

The Potential Synergistic Benefit of Triple Bottom Line in Business Sustainability and the Moderating Effect of Board Characteristics: Empirical Evidence from Thailand

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ABSTRACT

Many researchers have studied the synergistic benefit of corporate social responsibility (CSR), but most of the empirical evidence has been drawn from a sample of developed countries. Therefore, this study aimed to advance the literature of CSR in the context of Asian emerging economies. It adopted the triple bottom line (TBL) framework to examine the synergistic benefit of CSR. Based on an empirical study of 410 publicly listed companies in Thailand during 2013–2014, the TBL components, people and planet, were found to have a positive effect on profit. This finding suggests that initiating social and environmental responsibility practices could increase a company's economic prosperity. Social responsibility toward employees, the community, and the environment can be achieved without necessarily impacting shareholders. Indeed, CSR can become a source of a company's competitive advantage, which has a positive effect on corporate financial performance (CFP) and sustainable business growth. While the number of females on a corporation's board was not found to have any significant moderating effect on the relationship between environmental responsibility and CFP, age diversity was found to have negative moderating effect on it.

Keywords: Corporate Social Responsibility, Triple Bottom Line, Board Characteristic, Corporate Financial Performance, CSR, TBL

ผลประโยชน์ร่วมของไตรภพปิยะที่มีต่อความยั่งยืนทางธุรกิจ และอิทธิพลกำกับของคุณลักษณะคณะกรรมการบริหาร : หลักฐานเชิงประจักษ์จากประเทศไทย

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บทคัดย่อ

นักวิจัยจำนวนมากได้ทำการศึกษาถึงผลประโยชน์ร่วมของความรับผิดชอบต่อสังคมและสิ่งแวดล้อม (Corporate Social Responsibility; CSR) ของกิจการ แต่ส่วนใหญ่เป็นการศึกษาจากกลุ่มตัวอย่างประเทศที่พัฒนาแล้ว งานวิจัยนี้จึงมุ่งเน้นศึกษา CSR ในกลุ่มประเทศเอเชียที่กำลังพัฒนา โดยใช้หลักไตรภพปิยะ (Triple Bottom Line; TBL) เพื่อวิเคราะห์ผลประโยชน์ร่วมที่อาจเกิดขึ้นหากกิจการมีการดำเนินการที่มีความรับผิดชอบต่อสังคมและสิ่งแวดล้อม จากข้อมูลของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยจำนวน 410 บริษัท ระหว่างปี พ.ศ. 2556-2557 พบว่า ส่วนประกอบของหลักไตรภพปิยะ ได้แก่ มนุษย์ และโลกมีผลในทางบวกต่อกำไร ผลการศึกษาแสดงให้เห็นว่าการนำหลักปฏิบัติในเรื่องความรับผิดชอบต่อสังคมและสิ่งแวดล้อมมาใช้นั้นสามารถเพิ่มความเจริญรุ่งเรืองให้กับกิจการได้ ความรับผิดชอบต่อสังคมที่มีต่อพนักงาน ชุมชน และสิ่งแวดล้อมสามารถทำได้โดยไม่กระทบต่อผู้ถือหุ้น และ CSR เป็นสิ่งที่เพิ่มความสามารถในการแข่งขันให้กับกิจการ ซึ่งมีผลทางบวกต่อผลการดำเนินงานทางการเงินและการเติบโตที่ยั่งยืนของกิจการ โดยจำนวนกรรมการบริหารที่เป็นเพศหญิงไม่มีอิทธิพลกำกับต่อความสัมพันธ์ของความรับผิดชอบต่อสังคมและสิ่งแวดล้อมที่มีต่อผลการดำเนินงานทางการเงิน ในขณะที่ความแตกต่างด้านอายุ มีอิทธิพลกำกับทางลบต่อความสัมพันธ์ดังกล่าว

คำสำคัญ : ไตรภพปิยะ ความรับผิดชอบต่อองค์กรต่อสังคม คุณลักษณะคณะกรรมการบริหาร ผลประกอบการทางการเงิน CSR TBL

INTRODUCTION

Over the past several decades, the social impact of corporations has become a notable issue in the research on social and business administration. Social responsibility is an important corporate duty. Porter and Kramer (2006, p. 3) argued that “companies have an obligation to be good citizens and to do the right thing.” In addition to its fiduciary obligations to a company’s shareholders i.e., enhancing shareholders’ economic gain and increasing the company’s value, the board has the obligation to consider the interests of stakeholders, i.e., employees, suppliers, customers, community, and society, and to act in response to their expectations (Aras, 2016; Hiller, 2013).

Although the concept of corporate social responsibility (CSR) has received substantial attention since the 1950s, and the expectation that companies should adopt sustainable business practices, i.e., integrate social and environmental concerns into their business operations, are higher, not every company has adopted socially responsible business practices. Recently, many countries have amended their regulatory policies to encourage CSR adoption among large enterprises; however, in most companies around the world, CSR is still only implemented on a voluntary basis (Fombrun, 2005; Gatti, Vishwanath, Seele, & Cottier, 2019). Therefore, the business decision to adopt CSR practices is based on the assessment of benefits and costs. This is consistent with the idea that profitability and responsibility are compatible and businesses seek to “to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth.” (Drucker, 1984, p. 62).

Increasingly, researchers have studied the synergistic benefit of CSR, as seen in the empirical study by Orlitzky, Schmidt, and Ryne (2003) that focused on the implications of CSR on corporate financial performance (CFP). However, the findings remain inconclusive, and there is still a lack of consensus about whether the relationship between CSR and CFP is positive, negative, non-linear, or even insignificant (Grewatsch & Kleindienst, 2017; Van Beurden & Gössling, 2008; Galant & Cadez, 2017). The inconclusiveness of past research results underscores the complexity of this relationship and the role of external interference. The relationship between CSR and financial performance is especially mixed in the context of emerging economies. An empirical study in Brazil concluded that CSR decreases a company’s value, and it has no correlation with financial accounting performance (Crisóstomo et al., 2011). However, CSR has been found to improve the corporate financial performance of Chinese firms (Chen & Wang, 2011). Further studies in other emerging economies may be necessary to determine if the result is more generalizable.

The present study adopts the triple bottom line (TBL) framework, which includes people, the planet, and profit as three components that companies should consider in order to achieve corporate sustainability (Elkington, 1997; Willard, 2012), to examine the synergistic benefit of CSR. The concept of TBL suggests that a company has the responsibility to not only generate economic welfare (profit), but to also care for society (people) and the environment (planet). Bergmans (2006) has suggested

that the underlying foundation of CSR is to identify a proper balance between people, the planet, and profit. Therefore, this study aimed to identify the synergistic benefit of CSR by examining how a company's practice of caring for people and the planet affects its profit.

This study also attempts to disentangle the complicated relationship between CSR and corporate performance by examining the moderating role of board characteristics. More specifically, it examines how the age and gender composition of corporate boards influence the relationship between CSR and corporate performance. Prior research has shown evidence that the average age (Fujianti, 2018), age diversity (Darmadi, 2011; Mahadeo, Soobaroyen & Hanuman, 2012) and number of female directors (Bernardi, Bosco, & Vassill, 2006; Brammer, Millington, & Pavelin, 2009) on boards have a positive effect on corporate performance and a company's reputation. Female directors have also been found to have a stronger orientation toward social responsibility than male directors (Zhang, Zhu & Ding, 2013; Setó-Pamies, 2015). This study contributes to the management field because its results can be used to develop a business model that maximizes a company's financial performance, while simultaneously meeting stakeholders' requirements and protecting their rights.

The study analyzes a sample of firms from Thailand because studies investigating CSR in Thailand are still limited. The database includes not only large multinational companies but also medium-sized local Thai companies. Because CSR initiatives are substantially affected by cultural, institutional, and regulatory differences in each country (Grewatsch & Kleindienst, 2017), a sample from Thailand will provide evidence to demonstrate a CSR outcome from the context of a non-Western developing country.

Measurement of CSR is another issue that could result in an imprecise conclusion. Studies that use a survey to measure social responsibility may obtain questionnaire responses from a company executive who tends to have an upward bias against sustainability, thereby impacting the resulting scores (Saeidi et al., 2015; Mongkolkachit, 2016; Famiyeh, 2017; Maqbool & Zameer, 2018). This bias could create a problem related to the subjective judgment from respondents. Moreover, studies that use a KLD, SAM, or Vigeo database for their analysis could lead to bias against a company's size because the population of the sample is almost exclusively restricted to large and well-known international firms (Cavaco & Crifo, 2014). The present study followed the Organization of Economics Cooperation Development (OECD) guidelines and adopted a content analysis technique to manually collect and measure the degree of CSR from annual reports. Thus, the analysis based on a secondary unique dataset from publicly-listed companies in Thailand will contribute to the current CSR literature by providing empirical evidence to explain the relationship between CSR and CFP from the perspective of an Asian developing economy; it will also provide practical implications for how a company's board can make a moral decision when faced with the choice of whether or not to implement CSR practices. While it is known that CSR is beneficial to a company, the critical issue is how to balance the social, environmental, and economic factors to achieve sustainable growth.

The remainder of this paper is structured as follows. The next section presents a literature review of existing work on CSR and corporate performance, the development of the study's hypotheses, a brief description of the data employed for the empirical analysis, and the research methodology. That section is followed by sections that present the results of the hypotheses testing and provide the conclusion for the overall study.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

CSR in Thailand

Corporate Social Responsibility (CSR) is known as a management approach whereby businesses commit to manage the social, environmental and economic effects of its operations responsibly and align with stakeholder's needs (Willard, 2012). Thailand has one of the fastest growing economies in Asia; its average annual growth rate of real gross domestic product (GDP) was 4.14% from 1990 to 2015 (Jiranyakul, 2017). The exploratory study of Halkos and Skouloudis (2016) on the national CSR index (NCSRI) score, which determines the level of penetration of CSR, found that Thailand ranked 31 of 86 countries. Among South East Asian countries, the score is second only to Singapore. In the more recent study by Amor-Esteban, Galindo-Villardón and García-Sánchez (2019), Thailand received NCSRI score even higher than Malaysia and Singapore. This shows that Thai companies are actively engaged in social activities and showing more commitment to the sustainable business practices.

The cross-national comparative studies of CSR activities found substantial differences in CSR practices between countries, largely attributable to different institutional environment and informal institutions (Ortas et al., 2015). National culture, as a critical antecedent of CSR strategy, social value and religious value are found to influence a Thai business person's mindset toward doing good. Many scholars found the empirical evidence supporting that national culture indeed influences the degree of CSR engagement (Thanetsunthorn, 2015; Peng, Dashdeleg & Chih, 2012; Kim & Kim, 2010). The religious belief, which are deep-rooted in Buddhism, also play an important role in the existence of implicit CSR in Thailand. Such virtuous mindset help explained why companies voluntarily engage in CSR even it is not a legal obligation. Many companies do it merely because it is good to do so (Srisuphaolarn, 2013; Issarawornrawanich & Wuttichindanon, 2019). Therefore, the present study's investigation of CSR in the context of Thailand will make a theoretical and empirical contribution to the current body of CSR literature.

The Resource-Based View of CSR

Although the concept of CSR has been widely discussed among academics and business practitioners since the 1970s, the concern for social responsibility has appeared in the literature of business and evolved over the past 50 years (Carrol, 2016; Carroll & Brown, 2018). The significantly

increasing of CSR research in international context also indicate the global attention to CSR practices (Pisani et al., 2017). The classical view of CSR, which is based on the shareholder approach, defined a good corporation as one that undertakes economically viable business activities and only aims for profit maximization to create long-term value for its shareholders (McWilliams, Siegel, & Wright, 2006; McWilliams et al., 2019). The modern view of CSR leans more towards stakeholder theory, which suggests that a company should not focus exclusively on the needs of its shareholders; it also has a responsibility to engage in activities that are expected by its stakeholders and the society to which it belongs (Carroll, 2015; McWilliams, 2015; Freeman, 2010). Although there is still no consensus on the definition of CSR, it is clear that, nowadays, a company's obligation extends beyond the interests of its shareholders.

Although there have been many studies on CSR, the voluntary dimension of CSR is still being discussed. Legislation of CSR policies seems paradoxical as it is difficult to find a compromise between the interests of business stakeholders and non-business stakeholders. Strict regulations could be recognized as conservative, and they could stifle corporate innovation and competitiveness (Delbard, 2008). Regardless of the effort to enact CSR laws and regulations in some countries (e.g., Indonesia, Denmark, France, Philippines, Argentina, India, the European Union [EU], etc.), CSR is fundamentally viewed as a voluntary business behavior, beyond what is required by law (Dahlsrud, 2008). Because CSR is, generally, not mandatory, not all companies adopt an explicit CSR philosophy in their corporate strategies, due to an analysis of its cost and benefit (McWilliams et al., 2019; Gamerschlag, Möller & Verbeeten, 2011). Several scholars have argued that companies would be willing to undertake socially oriented activities if they are consistent with their shareholders' interests, particularly if the value added outweighs the potential cost (McWilliams & Siegel, 2001). Therefore, how CSR can be used as a strategic business tool to improve corporate performance has become a pivotal topic in management literature (e.g., Kiessling, Isaksson & Yasar, 2016; Guibert & Roloff, 2017; Arevalo & Aravind, 2017).

Some scholars have examined the value of CSR through the lens of the resource-based theory (RBT), which suggests that firms achieve superior performance if they have resources and capabilities that are sources of sustainable competitive advantage (Grant, Trautrim, & Wong, 2017; Barney, Ketchen Jr & Wright, 2011; McWilliams & Siegel, 2011). CSR is recognized as a social capital contributing to sustainable competitive advantage (Falkenberg & Brunsæl, 2011). RBT framework is widely adopted to examine the consequence of CSR in both large and small enterprises (Torugsa, O'Donohue & Hecker, 2013; Campbell & Park, 2017) and in both developed and developing economy context (Ali, Frynas & Mahmood, 2017). The empirical study of 130 listed German companies by Gamerschlag, Möller and Verbeeten (2011) showed that environmental and social performance, as measured by CSR disclosure, enhanced corporate profitability. Evidence for the profit-maximizing ability of CSR was later supported by the theoretical analysis of McWilliams and Siegel (2001), who reported that there is an optimal level of CSR investment that will maximize profits. The benefit of CSR, which can become a source

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of competitive advantage, is not limited to a direct effect, which is an increase in profit; it also includes an indirect effect, such as increased operating efficiency (Yang, 2016), enhanced corporate reputation (Hur, Kim & Woo, 2014), the creation of a new market (Eweje & Sakaki, 2015), gaining an advantage in capital markets (Dhaliwal et al., 2011), better risk management (Hong & Andersen, 2011), and higher employee productivity (Malik, 2015; Carroll, 2016). Although the strategic benefit of CSR could be realized in many ways, most studies in the management literature have focused on the relationship between CSR and financial profit because indirect benefits will, ultimately, be realized as financial profit in the financial statement.

To date, the empirical evidence regarding the impact of CSR on a firm's financial performance has been inconclusive (Lu et al., 2014). While some studies have reported an insignificant relationship (e.g., Ortas & Moneva, 2011; Soana, 2011; Sun et al., 2010) or a negative relationship (e.g., Baird, Geylani, & Roberts, 2012; Peng & Yang, 2014) between CSR and corporate performance, most of the literature largely supports the view of a positive relationship (e.g., Wang & Sarkis, 2017; Cho & Lee, 2017; Rodgers, Choy & Guiral, 2013). Still, empirical studies on the link between CSR and corporate financial performance are mostly based on samples from Western countries with developed economies; a limited number of studies have investigated emerging markets, such as China (Zhu, Sun & Leung, 2014), Turkey (Aras, Aybars & Kutlu, 2010), India (Mishra & Suar, 2010), and Brazil (Crisóstomo et al., 2011). Unsurprisingly, empirical studies investigating the emerging economies of countries in Asia are dominated by China and India, which are two of the fastest growing market economies.

In their extensive review of 21 empirical studies, Pava and Krausz (1996) concluded that “firms perceived as having met social responsibility criteria have either outperformed or performed as well as other firms which are not socially responsible.” This is consistent with most of the empirical studies during the last decade that the overall association between CSR and firm performance is positive (Moser & Martin, 2012). However, because most previous studies are based on a sample of developed economies in Western countries, such a positive link cannot be generalized to countries in emerging economies. While the perception of and practice toward CSR are influenced by different economic environments, they are also impacted by a formal and informal institutional environment, culture, and peers (Yin & Zhang, 2012). Thus, the benefit of CSR will be more generalizable with a cross-national study of emerging economies.

CSR and TBL

TBL is a framework that was primarily developed by John Elkington (1997) as three pillars of corporate sustainability. It is a measurement of corporate performance that extends beyond the calculation of financial profit and shareholder value. It focuses on three dimensions of corporate success, social, environmental, and economic, which are commonly referred to as the three Ps: people,

planet, and profit. According to the TBL framework, companies do not have just one objective, profitability; their objectives must also include adding environmental and social value to society (Savitz, 2013; Willard, 2012; McWilliams et al., 2016). Economic (profit), social (people), and environmental (planet) responsibilities are the three pillars that reinforce the sustainability of a company. Practicing all three of these TBL elements also indicates that companies have fulfilled the responsibilities they have to their related stakeholders, i.e., shareholders, employees, and the community. Although, each pillar exists independently, recent literature in the field of strategic management has focused on the study of positive synergies from these three TBL pillars. Today, pursuing a sustainability strategy is not about a trade-off; it can create a win-win situation in terms of economic output and social quality.

Therefore, for management, a strategic challenge is how to gain mutually supportive benefits from integrating the economic, social, and environmental factors with a minimal trade-off (Hansmann, Mieg, & Frischknecht, 2012; Willard, 2012). Many case studies have found that a company improves its overall performance, company's image and customer attitudes from its green investments or its ecofriendly business practices (e.g., Kumar, 2012; Unruh, 2010; Jeong et al., 2014). Many researchers have demonstrated the positive synergies of TBL. In their study of construction business, Vatalis, Manoliadis, and Charalampides (2011) concluded that sustainable construction practices, such as the use of renewable energy, recycling water, and conservation of materials and techniques, provide more economic benefit than unsustainable practices. In Canada, the policy of telework or working from home was found to increase employees' productivity, reduce real estate costs, and decrease absenteeism and turnover (Lister & Hamish, 2011). A study on the real estate business in Massachusetts also found evidence that companies operating out of green buildings reaped financial benefits, such as energy and water savings, reduced waste, improved indoor environmental quality, greater employee comfort/productivity, reduced employee health costs, and lower operations and maintenance costs (Kats, 2003). A meta-analysis of 34 empirical studies by Van Beurden and Gössling (2008) also suggested that the majority of the empirical studies found a positive relationship between CSR and CFP; only a few studies showed no significant relationship or a negative relationship.

As seen in the literature presented above, there is a tendency to support the positive synergies of TBL, but the empirical evidence has, primarily, been obtained from developed countries (Goyal, Rahman, & Kazmi, 2013). Therefore, to provide empirical evidence to show the positive synergy of TBL from the perspective of Asian emerging economies, this study examined the effect of social and environmental factors on economic factors in the context of Thailand. Toward that end, the following hypotheses were formulated for empirical testing.

H1a: Social responsibility is positively associated with economic responsibility.

H1b: Environmental responsibility is positively associated with economic responsibility.

CSR and Board Characteristics

The existing literature in business provides limited evidence for the effect of board diversity on CSR. Prior research has demonstrated that the presence of female directors could improve corporate governance (e.g., Huse et al., 2011; Adam & Ferreira, 2009; Abbott, Parker, & Presley, 2012). Adam and Ferreira (2009) found that female directors have better attendance records and are more involved with committees that require intense monitoring (e.g., audit, nominating, and corporate governance committees) than male directors. Abbott et al. (2012) demonstrated that the presence of female board members is associated with a lower likelihood of financial restatement.

The effects of gender diversity on boards in relation to several aspects of corporate performance have recently received increasing attention among researchers because many proposals for governance reform explicitly stress the importance of gender diversity in the boardroom. In the United Kingdom (UK), the Higgs Review, which was published in January 2003 by the British Department of Trade and Industry, argued that diversity enhances board effectiveness (Adams & Ferreira, 2009). An effort to increase the number of women holding corporate board seats has been observed in many countries. In the EU, female representation on corporate boards in large listed companies increased from 11.9% in 2010 to 20.2% in 2014 (Colby, 2017). In the United States (US), about 19.2% of the board seats of S&P 500 companies were held by women in 2015. The number of the companies that did not have even one woman on their board of directors decreased from 50 companies in 2014 to only 18 in 2015 (Weisul, 2015).

Many studies have suggested that females have higher ethical standards (Volkema, 2004; Ho et al., 2015; Gavius, Segev & Yosef, 2012) and exhibit higher intentions to act more ethically than males (Valentine & Rittenburg, 2007). Furthermore, the experimental studies on real financial decisions related to risk preferences and household investment have also suggested that females are more conservative and risk-averse than males and exhibit less risky behavior in personal financial decisions portfolios (Jacobsen et al., 2014; Pyles et al., 2016; Hibbert, Lawrence & Prakash, 2018). Adams and Ferreira (2009) suggested that female directors appear to be tougher monitors than male directors at companies with relatively more women on their boards because chief executive officer (CEO) turnover is more sensitive to poor stock return performance. An empirical study of S&P 500 companies from 1998 to 2002 also indicated that the percentage of female directors on the board has a positive effect on financial performance (Carter et al., 2010)

Based on the literature review, it can be concluded that the percentage of women on boards appears to influence the ethical behavior and financial performance of firms. Therefore, the following hypotheses were formulated for empirical testing:

H2a: The proportion of females on a board moderates the relationship between social responsibility and economic responsibility.

H2b: The proportion of females on a board moderates the relationship between environmental responsibility and economic responsibility.

The age of the members of the board of directors is another dimension of board heterogeneity that was found to influence CSR. In a survey of college students, older students appear to be more negative toward CSR efforts by businesses than younger students. In a specific industry, the age of the CEO has also been found to be negatively associated with CSR, i.e., as managers get older, they are less likely to engage in CSR (Oh, Chang, & Cheng, 2016).

Previous studies in the field of management have elaborated on the significant effect of gender and age heterogeneity on a board's effectiveness. The empirical result in the study by Wahid (2012) showed that heterogeneous boards are more effective at completing major tasks than homogeneous boards. Age appears to play a determinant role for the extent of experience and risk-taking behavior (Frag & Mallin, 2018; Berger, Kick & Schaeck, 2014). Managers are more inclined to avoid risky strategy, invest less in R&D, and lower operating leverage when they are older (Serfling, 2014) Many studies have examined the relationship between the age of board members and activities related to social concerns. Siciliano (1996) studied the relationship between board member diversity and organizational performance. That study, which was based on data from 240 YMCA organizations, found that diversity in age groupings had no relationship to an organization's efficiency or its social performance ranking. However, organizations with directors from diverse age groupings had somewhat higher levels of charitable donations. Age diversity was found to be negatively related to return on asset (ROA) (Abdullah, Ismail, & Izah, 2013). In the context of sports, age diversity was found to be negatively associated with performance of a basketball team (Timmerman, 2000). Based on the literature review presented above, it can be concluded that age diversity influences CSR and group performance in many contexts. Accordingly, the following hypotheses were formulated:

H3a: Age diversity on a board moderates the relationship between social responsibility and economic responsibility.

H3b: Age diversity on a board moderates the relationship between environmental responsibility and economic responsibility.

The conceptual framework of this research is presented in Figure 1 according to the aforementioned line of arguments. Based upon the review of CSR and TBL literature, we expect to find a positive synergy of TBL and the moderating effect of board characteristic on such positive relationship. More specifically, we expect to see the positive effect of social and environmental responsibility on economic prosperity and the moderating effect of board diversity in age and gender.

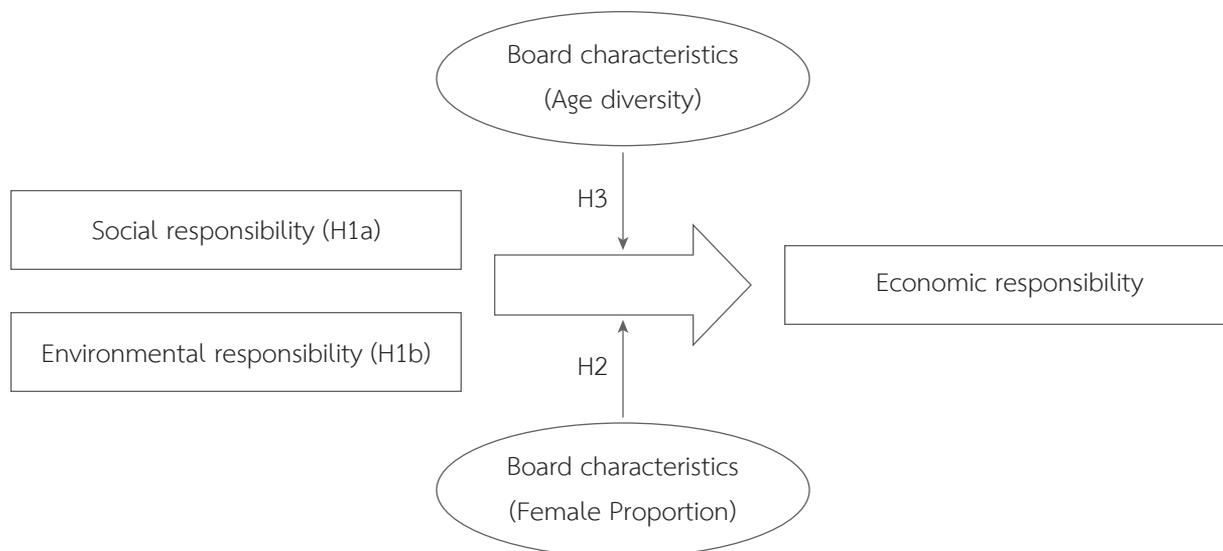


Figure 1: Conceptual framework of relationship between social responsibility and economic responsibility

SAMPLE AND METHODOLOGY

Sample Design and Data Collection

This study examined the effects of CSR on CFP and the moderating effect of board characteristics of companies listed in the Stock Exchange of Thailand (SET) and on the Market for Alternative Investment (MAI), from eight industries, i.e., the Agro & Food industry, Consumer Products, Financials, Industrials, Property & Construction, Resources, Services, and Technology, from 2013 to 2014. Only 410 companies have completed data in 2 years, therefore, a panel dataset of 820 firm-year observations was constructed.

Corporate financial data and stock prices were drawn from the Bloomberg database. Data on the characteristics of firms and executives, such as the gender and age of the executives, were obtained from the SETSMART database provided by the SET and also manually collected from the companies' annual report.

Dependent Variable

Profit (ROA) is a proxy for economic responsibility. It is measured by an accounting variable, ROA. ROA reflects how efficiently a company can operate in order to generate income from its total assets (Griffin & Mahon, 1997; Waddock & Graves, 1997). Economic responsibility can be measured by financial profit because companies with a higher profit may pay higher salaries to their employees, which could be spent on products and taxes. Higher profit is accountable for higher GDP, and companies

with higher profitability pay higher corporate taxes to the government, which could be used to develop people and society. A company's financial profit, as measured by ROA, is an appropriate proxy for corporate economic responsibility because a company's profit appears to benefit everyone in the community (Ksiezak & Fischbach, 2017). Unlike return on equity (ROE), which only focuses on the return on the money invested by shareholders, ROA focuses on the profit generated from a company's total assets. Thus, this study uses ROA as a proxy of corporate performance because CSR is about the interests of all stakeholders, not just shareholders,

Independent Variables

This research uses the content analysis method to measure responsibility in people (society) and planet (environment), as reported in a company's annual report, which are tools they use to communicate with their shareholders. Content analysis is a data analysis method that uses systematic means to replicate or codify text or written data into various categories according to selected criteria (Weber, 1990). This method has been widely used in a number of studies on CSR (e.g., Gamerschlag et al., 2011; Lock & Seele, 2016; Campopiano & De Massis, 2015).

The measurement guideline was based on the OECD Principles of Corporate Governance (OECD, 2015). Thus, a company's corporate performance related to people and planet disclosed in its Annual Information form (Form 56-1) was reviewed and assigned a score, ranging from 0, 2.5, 5, and 7.5 to 10 (see Table 1 and Table 2). To ensure that the highest quality of data was obtained, a strict procedure was followed. Two teams were set up to manually collect the data. The first team, the analyst team, was assigned to read and judge the performance of the stakeholder's report in the secondary data, as explained above. The second team, the audit team, examined the scores marked by the analysts and compare them to the original sources. If the scores were unacceptable or if some conflicts with the documented information were found, the auditors notified the analysts and the scores were updated. Then, the collected raw scores were examined and normalized to 100 to represent the degree of responsibility in people and planet.

People (PEO) is a proxy for social responsibility. According to the TBL framework, social responsibility is achieved by having "fair and beneficial business practices toward labor, the community and the region in which a corporation conducts its business" (Grant, Trautrim, & Wong, 2017). Thus, social performance measures the degree of commitment that a company has towards its employees and people in the community in which it conducts its business. It measures how much a company provides for the safety and welfare of its employees, funds training for the knowledge development and skill improvement of its employees, and the degree to which it is concerned about the sustainable social activities and development of the community in which it operates (see Table 1).

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Table 1: Dimensions of social responsibility practices used in content analysis

Dimensions	Score	Degree of practices
1. Safety and welfare policy/benefits of employees	10	The company explicitly mentions the safety policy and the benefits/welfare policy of its employees.
	7.5	The company explicitly mentions only the safety policy or the benefits/welfare policy of its employees.
	5	The company roughly mentions the safety policy and the benefits/welfare policy of its employees
	2.5	Not mention.
	0	Not mention.
2. Provident fund for employees	10	The company provides a provident fund for its employees.
	0	Not mention. /The company doesn't provide a provident fund for its employees
3. Employee's knowledge development and skill improvement	10	The company explicitly mentions the training policy for its employees and also gives the purpose and detail of each training programs.
	7.5	The company mentions the training policy and roughly gives the purpose and detail of training programs.
	5	The company roughly mentions the training policy and the purpose of training.
	2.5	The company mentions that it provides training courses for employees but the company doesn't give any detail.
	0	Not mention.
4. Development of community and society	10	The company highly concerns about the sustainable social and community development e.g., building weir, building a library for community, contributing as scholarship for impoverished youth – activities that are beneficial in a long run, and also has explicit details.
	7.5	The company concerns about the social and community development e.g., donating blood or clothing, with explicit details.
	5	On the subject of stakeholders, the company separately mentions the rules for the treatment of communities and society but not details in development activities.

Table 1: Dimensions of social responsibility practices used in content analysis (Cont.)

Dimensions	Score	Degree of practices
4. Development of community and society (Cont.)	2.5	The company gives overall detail of the roles of the stakeholders with no obviously separate topic of community and society.
	0	Not mention.

Planet (PLA) is a proxy for environmental responsibility. It measures the degree to which a company integrates the consideration of environmental impacts into its operations (see Table 2).

Table 2: Dimensions of environmental responsibility practices used in content analysis

Company's Type	Score	Degree of practices
Manufacturing company	10	The company explicitly mentions the guidelines of policy and practice towards the environment (e.g., providing a wastewater-treatment plant, controlling air pollutant release) and the company has been certified under the environmental standard i.e., ISO 14001.
	7.5	The company explicitly mentions the guidelines of policy and practice towards the environment (e.g., providing a wastewater-treatment plant, controlling air pollutant release) but the company is not certified to ISO 14001.
	5	The company mentions its obligation to the environment in the topic of the roles of the stakeholders but not giving data of practical environmental operation.
	2.5	The company gives overall detail of the roles of the stakeholders with no obviously separate topic of environment.
	0	Not mention.
Service company	10	The company explicitly mentions the guidelines of policy and practice towards the environment which is including both internal and external operation e.g. saving energy, growing forest.
	7.5	The company explicitly mentions the guidelines of policy and practice towards the environment which is an internal operation e.g., saving energy, using efficient resources.

Table 2: Dimensions of environmental responsibility practices used in content analysis (Cont.)

Dimensions	Score	Degree of practices
Service company (Cont.)	5	The company mentions its obligation to the environment in the topic of the roles of the stakeholders but not giving data of practical environmental operation.
	2.5	The company gives overall detail of the roles of the stakeholders with no obviously separate topic of environment.
	0	Not mention.

Age diversity (AGEDIV) for the board of directors, the CEO, the audit committee, and the independent director was measured using the coefficient of variation (i.e., standard deviation divided by the mean of firm *i* in year *t*) (Allison, 1978). Coefficient of variation is defined as:

$$ADIV_{it} = \frac{\sigma_{it}}{\mu_{it}}$$

Board gender (BFEM) was measured as the proportion of females to males for the board of directors, the CEO, the audit committee, and the independent director.

Control Variables

In this study, four important factors that might affect the financial performance of firms are the control variables. Studies in the literature of strategic management have suggested that a firm's age, size, and risk tolerance could be factors that influence its financial performance and CSR strategies (Ullman, 1985; McWilliams & Siegel, 2000). As organizations grow, the degree of structural inertia will be higher. In mature organizations, increasing bureaucracy will diminish flexibility and make it more difficult to implement any strategic changes, including CSR (Hannan & Freeman, 1984; Yuan, Bao & Verbeke, 2011). In the present study, a firm's age (AGE), as measured by the number of years since the firm was founded, and a firm's size (LNSIZE), as measured by the natural logarithm of market value of the company, are controlled. The company's risk exposure is another factor that may influence its CSR activities. Because social actions are voluntary and not required by law, a firm's risk tolerance might affect its attitude toward CSR. High leverage creates financial distress and increases the risk of bankruptcy (Wruck, 1990). Thus, the amount of debt may affect a firm's risk-return preferences and its strategic decisions toward CSR. In the present study, a firm's leverage (LEV), as measured by the ratio of total debt to total assets, is controlled. Finally, a dummy variable was added to control for industry effect (DIND) on firm performance.

Data Analysis Method

Ordinary Least Squares (OLS) linear regression was used to examine the effects of corporate responsibility on people and planet in relation to CFP. A panel dataset of publicly listed Thai firms during 2013–2014 was analyzed. The panel dataset contains firm-year observations.

EMPIRICAL RESULTS

OLS regressions have been estimated to empirically test the effects of a company's responsibility to people and the planet on its financial profit. Descriptive statistics and the correlation of the variables are presented in Table 3 and Table 4. The mean values of economic responsibility (ROA), social responsibility (PEO), and environmental responsibility (PLA) are 0.048, 82.5661, and 84.1159, respectively. The minimum values of PEO and PLA are zero, which indicates that not every company is actively involved in social and environmental activities. The average proportion of females on the board (FEM_B) is 0.1673. The average age diversity of the board (AGE_DIV) is 0.1603. For the other control variables, the average leverage level (LEV), a firm's age (FRM_AGE), and natural logarithm of a firm's size (LNSIZE) are 4.1398, 31.4359, and 22.4505, respectively. The range of a firm's age and size are 2–138 years and 18.6949–28.6660, respectively, which are large enough to indicate that the sample includes both small and large companies.

Table 3: Descriptive Statistics of the Key Variables

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
ROA	0.0480	0.0459	0.4583	-0.7051	0.0881	820
PEO	82.5661	87.5	100	0	18.4022	820
PLA	84.1159	100	100	0	28.1172	820
FEM_B	0.1673	0.125	0.6667	0	0.1447	820
AGE_DIV	0.1603	0.1614	0.3247	0.0229	0.0528	820
LEV	4.1398	2.2499	375.3865	1.0235	13.9061	820
FRM_AGE	31.4359	28.5	138	2	16.3479	820
LNSIZE	22.4505	22.1637	28.6660	18.6946	1.7955	820

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Table 4: Correlation Coefficients

This table presents the correlation coefficients of the key variables for the sample of 820 firm-year observations during the period 2013–2014.

	1	2	3	4	5	6	7
1. ROA							
2. PEO	0.0951***						
3. PLA	0.0716**	0.4381***					
4. FEM_B	0.0201	-0.0087	-0.0183				
5. AGE_DIV	-0.0184	-0.0818**	-0.0865**	0.0957***			
6. LEV	-0.0992***	-0.0711**	-0.0193	-0.0049	0.0453		
7. FRMAGE	-0.0161	0.0610*	0.0607*	0.0266	0.0320	0.0319	
8. LNSIZE	0.1205***	0.3279***	0.2168***	-0.1434***	-0.2192***	-0.1121***	0.1588***

Symbols ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

The regression analyses results are presented in Table 5. Model 4 was used as a robustness check, so only the testing and control variables were included.

Hypothesis 1a and Hypothesis 1b propose that social and environmental responsibilities are positively associated with a company's profit. As shown in Model 1, both social (PEO) and environmental (PLA) responsibilities are positively associated with a company's profit (ROA). The statistically significant positive coefficient of PEO ($\beta = 0.0002$, $p < 0.01$) and PLA ($\beta = 0.0001$, $p < 0.01$) suggest that a higher commitment in social responsibility and environmental responsibility could lead to a higher economic responsibility, i.e., it could generate higher financial profit. Thus, Hypothesis 1a and Hypothesis 1b are supported. This finding supports the results reported in the literature that a properly managed CSR practice improves financial performance. A good CSR practice will motivate employees to perform effectively, promote a good image for the company, increase customers' satisfaction, and strengthen the company's relationship with its suppliers (e.g., Burnett & Hansen, 2008; Erhemjamts, Li, & Venkateswaran, 2013; Rodgers, Choy, & Guiral, 2013).

Hypothesis 2a and Hypothesis 2b propose that the proportion of females on the board moderates the effect of social (PEO) and environmental (PLA) responsibilities on economic responsibility (ROA). As shown in Model 2, the coefficient of the interaction term is not significant, which indicates that the proportion of females (FEM_B) does not moderate the effect of social (PEO) or environmental (PLA) responsibilities on economic responsibility (ROA). Thus, Hypothesis 2a and Hypothesis 2b are not supported.

Hypothesis 3a and Hypothesis 3b propose that age diversity on the board moderates the effect of social (PEO) and environmental (PLA) responsibilities on economic responsibility (ROA). As shown in Model 3, the coefficient of the interaction term is significant only in environmental responsibility (PLA); it is not significant in social responsibility (PLA). Thus, Hypothesis 3a is rejected, but Hypothesis 3b is supported. The negative coefficient of an interaction term between age diversity on the board and environmental responsibility ($\beta = -0.0063$, $p < 0.01$) suggests that age diversity on the board negatively moderates the relationship between environmental responsibility (planet) and corporate financial performance (profit). More specifically, in companies where age diversity on the board of directors is high, a greater commitment to environmental responsibility could decrease economic responsibility, as measured by financial profit. This finding tends to support the evidence found in several studies that reported a negative effect of age diversity on organizational performance (e.g., Ely, 2004; Leonard, Levine, & Joshi, 2004; Timmerman, 2000). This finding is consistent with the results reported by Ely (2004); that study examined the impact of diversity on performance in retail bank branches. Ely (2004) suggested that differences in attitudes drawn from the diversity in tenure and age are a source of employee conflict. Moreover, higher diversity in age and tenure has been associated with lower attainment of customer satisfaction, lower attainment of productivity goal, and poorer strategic implementation ability (Ely, 2004; O'Reilly, Williams, & Barsade, 1997).

The coefficient of a board's age diversity (AGE_DIV) in Model 4 is not significant, which suggests that board diversity, itself, does not have a direct effect on a company's profit; it merely has a negative moderating effect on the relationship between environmental responsibility and a company's profit.

Table 5: OLS regressions of CSR effect on corporate financial performance

	Model 1	Model 2	Model 3	Model 4
Constant	-0.0857** (0.0418)	-0.1022*** (0.0364)	-0.1300*** (0.0288)	-0.1020* (0.0546)
PEO	0.0002*** (0.0001)	0.0003** (0.0001)	-0.0005 (0.0004)	0.0002*** (0.0001)
PLA	0.0001*** (0.0000)	0.0000 (0.0000)	0.0011*** (0.0000)	0.0001*** (0.0000)
FEM_B		0.0166 (0.0986)	0.0141 (0.0106)	0.0183** (0.0085)
AGE_DIV		0.0220 (0.0252)	0.2109 (0.1494)	0.0205 (0.0240)
PEO*FEM_B		-0.0003 (0.0011)		

Table 5: OLS regressions of CSR effect on corporate financial performance (Cont.)

	Model 1	Model 2	Model 3	Model 4
PLA*FEM_B		0.0003 (0.0002)		
PEO*AGE_DIV			0.0041 (0.0026)	
PLA*AGE_DIV			-0.0063*** (0.0004)	
LEV	-0.0005** (0.0002)	-0.0005 (0.0002)	0.0064*** (0.0020)	-0.0005** (0.0002)
FRMAGE	-0.0002** (0.0001)	-0.0002** (0.0001)	-0.0006*** (0.0002)	-0.0002** (0.0001)
LNSIZE	0.0062*** (0.0013)	0.0065*** (0.0017)	-0.0002* (0.0001)	0.0065*** (0.0016)
R^2	0.0393	0.0405	0.0481	0.0403
Adjusted R^2	0.0238	0.0201	0.0279	0.0224
F-statistic	2.5346***	1.99***	2.3820***	2.25***
Observations	820	820	820	820

Symbols ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

DISCUSSION AND CONCLUSION

Most of the previous CSR literature has focused on economies in developed Western countries. Research on CSR in the context of developing Asian countries has been relatively under-investigated. Therefore, in response to the demand for further understanding of CSR in emerging economies, this study advances the CSR literature in the context of emerging economies by introducing the concept of TBL, identifying the potential synergistic benefits that companies can achieve through the execution of TBL, and determining how board characteristics influence those benefits.

Today, a sustainable business strategy is not about a trade-off between the social and environmental performance of a company and its profitability. Only paying attention to profit and people makes a company seem to have equitable and fair policies, but neglecting to take care of the environment deteriorates the planet. However, while caring only for the planet and people, and forgetting about profit, can make a CSR policy bearable, a business cannot survive without making a profit. If a company only focuses on its profits and the planet, its business might be viable and

profitable, but disregarding people can lead to a decrease in employees' morale, negatively impacting their motivation to work; over the long-term, this can represent a breach in the company's social contract (Ksiezak & Fischbach, 2017). Therefore, instead of selective practice, it is more important to consider how to balance the three components of TBL, people, planet, and profit, to benefit from the synergy of TBL in order to gain a competitive advantage (Van der Veen & Venugopal, 2014; Willard, 2012). To balance TBL pillars that are economic (profit), social (people), and environment (planet), management should identify areas of social impact that fit with its core strategy, products or services, and operations. Also, managements have to find the way to optimal between effectiveness, cost and save the environment that allows them to make and defend to shareholders about their strategic decision and social responsibility (McWilliams et al., 2016).

Based on the sample dataset of 410 publicly-listed companies in Thailand during 2013–2014, this study found that social and environmental responsibility had a significant positive effect on a company's profitability. This finding supports the idea that a company can integrate TBL to achieve business sustainability. Executing the practice in relation to people and the planet is not necessarily a benefit at the expense of financial performance; it can lead to higher profitability. Although the proportion of females on the board was not found to influence the synergy of TBL, age diversity was found to minimize the positive effect of planet on profit. A large range of age diversity on a board may lead to conflict and create tension among board members regarding a company's environmental responsibility policy. Constructively harnessing conflict to complete a task may create innovation and enhance corporate performances (Wegge & Schmidt, 2009; Ely & Thomas, 2001; Jehn, Northcraft, & Neale, 1999). However, conflict can also hamper cross-generational cooperation. Thus, a company should aim for a balance of age diversity on its board to foster a cooperative and innovative environment.

The study contributes to the knowledge of CSR literature by assessing the role of the triple bottom line (TBL) in explaining the relationship between CSR and corporate performance by investigating the moderating role of board characteristics such as age and gender. Prior study such as Orlitzky, Schmidt, and Ryne (2003), Crisóstomo et al., (2011), and Chen & Wang, (2011) focus on the relationship between CSR and corporate performance, whereas this study attempt to explore the moderating effect of board characteristics. Besides, the study contributes to the Nomination Committee and shareholders by providing empirical evidence on the benefits of board diversity. Under the Responsibilities of the Board section, the Principles of Good Corporate Governance for Listed Companies 2012 by the Stock Exchange of Thailand (SET) suggest that the structure of the board should consist of directors with various qualifications, which are skills, experience, and expertise that are useful to the company. Therefore, The Nomination Committee should consider the board diversities when selecting the director candidates. Also, the shareholder should vote nominated director with consideration of diversity in board characteristics.

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It is important to note that, when interpreting the results of this study, some limitations should be considered. First, this study is based on a sample dataset of publicly-listed companies in Thailand, so it cannot be assumed that the results are generalizable to small- and medium-sized companies or to companies in other emerging Asian countries. Second, the degree of TBL responsibility was retrieved from what was reported in the annual reports of the examined firms. Therefore, if a company was involved in social activities but did not voluntarily report that in its annual report, the score may be deemed to be zero.

Despite these limitations, this study adds to the growing body of evidence that CSR has an impact on a company's profitability. The empirical evidence reported in this study contributes to the current CSR literature. Its finding that CSR has a positive effect on corporate performance in emerging Asian countries is in keeping with the literature on the economies of developed Western countries, making its results more generalizable. It also strengthens the idea that TBL responsibility does not necessitate a trade-off; rather, it requires an integration of strategies. Implementing a good strategy to address a company's responsibility to people and the planet can increase its profitability and give a company a competitive advantage over its competitors.

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