These results additionally inform managers

and policy-makers that CSR (CSR disclosure) is an important strategic growth option, especially in the highly dynamic environments of the transition countries of Europe and the FSU. Therefore, the policy-makers in these countries should develop policies that encourage CSR-related organizational dynamic capabilities. Finally, the managers in these countries need to consider CSR activities as a serious instrument to sustain and improve their competitive advantage further in dynamic business environments.

6. Conclusions

On the one hand, the fact that organizational performance is subject to the fit between organizational resources, capabilities, and strategies, and the characteristics of business environments, on the other, has been well recognized by scholars and managers (Goll & Rasheed, 2004). In particular, the Contingent RBV argues that the extent to which these internal organizational functions lead to superior performance is influenced by the state of the business environments (Aragón-Correa & Sharma, 2003). However, the importance of the business environment characteristics facilitating the CSR-performance nexus is not well established in the literature (Wang et al., 2008; Ofori-Dankwa and Julian, 2013; Chen et al., 2017). By treating CSR disclosure as dynamic organizational capabilities, therefore, this study aimed to investigate the CSR-performance link while considering the moderating role of *Dynamism* in the banking sector of transition countries of Europe and the FSU for the period 2002-2014.

Overall, the results indicate that the direct association between CSR and performance is negative, but the opposite is true when the link is moderated by *Dynamism*. Specifically, system GMM shows that *Total CSR, Community involvement,* and *Environment* positively associate banks' competitive advantage in a dynamic context supporting Hypotheses 1, 2, and 3. It implies that organizations implement more proactive CSR in dynamic business environments and is consistent with the literature (Aragón-Correa & Sharma, 2003; Chen et al., 2017). Furthermore, this also indicates that *Dynamism* is a significant moderator of the CSR-performance nexus within the transition countries of Europe and the FSU. This study offers several theoretical and empirical contributions to the various streams of the literature. Firstly, the research exploring the CSR-performance nexus within the context of the transition countries of Europe and the FSU is limited. Furthermore, previous research studies consider mostly stable business environments. This research investigated the CSR-performance relationship for 21 transition countries, considering the most turbulent period (2002-2014) for these countries to fill in this gap.

Secondly, this research empirically tested the theoretical propositions developed by Aragon-Correa and Sharma (2003) on the importance of the business environment. Specifically, this is the first study applying the Contingent RBV to investigate the performance implications of CSR disclosure in the banking sectors, which is building on the studies by Goll and Rasheed (2004) and Wang et al. (2008). In addition, this research investigated the performance effects of four different CSR categories. Moreover, this study provides new theoretical evidence to present the fact that organizations with similar resources and capabilities (i.e., CSR disclosure) can achieve different performances in various business environments. Furthermore, it builds on the studies by (1) Wang et al. (2008), Chen et al. (2017) and Garcia-Sánchez and Martinez-Ferrero (2019) on the role of business environments; and (2) Soana (2011), Wu and Shen (2013) and Esteban-Sanchez et al. (2017) on the CSR practices in the banking sectors. Empirically, most of the studies that are exploring the performance implications of CSR and CSR disclosure employ accounting and market-based measures, such as ROA, ROE, and Tobin's Q, as a proxy for bank performance (Soana, 2011; Wu & Shen, 2013). However, these single measures capture only some aspects of organizational performance, thus having limited implications for competitive advantage. Therefore, this research proxies bank performance with relative profit efficiency from the stochastic frontier. Superior to the accounting and market-based measures, relative profit efficiency (competitive advantage) captures the broader dimensions of organizational performance and fully matches the concept of organizational competitive advantage proposed by the strategic management literature (Chen et al., 2015).

This study has theoretical and managerial implications. The perception of the CSR-performance link is significantly improved when they are assessed in a CSR-low-CSR-high/Environmentstable-Environmentdynamic matrix. This finding informs the theory of Contingent RBV that CSR has different effects in stable and dynamic business environments. These results additionally inform managers and policymakers that CSR (CSR disclosure) is an essential strategic growth option, especially in the highly dynamic environments of the transition countries of Europe and the FSU. Therefore, the policymakers in these countries should develop policies that encourage CSR-related organizational dynamic capabilities. Finally, the managers in these countries need to consider CSR activities as a serious instrument to sustain and improve their competitive advantage further in dynamic business environments. This study has several

limitations proposing many opportunities for future research. This research considers only *Dynamism* while acknowledging the importance of other characteristics of the business environment. Moreover, banks with various sizes and ownership types may develop different dynamic capabilities (CSR or CSR disclosure), leading to heterogeneous performance results. Therefore, future research can address these issues by considering the moderating roles of other characteristics of the business environment and its organizational specifications.

Funding. There is no funding for this research

References

1. Abreu, M.C.S. de. (2009). How to define an environmental policy to improve corporate sustainability in developing countries. *Business Strategy and the Environment*, *18*(8), 542-556. [Google Scholar] [CrossRef]
2. Agoraki, M.-E. K., Delis, M.D., & Pasiouras, F. (2011). Regulations, competition and bank risk-taking in transition countries. *Journal of Financial Stability*, *7*(1), 38-48. [Google Scholar] [CrossRef]
3. Aragón-Correa, J. Alberto & Sharma, S. (2003). A contingent resource-based view of proactive corporate environmental strategy. *Academy of Management Review*, *28*(1), 71-88. [Google Scholar] [CrossRef]
4. Aragón-Correa, Juan Alberto (1998). Strategic proactivity and firm approach to the natural environment. *Academy of Management Journal*, *41*(5), 556-567. [Google Scholar] [CrossRef]
5. Arellano, M. & Bond, S. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *The Review of Economic Studies*, *58*(2), 277-297. [Google Scholar] [CrossRef]
6. Arellano, M. & Bover, O. (1995). Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics*, *68*(1), 29-51. [Google Scholar] [CrossRef]
7. Arrive, J.T. & Feng, M. (2018). The complexity of the environment, management control and firm performance. *Business Strategy and the Environment*, *27*(8), 1347-1354. [Google Scholar] [CrossRef]
8. Athanasoglou, P.P., Brissimis, S.N., & Delis, M.D. (2008). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Journal of International Financial Markets, Institutions and Money*, *18*(2), 121-136. [Google Scholar] [CrossRef]
9. Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, *17*(1), 99. [Google Scholar] [CrossRef]
10. Barney, J. (2001). Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view. *Journal of Management*, *27*(6), 643-650. [Google Scholar] [CrossRef]
11. Barney, J.B. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, *11*(3), 656-665. [Google Scholar] [CrossRef]
12. Barth, J.R., Lin, C., Ma, Y., Seade, J., & Song, F.M. (2013). Do bank regulation, supervision and monitoring enhance or impede bank efficiency? *Journal of Banking and Finance*, *37*(8), 2879-2892. [Google Scholar] [CrossRef]
13. Battese, G.E. & Coelli, T.J. (1995). A model for technical inefficiency effects in a stochastic frontier production function for panel data. *Empirical Economics*, *20*(2), 325-332. [Google Scholar] [CrossRef]
14. Blundell, R. & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics*, *87*(1), 115-143. [Google Scholar] [CrossRef]
15. Brammer, S. & Millington, A. (2008). Does it pay to be different? An analysis of the relationship between corporate social and financial performance. *Strategic Management Journal*, *29*(12), 1325-1343. [Google Scholar] [CrossRef]
16. Brooks, C. & Oikonomou, I. (2018). The effects of environmental, social and governance disclosures and performance on firm value: A review of the literature in accounting and finance. *The British Accounting Review*, *50*(1), 1-15. [Google Scholar] [CrossRef]
17. Brush, T.H. & Artz, K.W. (1999). Toward a contingent resource-based theory: The impact of information asymmetry on the value of capabilities in veterinary medicine. *Strategic Management Journal*, *20*(3), 223-250. [Google Scholar] [CrossRef]
18. Campbell, J.L. (2007). Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility. *The Academy of Management Review*, *32*(3), 946-967. [Google Scholar] [CrossRef]
19. Carroll, A.B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, *34*(4), 39-48. [Google Scholar]

20. Carroll, A.B. (2016). Carroll's pyramid of CSR: Taking another look. *International Journal of Corporate Social Responsibility*, *1*(1), 3. [Google Scholar] [CrossRef]
21. Chen, C.-M., Delmas, M.A., & Lieberman, M.B. (2015). Production frontier methodologies and efficiency as a performance measure in strategic management research. *Strategic Management Journal*, *36*(1), 19-36. [Google Scholar] [CrossRef]
22. Chen, H., Zeng, S., Lin, H., & Ma, H. (2017). Munificence, dynamism, and complexity: How industry context drives corporate sustainability. *Business Strategy and the Environment*, *26*(2), 125-141. [Google Scholar] [CrossRef]
23. Cho, S.Y. & Lee, C. (2017). Managerial efficiency, corporate social performance, and corporate financial performance. *Journal of Business Ethics*, 1-20. [Google Scholar] [CrossRef]
24. Clarkson, P.M., Li, Y., Richardson, G.D., & Vasvari, F.P. (2008). Revisiting the relation between environmental performance and environmental disclosure: An empirical analysis. *Accounting, organizations and society*, *33*(4-5), 303-327. [Google Scholar] [CrossRef]
25. Cornett, M.M., Erhemjamts, O., & Tehranian, H. (2016). Greed or good deeds: An examination of the relation between corporate social responsibility and the financial performance of US commercial banks around the financial crisis. *Journal of Banking and Finance*, *70*, 137-159. [Google Scholar] [CrossRef]
26. Delis, M.D. & Kouretas, G.P. (2011). Interest rates and bank risk-taking. *Journal of Banking and Finance*, *35*(4), 840-855. [Google Scholar] [CrossRef]
27. Dess, G.G. & Beard, D.W. (1984). Dimensions of organizational task environments. *Administrative science quarterly*, 52-73. [Google Scholar] [CrossRef]
28. Djalilov, K. & Piesse, J. (2016). Determinants of bank profitability in transition countries: What matters most? *Research in International Business and Finance*, *38*, 69-82. [Google Scholar] [CrossRef]
29. Djalilov, K. & Piesse, J. (2019). Bank regulation and efficiency: Evidence from transition countries. *International Review of Economics and Finance*, *64*, 308-322. [Google Scholar] [CrossRef]
30. Dong, Y., Girardone, C., & Kuo, J.-M. (2017). Governance, efficiency and risk taking in Chinese banking. *The British Accounting Review*, *49*(2), 211-229. [Google Scholar] [CrossRef]
31. Eisenhardt, K.M. & Martin, J.A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10-11), 1105-1121. [Google Scholar] [CrossRef]
32. Esteban-Sanchez, P., de la Cuesta-Gonzalez, M., & Paredes-Gazquez, J.D. (2017). Corporate social performance and its relation with corporate financial performance: International evidence in the banking industry. *Journal of Cleaner Production*, *162*, 1102-1110. [Google Scholar] [CrossRef]
33. Gaganis, C. & Pasiouras, F. (2013). Financial supervision regimes and bank efficiency: International evidence. *Journal of Banking and Finance*, *37*(12), 5463-5475. [Google Scholar] [CrossRef]
34. Garcia-Castro, R., Ariño, M.A., & Canela, M.A. (2010). Does social performance really lead to financial performance? Accounting for endogeneity. *Journal of Business Ethics*, *92*(1), 107-126. [Google Scholar] [CrossRef]
35. García-Sánchez, I.-M. (2020). The moderating role of board monitoring power in the relationship between environmental conditions and corporate social responsibility. *Business Ethics: A European Review*, *29*(1), 114-129. [Google Scholar] [CrossRef]
36. García-Sánchez, I.-M., Hussain, N., Khan, S.-A., & Martínez-Ferrero, J. (2020). Do markets punish or reward corporate social responsibility decoupling? *Business & Society*, 0007650319898839. [Google Scholar] [CrossRef]
37. García-Sánchez, I.-M. & Martínez-Ferrero, J. (2019). Chief executive officer ability, corporate social responsibility, and financial performance: The moderating role of the environment. *Business Strategy and the Environment*, *28*(4), 542-555. [Google Scholar] [CrossRef]
38. Goll, I. & Rasheed, A.A. (2004). The moderating effect of environmental munificence and dynamism on the relationship between discretionary social responsibility and firm performance. *Journal of Business Ethics*, *49*(1), 41-54. [Google Scholar] [CrossRef]
39. Haque, F. & Brown, K. (2017). Bank ownership, regulation and efficiency: Perspectives from the Middle East and North Africa (MENA) Region. *International Review of Economics and Finance*, *47*, 273-293. [Google Scholar] [CrossRef]
40. Hull, C.E. & Rothenberg, S. (2008). Firm performance: The interactions of corporate social performance with innovation and industry differentiation. *Strategic Management Journal*, *29*(7), 781-789. [Google Scholar] [CrossRef]
41. Jayachandran, S., Kalaignanam, K., & Eilert, M. (2013). Product and environmental social performance: Varying effect on firm performance. *Strategic Management Journal*, *34*(10), 1255-1264. [Google Scholar] [CrossRef]

42. Jizi, M.I., Salama, A., Dixon, R., & Stratling, R. (2014). Corporate governance and corporate social responsibility disclosure: Evidence from the US banking sector. *Journal of Business Ethics*, *125*(4), 601-615. [Google Scholar] [CrossRef]
43. Julian, S.D. & Ofori-dankwa, J.C. (2013). Financial resource availability and corporate social responsibility expenditures in a sub-Saharan economy: The institutional difference hypothesis. *Strategic Management Journal*, *34*(11), 1314-1330. [Google Scholar] [CrossRef]
44. Keats, B.W. & Hitt, M.A. (1988). A causal model of linkages among environmental dimensions, macro organizational characteristics, and performance. *Academy of Management Journal*, *31*(3), 570-598. [Google Scholar] [CrossRef]
45. Kim, K.-H., Kim, M., & Qian, C. (2018). Effects of corporate social responsibility on corporate financial performance: A competitive-action perspective. *Journal of Management*, *44*(3), 1097-1118. [Google Scholar] [CrossRef]
46. Klomp, J. & De Haan, J. (2012). Banking risk and regulation: Does one size fit all? *Journal of Banking and Finance*, *36*(12), 3197-3212. [Google Scholar] [CrossRef]
47. Lee, K.-H., Cin, B.C., & Lee, E.Y. (2016). Environmental responsibility and firm performance: The application of an environmental, social and governance model. *Business Strategy and the Environment*, *25*(1), 40-53. [Google Scholar] [CrossRef]
48. Lewis, B.W., Walls, J.L., & Dowell, G.W. (2014). Difference in degrees: CEO characteristics and firm environmental disclosure. *Strategic Management Journal*, *35*(5), 712-722. [Google Scholar] [CrossRef]
49. Lu, H., Liu, X., & Falkenberg, L. (2020). Investigating the impact of corporate social responsibility (CSR) on risk management practices. *Business & Society*, 0007650320928981. [Google Scholar] [CrossRef]
50. Luo, Y., Tanna, S., & De Vita, G. (2016). Financial openness, risk and bank efficiency: Cross-country evidence. *Journal of Financial Stability*, *24*, 132-148. [Google Scholar] [CrossRef]
51. Makni, R., Francoeur, C., & Bellavance, F. (2009). Causality between corporate social performance and financial performance: Evidence from Canadian firms. *Journal of Business Ethics*, *89*(3), 409-422. [Google Scholar] [CrossRef]
52. Männasoo, K. & Mayes, D.G. (2009). Explaining bank distress in Eastern European transition economies. *Journal of Banking and Finance*, *33*(2), 244-253. [Google Scholar] [CrossRef]
53. Meyer, K.E. & Peng, M.W. (2005). Probing theoretically into Central and Eastern Europe: Transactions, resources, and institutions. *Journal of International Business Studies*, *36*(6), 600-621. [Google Scholar] [CrossRef]
54. Miller, D. & Friesen, P.H. (1983). Strategy-making and environment: The third link. *Strategic Management Journal*, *4*(3), 221-235. [Google Scholar] [CrossRef]
55. Ofori-Dankwa, J. & Julian, S.D. (2013). Dynamism, capital structure, and performance in a sub-Saharan economy: Extending the institutional difference hypothesis. *Organization Science*, *24*(5), 1422-1438. [Google Scholar] [CrossRef]
56. Oh, W.-Y., Chang, Y. K., & Jung, R. (2019). Board characteristics and corporate social responsibility: Does family involvement in management matter? *Journal of Business Research*, *103*, 23-33. [Google Scholar] [CrossRef]
57. Orazalin, N. (2020). Do board sustainability committees contribute to corporate environmental and social performance? The mediating role of corporate social responsibility strategy. *Business Strategy and the Environment*, *29*(1), 140-153. [Google Scholar] [CrossRef]
58. Orlitzky, M., Schmidt, F.L., & Rynes, S.L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, *24*(3), 403-441. [Google Scholar] [CrossRef]
59. Pasiouras, F., Tanna, S., & Zopounidis, C. (2009). The impact of banking regulations on banks' cost and profit efficiency: Cross-country evidence. *International Review of Financial Analysis*, *18*(5), 294-302. [Google Scholar] [CrossRef]
60. Peng, M.W., Wang, D.Y., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, *39*(5), 920-936. [Google Scholar] [CrossRef]
61. Perego, P. & Kolk, A. (2012). Multinationals' accountability on sustainability: The evolution of third-party assurance of sustainability reports. *Journal of Business Ethics*, *110*(2), 173-190. [Google Scholar] [CrossRef]
62. Platonova, E., Asutay, M., Dixon, R., & Mohammad, S. (2016). The impact of corporate social responsibility disclosure on financial performance: Evidence from the GCC Islamic Banking Sector. *Journal of Business Ethics*, *151*, 451-471. [Google Scholar] [CrossRef]

63. Preston, L.E. & O'bannon, D.P. (1997). The corporate social-financial performance relationship: A typology and analysis. *Business & Society*, *36*(4), 419-429. [Google Scholar] [CrossRef]
64. Price, J.M. & Sun, W. (2017). Doing good and doing bad: The impact of corporate social responsibility and irresponsibility on firm performance. *Journal of Business Research*, *80*, 82-97. [Google Scholar] [CrossRef]
65. Roodman, D. (2009). How to do xtabond2: An Introduction to Difference and System GMM in Stata. *Stata Journal*, *9*(1), 86-136. [Google Scholar] [CrossRef]
66. Russo, M.V. & Fouts, P.A. (1997). A resource-based perspective on corporate environmental performance and profitability. *Academy of Management Journal*, *40*(3), 534-559. [Google Scholar] [CrossRef]
67. Seifert, B., Morris, S.A., & Bartkus, B.R. (2004). Having, giving, and getting: Slack resources, corporate philanthropy, and firm financial performance. *Business & Society*, *43*(2), 135-161. [Google Scholar] [CrossRef]
68. Semih Yildirim, H. & Philippatos, G.C. (2007). Efficiency of banks: Recent evidence from the transition economies of Europe, 1993-2000. *European Journal of Finance*, *13*(2), 123-143. [Google Scholar] [CrossRef]
69. Soana, M.-G. (2011). The relationship between corporate social performance and corporate financial performance in the banking sector. *Journal of Business Ethics*, *104*(1), 133. [Google Scholar] [CrossRef]
70. Sun, J., Wang, F., Wang, F., & Yin, H. (2015). Community institutions and initial diffusion of corporate social responsibility practices in China's banking industry. *Management and Organization Review*, *11*(3), 441-468. [Google Scholar] [CrossRef]
71. Surroca, J., Tribó, J.A., & Waddock, S. (2010). Corporate responsibility and financial performance: The role of intangible resources. *Strategic Management Journal*, *31*(5), 463-490. [Google Scholar] [CrossRef]
72. Tabak, B.M., Fazio, D.M., & Cajueiro, D.O. (2012). The relationship between banking market competition and risk-taking: Do size and capitalization matter? *Journal of Banking and Finance*, *36*(12), 3366-3381. [Google Scholar] [CrossRef]
73. Tetrault Sirsly, C.-A. & Lvina, E. (2019). From doing good to looking even better: The dynamics of CSR and reputation. *Business & Society*, *58*(6), 1234-1266. [Google Scholar] [CrossRef]
74. Uberti, L.J. (2018). Corruption in transition economies: Socialist, Ottoman or structural? *Economic Systems*, *42*(4), 533-555. [Google Scholar] [CrossRef]
75. Wang, H., Choi, J., & Li, J. (2008). Too little or too much? Untangling the relationship between corporate philanthropy and firm financial performance. *Organization Science*, *19*(1), 143-159. [Google Scholar] [CrossRef]
76. Wang, Q., Dou, J., & Jia, S. (2016). A meta-analytic review of corporate social responsibility and corporate financial performance: The moderating effect of contextual factors. *Business & Society*, *55*(8), 1083-1121. [Google Scholar] [CrossRef]
77. Wu, M.-W. & Shen, C.-H. (2013). Corporate social responsibility in the banking industry: Motives and financial performance. *Journal of Banking and Finance*, *37*(9), 3529-3547. [Google Scholar] [CrossRef]
78. Zajac, E.J., Kraatz, M.S., & Bresser, R.K. (2000). Modeling the dynamics of strategic fit: A normative approach to strategic change. *Strategic Management Journal*, *21*(4), 429-453. [Google Scholar] [CrossRef]