BOHR International Journal of Business Ethics and Corporate Governance
2023, Vol. 2, No. 1, pp. 59–66
DOI: 10.54646/bijbecg.2023.18
www.bohrpub.com

RESEARCH

Corporate social responsibility and financial performance: An empirical evidence

Riaz Saba*

Harbin Institute of Technology China, Harbin, China

***Correspondence:**
Riaz Saba,
sabariaz345@gmail.com

Received: 14 December 2023; **Accepted:** 18 December 2023; **Published:** 22 December 2023

Since the 1960s, researchers have looked at the correlation between corporate social responsibility (CSR) and bottom-line results. Within the European Union's (EU's) trade territory, CSR became a legal obligation. Canadian businesses interested in international expansion would benefit from learning more about the income opportunities presented by investments in strategic, sustainable business models. A quantitative longitudinal correlational strategy was used for the exploratory investigation. Sustainalytics, a prominent environmental, social, and governance (ESG) research agency in the sector, compiled the CSR rankings. The rankings were based on the following four criteria: Overall score, governance, social justice, and environment. All Canadian corporations' financial data were stored in the System for Electronic Document Analysis and Retrieval (SEDAR). To conduct multiple linear regressions on 61 observations spanning fiscal years 2009–2017, secondary data were collected and imported into Microsoft Excel 2013. The designs illustrate the interplay between the Toronto Stock Exchange's (TSX's) fundamental industries and how CSR relates to revenues from markets outside of Canada. The results showed a strong correlation between adopting CSR strategies and income from markets outside the country. The research found that their financial performance improved when companies adopted CSR practices. Policymakers and business executives in Canada who are considering the possibility of a free trade agreement with the EU may find this helpful report.

Keywords: corporate social responsibility, financial performance, secondary data analysis

1. Introduction

Canadian executive officers (CEOs) actively seek new trade partners to expand their companies' horizons. There is a solid foundation for future growth in commerce between Canada and the European Union (EU). All EU regulations must align with the nonfinancial goals of good governance, the environment, and society. Canadian organizations are curious about the potential financial implications of adopting a corporate social responsibility (CSR) strategy regarding nondomestic sales income. When it comes to environmental reporting compliance, many companies are finding that they need to know how much money they can expect to get back from CSR investments. Before strategically adopting a CSR innovation, businesses should assess the impact on international sales. Free trade marketplaces provide chances for Canadian firms to increase their income. According to Dunlap et al. (1), Canadian firms should investigate if there is a correlation between CSR innovation and financial success since the EU mandates that trade partners use such a model. Bocquet et al. (2) state that CSR is a new way of doing business that can improve a company's bottom line. Companies that put money into CSR are often seen as doing the right thing; however, research shows that these investments don't always pay off (3, 4).

Most previous studies that examined the correlation between CSR strategy adoption and capital availability only included huge companies. The correlation between CSR and bottom-line results was the subject of many studies. Accounting-based financial measures are available to help company leaders assess the possible outcomes of implementing a novel CSR approach. Researchers and

practitioners working with Canadian enterprises may use this study to open new opportunities in the EU trade zone. For CEOs of all sizes and in all industries, this study could help put a price on the potential financial risks and rewards of CSR (5).

To determine if there is a connection between Canadian firms' creative CSR strategies and their financial success, this exploratory quantitative correlational research set out to explore just that. Dunlap et al. (1) state that CSR was mandated for Canadian firms intending to grow into the EU. It is uncertain if the investment will result in sales outside the area. To ascertain a correlation between CSR and international sales for Canadian firms, longitudinal research will be conducted on both high- and low-performing CSR organizations (6). According to the Sustainalytics environmental, social, and governance (ESG) database, CSR is the independent variable.

According to Laszlo et al. (7), the survival of businesses and people's ability were being impacted by climate change. According to Szczanowicz and Saniuk (8), for companies to practice responsible entrepreneurship, they must integrate CSR tools and methods that promote value creation and development into their small and medium enterprise (SME) strategies and evolutionary system designs. Investors trust the company's honesty and reliability more once the company implements a consistent CSR plan (3). After investing in CSR innovation, large US corporations saw a rise in value (9). A new opportunity and trend is for businesses to help reduce the effects of climate change (1). Companies and SMEs in Canada can flourish by expanding their sales outside of the country. Canadian businesses hope to take advantage of the Canada–EU Free Trade Agreement to develop in light of the shifting political climate in the US. Canadian companies cannot miss out on this chance unless they investigate the possible financial benefits of adopting a CSR strategy (10). Therefore, this research aims to analyze the CSR in Canadian organizations through linear regression during the 2009–2017 tenure.

2. Literature review

Canada has a chance to take advantage of the Canada–EU Free Trade Agreement. The CSR compliance is essential to EU law (1). Exporting is the key to expansion for thriving small and medium-sized businesses in Canada. Aligning evolutionary system design with SME strategy and CSR tools and methods is essential for CSR entrepreneurship to enable value generation and development (8, 11). According to Tang et al. (3), investors have more faith in the firm's honesty and reliability once the firm adopts a consistent CSR policy. After investing in CSR innovation, large US corporations saw a rise in value (12). Canadian SMEs are the backbone of the country's economic development. Leaders can learn if Canadian firms' adoption of a CSR strategy boosts their nondomestic sales earnings. Examining the potential link between creative CSR strategy adoption and financial success was the driving force behind this exploratory quantitative correlational analysis.

There are connections between CSR reporting, product and process innovation, and financial success in the theoretical framework. The primary dependent and independent variables are CSR and financial success. The implementation of the innovative blue ocean or fast second strategies and the acceptance of CSR are additional considerations (13, 14). The chance to bring company executives' values in line with the business model is another way CSR and innovation meet (15). Ethical governance is a requirement of CSR. At this crossroads, a new benchmark has been set that businesses are expected to meet. Process innovation is made possible by ethical behavior prioritizing society's well-being (16). A company's ethical principles are upheld in line with the CSR business model. Customers get value from a company's model.

In 2015, Sheehy defined CSR as self-regulation by private businesses. Governance, openness, environmental consciousness, and social justice were all recognized as integral to CSR in the recognized definition. In addition, it provided a foundational description upon which subsequent studies were built. Discrepancies between CSR and financial results were detrimental. Financial results improved after implementing a CSR approach. Garcia–Castro and Francoeur (17) found a correlation between stakeholder participation and the availability of financial resources. Companies that put money into CSR are seen as trustworthy by stakeholders, and as a result, investors and customers value these companies more (12, 18). Businesses that put money into CSR and stakeholder involvement were able to get more funding for innovations (17). Economic, ethical, and stakeholder theories were all a part of CSR. Profit maximization was the central tenet of the economic philosophy. Furthermore, CSR relates to morality and the need for businesses to be answerable to a code of conduct (11, 19). Last, but not least, stakeholder theory helped the company clarify its duties beyond monetary targets (10).

Kim and Mauborgne (20) first proposed the idea of a blue ocean strategy. A blue ocean strategy approach generated interest. Opportunity and development were caused by its unique value offer. With a blue ocean strategy approach, the focus was on value creation and the lowest-cost operation that was so distinct from the competition that traditional benchmarks did not matter. When a company fought in a crowded market by highlighting the cost–value tradeoff, it used a red ocean approach. Neither differentiating yourself nor creating value was a hallmark of a red ocean approach. To expand and be successful, firms had to apply the five forces model to their industry. However, by choosing to embrace a blue ocean strategy, they were able to change the way industry operations were conducted (6). With the help of a blue ocean strategy approach, we were able to

develop a brand-new product or find untapped niches in an already crowded industry (9). A corporation was set up for brand supremacy by both strategic decisions. Put in another way, the two theories generated and provided value in the eyes of the client, who had a good impression of the brand. With the help of a blue ocean strategy, a small or medium-sized company became the market leader. Using consumer behavior data and technological advancements, a blue ocean strategy developed a novel approach to doing business. The intriguing thing about blue ocean strategies is that they brought new business methods and revolutionized whole industries (20). Companies that used AI throughout their supply chains to improve their value creation and reduce their environmental impact were eligible for this approach (5).

3. Methodology

3.1. Design

This research aims to establish the strength of the relationship between innovation, CSR, and bottom-line results. Quantitative methods based on correlational analysis were used in this investigation. According to Cooper and Schindler (21), a quantitative research approach was best for testing hypotheses and measuring variables. Utilizing secondary source data, the research used an exploratory quantitative correlational strategy. Companies that are listed on the Toronto Stock Exchange (TSX) were among the sources. Along with providing publicly available corporate financial reports, the firms would also have an ESG score from Sustainalytics. In line with other studies, such as Mishra (22), Schreck (23), and Tang et al. (3), reputable ESG indexes were used. A study design that used secondary sources to evaluate and analyze associations was validated by Cooper and Schindler (21), who also verified that the nonexperimental research approach was appropriate. A variable is a metric that may vary over time, according to Cooper and Schindler (21). The research examined factors such as company social responsibility and earnings from sales outside of the residence. CSR served as the distinct variable. According to Sheehy (19), CSR refers to a company's nonfinancial reporting focusing on governance, social justice, and the environment. Income from sales outside of the home served as the dependent variable.

Prior studies mainly employed longitudinal approaches (23). For this investigation, a longitudinal design was the best option for obtaining objective data that may suggest a likely conclusion. There is less room for bias and more space for chance when using a longitudinal design (22, 24). A correlational design was used in the research. The investigation looked at how the factors were related and the individual metrics. The connections were not always associated with one another. The primary goal of the research was to determine if there was a correlation between CSR and income from markets outside of the country. Prior information was used to inform the development of research questions (21). The primary research topic and its follow-up subquestions were based on previously conducted studies. Canada wants to know the possible results of adopting a CSR strategy to take advantage of the Canada–EU free trade agreement; therefore, they applied the research topic and its subquestions to their market (1, 25).

3.2. Population and sampling

Businesses in Canada make up the study's population. This research uses a framed sample of publicly traded firms in Canada that are listed on the TSX. Corporations with headquarters in Canada and operations in various economic sectors comprise the bulk of the sample. About 70% of the TSX's market worth comes from the TSX composite index. All firms comprising the TSX composite index are part of the sample frame. Market capitalization on the TSX is determined using the float-adjusted method. The market capitalization ratio is determined by dividing the share price by the number of publicly accessible outstanding shares. TSX assesses the eligibility for the composite index every quarter. Companies may be added or deleted with each quarterly review. To be included in the composite index, the share price must have had a volume-weighted average price of at least C$1 over the preceding quarter. According to TMX (2018), it should reflect an index weighting of at least 0.05.

Eleven distinct industries make up the TSX. Financial, energy, materials, industrial, healthcare, telecommunications, utilities, real estate, technology, and consumer staples are the many industries that make up this economy. Most enterprises are located in the financial, energy, and resources sectors. It is possible to restrict the applicability of results to well-established industries with large market caps due to the sample frame's transparency (TMX. 2018). An industry-leading ESG research organization, Sustainalytics, studies and assesses the TSX composite listed firms according to their ESG performance and the extent to which they have achieved sustainable development goals. Liquidity (float-adjusted ratio), which compares 12-month trading volume to current float shares, must be higher than or equal to 0.2 to calculate market capitalization. Companies must have a market value of C$100 million or more (TMX. 2018). Canada, one of its provinces or territories, was home to the headquarters of each of the companies. Success was measured for publicly listed corporations inside the TSX trading platforms using paneled financial and CSR performance datasets. Corporate social responsibility's three tenets corporate governance, environmental protection, and social justice were all included in the dataset (26).

The research used a cluster sampling method. The study design dictates the selection of a sample (21). Determining the existence of a link was the primary objective of this investigation. Probability sampling was chosen as the most appropriate sample strategy. A limited number of CSR Canadian firms will be selected to be elements. As shown by their Sustainability scores, companies that were recognized for their CSR efforts made up the sample frame. Cluster sampling was used for this investigation. Since several sectors and industries may be found within the same geographical region, cluster sampling is the most appropriate method. The group is cohesive due to their shared dedication to corporate social responsibility, as shown by their rating on Sustainalytics. The number of observations is presumed to remain constant, given that they span from 2009 to 2018. The process begins with selecting a one-stage cluster and then sampling its constituents (21). Two categories of ESG-rated businesses are generated using the cluster sampling method. The first set includes companies whose primary source of income was sales outside the country. The second set comprises businesses whose revenues were derived from outside the EU. Group 1 will consist of all organizations listed on the TSX composite that fall under the following *SIC* industry codes: utilities, consumer staples, industrials, materials, and information technology. The sample cluster uses a well-specified sample frame. The possibility of an inadequate sample size is reduced with cluster sampling (21, 27).

Third in the theoretical framework is innovation. According to Pedersen et al. (15), there are currently no reliable metrics for evaluating the success of new company models. The correlation between innovative CSR business models and bottom-line results will be the subject of future studies. This study's secondary data comes from secondary databases. Extending from 2009 to 2017, Sustainalytics offers ESG data. Revenue from markets outside of Canada is derived from the annual reports of TSX-listed businesses. We gather financial data on Capital IQ platform. Consolidating publicly accessible business financial data, Capital IQ platform serves as a market intelligence tool. Spreadsheets made by Microsoft Office Excel get the collected data. There are three categories of data: nominal, cardinal, and interval. The following three types of variables are recognized: Dependent, independent, and control. All of the factors are consistent with what the researchers have hypothesized.

To understand the quantity and worth of sales, one must look into nondomestic sales income. Similarly to how CSR is an interval variable, ESG rating is an independent variable. In this case, the independent variable is a closed interval spanning from zero to 100. The market regions and sector factors were not significant. According to TMX (2018), *SIC* numbers are given to sectors based on the industry in which the firm works. In this analysis, After each company's fiscal year, we will consider their nondomestic sales revenue and ESG rankings. Sales outside the United States, the EU, and the Transpacific Trading Area determine the market regions.

3.3. Setting

This study analyzes the correlation between strategic CSR initiatives and Canadian companies' bottom lines. Companies chosen for this study were found via secondary research (17). Financial records filed with the System for Electronic Document Analysis and Retrieval (SEDAR) and ESG rankings released by Sustainalytics make up the secondary sources. Consistent with other studies (3, 17, 23), this study uses highly regarded and verified secondary sources in the industry. Companies with headquarters in Canada, spanning all market categories and industries, make up the research setting. Since the businesses are listed on public markets, they are required to file Generally Accepted Accounting Principles (GAAP) financial reports with SEDAR. They also provide a sustainability report that is not pecuniary. You can find CSR rankings in Sustainalytics' ESG reports.

3.4. Instrumentation

Mishra (22), Schreck (23), and Tang et al. (3) all cited earlier work that suggested ESG companies such as Sustainalytics leverage publicly accessible financial data and industry-leading CSR rankings. The CSR rankings used as an independent variable were provided by Sustainalytics. The Ten Principles of the United Nations Global Compact' for Sustainable Development and CSR inspired the ESG rating. Labor, anti-corruption, and human rights are the three branches of the Ten Principles of the United Nations Global Compact. Of the 10 principles, the first two pertain to human rights. Here are some guidelines on how companies should run. A company's actions should never infringe on the rights of its customers or employees, and the company should actively work to advance human rights on a global scale. Work is the subject of the second set of four guidelines. Forced or compelled labor should be abolished, and the right to collective bargaining should be upheld according to labor standards. Child labor and workplace discrimination are two issues that the principles aim to eradicate. Corporate environmental responsibility is outlined in the third set of principles. Respect for environmental problems and the promotion of a better degree of stewardship are the primary ecological principles that corporations are expected to uphold. Businesses are urged to create and use eco-friendly technology as part of the third environmental principle. The need to foster anti-corruption is addressed in the last set of principles. Companies are urged to uphold the highest standards of honesty and integrity and actively combat corruption. The EU's dedication to nonfinancial reporting

is based on the ten principles of the United Nations Global Compact, according to Dunlap et al. (1). To rate CSR initiatives, we go to the United Nations Global Compact.

Sustainalytics ranks companies based on the UN Global Compact and ESG principles. UN Global Compact principles are used as the basis for nonfinancial performance. As a business model innovation, CSR was less widely adopted in certain areas than in others. Sustainalytics uses a best-in-sector methodology. Secondary sources are also used to compile the financial performance statistics. The origin of the nondomestic sales revenue is disclosed in business financial reports according to GAAP reporting rules (3, 22, 23). Previous studies constantly explored and integrated GAAP standard reporting to guarantee consistency and transparency of economic data. The SEDAR database contains financial records.

3.5. Hypothesis

Hypothesis testing is used to analyze the data. The business challenge was a lack of knowledge about the possible financial benefits of CSR adoption by Canadian companies. To reduce revenue risk, businesses should investigate if there is a correlation between CSR strategy adoption and nondomestic sales income in the EU. This will help them diversify their revenue streams beyond only domestic sales. This study seeks to answer the primary research topic: How significant was the relationship between CSR efforts and sales in international markets? Here are the theories that were put up to support the research question:

H10. The adoption of a CSR strategy was unrelated to nondomestic sales revenue for Canadian companies.

H1a. Adopting a CSR strategy was significantly related to nondomestic sales revenue for Canadian companies.

3.6. Data analysis

Computer statistical tools facilitated data analysis rankings for CSR according to Sustainalytics and export earnings for Canada. If a company's revenue entirely depended on domestic sales from 2009 to 2018, it was not included in the research. The median, observations, standard error, and mean are all examples of descriptive statistics. In a given year, we will keep an eye on the company's ESG score and its income from sales outside the country. Businesses would not be identified. Each one serves as a reminder to keep Sustainalytics' ESG rankings private. A fundamental linear regression analysis in Excel is used to evaluate the hypothesis. All of the premises are in line with the innovation, CSR, and financial performance theoretical framework. A time series analysis of the variables' relationships uses basic linear regression. The steps in the process are reporting, hypothesis testing, and *ad hoc* analysis. After data analysis, scenarios may be developed and investigated to understand possible correlations better. Regression analysis will evaluate the hypothesis, which examines the connection between a dependent and many independent variables (21). Results from studies investigating the link between CSR strategy implementation and bottom-line results were consistent with these findings (28, 29).

To look for a connection, we will use Pearson's correlation analysis. If two variables are linearly related, the Pearson technique will find it. The first step is drawing a scatter plot to check for a linear connection between the variables. The multiple R statistics will be examined to assess the robustness of the linear relationship. A robust linear connection is indicated by a value of 1. A linear link does not exist if the value is 0. When comparing the two datasets, the T statistics clarifies the distinction. If the value is 2 or −2, there is a significant difference. Cooper and Schindler (21) define a large sample size as 30 observations or more. The p-value may measure the importance of the link. It expresses the likelihood of an event. If the p-value is more than 0.05, it is statistically significant; if it is greater than 0.001, it is very substantial. The decision to accept or reject the null hypothesis is influenced by significance (21).

4. Results

Separating all Canadian firms with ESG rankings from Sustainalytics and sales outside of Canada was the first step in the analysis. Included in the dataset were publicly traded corporations that report their international sales revenue broken down by region. Importantly, the mining industry does produce nondomestic sales income from the EU and has a history of having better ESG scores. A much better average ESG rating (64.17) was achieved by companies in the EU compared to those in the US. A better rating is necessary for Canadian enterprises to gain the business of the higher-rated EU companies that they supply chains (1). Only businesses with income streams directly related to the supply chains of EU enterprises were included in the analysis. Third, using an ESG score from Sustainalytics and nondomestic EU sales revenue as the dependent variable, we examine separated Canadian enterprises.

To examine the connection, the Pearson correlation analysis was used. The correlation between ESG rating and nondomestic sales revenue was shown by a simple linear regression. The information covered every industry. Companies with an exclusive North American income stream, such as those in the finance and automobile industries, tend to have lower ESG rankings. A study of the US-based corporations found an average ESG rating of 56.94. There is a negative correlation between the ESG rankings of Canadian corporations and their nondomestic sales income

TABLE 1 | Linear regression analysis.

	Multiple R	T statistics	*p*-Value	Observation
Scenario 1	0.57118	6.027	1.16×10^{-7}	61

TABLE 2 | Minor sector linear regression.

	Multiple R	T statistics	*p*-Value	Observation
Scenario 2	0.665144	−4.123	5.00×10^{-4}	26

TABLE 3 | ESG and EU revenue linear regression.

	Multiple R	T statistics	*p*-Value	Observation
Scenario 3	0.662265	7.312	0.001	61

TABLE 4 | EU revenue (nonretail) linear regression.

	Multiple R	T statistics	*p*-Value	Observation
Scenario 4	0.597587	−4.213	5.20×10^{-4}	39

from North America. With 32.6% of the data falling on the line, the scatter plot indicates a linear connection. With a slope of $-779.34x + 65952$, we get a line equation. **Table 1** contains the regression statistics. A multiple R statistics of 0.57118 was produced using the Pearson correlation analysis procedure. The findings showed that the variables were somewhat related to one another in a linear fashion. A T statistic of 6 and a *p*-value of 1.16×10^{-7} were obtained. We counted 61 observations. The hypotheses were investigated using a linear regression. In the first case, every single company and market category in Canada was considered. The findings disproved the null hypothesis, and the *p*-value showed a very significant correlation.

An ESG score was positively correlated with nondomestic sales income, according to a straightforward linear regression analysis of the mining industry. Out of all the Canadian firms with an ESG score from Sustainalytics and nondomestic sales income, the mining industry was chosen as a subset. This time around, the EU geographic area was a contributor to revenue. In the mining industry, the findings were negative, rejecting the null hypothesis. In the second case, 44.2% of the data points fell along a straight line in the scatter plot, indicating a linear connection. This line had a slope of $-904.06x - 65441$. In **Table 2** lists see the mining industry's regression figures. The technique of Pearson correlation analysis examined scenario 2. The multiple R statistics came out to be 665,144, as shown by simple linear regression. The findings showed that the variables were somewhat related to one another in a linear fashion. A 5.00×10^{-4} was the *p*-value, and the T statistics was −4.213. The number of observations was 26. The mining industry was examined using linear regression in scenario 3. The findings disproved the null hypothesis, and the *p*-value showed a very significant correlation.

Companies' ESG rankings were negatively correlated with their nondomestic sales revenue when a simple linear regression analysis was conducted on their EU nondomestic revenues. Some of the industries included in the scenario were mining, retail, energy, and manufacturing. The retail industry stood out. Companies in Canada having sales outside of the country were the focus of attention in scenario 3. A linear connection was shown by the scatter plot, with 7.19% of the data points falling on the line. In **Table 3** you can see the mining industry's regression figures. Scenario 3 was examined using the Pearson correlation analysis approach. An R^2 value of 0.66 was produced by the simple linear regression. The findings showed that the variables were somewhat related to one another in a linear fashion. At 0.001, the T statistics was 7.312 and the *p*-value was significant. We counted sixty-one observations. In the third case, businesses having sales outside of the EU were evaluated using basic linear regression. The findings disproved the null hypothesis, and the *P*-value showed a very significant correlation.

Using a simple linear regression analysis, we found that ESG rankings were positively correlated with nondomestic sales income for the firms in the EU. Except for the retail sector, the scenario included the mining, energy, and manufacturing industries. Having the retail sector excluded, the scenario 4 centered on Canadian enterprises having nondomestic sales income from the EU. The scatter plot indicated a linear correlation, with 35.71% of the data points lying along the line. The equation for the line's slope is $y = 177.67x - 12851$. **Table 4** displays the regression figures for nondomestic sales income in the EU that do not include retail sales. Scenario 4 was examined using the Pearson correlation analysis approach. The multiple R statistics came out to be 597,587, as shown by simple linear regression. The findings showed that the variables were somewhat related to one another in a linear fashion. A t-statistic of −4.213 and a *p*-value of 5.20×10^{-4} were recorded. For the last scenario, we excluded retail from the equation and used basic linear regression to test the hypothesis for enterprises with EU nondomestic sales revenue. The findings disproved the null hypothesis, and the *p*-value shows a very significant association.

5. Conclusion

A company's resources, procedures, and structure may be depicted in a business model. According to Dmitriev et al. (30), businesses follow a set of guidelines called a business model to generate profits. A company's model can only remain in operation for so long. To satisfy consumers,

businesses use several business models. According to Giesen et al. (31), suppliers may need to rethink and revamp their business models in response to customers' demands for constant technological and economic innovation. Innovation in business models requires direction, optimism, and foresight. Making good decisions, having the guts to make course corrections regularly while being open and flexible, and emphasizing technology are all crucial success elements (31, 32). Academic interest in CSR skyrocketed around the turn of the millennium. Society now expects firms to be lucrative, ethical, environmentally conscious, and socially just, and many quantitative studies have looked at the correlation between CSR and financial success to explain this shift (33, 34). In addition, creative businesses consistently spend money on CSR (22). CSR adoption is a multi-faceted subject. To compile the Dow Jones Sustainability Index (DJSI), we looked at the best-performing firms regarding their publicly-stated management, community, and ecology CSR initiatives. Following the lead of Robinson et al. (35), DJSI also assessed companies based on their sector's best practices. The share price of DJSI companies rose 2.1% compared to their competitors. This rise in share price supports the concept that large-cap firms would have better access to finance via share appreciation when recognized as a CSR leaders (3, 25).

Executives in Canada's corporate community are actively seeking new trade partners. Another possibility is the free trade deal between Canada and the EU. According to Wang et al. (36), Canadian companies considering a CSR strategy should know how it might affect their bottom line. Trade with the US has been Canada's top priority for over a 100 years. The United States and Canada have long had a large trade deficit; in 2018 the gap was more than $7 billion. Patriotic tariffs were imposed by the Trump government (37). Canadian corporate executives were jolted awake by the political uncertainty. The EU was being considered as a possible new market for Canadians. CSR is essential when doing business with the EU (1, 24). Regardless of size, companies in Canada should be aware of the connections between CSR and shareholder value. Was CSR in Canada justified from a commercial perspective? The CSR of small and medium-sized enterprises resist investments. A company's ability to continue growing depends on the methods it employs throughout the regrowth period of its life cycle (38). Strategic investments have to be directly tied to an increase in income. According to Tang et al. (3), more giant enterprises had good financial performance due to the linkages between CSR and financial success. Companies that invested in CSR were seen as trustworthy by stakeholders, who valued these companies highly by customers and investors (18). By allocating resources to CSR, rapidly expanding businesses improve their chances of achieving financial success (22, Shabir. 2020).

Canadian businesses encountered a major obstacle in the macroenvironment. Historically, expansion into the American market has been the top priority. Companies in Canada are taking advantage of the opportunity to assess growth prospects inside the Canada–EU Free Trade Agreement as a result of the uncertainty surrounding North American free trade. A strategic, CSR-sustainable business strategy is needed for enterprises operating in the EU (1). Businesses in Canada are wondering if they can benefit from the Canada–EU Free Trade Agreement by adopting CSR practices.

Investment decisions are influenced by various factors, including policy uncertainties related to carbon emissions (39) and the impacts of global warming on cost and management accounting practices (40).

Canadian enterprises' strategic adoption of a sustainable business model and their nondomestic sales income were the foci of this research. The four scenarios that were included in the testing were as follows: The mining industry, all Canadian enterprises, EU nondomestic revenue, and EU nondomestic revenue excluding retail. Every possible outcome was represented by a scatter diagram. We looked at R^2, multiple R, T statistics, and p-values separately. In each of the four cases, the findings disproved the null hypothesis. The correlation between CSR as evaluated by Sustainalytics' ESG rankings and GAAP-measured nondomestic sales revenues was statistically significant.

References

1. Dunlap T, Grapsas R, Vorlat K, Loges R. Sustainability disclosures in the EU after the 2014 non-financial reporting directive. *Insights.* (2017) 31:12–23.
2. Bocquet R, Le Bas C, Mothe C, Poussing N. CSR, innovation, and firm performance in sluggish growth contexts: A firm-level empirical analysis. *J Bus Ethics.* (2017) 146:241–54.
3. Tang Z, Hull CE, Rothenberg S. How corporate social responsibility engagement strategy moderates the CSR–financial performance relationship. *J Manage Stud.* (2012) 49:1274–303.
4. Kuo TC, Chen HM, Meng HM. Do corporate social responsibility practices improve financial performance? A case study of airline companies. *J Clean Prod.* (2021) 310:127380.
5. Naqvi SK, Shahzad F, Rehman IU, Qureshi F, Laique U. Corporate social responsibility performance and information asymmetry: The moderating role of analyst coverage. *Corp Soc Respons Environ Manage.* (2021) 28:1549–63.
6. Ting IWK, Azizan NA, Bhaskaran RK, Sukumaran SK. Corporate social performance and firm performance: Comparative study among developed and emerging market firms. *Sustainability.* (2019) 12:26.
7. Laszlo A, Laszlo KC, Dunsky H. Redefining success: Designing systemic sustainable strategies. *Syst Res Behav Sci.* (2010) 27:3–21.
8. Szczanowicz J, Saniuk S. Evaluation and reporting of CSR in SME sector. *Management.* (2016) 20:96–110.
9. Arian A, Sands J, Tooley S. Industry and stakeholder impacts on corporate social responsibility (CSR) and financial performance: consumer vs. Industrial Sectors. *Sustainability.* (2023) 15:12254.
10. Badía G, Gómez-Bezares F, Ferruz L. Are investments in material corporate social responsibility issues a key driver of financial performance? *Account Finan.* (2022) 62:3987–4011.

11. Tasnia M, Syed Jaafar AlHabshi SM, Rosman R. The impact of corporate social responsibility on stock price volatility of the US banks: A moderating role of tax. *J Financ Rep Account.* (2021) 19:77–91.
12. Liu Y, Saleem S, Shabbir R, Shabbir MS, Irshad A, Khan S. The relationship between corporate social responsibility and financial performance: A moderate role of fintech technology. *Environ Sci Poll Res.* (2021) 28:20174–87.
13. Buisson B, Silberzahn P. Blue ocean or fast-second innovation? A four-breakthrough model to explain successful market domination. *Int J Innov Manage.* (2010) 14:359–78.
14. Tenuta P, Cambrea DR. Corporate social responsibility and corporate financial performance: The role of executive directors in family firms. *Finan Res Lett.* (2022) 50:103195.
15. Pedersen ERG, Gwozdz W, Hvass KK. Exploring the relationship between business model innovation, corporate sustainability, and organisational values within the fashion industry. *J Bus Ethics.* (2018) 149:267–84.
16. López-Torres GC, Maldonado-Guzmán G, Pinzón-Castro SY. Corporate social responsibility in family business: a perspective of Mexico. *Int Rev Manage Bus Res.* (2015) 4:633.
17. Garcia-Castro R, Francoeur C. When more is not better: Complementarities, costs and contingencies in stakeholder management. *Strat Manage J.* (2016) 37:406–24.
18. Giallonardo L, Mulino M. Strategic CSR, heterogeneous firms and credit constraints. *BE J Econ Anal Policy.* (2016) 16:20150199.
19. Sheehy B. Defining CSR: Problems and solutions. *J Bus Ethics.* (2015) 131:625–48.
20. Kim WC, Mauborgne R. Value innovation. *Harv Bus Rev.* (2004) 82:172–80.
21. Cooper DR, Schindler P. *Business research methods*. London: Mcgraw-Hill (2014).
22. Mishra DR. Post-innovation CSR performance and firm value. *J Bus Ethics.* (2017) 140:285–306.
23. Schreck P. Reviewing the business case for corporate social responsibility: New evidence and analysis. *J Bus Ethics.* (2011) 103:167–88.
24. Feng GF, Long H, Wang HJ, Chang CP. Environmental, social and governance, corporate social responsibility, and stock returns: What are the short-and long-Run relationships? *Corp Soc Resp Environ Manage.* (2022) 29:1884–95.
25. Okafor A, Adeleye BN, Adusei M. Corporate social responsibility and financial performance: Evidence from US tech firms. *J Clean Prod.* (2021) 292:126078.
26. Cheng B, Ioannou I, Serafeim G. Corporate social responsibility and access to finance. *Strat Manage J.* (2014) 35:1–23.
27. Shabbir MS, Aslam E, Irshad A, Bilal K, Aziz S, Abbasi BA, et al. Nexus between corporate social responsibility and financial and non-financial sectors' performance: a non-linear and disaggregated approach. *Environ Sci Poll Res.* (2020) 27:39164–79.
28. Allouche J, Amann B, Jaussaud J, Kurashina T. The impact of family control on the performance and financial characteristics of family versus nonfamily businesses in Japan: a matched-pair investigation. *Fam Bus Rev.* (2008) 21:315–29.
29. Margolis JD, Elfenbein HA, Walsh JP. *Does it pay to be good and does it matter? A meta-analysis of the relationship between corporate social and financial performance. And does it matter*. Amsterdam: Elsevier (2009).
30. Dmitriev V, Simmons G, Truong Y, Palmer M, Schneckenberg D. An exploration of business model development in the commercialization of technology innovations. *RandD Manage.* (2014) 44:306–21.
31. Giesen E, Riddleberger E, Christner R, Bell R. When and how to innovate your business model. *Strat Leadership*. (2010) 38:17–26.
32. Tsai HJ, Wu Y. Changes in corporate social responsibility and stock performance. *J Bus Ethics.* (2022) 178:735–55.
33. Taneja SS, Taneja PK, Gupta RK. Researches in corporate social responsibility: A review of shifting focus, paradigms, and methodologies. *J Bus Ethics.* (2011) 101:343–64.
34. Vuong NB. Investor sentiment, corporate social responsibility, and financial performance: Evidence from Japanese companies. *Borsa Istanbul Rev.* (2022) 22:911–24.
35. Robinson M, Kleffner A, Bertels S. Signaling sustainability leadership: Empirical evidence of the value of DJSI membership. *J Bus Ethics.* (2011) 101:493–505.
36. Wang L, Li S, Gao S. Do greenhouse gas emissions affect financial performance?–an empirical examination of Australian public firms. *Bus Strat Environ.* (2014) 23:505–19.
37. Globerman S, Press T. *Capital Investment in Canada: Recent Behaviour and Implications*. Calgary: Fraser Institute (2018).
38. Mulović A, Hunjet A, Kozina G. Toward economic reward: corporate social responsibility communication of SMEs. *Megatrend Rev.* (2015) 12:215–30.
39. Kettunen J, Bunn DW, Blyth W. Investment propensities under carbon policy uncertainty. *Ener J.* (2011) 2011:77–117.
40. Ratnatunga JT, Balachandran KR. Carbon business accounting: the impact of global warming on the cost and management accounting profession. *J Account Audit Finan.* (2009) 24:333–55.