

The Mediatory Role of Innovation in the Link between Social and Financial Performance

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Abstract : In the modern competitive business environment, one cannot overstate the importance of corporate social responsibility. The controversial link between the social and financial performance of firms has become a topic of interest for scholars. Hence, this study examines the social and financial performance link by taking into account the mediating role of innovation performance. We conducted the Covariance-based Structural Equation Modeling (CB-SEM) method on an international sample of firms provided by the ASSET4 database. In this research, to explore the black box of the social and financial performance relationship, we first examined the effect of social performance separately on financial performance and innovation; then, we measured the mediation role of innovation in the social and financial performance link. While our results indicate the positive effect of social performance on financial performance and innovation, we cannot document the positive mediating role of innovation. This possibly relates to the long-term nature of benefits from investments in innovation.

Keywords : ESG, financial performance, innovation, social performance, structural equation modeling

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