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WHEN CEO POWER SHAPES THE CSR–FINANCIAL PERFORMANCE NEXUS: INSIGHTS FROM FRENCH FIRM

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ABSTRACT

This paper aims to analyze the relationship between corporate social responsibility (CSR), financial performance (FP), and CEO power. The study uses data from French companies listed on the SBF 120 index, collected from the Thomson Reuters database over the period 2010 to 2024.The findings show that CSR has a positive impact on financial performance. Moreover, this relationship is strengthened when CEO power is higher. In line with prior research, the results suggest that CEO incentives can positively contribute to the CSR–business case within the French context. These results remain robust after several robustness checks. From a practical perspective, CEO power can significantly influence CSR initiatives. Therefore, companies should enhance their CSR strategies through effective stakeholder communication to better align CSR performance with stakeholder expectations. In addition, firms committed to social responsibility should carefully consider the influence of CEO power, as excessive confidence may lead to riskier decisions that negatively affect both financial performance and CSR outcomes. This paper contributes to the literature by exploring the moderating role of CEO power in the relationship between CSR and financial performance. It improves both theoretical and empirical understanding of how CEO power interacts with CSR and FP.

KEYWORDS: Corporate social responsibility, Financial performance, Chief Executive Officer power.

1. INTRODUCTION

Over the last few decades, awareness of corporate social responsibility (CSR) has grown considerably, giving rise to ongoing debates on the various dimensions of this phenomenon. CSR refers to all the initiatives that a company puts in place to support economic and community development. CSR is emerging as a central element of modern economics, finance and management (Carroll, 1999). CSR refers to the strategies that corporations or firms implement to conduct their business in an ethical, socially responsible, and community-beneficial manner. It involves corporate accountability in addressing environmental damage and social inequalities resulting from the company's operational activities {Citation}(Dewi and Gunawan, 2019). Besides, CSR is a concept that aims to integrate the economic, environmental and social dimensions of a company's activities in a balanced way. It is not limited to the pursuit of profit, but also includes taking into account the expectations of shareholders and stakeholders. Society is increasingly aware of challenges such as climate change, social inequality and human rights. As a result, consumers and the general public expect companies to take responsibility for mitigating their negative impact and actively contributing to the common good. To meet these expectations, companies are integrating CSR to differentiate themselves and improve their brand image.

Corporate Social Responsibility has become a major strategic concern for firms seeking to balance economic performance with social and environmental responsibility. CSR activities can enhance a company's reputation, strengthen stakeholder trust, improve operational efficiency, and enhance risk management, often resulting in better financial outcomes. CSR has thus evolved from a peripheral ethical commitment to a central strategic imperative, now closely integrated with competitive strategy, investor decision-making, and stakeholder engagement (Yahaya & Bello, 2026).

Companies perceived as socially responsible often enjoy a positive reputation, enhancing their attractiveness to consumers, employees and other stakeholders. The empirical evidence regarding the impact of CSR on firm performance and value is also mixed and sometimes contradictory (Margolis et al., 2009; Margolis & Walsh, 2001; Orlitzky et al., 2003). This study argues that the relation between CEO power, CSR and financial performance can help us in understanding the role of CSR in creating firm value. Powerful CEO enjoy increased influence on investment decisions and can change investment in CSR. Specifically, if CSR is a value-decreasing activity and powerful CEOs tend to overinvest in it, we would expect to see a positive correlation between CEO power and CSR. Conversely, if CSR represents a value-increasing strategic investment, there should be no significant relationship between CEO power and CSR (Sheikh, (2019). This study addresses this question by investigating the moderating role of CEO power in the CSR–FP relationship. We compiled data from 61 French non-financial listed firms over the period 2008–2022. Our results show that FP is significantly associated with CSR and that CEO power positively moderates this relationship. In other words, the effectiveness of CSR initiatives in enhancing financial performance depends on the power held by the CEO.

This study makes several contributions. Theoretically, it extends the understanding of the dynamic link between CSR and financial performance by highlighting CEO power as a key moderating factor. Unlike previous research that focused solely on the direct CSR and FP relationship, our findings demonstrate that CEO characteristics can shape the outcomes of CSR initiatives, helping to reconcile contradictory results in the literature. Practically, our study offers guidance for managers and boards: firms with powerful CEOs may leverage CSR initiatives more effectively to improve financial outcomes, but excessive CEO power may also create transparency challenges. Therefore, corporate governance mechanisms should carefully consider the influence of executive power when designing and implementing CSR strategies.

The major objective of this study is to investigate the moderating effect of CEO power on the relationship between CSR and financial performance in the French context. This research seeks to answer the following question: To what extent and under what conditions does CEO power influence the effect of CSR initiatives on financial performance, and through which mechanisms?

The structure of the paper is as follows: Section 2 reminded the reader of the literature related to our issue and then developed the major hypothesis. Section 3 is concerned with the methodology used for this study, which takes into account a description of the sample, a definition of the variables, and the analyses used. Section 4 presents the main empirical results. Section 5 presents the robustness test, and concluding remarks are given in Section 6.

2. LITERATURE REVIEW

In this section, we explain the relation between chief executive officer power, CSR and financial

performance. In fact, two hypotheses were developed in this study. The first presents the relationship between CSR and financial performance. The second presents the moderation role of on the relationship cheif executive officer power, between CSR and financial performance.

2.1. Corporate Social Responsibility and Financial Performance

The relationship between CSR performance and financial performance can be justified by a variety of different theories; we focus on stakeholder theory (Freeman & Sonnenfeld, 1984). According to this concept, satisfying the needs of the various coalition partners (stakeholders) of a firm leads to the long-term success of its products and services (Freeman & Sonnenfeld, 1984). Stakeholder theory contrasts with the classical principal-agent theory (Jensen & Meckling, 1976)(Ross, 1973), as a firm is viewed as a subset of society, meaning that generating public value is fundamentally measured by fulfilling specific CSR expectations. However, stakeholders' interests are heterogeneous and dynamic, requiring management to navigate these conflicting interests, for example, by prioritizing primary stakeholders such as employees, suppliers, and customers. If stakeholders are satisfied with the company's stakeholder relations concepts, improved CSR and corporate governance reporting will be linked to enhanced sustainability performance (Clarkson et al., 2008). Ultimately, better financial performance resulting from an improved firm reputation and the attraction of new (sustainable) shareholders should follow.

Interestingly, Margolis and Walsh (Margolis & Walsh, 2001) find that the majority of the literature indicates a positive association between CSR and financial performance, consistent with the value of CSR in improving corporate image and gaining stakeholder support for improved financial performance. In addition, Mahrani and Soewarno (Mahrani & Soewarno, 2018)and d'Amato and Falivena (2020) have estimated that companies that invest more in CSR practices can improve their financial performance and thus CSR as a form of long-term customer loyalty. In addition, Maome and Zondo (Maome & Zondo, 2024)found that CSR can enhance financial performance by reducing business risks and compliance costs, which results in higher profitability and lower production expenses. Gharbi and Jarboui, (Gharbi & Jarboui, 2024)propose that CSR is positively and significantly associated of FP. You et al. (2025) find that CSR improves financial performance only in the manufacturing sector, mainly due to social contribution activities, while it has no significant effect in the non-manufacturing sector. Li et al, (Li et al., 2025) we find that the relationship between CSR and the financial performance of companies is generally positive. Research demonstrating the positive effect of CSR on financial performance; Rajput et al. 2012; Saleh et al. 2011; Ahamed et al. 2014; Ghelli 2013; Fiana and Endri 2025; Atarwaman et al., 2026; Ula, N. A. N. 2026) while research by Aras and Crowther (2009), Fan (2013) and Mwangi and Jerotich (2013) have highlighted empirical results suggesting that CSR has no significant impact on financial performance. These references show that the impact of CSR on performance is a growing area of research, generally marked by positive effects. This allows us to formulate the following hypothesis: (See figure 1)

H1: Corporate Social Responsibility has a positive effect on financial performance.

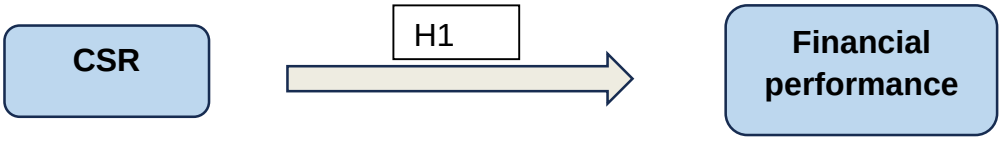

Figure 1. Corporate Social Responsibility and financial performance model.

2.2 The Impact of CEO power on the Relationship between CSR and financial performance.

One of the potential variables that may influence company performance is the CEO power. The power of a CEO can originate from numerous sources (Muttakin et al., 2018), such as academic qualifications, skills, age, tenure, ownership, disposition, CEO duality, political connections, and CEO activity. A powerful CEO can influence board decisions, which may also reduce their effectiveness (Boyd, 1994). However, under the influence of a powerful CEO, the company's environment may be better managed and interact with the board, with the aim of maximizing company profits (Core et al., 1999). A CEO who holds advanced academic qualifications (such as a master's or doctorate degree) represents a significant consideration for organizations and has been linked to various factors,

including firm performance, and financial reporting (Urquhart and Zhang, 2022). Previous studies suggest that younger CEOs tend to focus on long-term performance to enhance their reputations, while older CEOs are generally more conservative, risk-averse, and prioritize short-term projects to achieve quicker results as they approach retirement (Eduardo and Poole, 2016). The CEO's political connection is also a significant aspect of CEO power. Accordingly, this study examines the role of the CEO's political ties with the government or governmental parties, as politically connected CEOs tend to dominate the corporate environment (Saleh et al., 2020). This perspective is consistent with several empirical findings that indicate CEO political connections have a significant direct impact on increasing firms' access to capital from public markets (Chen et al., 2017; Liu et al., 2015). In summary, CEO power is likely to be a function of factors such as academic qualifications, skills, age, tenure, ownership, disposition, duality, political connections, and busyness. Resource Dependence Theory (RDT) emphasizes the importance of sources that support a firm in achieving its goals. These sources provide the firm with individuals who possess the power to accomplish organizational objectives, thereby helping to maximize profits and increase shareholder wealth (Core et al., 1999). Studies that find CEO power negatively affects financial performance have often used agency theory to explain this relationship (Theng and Hooy, 2017; Veprauskaite and Adams, 2013; Adams et al., 2005). The agency theory assumes an economic model of human behavior; the agent acts based on self-interest, which may conflict with the interests of the principal (Madison, 2014). Hence, managers tend to maximize their self-interest when making decisions. Accordingly, it is expected that CEO power, as a moderating variable, drives decisions toward self-interested behavior (e.g., opportunistic actions), which consequently has a negative impact on firm performance Aliahmadi (2024). In addition, The results obtained from previous research are consistent with agency theory (Theng and Hooy, 2017; Veprauskaite and Adams, 2013; Bebchuk et al., 2011). Adams et al. (2005); Aliahmadi (2024), applying agency theory, demonstrate that CEO power has a negative effect on financial performance. According to agency theory, the primary objective of a firm is to maximize shareholder wealth, and any use of resources that does not directly contribute to increasing shareholder wealth is considered a waste of corporate resources. It considers CSR an agency problem (Friedman, 1970) and argues that managers may use corporate resources to overinvest in CSR to boost their personal reputations. CEO power use CSR as a strategy to strengthen their entrenchment (Surroca and Tribó, 2008). Consequently, powerful CEO tend to overinvest in CSR. Therefore, agency theory predicts a positive relationship between CEO power and CSR. Werbel and Carter (2002) find that CEO membership in charitable organizations is positively associated with corporate giving, indicating that CEOs who participate in charitable groups tend to lead their firms to contribute more to philanthropic causes. Werbel and Carter (2002) find that CEO membership in charitable organizations is positively related to corporate giving. On the contrary, stakeholder theory (Freeman, 1984) or the conflict resolution hypothesis argues that firm value is influenced by multiple stakeholders. It categorizes stakeholders into investing groups (shareholders) and non-investing groups (employees, suppliers, customers, community, etc.). It argues that CSR enhances firm value by influencing all stakeholders' willingness to contribute resources and efforts, managing their competing interests, and reducing risks associated with acquiring resources (Haley, 1991; Backhaus et al., 2002). Several empirical studies link stakeholder theories to firm performance and value. Since the primary purpose of CSR investments is to increase firm value, CEO power does not affect CSR investments (Jiraporn and Chintrakarn, 2013). Jiraporn and Chintrakarn (2013) find that the relationship between CEO power, measured by CPS, and CSR is non-monotonic. When CEOs have relatively less power, there is a positive relationship between power and CSR. When CEO power is relatively more powerful, power and CSR are negatively Related, Sheikh, S. (2019). The above discussion implies that if CSR represents an agency problem and CEO power use CSR investments to gain personal benefits, then there should be a positive relationship between CEO power and CSR. Over the past decade, numerous empirical studies have investigated the effects of CEO incentives-such as compensation, power, and duality-and CEO characteristics-including (tenure, gender, education, ability and experience, values, overconfidence, and narcissism) on CSR and financial performance. These studies (Busenbark et al., 2016; Berns and Klarner, 2017; Habib and Hossain, 2013; Krause et al., 2014; Winschel and Stawinoga, 2019) have yielded mixed and heterogeneous results, reflecting the complexity of these relationships. The majority of these studies combine stakeholder theory and upper echelons theory. Upper Echelons Theory assumes that a CEO exerts a strong influence within the top management

team and the organization, significantly shaping CSR activities and performance. Not only do group-related factors within the board of directors' matter, but the CEO's central role itself may be the key factor in developing a successful CSR strategy (Hambrick and Mason, 1984; Hambrick, 2007). A recent study by Jouber (2019), based on 1,440 firm-year observations from the USA, Canada, France, and Spain during the 2010–2017 period, found a positive relationship between CEO power and the CSR disclosure score. Muttakin et al. (2018) focused on 1,005 firm-year observations in Bangladesh covering the business years 2005 to 2013. They found a negative impact of their CEO power index which includes CEO duality, ownership, tenure, and family on the CSR disclosure score. Sheikh (2019), using 15,386 firm-year observations from US companies between 2003 and 2005, distinguished among structural (pay slice, duality), ownership (equity ownership, founder or family-related), and expert (tenure) dimensions of CEO power. According to this study, the structural and ownership dimensions of CEO power are negatively associated with CSR performance (measured by the KLD database). The expert dimension, however, does not have a significant impact on CSR performance in this analysis. Additionally, an increased level of power can be beneficial if the CEO is motivated to implement stakeholder management that enhances the firm's reputation, CSR, and financial performance. In contrast to stakeholder theory, managerial power theory (Bebchuk and Fried, 2006) suggests that CEO power can also represent an opportunity for CEO discretion and opportunistic behavior that may conflict with stakeholder demands (Bebchuk and Fried, 2006). Several international studies have investigated the relationship between CEO managerial power and CSR performance (Harper & Sun, 2019; Rashid et al., 2020). These studies suggest that greater managerial power may lead CEOs to become entrenched in their positions, potentially resulting in decisions that are not aligned with stakeholders' interests. For example, Rashid et al. (2020) find a negative association between CEO power and CSR disclosure, indicating that powerful CEOs tend to favor profit-oriented investments and place less emphasis on disclosing CSR-related information. In a similar vein, Harper and Sun (2019) show that CEOs with higher levels of power are less likely to engage in CSR activities, as they are more focused on preserving or enhancing their own authority, even at the expense of other stakeholders. In addition, Chui et al. (2023) indicate that CEOs' personal characteristics shape CSR decisions, and that the negative impact of CEO power on CSR performance is mitigated when the CEO is female. Similarly, Gotea (2026) finds that CEO power influences ESG disclosure, particularly through CEO duality, which has a significant positive effect, while CEO ownership has no significant impact, suggesting that leadership structure is more important than ownership in driving ESG transparency. Few studies examine CEO power as a moderator of the relationship between CSR and financial performance (Javeed and Lefen, 2019; Li et al., 2018). Walls and Berrone (2017) show that different types of CEO power influence the impact of shareholder activism on environmental performance. We construct a CEO power index including pay, ownership, and tenure, and hypothesize that it strengthens the positive relationship between CSR and financial performance. Finally, Velte (2020), Thus, a larger CEO pay slice, greater CEO ownership, and longer CEO tenure positively moderate the relationship between ESG performance and financial performance. CEO Power therefore plays a moderating role in the relationship between CSR and financial performance. Long-term remuneration (particularly in shares) encourages the CEO to make a greater commitment to CSR, which in turn promotes better sustainable financial performance. The CEO's remuneration structure is therefore a key lever for maximizing the combined benefits of CSR and the company's economic performance. This study draws on stakeholder theory, agency theory, and upper echelons theory to explain the relationship between CSR and financial performance. Stakeholder theory suggests that CSR enhances firm performance by strengthening legitimacy and reputation (Freeman, 1984; Orlitzky et al., 2003). Agency theory highlights potential conflicts of interest between managers and shareholders, which may render the impact of CSR ambiguous (Jensen & Meckling, 1976; Barnea & Rubin, 2010). Upper echelons theory further argues that managerial characteristics, particularly CEO power, significantly influence strategic decisions and firm outcomes (Hambrick & Mason, 1984). By integrating these three perspectives, CEO power emerges as a key factor that may moderate the relationship between CSR and financial performance. However, recent empirical evidence remains mixed, with some studies reporting positive, negative, or non-significant moderating effects depending on institutional contexts (Zhao et al., 2023; Diem & Ngo, 2024; Al-Ahdal et al.,2023). This inconsistency justifies further investigation of this relationship in the context of French firms. Consistent with stakeholder theory and

upper echelons theory and prior studies, we propose the following moderating effect of CEO power:

H2: CEO power has a positive moderating effect on CSR and financial performance.

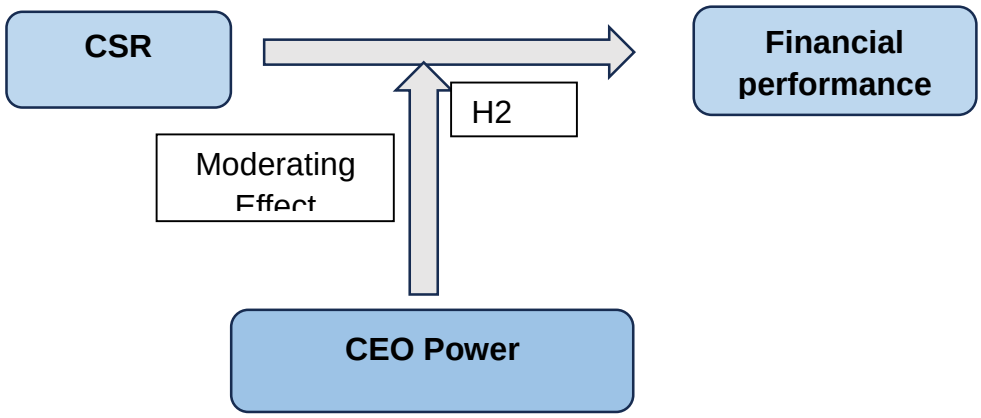

Figure 2. The conceptual framework used to test the hypotheses.

3. METHOD

This section details the proposed empirical research methods for this study, including the sample selection and its justification. The specification of the empirical model, the measurement of variables, and the model estimation methods are also discussed.

3.1. Sample selection

The initial sample is made up of 120 French companies listed on the SBF 120 for the 15-year period from 2010 to 2024. First, we decided to exclude 19 companies from our analysis, including the financial sector (banks, insurance and leasing companies, etc.). Secondly, we removed 40 companies for the following reasons: companies that were recently created or listed on the stock exchange, or for which the information was missing and they did not have a rating for a given period. Finally, our final sample includes 61 companies listed over a 15-year period, giving us a sample of 915 observations (see table 1). In our empirical analysis, the quantitative data necessary to conduct this research were collected from the DataStream database. Concerning the score of the CSR score, our database has been collected from the DataStream database.

Table 1: Sample selection.

Sample selection	Number of firms
Initial sample	120
Banks and financial institutions	(19)
Firms with missing data	(40)
Final sample	61
Duration of study	2010-2024
Total observations	915

3.2. Measurement variables

3.2.1 Independent Variables

- Corporate Social Responsibility

The ISO 26000 standard is used to measure CSR and various societal dimensions based on a highly rigorous analytical framework. The company's commitment to CSR is measured by the average of its environmental, social, and governance (ESG) performance scores. In line with recent research on social responsibility, such as Kocmanova et al (2011), Cheng et al (2014) and Keles and Cetin (2017), we measure the level of CSR commitment by the environmental and social performance and governance score provided by ASSET 4 Thomson Reuters from the Data Stream database.

$$CSR = \text{The Average (Score\_Envt} +$$

Where:

score_Envt: the environmental performance score provided by ASSET 4

Score_Soc: the social performance score provided by ASSET 4

Score_Gov: the corporate governance performance score provided by ASSET 4

3.2.2 Dependent Variable

- Financial performance

is characterized by a company's ability to manage and supervise its resources. To align with recent research on financial performance such as the work of Mahrani and soewarno (2018), Aqabna et al (2023), Supriyanto and novriyanti (2024), Lukiman and wirianata (2024), Okafor et al (2021), this research is

based on the use of two financial performance indicators:

- Return On Assets (ROA) :

Sarniati and handayani (2024) found that ROA is recognized as a relevant measure for assessing competitiveness, management efficiency and profitability of companies, in comparison with other indicators.

$$ROA = \frac{Net\ income}{Total\ assets}$$

Thus, this measure is widely adopted in previous studies, as indicated by the work of Al-Shattarat et al (2022). It is expressed by the following formula:

3.2.3 Moderator variable

- Cheif Executive officer power

Bouteska et al (2024) argue that CEO-Power measures the primary variable of interest is the CEO's compensation. The study employs three distinct proxies: total CEO compensation, salary-based compensation, and total bonus-based compensation. Total CEO compensation includes salary, long-term bonuses, short-term or loyalty bonuses, pension benefits, social security contributions, and incentive components such as stock-options, stock-based awards, long-term incentive plans, or conditional stock awards. In addition, Eklund (2022) and Sun and Cahan (2009) argue that total CEO compensation is a better proxy because some firms may provide only a basic salary without any bonus plan. Nevertheless, these firms still have the ability to adjust the CEO's total compensation to appropriately reward the CEO. In this study, following previous studies (Bouteska et al.,2024), (Inneh et al., 2024), we calculate the CEO compensation (Log of total CEO compensation). However, CEO power is a multidimensional construct that cannot be fully captured by compensation alone. The literature identifies additional dimensions such as CEO ownership, CEO tenure, and CEO duality, which reflect different aspects of managerial power, including control rights, accumulated experience, and structural authority within the governance system. The exclusion of these dimensions is mainly due to data availability constraints and comparability issues across firms. Nevertheless, CEO compensation remains a widely accepted proxy in empirical studies and provides a consistent and reliable measure of CEO influence.

3.2.4. Control variables:

To better control the determinants of CSR, financial performance and CEO power, we have included certain control variables in the regression model that have been identified in previous literature. To avoid the problems associated with uncorrelated variables, we have introduced two control variables.

- Firm size (SIZE): Firm size is assumed to be determined by taking the natural logarithm of total assets, and this measure is used to control for size effects. This variable expresses a company's ability to generate profits (Mafrolla and D'Amico (2016), Gupta and Newberry (1997) and Lanis and Richardson (2012)).

$$SIZE = log\ of\ total\ assets$$

- Debt (DEBT) : The value of financial debt is defined as the ratio of financial debt deflated by total assets. We can also say that the level of indebtedness is defined as the combination of long-term debt and short-term debt, deflated by total assets. In line with Koh (2003), Barnett and Salomon (2012), Liu et al (2015) and Harjoto et al (2015), the leverage variable is measured using the leverage ratio:

$$DEBT = \frac{Financial\ debt}{Total\ assets}$$

- Board size (BSIZE)

Board size is measured as the natural logarithm of the management board. Previous studies suggest that larger boards tend to be more diverse, comprising directors with varied backgrounds and levels of expertise, which may result in a stronger commitment to CSR activities (Ben Amar et al., 2017; Zaid et al., 2020).

$$BSIZE = Log\ of\ total\ number\ of\ the\ management\ board$$

- Board gender diversity (BGD)

Board gender diversity was assessed by determining the percentage of female directors on a company's board, calculated as the proportion of female directors to total directors, this measure follows the methodologies of Adams and Ferreira (2009), Campbell and Minguez-Vera (2008), and Galbreath (2018). The data for this variable were obtained from the DataStream database.

This study examines two hypotheses. In the first hypothesis, We used model (1). It examines the

impact of CSR on financial performance. In the second hypothesis.

Table 2: Summary of operationalization of the variables.

Variables	Symbole	Definitions
Independent variable		
Corporate social responsibility	**CSR** **CSR-ENV** **CSR-SOC** **CSR-GOV**	• A combined score on the three dimensions (social, environmental and governance). • Neperian logarithm of the Environmental • Neperian logarithm of the Social Score • Neperian logarithm of the Social Governance
Dépendent variable		
Financial performance	**ROA** **EPS**	Net income/Total assets Net income/ Number of shares outstanding
Moderator variable		
Chief Executive Officer power	**CEO-Power**	Log of total CEO compensation
Control variables		
Firm size	**SIZE**	Log of total assets
Debt	**DEBT**	Financial debt /Total assets
Board size	***BSIZE***	Log of total number of the management board
Board gender diversity	***BGD***	Obtained from the Datastream database.

4. MODEL AND ESTIMATION METHOD

We used model (2). It examines the effect of the interaction variable of corporate social responsibility and CEO power on financial performance. The estimation of the model parameters is performed within the modeling framework using the generalized least squares method The models are as follows:

Model 1:

FP_it=β_0+β_1 〖CSR〗_it+β_2 〖SIZE〗_it+β_3 DEBT_it+β_4 BSIZE_it+β_5 BGD_it+〖Year fixed effectes〗_i+〖firm fixed effect 〗_t+ε_it

To examine the impact of the three social dimensions on financial performance, we present the following three empirical models:

Model 1.1:

FP_it=β_0+β_1 〖CSRENV〗_it+β_2 〖SIZE〗_it+β_3 DEBT_it+β_4 BSIZE_it+β_5 BGD_it+〖Year fixed effectes〗_i+〖firm fixed effect 〗_t+ε_it

Model 1.2:

FP_it=β_0+β_1 〖CSRSOC〗_it+β_2 〖SIZE〗_it+β_3 DEBT_it+β_4 BSIZE_it+β_5 BGD_it+〖Year fixed effectes〗_i+〖firm fixed effect 〗_t+ε_it

Model 1.3:

FP_it=β_0+β_1 〖CSRGOV〗_it+β_2 〖SIZE〗_it+β_3 DEBT_it+β_4 BSIZE_it+β_5 BGD_it+〖Year fixed effectes〗_i+〖firm fixed effect 〗_t+ε_it

Where:

FP= Financial performance; measured as the Net income of total assets

CSRENV = the environmental dimension, measured by a score determined by the ASSET4;

CSRSOC= the social dimension, measured by a score determined by the ASSET4;

CSRGOV= the corporate governance dimension, measured by a score determined by the ASSET4;

SIZE = firm size, measured as the nature logarithm of total assets;

DEBT = debt ratio, measured as long-term debt divided by total assets;

BSIZE= Board size, measured as the log of total number of the management board;

BGD= Board gender diversity, measured by an obtained from the DataStream database.

To analyze the moderated influence of CEO Power practices on the association between CSR and FP, as shown in Figure 2, the following multiple regression model is developed:

In accordance with David and Reuben (1986), to establish a moderating role, the following condition must be met: the moderating effect occurs when a moderating variable Z changes the strength of the relationship between the independent variable X and the dependent variable Y. The regression equation takes the following form:

$Y=\beta_0+\beta_1 X+\beta_2 Z+\beta_3 (X \times Z)+\varepsilon_{it}$

With:

XZ = interaction effect.

Y= dependent variable.

X = independent variable.

β_0 = unknown population intercept.

β_1 = effect on Y of a change in X.

β_2 = effect on Y of a change in Z.

Z = The moderating variable.

ε _it=the regression error (omitted factors).

According to David and Reuben (1986), the moderating effect of Z on the X–Y relation is detected when the coefficient (b3) is significant. The coefficients (b1) and (b2) are not necessarily significant. Nevertheless, if the coefficient (b2) is significant, Z is a quasi-moderator. (See figure 2)

Shows a conventional representation of a moderation effect. In our study, the variables X, Y and Y are as follows:

X =financial performance;

Y = CSR;

Z= CEO Power.

In this study, we aim to examine the impact of CEO power on the relationship between CSR and financial performance, we extend the previous analysis and include a moderating effect between CSR*CEOPower Specifically, our regression is as follows:

Model 2:

FP_it=β_0+β_1 〖CEOpower〗_it+β_2 〖CSR〗_it+β_3 〖CEOPower*CSR〗_it+β_4 〖SIZE〗_it+β_5 DEBT_it+β_6 BSIZE_it+β_7 BGD_it+〖Year fixed effectes〗_i+〖firm fixed effect 〗_t+ε_it

Where:

CSR = corporate social responsibility score;

FP= Financial performance, measured as the Net income of total assets;

CEO Power = Cheif executive officer power, measured as the log of total CEO compensation;

SIZE = firm size, measured as the nature logarithm of total assets;

DEBT = debt ratio, measured as long-term debt divided by total assets;

BSIZE= Board size, measured as the log of total number of the management board;

BGD= Board gender diversity, measured using data obtained from the DataStream database;

4.1. Empirical Results And Discussion

This section presents empirical results and robustness tests. An empirical investigation of developed Hypotheses and generalizing the model to run the model's robustness. In all regression models related to financial performance, we check for multicollinearity, heteroskedasticity, and autocorrelation. In the empirical investigation, descriptive statistics (see Table 3) and the correlation matrix (see Table 4) are first presented to understand the data patterns and to check for multicollinearity.

4.2. Descriptive statistics

Table 3 presents descriptive statistics of all the variables. The sample consists of firm-year observations from 2008 to 2022. To better understand the specificities of our sample in relation to the selected variables. Descriptive statistics seem to be mandatory. From Table 3, we see that the CSR variable has a mean (71.60) with a minimum of 7,48, confirming that there is a low level of interest in social and environmental concerns. The maximum of 97.49, on the other hand, confirms that listed companies pay a great deal of attention to social issues. notably close to the study (Velte 2020).

Furthermore, the average ROA is (6.53), i.e. the companies in our sample are, on average, financially efficient. The minimum ROA is (-9,256), confirming the existence of companies that are not efficient in the use of their available resources. On the contrary, the maximum value of return on assets (31,18) indicates that our sample includes companies that achieve a significant return on their assets notably close to the study of (Gharbi and Jarboui., 2024) the mean value of ROA is 7%. Descriptive statistics for our moderator variable CEO-Power state a low mean of 16.83 markedly near the field of study of Bouteska et al (2024) who has found that the mean of CEO Power in French firms 15,87. (See table 3).

Table 3. Descriptive statistics.

Variables	Obs	Mean	SD	Min	Max
CSR	915	71.60	17.68	7.48	97.49
CSRGOV	915	55.05	21.87	4.5	98.3
CSRENV	915	72.63	19.13	0	99.2
CSRSOC	915	70.57	20.37	9.8	98.47
ROA	915	6.531	7.112	-9.256	31,18
CEO-Power	915	16.83	0.912	12.55	18.79
SIZE	915	7.427	1.959	5.377	15.44
DEBT	915	0.289	0.178	0.001	1
BSIZE	915	11.24	2.512	0	42.33
BGD	915	11.45	2.487	7	19

Note(s) : CSR : Corporate social responsibility score ; CSR-ENV : The environmental performance score ; CSR-SOC : The social performance score ; CEO-Power : measured as the log of total CEO compensation ;CSR-GOV : The corporate governance performance score : ROA : Is measured as pretax income divided by total asset ; SIZE : Is calculated as a natural logarithm of total assets ; BSIZE : Board size is mesasured as the natural logarithm of the management board ; DEBT :Is calculated as the ratio of financial debt deflated by total assets ; BGD : Calculated as the proportion of female directors to total directors.

4.3. Correlation Analysis

Table 4 presents the Pearson correlation matrix for the dependent, independent, as well as the control variables. As a rule of thumb, a correlation of 0.70 or higher in absolute value may indicate a multicollinearity issue (Zhang et al., 2020). There is no multicollinearity problem as no correlation coefficients are greater than 0.70. Furthermore, the

CSR-GOV, CSR-SOC and CSR-ENV as pillars of the ESG total score are highly positively significantly linked to each other. Thus, we have to run separate regression models. As supposed, CEO power is positively and significantly correlated with ROA. Moreover, in line with our prior assumptions, we find that BGD, SIZE, DEBT and BSIZE are positive significantly related with ROA. Multicollinearity was also, checked by calculating the variance inflation factors (VIF). The highest observed VIF value in the study variables is 1.952, which is well below the conventional cutoff of 10.0. In addition, the values of the VIF variance inflation factors are below 10 (Myers, 1990) (see Table 4). So far, multicollinearity in our empirical models does not seem to be a problem.

Table 4: Pearson correlations.

	CSR	CSR-GOV	CSR-ENV	CSR-SOC	ROA	CEO-Power	SIZE	DEBT	BSIZE	BGD	VIF
CSR	1										1.221
CSR-GOV	0.080*	1									1.421
CSR-ENV	0.022	0,009**	1								1,131
CSR-SOC	0.233**	0,048*	-0.004	1							1,541
ROA	0.050*	0.014	0.399*	0.443*	1						1,689
CEO-Power	0,266*	0,298**	0,146	0,145**	0,267**	1					1,471
SIZE	0,156*	0,231*	0,155**	0,233**	0,254*	0,165*	1				1,578
DEBT	0.188*	0.241**	0.166**	0.234**	0.238**	0.122**	0.159*	1			1,581
BSIZE	0.158**	0.199**	0.187**	0.266**	0.275*	0.265**	0.251**	0.188*	1		1,952
BGD	0.261**	0.231**	0.165**	0.357*	0.265*	0.269**	0.354**	0.158*	0.234*	1	1,883

Note(s) : CSR : Corporate social responsibility score ; CSR-ENV : The environmental performance score ; CSR-SOC : The social performance score ;CSR-GOV : The corporate governance performance score : ROA : Is measured as pretax income divided by total asset ; SIZE : Is calculated as a natural logarithm of total assets ; BSIZE : Board size is mesasured as the natural logarithm of the management board ; DEBT :Is calculated as the ratio of financial debt deflated by total assets ; BGD : Calculated as the proportion of female directors to total directors.

4.4. Regression Results

Table 5 shows the results of estimating the Model (1) to test our hypothesis as for the coefficient estimation results, first of all we can see from the results in Table 5 that CSR has a positive and significantly associated effect on financial performance of (CF=0.243) (at the 1% threshold). Hypothesis h1 is therefore confirmed. This result is consistent with (Mahrani and Soewarno, 2018), (Franco et al., 2020) and (Rhou and Singal., 2020), (Margolis and Walsh 2001), (Falivena 2020), (Kabir and Thai 2017), (Russo and Fouts, 1997). This shows that improving CSR through improved environmental and social performance, so companies that invest more in CSR can improve their financial performance which translates into long-term customer loyalty to the company. The results, as shown in Table 5, indicate that a negative and the significant relationship between SIZE and CSR (CF=-0.745). In other terms, there is a positive and significant relationship between, DEBT, BSIZE, BGD and CSR (CF =0.150), (CF=0.267), (CF=0.187) at the level 1%. (see Table 5).

Table 5: Regression (1) results.

	Regression (1)		
	Coefficient	Z	P>|z
Constant	0.032	4.90	0.000***
CSR	0.243	5.74	0.000***
DEBT	0.150	11.35	0.000***
SIZE	-0.745	-0.98	0.522
BSIZE	0.267	13.22	0.000***
BGD	0.187	15.66	0.000***
N	915		
Wald Chi-2	264.25***		
Prob>Chi-2	0.000		

Note(s) : CSR : Corporate social responsibility score ; CSR-ENV : The environmental performance score ; CSR-SOC : The social performance score ;CSR-GOV : The corporate governance performance score : ROA : Is measured as pretax income divided by total asset ; SIZE : Is calculated as a natural logarithm of total assets ; BSIZE : Board size is mesasured as the natural logarithm of the management board ; DEBT :Is calculated as the ratio of financial debt deflated by total assets ; BGD : Calculated as the proportion of female directors to total directors.*Significant at 10% level **Significant at 5% level; ***significant at 1% level

To test our H1.1, H1.2, and H1.3, we estimated equations 1.1, 1.2, and 1.3. The results are shown in Table 6. Concerning the CSR-ENV variable, it has a positive and significant impact at the 1% level on ROA (CF=0.004). This result is consistent with findings obtained in several studies such as (Russo and Fouts, 1997), Porter and Linde (1995), Endrikat et al. (2014) and Kabir and Thai (2017). Consequently, environmental actions carried out by companies can generate additional costs and benefits, likely to influence their long-term financial performance,

Endrikat et al. (2014). These costs include those associated with regulatory compliance, insurance, climate change, on-site waste management, pollution control and future liability. The benefits, on the other hand, can take the form of increased revenues through the contribution to corporate resources, providing competitive advantages and enhancing corporate image (Russo and Fouts, 1997). Additionally, the coefficient of the CSR_SOC variable is positive and significant for financial performance through return on assets (CF=3,112). This result is in line with the findings of (Kabir and Thai., 2017), (Greening and Turban, 2000), (Backhaus et al., 2002). As corporate social activities mainly encompass philanthropy as well as employee- and product-related initiatives, companies may choose to invest in charitable contributions, thereby improving their public image, shaping the opinions of external decision-makers, and lowering their tax liabilities while minimizing the risk of future regulations (Roberts, 1992). In addition, employee social initiatives play a crucial role in retaining existing staff, attracting new workers and strengthening employee commitment (Greening and Turban, 2000; Backhaus et al., 2002). Last but not least, CSR-GOV has a positive and significant impact effect on financial performance (CF= 0.115). Moreover, with reference to our controls, SIZE, BSIZE and BGD are positively significantly related to ROA. Debt has a significant negative relationship with ROA.

Table 6. Regression (1.1) (1.2) and (1.3) results.

	Regression 1.1			*Regression 1.2*			*Regression 1.3*		
	Coefficient	*Z*	*P>|z*	*Coefficient*	*Z*	*P>|z*	*Coefficient*	*Z*	*P>|z*
Constant	*3.365*	*10.78*	*0.000****	*41.106*	*21.35*	*0.000****	*0,123*	*5.77*	*0,000****
CSRENV	*0.004*	*2.02*	*0.043***						
CSRSOC				*3.112*	*2.42*	*0.015***			
CSRGOV							*0.115*	*10.5*	*0.000****
DEBT	*-0.020*	*-11.17*	*0.000****	*-0.116*	*-10.7*	*0.000****	*-2.013*	*-18.3*	*0.000****
SIZE	*0.380*	*18.57*	*0.000****	*2.047*	*-16.2*	*0.000****	*0,199*	*19.88*	*0,000****
BSIZE	*0,412*	*15.43*	*0,000****	*0,251*	*19.11*	*0,000****	*0,155*	*17.22*	*0,000****
BGD	*0,097*	*20.22*	*0,002****	*0,342*	*20.88*	*0,000****	*0,124*	*20.55*	*0,000****
N									
Wald Chi-2	*5.266*			*8.331*			*9.187*		
Prob>Chi-2	*0.000*****			*0.000****			*0.000****		

Note(s) :CSR-ENV : The environmental performance score ; CSR-SOC : The social performance score ;CSR-GOV : The corporate governance performance score : ROA : Is measured as pretax income divided by total asset ; SIZE : Is calculated as a natural logarithm of total assets ; BSIZE : Board size is mesasured as the natural logarithm of the management board ; DEBT :Is calculated as the ratio of financial debt deflated by total assets ; BGD : Calculated as the proportion of female directors to total directors.*Significant at 10% level **Significant at 5% level; ***significant at 1% level

The results reported in Table 7 documents the relation among cheif executive officer power, CSR and financial performance. The statistically significant coefficient estimate on financial performance indicates that CSR is positively associated with ROA in firms with cheif executive officer power. Among firms where CEO compensation is high. The effect of CSR is significantly and positively in à test of the sum of the coefficient estimates on the ROA and CSR*CEO-Power (sum of coefficient estimates = 0.114; Z = 10,15). which explains the CEO remuneration geared to the long term (e.g. share-based compensation) positively moderates the relationship between the social aspects of CSR (treatment of employees, diversity, etc.) and long-term financial performance. This means that when the CEO is encouraged to think long-term, people-related CSR activities contribute more to the company's sustainable profitability. These findings further support the conclusions presented by Velte, P. (2020). The coefficients for the variable SIZE are negative and statistically significant compared to the control variables (CF = -0.127). However, this effect turns out to be positive for DEBT, BSIZE, and BGD (CF = 0.241; CF = 0.226; CF = 0.147). This result is consistent with the findings of the research conducted by Velte (2020). The H2 that Cheif executive officer power favorably modifies the influence of CSR on financial performance is supported by this outcome. (See table 7).

Table 7. Regression (2) results.

	Regression (2)		
	Coefficient	Z	P>|z
Constant	0.021	2.09	0.035*
CSR	0.158	5.109	0.000***
CEO Power	0.231	8.177	0.000***
CSR*CEO Power	0.114	10.15	0.000***

DEBT	0.241	32.66	0.000***
SIZE	-0.127	-2.15	0.022*
BSIZE	0,226	2,92	0.015*
BGD	0,147	3,18	0,000***
N			
Wald Chi-2	415.22		
Prob>Chi-2	0.000***		
Note(s) : CSR : Corporate social responsibility score ; CSR-ENV : The environmental performance score ; CSR-SOC : The social performance score ;CSR-GOV : The corporate governance performance score : ROA : Is measured as pretax income divided by total asset ; SIZE : Is calculated as a natural logarithm of total assets ; BSIZE : Board size is mesasured as the natural logarithm of the management board ; DEBT :Is calculated as the ratio of financial debt deflated by total assets ; BGD : Calculated as the proportion of female directors to total directors.*Significant at 10% level **Significant at 5% level; ***significant at 1% level ;*Significant at 10% level **Significant at 5% level; ***significant at 1% level			

Source: Own study.

4.5. Robustness test

To check the robustness of our main results, we verify whether the moderating role of CEO-Power on the relationship between CSR and financial performance remains intact if we replace the ROA with the earnings per share (EPS). we changed our financial performance item by EPS. EPS is a ratio that indicates the amount of earnings attributed to each share Darmadji and Fakhruddin (2012). This ratio makes it possible to determine a company's shareholder return irrespective of its size or assets, thus providing an essential measure for investors. Studying the effect of CSR on EPS can offer a more direct view of a company's benefits to its shareholders, while simplifying comparisons between companies and highlighting the real impact of CSR initiatives on market-perceived financial results, unlike ROA or Tobin's Q, which are influenced by asset and equity structures. The model becomes as follows: Table 8 shows that the results are similar to those previously reported, as displayed in Table 7.

Table 8. Robustness test.

	Regression 1.1		Regression 1.2	
	Coefficient	P>|z	Coefficient	P>|z
Constant	4.138	0.000***	4.221	0.000***
CSR	0.004	0.008***	0.0341	0.000***
CSRENV	0.021	0.000***	0.115	0.001***
CSRSOC	0.418	0.000***	-2.133	0.003***
CSRGOV	0,314	0,000***	0,221	0.005***
DEBT	0,155	0,002***	0,132	0.022**
SIZE	-0,088	0,123	-0,152	0.125
BSIZE	0.113	0.000***	0.233	0.006***
BGD	0.710	0.000***	0.315	0.008***
N	915			915
Wald Chi-2	529.71***		530.25***	
Prob>Chi-2	0.0000		0.0000	
Note(s) : CSR : Corporate social responsibility score ; CSR-ENV : The environmental performance score ; CSR-SOC : The social performance score ;CSR-GOV : The corporate governance performance score : ROA : Is measured as pretax income divided by total asset ; SIZE : Is calculated as a natural logarithm of total assets ; BSIZE : Board size is mesasured as the natural logarithm of the management board ; DEBT :Is calculated as the ratio of financial debt deflated by total assets ; BGD : Calculated as the proportion of female directors to total directors.*Significant at 10% level **Significant at 5% level; ***significant at 1% level ;*Significant at 10% level **Significant at 5% level; ***significant at 1% level				

5. CONCLUSION

This study analyzed the impact of CSR on financial performance by recognizing CEO power as a moderator variable. We selected listed corporations from French (960 firm-years observations) covering the business years 2010-2024. After conducting fixed effects panel regressions, CSR and the three components, the environmental, social and the governance performance scores, have a positive impact on financial performance. Thus, successful CSR engagement leads to increased financial output. Moreover, the positive link between CSR and financial performance is more pronounced by our CEO power index (measured by CEO compensation). A strong CEO on the management board, who is believed to have a greater influence on both financial and non-financial performance, can enhance the relationship between ESG and financial performance, (Velte, 2020). Our results are robust after conducting additional regression for alternative financial

performance measures (EPS). Furthermore, our results are in line with recent studies on that topic in German (Velte, 2020). In this section, we would like to emphasize the implications for researchers, regulators, and practitioners in order to strengthen the incentives for CSR activities and to support the role of the CEO (Cordeiro et al., 2006; Fehre and Weber, 2016). Stakeholder pressure in the automobile industry is currently very high in France. This is evidenced by recent discussions involving Emmanuel Macron and CEOs of publicly listed companies in this sector. Therefore, we encourage researchers to incorporate more individual characteristics (such as compensation, tenure, and education) of board members into their analyses, based on our upper echelons and stakeholder theoretical framework, with a particular focus on CEO and CFO variables. Additionally, the CEO Power moderates the relationship between CSR and financial performance. For example, à CEO with strong decision-making power can promote better integration of ESG (environmental, social, and governance) criteria into the company's strategy, which tends to improve financial performance. This study highlights the moderating role of CEO power in the relationship between CSR and financial performance and offers important implications for corporate governance and executive compensation design. The most important limitation lies in the fact that our study covers a limited time period and includes only large French companies.

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