

Environmental performance in times of financial crisis. The importance of corporate governance.

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Abstract

The study on the effect of the financial crisis on the environmental performance of companies is scarce (Cavero-Rubio & Amorós-Martínez, 2020; Heras-Saizarbitoria et al., 2016) and has focused on analyzing whether CSR policies increase or decrease during times of recession without determining the causes that are affecting to CSR policies (Heras-Saizarbitoria et al., 2016). Although companies drive these practices for external reasons, mainly related to improving stakeholder relations and satisfying the society demands (Lins et al., 2017; Manzaneque-Lizano et al., 2019), the paper proposes that there are internal determinants that could be effective in times of financial crisis (Heras-Saizarbitoria et al., 2016).

Based on this, this paper has two objectives. Firstly, to study if factors that explain the environmental performance in companies depend of external or internal factors. In this sense the paper analyses the incidence of the orientation towards the company's stakeholders (as an external factor), and the existence of environmental management systems and board diversity (as internal factors) on sustainable performance. Secondly, the paper studies if these mechanisms continue to be effective in times of economic recession.

To address these questions, we apply a panel data regression analysis on a sample consists of 1,955 companies from 26 countries over the period 2002 to 2010 and a total of 14,515 observations. To correct problems of autocorrelation detected with the Wooldridge test ($p.value < .000$) and heteroscedasticity with the Wald test, a panel-corrected standard error estimates (PCSE) is applied.

The results of the regression analysis show that environmental performance is determined by the company's orientation towards stakeholders' demands, and the diversity on the board of directors. However, in situations of economic crisis, attention to stakeholders' environmental demands is lower. On the contrary, the impact of diversity on the board on environmental performance is not affected by the recession. This highlights that corporate governance factors become the most important determinant of environmental policies in times of economic recession, and external factors become less relevant.

References

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