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TÍTULO**:**

THE SIGNIFICANCE OF CORPORATE SOCIAL PERFORMANCE ON ORGANIZATIONAL EFFECTIVENESS.

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AUTORIZACIÓN DE LECTURA

En la calidad de director de tesis, autorizo la lectura pública de la tesis doctoral **"THE SIGNIFICANCE OF CORPORATE SOCIAL PERFORMANCE ON ORGANIZATIONAL EFFECTIVENESS",** realizada por Dª. **ROSAMARIA COX DE MOURA LEITE** en el Departamento de Administración y Economía de la Empresa de la Universidad de Salamanca.

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Chapter 1
Introduction

This first chapter is purely introductory and the objective is to reflect the general approach of the doctoral thesis entitled: **“**The Significance of Corporate Social Performance on Organizational Effectiveness”.

On the following lines, readers can know the objectives that are intended to be achieved with this work and the reasons for developing them. Subsequent we describe it structure and the corporate social responsibility database adopted on the empirical analysis.

1. Aims of the Thesis

Over the past two decades, corporate social performance has been the focus of significant attention by a proliferation of conceptual and empirical work (see Margolis and Wash, 2003; Orlitzky et al., 2003; Wood 1991; 2010). The literature has paid particular attention to the relationships between corporate social responsibility and financial performance, albeit with mixed results and no clear understanding due the difficulty in measuring corporate social responsibility accurately and also the significance of its on organizational effectiveness (McWilliams et al., 2006).

Within this context, this thesis tries to answers some questions that at this point in time have no consensual response on corporate social responsibility literature, focusing on the comprehension of the relationship between corporate social responsibility and organizational performance and on the determinants of corporate social responsibility intensity.

As was mentioned before the relationship between corporate social responsibility and corporate financial performance has been studied by many researchers, albeit with no clear understanding. This thesis proposes a new analysis for this relationship, building on the stakeholder theory perspective.

Another aim of this thesis is to identify the impact of corporate social responsibility on organizational reputation, since many companies used the reputation -building argument to justify social actions (Porter and Kramer, 2006), and it may mediate the relationship between corporate social responsibility and corporate financial performance (Surroca et al., 2009), in addition to that there is very little systematic research about this relationship, without an clear conclusions. Afterward, we propose a new analysis that identifies the impact of different types of social actions on organizational reputation.

Corporate social responsibility intensity is determined by many factors, one of the most important is its industry (e.g. McWilliams and Siegel, 2000; Russo and Fouts, 1997). We suggest that corporate social responsibility is a shared strategic asset based on industrial organization and institutional schools. It's affected by industrial economic and structural conditions (Roquebert et al., 1996), and these relationships are mediated by a variety of institutional factors (DiMaggio and Powell, 1983), without forgetting that there are determinants of corporate social responsibility that may be operating inside the corporation (Campbell, 2007). Thus, we analyzed variance components of the firm and industry effect on corporate social responsibility, to answer: How much industry and firms factors explain the corporate social responsibility variance?

The contributions of this thesis are addressed on one theoretical chapter and three empirical analyses chapters. On the following lines we detail in a few words the main thesis chapters.

2. Thesis organization

The corporate social responsibility concept has a long history associated with how it impacts on organization behavior. In order to understand corporate social responsibility's impact on organization behavior, therefore, it is necessary to comprehend its progression. Subsequently, we trace the conceptual developmental path of corporate social responsibility, which provides a thorough analysis of this concept, contrasting views and state of the art.

The corporate social responsibility concept has evolved in multiple aspects, and with the contributions of many authors. We reviewed the literature and adopted a chronological structure organized on decade-by-decade categories. Our results demonstrated that corporate social responsibility research has changed constantly on the last 60 years. On the 1950s the primary focus was on businesses' responsibilities to society and doing good deeds for society. On the 1960s key events, people and ideas were instrumental in characterizing the social changes ushered in this decade. On the1970s business managers applied the traditional management functions to dealing with corporate social responsibility issues. While, in the 1980s, business and social interest came closer and firms became more responsive to their stakeholders. During the 1990s the idea of corporate social responsibility became almost universally approved, also it was coupled with strategy literature and finally, on the 2000s, corporate social responsibility became definitively an important strategic issue, which confirms the strategic importance of corporate social responsibility, and reinforces the necessity of studying the impact that it has on firms' performance.

On the first empirical study of this thesis, chapter 3, we contributed to the comprehension of the relationship between social and financial performance, applying a rigorous methodology and addressing previous researchers' concerns over measurement of variables. We evaluated the effect of two social performance measures, primary stakeholder management and non-participation on controversial businesses, on two measures of corporate financial performance, an accounting- based measure and a market-based measure. We provide interesting analyses about the differences effects of these two CSP measures, which help us to understanding the instrumental component of avoided participation on controversial business. Our analytical results indicate that non-participation on controversial business is a relevant CSP measure that has to be considered individually, since it impacts firms' performance in a different way than primary stakeholder management does.

In line with chapter 3 results, on chapter 4 we discussed the impact of corporate social responsibility has on organizational reputation. On this chapter we analysed how the strengths and weaknesses of a firm's social actions with its different types of primary stakeho lders impact on its reputation. We differentiate primary stakeholders between institutional and technical. The first provide tangible support and the second intangible support to the firm. We theoretically develop the difference between social action const ruct decompositions and its relationship with corporate reputation building. We found that institutional stakeholders are deemed to hold normative expectations of a firm's behavior, impacting strongly on corporate reputation, unlike technical stakeholders, that have an economic exchange relationship with the firm. In addition to corporate social actions toward technical stakeholders are viewed as self-serving actions, and are therefore less likely to impact on corporate reputation.

On chapter 5 we revisited the relative importance of industry and firm level effects on corporate social responsibility, with the objective to clarify its diversity. We suggest that corporate social responsibility is a shared strategic asset based on insights from the industrial organization and institutional schools, without forgetting based on resource -based view that there are determinants of corporate social responsibility that may be operating inside the corporation. Our variance component analysis indicated that firms retain considerable self-determinism regarding their corporate social responsibility trajectories, but also represent a shared strategic asset. Thus, these results combined, imply that corporate social responsibility needs to be examined on both levels of the ana lysis simultaneously.

The main motivations and contributions of each cited chapters can be seen in Table 1. Moreover on the following lines we describe the corporate social responsibility database adopted on this thesis empirical analysis.

Table 1 – Major issues addressed per chapter

Chapter	Motivations	Contributions
2	- corporate social responsibility concept has a long history associated with how it impacts on organization behavior.	- provides easy and didactical information of the conceptual evolution of corporate social responsibility, advance on the discussion of the progress of its researchers and contrast views.
3	- there is no consensus on the literature about the relationship between corporate social and financial performance; - necessity to apply more rigorous methodology and address previous researchers' concerns over measurement of variables. - non-participation on controversial business variable has therefore been analysed in only a handful of studies;	- apply rigorous methodology to study the relationship between corporate social and financial performance; - raises critical issues related to the measurement of corporate social responsibility; - evaluates the effect of corporate social performance in a decoupling form on financial performance; - evaluates the effect of non-participation on controversial business on the firms' social actions intensity to primary stakeholders.
4	- reputation building is used by many companies to justify social actions; - corporate reputation may mediate the relationship between corporate social responsibility and corporate financial performance; - there is very little research of the effects of social actions on corporate reputation, without an clear conclusions.	- develop a framework on corporate reputation, highlighting the valuable roles that different types of social actions play in reputation building; - propose a new model that identifies the impact of different types of social actions on organizational reputation.
5	- corporate social responsibility is influenced by market, institutional and environment forces that shape the industrial context; - corporate social responsibility can constitute a resource or capability that leads to a sustained competitive advantage.	- revisits the relative importance of industry and firm level effects on corporate social responsibility; - provides evidence that each type of corporate social actions has a different variation between industry and firms levels.

3. Corporate Social Responsibility database

According to Marlogis et al. (2007) meta-analyses results, corporate social responsibility impacts on a firm's financial performance depending "on big scale" on the data types used to measure corporate social responsibility. The last cited authors classified the different ways to capture companies' corporate social responsibility, and asserted that the most used resource on the literature is, called, third-party audits - which's involves the systematic assessment of data by investigators who evaluate a company along a set of c riteria. The most common resource example is Kinder Lydenberg Domini (KLD) database, following by its precursor developed by the Council on Economic Priorities (CEP) a nd equivalent organizations in other countries, example: Canadian Social Investment Datab ase (CSID) – Canada; Sustainalytics Platform database (before the year 2009 known as SiRi Pro) – Europe, North America and Australia; Ethical Investment Research Service (EIRIS) – United Kingdom.

This thesis adopted the KLD database that is according to Márquez and Fombrun (2005) in many respects the best instrument currently available for measuring the corporate social responsibility of American firms. Over 40 peer-reviewed articles, representing a variety of academic fields (including finance, economics, management and sociology) have used KLD data to research companies' social, environmental and governance performance (KLD, 2008). Some of these articles are: Agle et al. (1999), Berman et al. (1999), Coombs and Gilley (2008), Griffin and Mahon (1997), Hil lman and Keim, (2001), McWilliams and Siegel (2000), Ruf et al. (2001), Waddock and Graves (1997).

These last cited articles and others empirical studies used interchangeably t he terms corporate social performance and corporate social responsibility (Margo lis et al., 2007) - or "socially responsible behavior" and recently "corporate responsibility. Theorists attempt to distinguish corporate social performance from corporate social responsibility, although sometimes subsuming corporate social performance under the umbrella of corporate social responsibility and sometimes the reverse (Margolis et al., 2007). This thesis adopted the both concepts, without conflict, since the data used on the empirical analyses can be classify as corporate social responsibility data or corporate social performance data dependent of the theory argument adopted.

In addition, according to Brammer and Millington (2008), how to measure corporate social responsibility is one of the main difficulties for the researchers, since different aspects of corporate social responsibility may expect to be differently motivated and may accordingly have diverse implications for organization performance. Thus, in this thesis the KLD data was measured according to the characteristics of each one of the empirical analyses proposed.

The KLD Statistical Tool for Analyzing Trends in Social and Environmental Performance (STATS) is rated by KLD Research & Analytics, Inc. For each year beginning with 1991, KLD STATS provides a table of data with a collection of approximately 650 companies that comprise the Domini 400 Social SM Index and S&P 500® with one record for each company. Beginning in 2001, KLD expanded its coverage universe to include the largest 1000 US companies by market capitalization. In 2003, KLD expanded that coverage to the largest 3000 US companies by market capitalization.

KLD covers approximately 80 indicators in seven major qualitative issue areas including community, corporate governance, diversity (to proxy for minorities), the natural environment, human rights, employee relations and product quality (to proxy for customers). In addition to this, KLD also provides exclusionary screening information for involvement in the following controversial business issues: alcohol, gambling, firearms, military, nuclear power, and tobacco. The qualitative indicators include both positive and negative ratings (strengths and concerns), while the controversial business indicators include negative ratings only.

KLD’s data set is designed as a binary system. For each strength or concern, rating 1 indicates the presence of that rating and 0 indicates its absence. In the appendix A, we list all the KLD indicator variables used on this thesis and categorize them in their corresponding issue areas.

Chapter 2

Historical Background of Corporate Social Responsibility

1. Introduction

The academics and business managers have noticed how corporate social responsibility (CSR) has been transformed from an irrelevant and doubtful idea to a high-ranking topic on research agendas (McWilliams et al., 2006). CSR has also become one of the most orthodox and widely accepted concepts in the business world during the last years or so (Carroll and Shabana, 2010). According to Lee (2008), conceptualizations of and research on CSR have evolved along two avenues: in terms of the level of analysis, researchers have moved from a discussion of the macro social effects to an organizational-level analysis of CSR and its impact on organizational processes and performance; in terms of the theoretical orientation of this field, researchers have shifted from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies.

Evolution of the CSR concept has a long history associated with how it impacts on organization behavior. This transformation is aptly illustrated by Lee's (2008) example of Ford Motor Company: in 1919, the Ford shareholders agreed to the decision of the Supreme Court of Michigan to grant Dodge brothers, request for maximum dividends. This decision derided Henry Ford's (company president and principal stockholder) intention to reinvest company's accumulated profits on plant expansion, and stated that the purpose of his company was to serve society; in 1999, Henry Ford's great-grandson, William Clay Ford Jr. tried again to convince the company's shareholders of the importance of business as a service to society. At this time, however, the younger Ford not only faced no lawsuits, but also received considerable support from various stakeholders, including shareholders.

It is interesting to note that shareholders of Ford Motor Company responded differently in the two periods. According to Lee (2008), the meaning and business implication of CSR in 1999 was much more palatable to shareholders than the one advocated in 1919. In 1919, the concept of CSR was vaguely framed in moral and macro-social terms such that shareholders could not see how it served their interest or how it was related to the performance and management of the corporation. For that reason, the Dodge brothers envisaged no tangible benefit in running a business with the greater public goods in mind. In 1999, CSR had already been coupled with strategy literature and its relationship with market outcome had been made more explicit, which probably influenced the shareholders behavior.

In order to understand CSR's impact on organization behavior, therefore, it is necessary to comprehend its evolution. On this chapter we trace the conceptual developmental path of CSR theories, with the purpose to improve the knowledge on this issue and approach awareness to the objective of this thesis. We performed an extensive literature review and also appraised earlier studies whose goal was similar to ours, with the aim to find the better structure to our work.

Previous researchers like Carroll (1999; 2008) and Carroll and Shabana (2010) provide a comprehensive historical development and bibliography of the core academic literature (see also Preston, 1975; Crowther, 2008; and Windson, 2000). Other researchers have also presented impactful reviews of CSR significance, e.g. Dahlsrud (2006); Frederick (2008); Galan (2006); Joyner and Payne (2002); Lee (2008); Moir (2001); Valor (2005). Furthermore, recently new alternative terms strongly related to CSR have been proposed and some scholars have developed bibliographic review for these new alternative terms: for corporate sustainability see Marrewijk (2003); for corporate citizenship see Wood and Lodgson (2002) and Waddock (2004); for corporate social performance see Wood (1991) and (2010).

We followed Carroll's (1999) chronological structure in this chapter, since it allows us to have a clear understanding of CSR conceptual evolution. Subsequently, we organize our literature review on the basis of decade-by-decade categories. There are many authors on CSR literature that have left an important contribution in this issue, although we focus on the researches that have generated much of the original discourse, which consequently are the most prestigious and cited scholars in this discipline.

We started our conceptual CSR evolution with Howard R. Bowen's publication of his landmark book "Social Responsibilities of the Businessman" (1953). Despite focusing on Bowen's work, there can be found earlier references of business responsibility to society, as we can verify on Morrell Heald's (1970) book called "The Social Responsibilities of Business: Company and Community, 1900-1960", that provided an interesting discussion of the theory and practice of CSR during the first half of the twentieth century, and more recently on Richard Hoffman (2007) review of origins of modern CSR.

2. Historical Background

2.1. Ethical obligation and macro-social analysis: The 1950s and 1960s

The main idea of Bowen's book is that firms are vital centers of power and firms' actions impact on population lives in various ways. Bowen argues that social responsibility is not a panacea for all businesses' social problems, but that it contains an important truth that must guide business in the future and tries to answer whether businesses have social responsibility or not. He asserts that social responsibility of businessmen"refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."(1953:6). From a normative standpoint, his book provides an institutionally oriented explanation for corporate managers to be concerned about their soci al responsibilities, and argues that institutional changes in the first half of the twentieth century contribute to this. Because of Bowen's early and seminal work, Carroll (1999) has argued that Howard Bowen should be called the "Father of Corporate Socia l Responsibility".

In 1954, Peter Drucker, in his book "The Practice of Management", included public responsibility as one of the eight key areas in which business objectives should be set. He followed the same ethical obligation argument used by Bowen to recognize the growing requirement for the manager to assume responsibility for the public good. He asserted that "it has to consider whether the action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength, and harmony" (1954:388). Further in line with Bowen, Drucker stated that objectives in public responsibility must be set according to prevailing political and social conditions as perceived by management.

Carroll (1999) details other references on the 50's decade. Frederick (2006) summarizes what CSR meant in the 1950's on three core ideas: the idea of corporate managers as public trustees, the idea of balancing competing claims to corporate resources and the acceptance of philanthropy as a manifestation of business support of good causes. According to Carroll (2008) there were few CSR actions on the 1950s decade, beyond philanthropy, a report that stood out in terms of accommodating this new theme. There was scant discussion of linking CSR with business benefits, since at this time the primary focus was doing good works for society (Carroll and Shabana, 2010).

The CSR literature expanded significantly during the 1960s, and it focused on the question of what social responsibility actually meant and its importance to business and society (Carroll, 1999; Carroll and Shabana, 2010). Already on the 60's, William C. Frederick's article "The Growing Concern over Business Responsibility" heightened that the interest in the problem of business responsibility can be explained in terms of the collapse of *laissez faire* (the Adam Smith philosophy) as a philosophy and as an economic order. He asserted that CSR "(…) implies a public posture toward society's economic and human resources and a willingness to see that those resources are used for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms"(Frederick, 1960:60).

At the same time, Keith Davis in his article (1960) argues that some decisions made by businessmen, bear in mind their social responsibility. Another author that contributed to the conceptual evolution of social responsibility in the 1960s was Joseph McGuire (1963). In his book called "Business and Society", he posited that social responsibility urges corporations to assume certain responsibilities to society, which extend beyond their economic and legal obligations.

Furthermore on 1960, Milton Friedman (1962:133) presents an opposite view to McGuire (1963), stating that CSR subverts its own order when it denies the principle of maximization of profit set by the capitalist system. He affirms that "few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can (1962:133)" Some years before, T. Leavitt, a Harvard Business School professor, expressed this approach in an even more radical way: "Corporate welfare makes good sense if it makes good economic sense – and not infrequently it does. But if something does not make economic sense, sentiment or idealism ought not to let it in the door" (Leavitt, 1958:42).

In 1967 Keith Davis revised his concept of social responsibility, on his article called "Understanding the social responsibility puzzle: what does the businessman owe to society?" he argues that "social responsibility, therefore, broadens a person's view to the total social system"(p.46). He also highlights that businesses does not exist alone and that a healthy business cannot exist within a sick society, since there is mutual dependence between business and society. Also in 1967, Clarence C. Walton published the book entitled "Corporate Social Responsibilities", emphasizing the importance of the willing character of CSR as opposed to coercive. His work has an ethics-oriented argument to CSR and accepts that costs involved in social actions may not be possible to gauge into a direct measurable economic return.

According to Heald (1970) towards the end of the 1960s, business practices that might be categorized as social responsibility embraced such topics as philanthropy, customer relations, employee improvements and stockholder relations. In this time, according with Lee (2008) the relationship between American corporations and the public, was certainly affected by numerous legislations regulating business conducts to protect employees and consumers, during the late 1950s and 1960s (e.g. Textile Fiber Products Identification Act of 1958, Fair Packaging and Labeling Act of 1960, Equal Pay Act of 1963, National Traffic and Motor Safety Act of 1966, National Environmental Policy Act of 1969, Truth in Lending Act of 1969, Clean Air Act of 1970 and so on). Frederick (2008) characterized the 1960s and 1970s as a stage of 'corporate social responsiveness'.

According to Lee (2008), in these two decades, CSR research was carried out at a macro-social level. Also, these researches have an explicit ethical obligation orientation and superficially discuss the relationship between CSR and corporate financial performance. The few researches, on the 1960's, that study this relationship, faintly addressed the issue and suggested more research. This relationship begins to be examined by many academics in the 1970s, and is still a focus of attention today, since it hasn't been explained completely.

2.2. More research on CSR and alternatives themes: The 1970s and 1980s

In 1970 Milton Friedman reinforces his 1962 work and adds the acceptations of the free market rules, laws and ethical customs in CSR. Also, he accepts the integration of some social demands into the company if they are profitable in the long -term. Thus for him, social actions are acceptable if they are entirely justified within the firms' o wn self-interest. Also, Keith Davis in 1973 reinforces his 1967 works with the "Iron Law of Responsibility", requiring compatible conduct with the social power of businesses. This means, if the firm does not use its social power; it will lose its position in society because other groups will occupy it. In his own words: "Whoever does not use his social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities'' (Davis, 1973:63).

We can notice on the last cited studies in the 70's that a "new rationale", with the so - called enlightened self-interest model, that was more of a concept than a full -blown theoretical model, a change in the orientation of research from normative to positive (Lee, 2008).

Still in the 70s many authors focused on the content and implementation process of CSR that does not conflict with business fundamental interests. R. Ackerman (1973) is one of them, who approach the literature by analyzing relevant factors regarding the internal structures of organizations and integration mechanisms to manage social issues within the organization. H. Gordon Fitch (1976) declares that the firms should focus on identifying and selecting the social problem, in order to solve them. S. Prakash Sethi in 1975, comments about the responsiveness of social issues, and processes to manage them within the organization.

In 1979, Archie B. Carroll develops a comprehensive framework to understand various thoughts on CSR. He proposed a four-part definition of CSR that was embedded in a conceptual model of corporate social performance. He offered the following definition "The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time" (Carroll, 1979:500). The economic component of the definition suggests that society expects business to produce goods and services and sell them at a profit, as well as obeying the law, which is the legal component. The next two responsibilities presented by the author attempt to specify the nature of the responsibilities that extend beyond obedience to the law. The ethical components represent the kinds of behaviors and ethical norms that society expects business to follow; and discretionary components represent voluntary roles that business assumes but for which society does not provide a clear-cut expectation as it does in the ethical responsibility (Carroll, 1999). Examples of voluntary activities, during the time in which it was written, are: "conducting in-house programs for drug abusers, training the hard-core unemployed or providing day-care centers for working mothers" (Carroll, 1979:500)

Despite of this CSR four-part definition Carroll in his 1979 article, answered what Preston (1975) called for more tangible progress in conceptualization, research and policy development in CSR, and proposed a conceptual model of corporate social performance, which gained acceptance and was further developed by Wartick and Cochran (1985), Wood (1991) and others. According to Carroll (1979), corporate social performance is the three dimensional integration of CSR, corporate social responsiveness, and social issues. This integrative nature of corporate social performance clarified and integrated various definitional strands that have appeared in the literature.

The 1970s was a decade during which business managers applied the traditional management functions to deal with CSR issues, the majority of them following the enlightened self-interest model (Carroll, 2008).

In the 1980s, on the hand, business and social interest came closer and firms became more responsive to their stakeholders. Researchers on this issue focused on developing new definitions of CSR and splintering of writings on alternative or complementary concepts and themes such as corporate social responsiveness, corporate social performance, corporate citizenship, public policy, business ethics and stakeholder theory/management, just to mention few (Waddock, 2004 developed a list of CSR related concepts and analyzes them).

An important contribution to the literature on the 1980's was Thomas M. Jones' (1980) article (Carroll, 1999). He draws an analogy with the political process assessing that the appropriate process of CSR should be fair, where all interests of the stakeholders have been heard. He shifted the criterion to the inputs in the decision-making process rather than the outcomes, and has focused more on the process of implementation of CSR activities than on the process of conceptualization. The author also emphasized the idea of process rather than principles as the appropriate approach to CSR issues, and illustrated how a firm could engage in a decision-making process of CSR that should constitute CSR behavior.

In the following year, L. E. Preston and J. E. Post proposed the term public liability, since they understand that CSR is a role of corporate governance in the context of public life. They chose the term "public" instead of "social" to highlight the importance of the public aspect, rather than personal opinion or interest groups defining the scope of their responsibilities (Preston and Post, 1981). According to these authors, companies should consider consequences of their actions, but are not required to resolve all problems of society. Instead, they are required to target areas related to their activity and interest. They analyzed the scope of CSR terms of primary and secondary involvement of the company with society. The primary involvement was to understand the behavior, and transactions that flow directly from the property and the intrinsic operation of the company, whereas the secondary involvement, relate to the impacts and effects generated by primary activities. These authors are in favor of the involvement of enterprises in the public policy process especially in regard to areas, where public policy is still not clearly established or is in transition: "It is legitimate - and may be essential - that the companies concerned participate openly in politics "(Preston and Post, 1981:61).

In practice, according to Preston and Post, "the policy content public is not necessarily obvious or easy to discover, is not invariable over time "(1981:57), it is not easy to define what is public and private so that social action will always be justifiable to provide a benefit to the public. Following the same line, T. Donaldson (1982) considered the business and society relationship from the social contract tradition, assuming that there is a sort of implicit social contract between business and society. He and Thomas W. Dunfee extended this approach in 1994, proposing an “Integrative Social Contract Theory” in order to take into account the socio-cultural context and also to integrate empirical and normative aspects of management.

In 1984, Peter Drucker review his 1954 research, in order to understand the relationship between business and society, and asserts that CSR can be a business opportunity for businesses because it can improve financial profitability. Another excellent example on the 1980’s of literature that relates CSR and financial profitability is Philip Cochran and

Robert Wood's (1984) empirical study. They conducted research on the various ways in which the social and financial results were executed in the past and found a positive relationship between them.

Other significant reference is Freeman's landmark book, "Strategic Management: A Stakeholder Approach", as it triggered the thinking around stakeholders. Although older references to the same concept have been found, Freeman extended the scope by proposing the following definition: "any group or individual who can affect or is affected by the achievement of the organization's objectives." In his book, R. Edward Freeman (1984) pointed that the traditional corporate strategy attention to stockholder's concerns could involve actions, which are immoral or unethical, as well as illegal. He recognized the growing importance of ethics, as evidenced by the development of codes of ethics in businesses and the increasing number of ethics courses in business schools. He proposed the concept of stakeholder management as an integrating force to address CSR, ethical/moral considerations, and values. The stakeholder theory of the firm, mentioned by Freeman, is used as a basis to analyse those groups to whom the firm should be responsible (Moir, 2001). Within the stakeholder framework, the difference between the social and economic goals of a corporation is no longer relevant, since the central issue is the corporate performance, which is affected not only by their shareholders, but also by other stakeholders such as employees, customers and governments (Carroll, 2008). The knowledge involved in the relationship between firm and their stakeholder was improved mainly in 1995 by articles of the following authors (details later): Max B. E. Clarkson; Thomas Donaldson and Lee E. Preston; Thomas M. Jones.

In 1985, Steven Wartick and Philip Cochran presented their evolution of Carroll's corporate social performance model, which extended the three-dimensional integration of

CSR, social responsiveness, and social issues. They argued that Carroll's (1979) ethical component of CSR should be thought of as a principle, social responsiveness should be thought of as a process, and social issues management should be thought of as a policy. They also emphasized that corporate social performance can integrate the three dominant orientations in the field of business and society: the philosophical orientation (relates primarily to the principles of social responsibility, Carroll's ethics component), the institutional orientation (relates primarily to the process of social responsiveness), and the organizational orientation (relates primarily to the policies of social issues management).

In line with Wartick and Cochran (1985), Edwin M. Epstein in 1987 provided a definition of CSR in this quest to relate social responsibility, responsiveness and business ethics, which he called the "corporate social policy process". Although, Wartick and Cochran (1985) model was further extended only in 1991 through Wood article. In the 1980s, the core concerns of CSR began to be recast into alternative concepts, theories or models, and the researchers found that economic and social interests within organizations came closer and became much more responsive but could not yet be tightly coupled together (Lee, 2008).

2.3. Strategic implication: The 1990s and on

Approximately, since 1990 until now, the concept of CSR became almost universally sanctioned and promoted by all constituents in society from governments and corporations to consumers and non-governmental organizations. Even international organizations (e.g. The United Nations, World Bank, Organization for Economic Corporation and Development, International Labor Organization) fully supported and aggressively established guidelines to continue the movement, as we can see in detail on Waddock (2008) description of institutional infrastructure around corporate responsibility.

Another example that supports the changing on corporate social behaviors is a study held by US Fortune magazine of the Fortune 500 companies in 1977 and 1990. In 1977 less than half of these companies embraced CSR as an essential component in their annual reports. However, at the end of 1990, it was discovered that nearly 90% of the Fortune 500 companies listed CSR as one of the basic elements of their organizational goals, actively reporting the CSR events held by these corporations in their annual reports (Lee, 2008).

During the 1990s, one of the major academic contributions to the evolution of CSR concept came in 1991 when Donna J. Wood revisited the corporate social performance model, built by Carroll in 1979 and reviewed by Wartick and Cochran in 1985 (Carroll, 1999). Wood (1991) tried to link corporate social performance with various related theories in organizational studies such as organizational institutionalism, stakeholder management theory and social issues management theories. By doing so, she incorporated a number of other theoretical traditions under the rubric of the corporate social performance framework.

Carroll's corporate social performance model was turned into general principles, processes and policies under the Wartick and Cochran (1985) formulation; and into three basic principles under Wood's (1991) reformulation. On the first, she stated Carroll's principle of CSR (economic, legal, ethic and discretionary) and identified how these are related to the CSR principles of social legitimacy (institutional level), public responsibility (organization level), and managerial discretion (individual level). Second, she identified the processes of social responsiveness, which goes beyond Carroll's articulation of the responsiveness categories (reactive, defensive, accommodative, proactive) as environmental assessment, stakeholder management and issues management. Third, she took the Wartick and Cochran's policies and Carroll's social issues category, and reorganized them under a new topic of outcomes or outputs of corporate behavior. Wood's model is much more comprehensive than the earlier versions, since depiction of corporate social performance views the firm as the locus of actions that have consequences for stakeholders and society as well as for itself. (Wood, 2010).

In the mid-1990s, the global communications capabilities of the Internet and related technologies, improve the institutions power to create new pressures on companies to foster greater CSR. And at that time more than half of corporations' assets already are found not in tangible but rather in intangible assets such as goodwill, reputation, and human capital (Waddock, 2008), which increase the importance of CSR. At that time, CSR had also been coupled with strategy literature and its relationship with market outcome had been made more explicit (Orlitzky et al. 2003; Porter and Kramer, 2006).

To study the changes on the relationship between business and society, in 1995 as we had mentioned early, many researchers adopted the stakeholder theory. Donaldson and Preston distinguished descriptive, instrumental and normative aspects or usages of stakeholder theory. In their terms, the corporate perspective of stakeholder theory: describes (or sometimes explains) specific corporate characteristics and behaviors regarding stakeholders (descriptive aspect); identifies ''the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives'' (instrumental aspect); and/or ''interpret the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations'' (normative aspect) (Donaldson and Preston, 1995:70).

An approach used very often within the corporate perspective is the instrumental one. Another author that contributed to this perspective was Jones (1995). His paper's objective was to construct an 'instrumental stakeholder theory' with strong predictive capacity. His contribution is that he relates the stakeholder model of CSR to a number of economic theories such as principal– agent theory, team production theory and transaction cost economics. Also in the same year, Clarkson's paper argues that it is necessary to distinguish between stakeholder issues and social issues. Social issues are defined as sufficiently substantial public issues that prompt eventual legislation or regulation. If no such legislation or regulation exists, it may be a stakeholder issue, but not necessarily a social issue. Once the nature of issues is identified, he then argues that it is necessary to define appropriate levels of analysis (institutional, organizational and individual – Wood, 1991), and only then, can managers effectively analyze and evaluate the corporate social performance.

Since the last cited studies, stakeholders' theory especially the instrumental aspect has moved to the center stage of CSR research (Lee, 2008). Here scholars explore (most often empirically) what is the impact that CSR has on a firm's financial performance and competitiveness (see, e.g., Berman et al., 1999; Brammer and Millington, 2008; Ruf et al., 2001; Surroca and Tribó, 2008; Surroca et al., 2009).

We can observe on our CSR conceptual review that the focus of CSR studies has shifted away from an ethics orientation to a performance orientation and the level of analysis has moved away from a macro-social level to an organizational level. Besides, the relationship between CSR and corporate financial performance changed over time from exclusive or no discussion to a tight association on CSR researchers.

Vogel (2005) notes that on the last years CSR literature emphasizes without doubt on the link between CSR and corporate financial success. To evidence such emphasis, the author reports a 2002 survey by PricewaterhouseCoopers, on which 70 percent of global chief executives believe that CSR is vital to their companies' profitability. This evidence suggests that CSR is evolving into a core business function, which is central to the firm's overall strategy and vital to its success.

In order to fully account for the intriguing phenomenon of corporate adoption of CSR, it is necessary to consider a much broader spectrum of factors affecting corporate behavior (Argandoña, 2003). As we had mentioned before, especially on the last twenty years the institutional pressure for CSR improvement has increased significantly (Waddock, 2008).

According to Waddock (2008) the emerging institutional infrastructure of CSR has brought new rules of behavior, particularly for large multinational companies. This new rules assert to go beyond maximizing shareholder value to encompass better corporate responsibility on environmental, social, and governance issues. For example, large corporations are expected to produce sustainability; live up to different principles and standards depending on their industry; be more transparent about their activities; and engage with stakeholders in dialogue, partnerships, and action (Lee, 2008).

The essence of CSR in the 2000s is “doing good to do well”; although this assumption is true only under certain conditions where there are coherent institutional supports and big enough market (Carrol and Sabana, 2010), since not all socially responsible behaviors have equal potential profitability or market demand. The bias will result in increased corporate attention to certain social needs that are less costly and potentially profitable, while other more costly social misery will be conveniently ignored. These social problems ignored by firms may well be much more urgent issues that require corporate expertise and operational capacity (Lee, 2008). Corporate social responsibility researchers are yet to look into this critical issue.

3. Summary and concluding remarks

The purpose of this paper has been to trace the conceptual evolution of CSR in management theory. The concept has evolved in multiple aspects, and with contributions of many authors. During the 1950s, the primary focus was on businesses' responsibilities to society but, there was scant discussion of linking CSR with business benefits. On the 1960s key events, people and ideas in these movements were instrumental in characterizing the social changes ushered in this decade. In each of these arenas, businesses perceived that expectations being communicated by stakeholder would eventually have to be addressed by the firm, and CSR research had an explicit ethical obligation and there was a slight discussion about the relationship between CSR and corporate financial performance.

On the 1970s business managers applied the traditional management functions to deal with CSR issues, most of them with enlightened self-interest model. While, in the 1980s, business and social interest came closer and firms became more responsive to their stakeholders. In addition, researchers on the issue focus on developing new definitions of CSR developing alternative or complementary concepts and topics. During the 1990s the idea of CSR became almost universally sanctioned. CSR had also been coupled with strategy literature and finally, on the 2000s CSR definitively became an important strategic issue to many companies, since recent institutional changes had made social and environmental sustainability an important source of institutional legitimacy of firms, at the point where firms have some social responsibilities incorporated as well as legal responsibilities.

Based on the retrospection, first, this study suggests that CSR researchers need to pay more attention to the social side of the relationship. During the last twenty years, the largest part of CSR research examined CSR from the perspective of corporations. The social perspective and how corporations affect society have rarely been explored. We argue that it is necessary to research beyond the current state of seeking evidence for the financial rewards of CSR, returning in some way to the research style done on the 1950s, when society was the main subject.

Although, we expect that the evidence for the financial rewards of CSR will still be a research focus on CSR literature, there are many questions to be answered: how, why, where, and when CSR improves corporate financial performance. In addition, Friedman's (1970) states that social actions are acceptable if they are entirely justified within firms' own self-interest, which reflects current reality. The benefits that companies obtain with CSR has to be emphasized, although, in our opinion academics shouldn't forget the ethical and social side of CSR, as we have mentioned before.

Moreover, in view of the fact that the differences in institutional contexts determine how corporations interact and cooperate with other actors in society, we suggest that another important factor that should be addressed by further researches is the difference of business and society relations between countries, since each country has a different social structure, institutions and interests, dominant issues, shaped by its history and cultural tradition. Subsequently, at the face of rapid globalization of economy, different societies maintain distinctive economic systems that structure of business and society relations.

Lastly, we suggest that the empirical scope of CSR research must expand to small and medium enterprises (SMEs), since the majority of CSR research focuses on large publicly traded corporations. The SMEs appear to be linked with society and local economies, taking into consideration that the majority of its clients and workers come from the same geographical region. Thus, studying CSR among SMEs requires a different vision from that usually used for large publicly traded corporations. Researchers need a whole new set of theoretical and conceptual tools that can deal with the unique competitive challenges and institutional constraints that SMEs face.

There is a lot of work to be done. The CSR concept captures the most important concerns regarding the business and society relationship, and it has been modified a lot on the last sixty years. Scholars may still be revising and adapting exi sting definitions of CSR and it is almost sure that new definitions will come up in CSR literature in the following years.

Chapter 3

Corporate social and financial performance

1. Introduction

In a world of limited resources and increased requests for social welfare, businesses should be concerned with issues such as environmental damage, product safety and human resource management. In response to this concern, firms face increasing pressure to maximize both their social and financial performances. A growing body of empirical studies is examining the relationship between corporate financial performance (CFP) and corporate social performance (CSP) (see Griffin and Mahon, 1997; Roman, Hayibor and Agle, 1999; Orlitzky, Schmidt and Rynes, 2003). Others mention the futility of the quest for a general relationship (see Margolis and Walsh, 2003) between corporate social and financial performances, which retain a high degree of importance among business practitioners within strategic management literature.

While there are several studies that have contributed to our understanding of the effect that CSP has on CFP, they invite further research that would address significant and related limitations. Previous researchers have measured CSP (primary stakeholder management and non-participation in controversial business) as only one construct (e.g. Ruf, Muralidhar, Brown, Janney and Paul, 2001; Waddock and Graves, 1997) or as solely the primary stakeholder management construct (e.g. Berman, Wicks, Kotha, and Jones, 1999; Kacperczyk, 2009). The non-participation in controversial business construct has therefore been analyzed in only a handful of studies, with the most salient example being Hillman and Keim (2001), who used a different approach and referred to non-participation in controversial business as social issue participation. We have decided not to use their terminology to avoid semantic problems. Social issue participation is non-participation in certain activities; this could mislead a casual researcher. In this study we use the terminology "non-participation in controversial business", which means that firms do not engage in businesses considered to be undesirable by a segment of society (Hillman and Keim, 2001).

The main objective of our research is to provide knowledge on the impact the non-participation in controversial business can have on CFP. Accordingly, we adopt the stakeholder theory perspective. From this perspective, CSP is assessed in terms of a company meeting the demands of multiple stakeholders (Berman, et al., 1999). To better understand the effect of firms' non-participation in controversial business on CFP our empirical analyses adopt two economic measures, a market-based and an accounting-based, since they focus on different aspects of performance (Wu, 2006). In addition, we have analysed the effect that primary stakeholders' management activities have on CFP, thereby allowing us to observe whether firms that do not participate in controversial businesses have a different causal relationship with certain aspects of economic performance when compared to primary stakeholder management activities. This article adds to the numerous efforts researchers have made to further knowledge on the relationship between CSP and CFP. We provide a better understanding of the instrumental component of firms' avoidance of controversial businesses.

2. Theoretical Background and Hypothesis Development

2.1. Stakeholder theory

In his seminal book on stakeholder theory, Freeman (1984) presents a more positive view of managers' support for CSP. Freeman's stakeholder theory asserts that managers must give due regard to a series of groups (e.g. workers, customers, suppliers, local community organizations) that both affect and are affected by the firm's actions. According to this view, it is not sufficient for managers to focus exclusively on the needs of shareholders. Stakeholder theory implies that it can be beneficial for the firm to engage in certain corporate social responsibility activities that non-financial stakeholders perceive to be important, as without such activities these stakeholders might withdraw their support from the firm (Mitchell, Agle and Wood, 1997).

Taking stock of stakeholder theory, Donaldson and Preston (1995) introduce an influential taxonomy that breaks down stakeholder theory into three types: descriptive, instrumental and normative. The descriptive is used to define, and sometimes to explain, specific corporate characteristics and behaviours; the instrumental is used to identify the connections between stakeholder management and the achievement of corporate objectives; and the normative outlines why firms should consider their stakeholders, interpreting the role of companies. The instrumental stakeholder theory is employed more frequently in empirical research (Berman et al., 1999; Brammer and Millington, 2008), as it highlights the effective management relationships with key stakeholders stressing how they can enhance financial performance through the creation, development, or maintenance of ties that provide companies with major resources (Jones, 1995).

An instrumental approach to identifying and managing the impact key stakeholders have on the company can reduce costs by mitigating the likelihood of negative regulatory, legislative, or fiscal action (Berman et al., 1999). It can also play a role in attracting, retaining, and motivating employees, thereby increasing productivity, enhancing profitability (Backhaus Stone and Heiner, 2002; Riordan, Gatewood and Bill, 1997), and increasing net sales by supporting attempts to differentiate the firm's products or services. Therefore, on the back of these roles, the firm attracts customers that may prefer to purchase and use products or services from companies that are known to be strong social performers, particularly when the use of that product or service is visible (Brown and Dacin, 1997). Additionally, suppliers may choose to be associated preferably with strong social performers, and hesitate to associate themselves with weak social performers (Godfrey, 2005). On the other hand, investors may prefer to do business with companies recording a strong social performance because their cash flows may be perceived to be less risky and less likely to be compromised by scandal (Godfrey, 2005; Graves and Waddock, 1994).

As a result, instrumental stakeholder theory suggests a positive relationship between CSP and CFP. Donaldson and Preston (1995) assert that the satisfaction of various stakeholder groups is instrumental for organizational financial performance. This article therefore focuses on the instrumental realm adopted by Mitchell et al. (1997) and their narrow view of stakeholders. In the following paragraphs we will discuss the effect of our two measures of CSP, primary stakeholder management and non-participation in controversial business, on corporate financial performance.

2.2. Primary Stakeholder Management and Corporate Financial Performance

CSP is a multidimensional construct that encompasses a large and varied range of corporate behaviour in relation to its inputs, internal approaches or processes, and outputs (Waddock and Graves, 1997). Wartick and Cochran (1985) state that CSP incorporates the interaction between the principles of social responsibility, the processes of social responsiveness, and the policies and programmes designed by corporations to address social issues, as we mentioned before. Despite the lack of a shared and precise definition in the literature, CSP is generally understood to be a broad construct comprising primary stakeholder management and non-participation in controversial business (social issue participation) (Hillman and Keim, 2001).

This is consistent with the categories of social issue devised by Porter and Kramer (2006): generic social issues and value chain social impacts. The former category views corporate social responsibility as an activity that may be important to society but does not directly affect the company's operations in any significant way or influence the company's long-term competitiveness. The latter category includes all those activities that affect the company significantly in the ordinary course of its business. Clarkson (1995:105) agrees "all social issues are not necessarily stakeholder issues just as all stakeholder issues are not necessarily social issues" and classifies stakeholders into two groups: primary and secondary.

According to Clarkson (1995), a primary stakeholder group is one without whose continuing participation the corporation cannot survive as a going concern. . It is "comprised of shareholders and investors, employees, customers, and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due" (Clarkson, 1995:106). The community residents' relationship with a corporation is not only related to their participation in it as employees, suppliers, customers and investors, as they are directly affected and impacted by its tax revenues and physical environmental protection or degradation (Hillman and Keim, 2001). In this sense, there is interdependence between the corporation and its primary stakeholder groups (Clarkson, 1995).

Secondary stakeholders, on the other hand, are "those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (Clarkson, 1995:107). That is a "broader" definition of stakeholders (Mitchell et al., 1997). For example, the media and non-governmental organizations are considered as secondary stakeholders under this definition.

They have the capacity to mobilize public opinion in support of, or in opposition to, a corporation's performance. The firm is not therefore dependent on secondary stakeholder groups for its survival; they can, however, cause significant damage, as they can influence primary stakeholder behaviour and, therefore, corporate performance. Pollock and Rind ova (2003) report that media-provided information influences investor behaviour, and Schepers (2006) contends that non-governmental organizations affect the portfolio of strategic corporate social responsibility activities.

The path-dependent nature of stakeholder relations means that a given investment in corporate social responsibility may trigger different stakeholder reactions and yield different financial results for different firms at different points in time (Barnett, 2005). The primary stakeholder behaviour that impacts directly on CFP is therefore easier to detect. Many research studies focus on the instrumental realm adopted by Mitchell et al. (1997) and their narrow view of stakeholders, then measure CSP as the impact primary stakeholders have on the company's financial performance (e.g. Berman et al., 1999; Bird et al. 2007; Kacperczyk, 2009).

Berman et al. (1999) analyse primary stakeholder management by individual groups of primary stakeholders and conclude that customer-related and employee-related enhancements positively affect the return on assets. In addition, Kacperczyk's (2009) analysis shows that firms paying greater attention to primary stakeholders' experience increase their long-term shareholder value. Finally, Bird et al. (2007) find evidence to suggest that managers taking a wider stakeholder perspective will jeopardize the interests of the firm's stockholders; however, their findings suggest that the market is influenced not only by the independent CSP dimensions but also by the totality of these activities, and the aspects they value do vary over time.

Based on this empirical evidence and on the stakeholder theory described above, we propose the following hypothesis:

H1: Stakeholder management directed toward benefiting all primary stakeholders increases corporate financial performance.

2.2. Non-participation in Controversial Business and Corporate Financial Performance

We have posited above that the satisfaction of various primary stakeholder groups is instrumental for organizational financial performance. Thus, using corporate resources to pursue social issues that are not directly related to the relationship with primary stakeholders may not create such advantages. Most researchers omit from their studies the dimension of CSP concerned with non-participation in controversial business. Even though some researchers use controversial business involvement to measure CSP, they give this attribute less importance. For example, Waddock and Graves' (1997) panel weighting of CSP attributes awards less importance to measures of controversial business involvement. The common forms of non-participation in controversial business may include: not engaging in 'sin' industries (alcohol, tobacco, gambling, firearms, the military and nuclear weapons), which means for example: not engaging in these productions, not supporting these products or services and not participating in the ownership of any "controversial company" (KLD, 2008).

Hillman and Keim adopt a resource-based view to assert that "normatively some groups (even within the company) may desire taking stances on such issues, but participation in such does not necessarily provide the basis for value creation that stakeholder management does" (2001, p.129). For example, while the gambling, alcohol, tobacco or military industries may be viewed as undesirable by a segment of society, companies that decide not to take part in these industries are not necessarily making this choice to achieve a competitive advantage, in view of the fact that other companies could easily make the same choice not to participate. According to the last authors cited, the relationship between controversial business involvement and CFP could differ from that of primary stakeholder management because of the lack of a link to important underlying sources of competitive advantage for the firm, thus they suggest that "social issue participation leads to decreased shareholder value creation" (2001:129).

We are hesitant about the statement that social issue participation reall y leads to decreased firm market value because if the reason for avoiding participation in controversial businesses is in response to stakeholder demands, a positive factor could result, as making the right combination of choices could create value for the corporation in its target market. Barney, Wright and Ketchen (2001) stress that the decision to avoid participation in controversial businesses for firms like "Body Shop", "Ben and Jerry's", and "Johnson & Johnson" is related to their corporate social str ategies and they are clearly doing so with the conviction that it gives them a competitive advantage, as it is instrumental for the firms' economic performance. Non-participation in controversial business can, in other words, have a positive impact on comp etitive advantage and be a form of instrumental stakeholder management. In addition, if avoiding participation in controversial businesses is not related to their corporate social strategies it could be considered a neutral factor, since choices about what industry to engage in, what product/service to sell, what market to sell in or how to manufacture a product, are more than a social or ethical decision, they are also an economic or market decision (Schwartz, 2003).

In addition, according to Branco and Rodrígues (2007) primary stakeholders' expectations of companies are inextricably intertwined with society's views or expectations. Companies need to consider social norms and prevailing views of corporate responsibility because they influence primary stakeholder expectations, whereby making the distinction between primary stakeholder issues and social issues may not be as easy as it seems (Clarkson, 1995). This distinction has become even more difficult to identify in recent years because of the greater capacity social activist groups have to communicate, which can influence public opinion on controversial business issues (Rehbein, Waddock and Graves, 2004). According to Schwartz (2003) this increase in "social pressures", which may influence public opinion on certain controversial issues that can damage corporate reputation, may also predict future areas of legislative or regulatory changes (Palazzo and Richter, 2005), and may lead to a firm's boycott (Palazzo and Bazu, 2007). Consequently, non-participation in controversial business as a social issue is strategic to a company, since stakeholders' perception or expectations about a firm's financial and social performance can be affected by its participation in controversial business.

Given the above arguments we propose:

H2: Firms non-participation in controversial business increases corporate financial performance.

3. Methods

3.1. Data and Sample

The data were drawn from two sources. Financial data and control data were taken from the Thomson Datastream, while the social performance data were provided by KLD

Research and Analytics, Inc. Over 40 peer-reviewed articles, representing a variety of academic fields (including finance, economics, management and sociology) have used KLD data to research companies' social, environmental and governance performance (KLD, 2008). Some of these articles are: Berman et al. (1999), Coombs and Gilley (2008), Griffin and Mahon (1997), Hillman and Keim, (2001), Kacperczyk, (2009), McWilliams and Siegel (2000), Ruf et al. (2001), Waddock and Graves (1997). KLD data use screens to monitor corporate social performance (see Sharfman, 1996, for an assessment of data validity). Positive screens indicate a firm's strengths and negative screens indicate its weaknesses or concerns. Each screen can be summarized in a binary variable, which reflects whether the firm meets that particular criterion. The screens are summarized in groups of corresponding items referring to a general theme. Seven themes are identified: community, corporate governance, diversity (to proxy for minorities), the natural environment, human rights, employee relations and product quality (to proxy for customers). In addition to the seven major issue areas, KLD data provide information on involvement in controversial business issues, which include involvement with alcohol, gambling, firearms, the military, nuclear power and tobacco. Involvement in any of these sectors results in a negative indicator.

Since 1991, KLD has provided a table of data with a collection of approximately 650 companies that comprise the Domini 400 Social SM Index[1] and S&P 500 with one record for each company. Beginning in 2001, KLD expanded its coverage to include the largest 1000 US companies by market capitalization. In 2003, KLD expanded that coverage to the largest 3000 US companies by market capitalization. In order to have a uniform number of companies by year we decided to work with data from 2003 to 2007, which is the last year data are available. So as to incorporate the financial and control variables into a sample we merged our

[1] For more details see Statman (2000).

KLD data with Thomson Datastream data. After merging both databases, our sample consists of 1543 firms and 5032 observations. We discarded 500 firms and 1599 observations because of missing values related to the control variable R&D investment. We also discarded 234 firms and 610 observations because we used a 1-year lag on the CSP measure - our independent variable. In addition, we discarded 9 firms and 40 observations when building our industry control variable. Our final sample, therefore, is a panel data of 2783 company years, representing 809 firms and an average of 3.44 years per firm. We tested the significant differences between the larger sampling frame and our final sample and did not find any significance difference.

3.2. Measures

Dependent Variables. For measuring our dependent variable (corporate financial performance), we referred to Berman et al. (1999) and Turban and Greening (1997), who have adopted an accounting measure, ROA (return on assets) calculated as operating income over total assets. Others research studies, however, have adopted market-based measures (e.g. Kacperczyk, 2009; Bird et al., 2007). We decided to test our hypotheses with both measurements (market-based and accounting-based) because they both have advantages and measure different economic performances (Wu, 2006). Accounting-based measures reflect an organization's internal efficiency, which is influenced by the organization's social performance, and market-based measures are related more closely to shareholders' wealth (Beurden and Gössling, 2008). Our accounting-based measure adopted is ROA and the market-based measure is Tobin's q, which reflects the ratio between the firm's market value and its replacement value of capital (Tobin 1969), being calculated by dividing the market value of a company by the replacement value of its book equity.

Independent Variables. To measure primary stakeholder management, the explanatory variable for testing Hypothesis 1, we focus on five KLD dimensions consistently reported between 2003 and 2007: community, diversity (to proxy for minorities), the natural environment, employee relations and product quality (to proxy for customers). These dimensions have been selected because they reflect corporate attention to primary stakeholders with an impact on a firm's survival (Clarkson, 1995; Freeman, 1984) and exert a considerable influence on corporate strategy (Berman et al., 1999; Prahalad and Hamel, 1994).

KLD's five dimensions representing primary stakeholder management are designed as a binary system, which indicates the presence or absence of strengths and concern regarding numerous attributes of each firm's social actions. For each strength or concern, a score of 1 indicates the presence of this attribute in the dimension and 0 indicates its absence. All the strengths in each dimension are rated on a scale ranging from 0 to +2, whereas all the concerns in each dimension are rated from –2 to 0. We then add the strengths scale to the concerns scale for each dimension, with the result being a new scale ranging from –2 to +2. We build the primary stakeholder management measure giving equal weights to the five dimensions cited above (Hillman and Keim, 2001).

In order to measure non-participation in controversial business, we focus on the KLD dimension[2] concerning firm operations related to alcohol, tobacco, gambling, firearms, nuclear power and the military (for a breakdown of controversial business issues, please refer to the appendix). These controversial business issue ratings differ from the stakeholder management ratings described earlier. The only type of rating for these issues is a concern

[2] It should be noted that there are many other areas that could be considered a controversial business, although we have to limit ourselves to the data provided by the KLD database , since we do not have access to any other database providing this information.

rating. For each concern, we give 1 to indicate the avoidance of the concern and 0 to indicate involvement; we have also given equal importance to the categories adopted from KLD to construct our measure of non-participation in controversial business and used the same specification of KLD data adopted by previous authors, namely, the logarithm of the sum of non-participation in controversial business involvement plus 1.

Control Variables. We have used control variables based on the degree to which they may influence the effect that CSP dimensions have on CFP. We have used company size because previous articles have suggested it is closely related to CSP (e.g. Udayasankar, 2008; Waddock and Graves, 1997), and we measure it as the number of employees (Berman et al., 1999), defined on a log scale. Risk is another factor used as a control variable, since several studies have found that firms with proactive CSP engaging in managerial practices such as stakeholder management (Wood, 1991) tend to anticipate and reduce potential sources of business risk, such as potential government regulation, labour unrest, or environmental damage (for details see: Orlitzky and Benjamin, 2001). We have adopted β (beta) - a standard indicator of market-based risk (Hillman and Keim, 2001; Orlitzky and Benjamin, 2001).

Furthermore, McWilliams and Siegel (2000) show that investment in research and development (R&D) is positively correlated with stakeholder management performance and financial performance. The correlation between R&D and stakeholder satisfaction is explained by the fact that many aspects of use to a firm's stakeholders are generated through product or process innovations (McWilliams and Siegel, 2000). Thus, in order to identify the true impact of corporate stakeholder satisfaction on financial performance, we need to control for investment in R&D. To measure this, we use a proxy of R&D, calculated by dividing total expenditure in R&D by total sales.

McWilliams and Siegel (2000) also assert that advertising is a proxy for product differentiation and entry barriers, whereby advertising intensity could have a positive effect on corporate performance, and thus, if advertising intensity is omitted from the specifications, its positive influence may be captured incorrectly in the parameters of CSP. Advertising intensity was previously calculated as a function of the company's total revenue (Fombrun and Shanley, 1990; Hull and Rothenberg, 2008; McWilliams and Siegel, 2000). Our data on advertising expenditure were limited, which restricted our analysis. In line with Brammer and Pavelin (2006), we have constructed a dummy variable on the basis of the company's presence in two thematic lists, '100 leading national advertisers' and the 'most valuable brands'. Both lists are available online (Advertising Age, 2009; Interbrand, 2009). The former is compiled by TNS media intelligence and published annually by the Advertising Age magazine; the latter is drawn up by the consultancy firm Interbrand and published annually by the Financial Times. Fehle, Fournier, Madden and Shrider (2008), Madden, Fehle and Fournier (2006) and Sotorrio and Sanchez (2008) have previously used the Interbrand publication in corporate social responsibility research.

Previous research posits the importance of the nature of a firm's industry on its social performance (Brammer and Millington, 2008; McWilliams and Siegel, 2000). However, there is a great deal of overlap between industry membership and a firm's non-participation in controversial business. To redress this concern, we decided to test run our regression models with and without industry in the control variables. Industry has been operationalized in this paper by industry dummy variables measured according to the Standard Industry Classification (SIC) codes of Waddock and Graves (2007), as are [3]: Mining, construction (SIC 100–1999); Food, textiles, apparel (SIC 2000–2390); Forest products, paper, publishing (SIC

[3] The percentages for each of the 14 sectors are comparable to those of Waddock and Graves (1997).

2391–2780); Chemicals, pharmaceuticals (SIC 2781–2890); Refining, rubber, plastic (SIC 2891–3199); Containers, steel, heavy mfg. (SIC 3200–3569); Computers, autos, aerospace (SIC 3570–3990); Transportation (SIC 3991–4731); Telephone, utilities (SIC 4732–4991); Wholesale, retail (SIC 4992–5990); Banking and financial services (SIC 6150–6700); Hotel, entertainment (SIC 6800–8051); Hospital management (SIC 8052–8744).

3.3 Estimation Method

We have used the panel data technique to estimate our models. This choice was informed by the importance of considering significant problems that arise when studying the impact of CSP on CFP. Unlike cross-sectional analysis, panel data allow us to control every firm, and have their own specificity that gives rise to a particular behaviour closely linked to the company's strategy (Bouquet and Deutsch, 2008). Assuming the long-term effect of CSP on CFP (Bird et al., 2007), we have estimated our models with a one-year lag on CSP variables. We have also estimated our models with a two-year lag on CSP variables and found a similar result.

Our models were initially specified using the fixed-effects estimator. We carried out a Hausman test that indicated correlation between individual effects and independent variables, which shows that this fixed-effects model is better suited than the between-effects one. As well as the individual effects added to control for the cross-reference units, we have also included time dummies in our model. These temporal effects enable us to reduce a source of bias by capturing the events that all states were subjected to in a given year. An F test of significance was performed to assert the joint significance of the temporal dummies, and the result was that they contribute to the model overall's significance. We have also applied the Wooldridge and Modified Wald tests to examine potential autocorrelation in our panel and heteroskedasticity problems in our fixed-effects equation. The result was positive in all cases.

Consistent with Beck and Katz (1995), we have corrected both problems using panel corrected standard errors through a Prais-Winsten regression.

4. Results

Table 1 provides descriptive statistics and correlation matrices for the variables. We can observe a significant correlation between the control variables employees, beta, R&D and advertising intensity, and the financial performance measures (Tobin's q and ROA) and the two corporate social performance variables; only the proxy to risk (beta) has no significant correlation with primary stakeholder management and non-participation in controversial business. We can also see, as predicted by the literature, a significant and positive correlation between all corporate financial and social performance measures. Furthermore, there is a positive and significant correlation between primary stakeholder management and non-participation in controversial business, but the correlation is not very high.

Table 2 presents the results of the regression analyses using Tobin's q as CFP, while Table 3 shows our results when CFP is measured using ROA. The Model 01 column in Tables 2 and 3 presents all our control variable results for Tobin's q and ROA as dependent variables, respectively. Consistent with prior research, firm risk is significant and negatively related to Tobin's q at $p<0.01$; however, it is not significantly related to ROA. Advertising intensity is significant and positively related to Tobin's q and ROA at $p<0.01$. Firm size is significant and negatively related to Tobin's q and ROA; nevertheless, we expected the opposite result. R&D is significant and positively related to Tobin's q at $p<0.10$: however, it is significant and negatively related to ROA at $p<0.01$.

Table 1: Descriptive statistics and Correlations matrix [a]

	Variable	Mean	s.d.	1	2	3	4	5	6	7
1	Tobin's q	2.090	1.418							
2	ROA	8.044	7.972	0.402**						
3	Number of employees	8.781	1.632	-0.252**	0.013					
4	Beta	1.143	0.518	-0.097**	-0.026	-0.032†				
5	R&D	0.060	0.132	0.229**	-0.264**	-0.258**	-0.033†			
6	Advertising Intensity	0.081	0.273	0.064**	0.064**	0.448**	-0.082**	-0.019		
7	Primary Stakeholder Management	0.145	2.291	0.114**	0.039*	0.178**	-0.057**	0.110**	0.288**	
8	Non-participation in controversial business	1.926	0.055	0.113**	0.031†	-0.184**	-0.066**	0.070**	-0.051**	0.061**

[a] n = 2783. One-year lag on primary stakeholder management and non-participation in controversial business.
†p<0.10; *p<0.05; **p<0.01

The Model 02 column in Tables 2 and 3 presents primary stakeholder management, as the exploratory variable controlling for all our control variables; in Table 2, primary stakeholder management is significant and positively related to Tobin' q at $p<0.01$, and in Table 3 it is significant and positively related to ROA at $p<0.01$. Model 03 in Tables 2 and 3 also presents primary stakeholder management, as the exploratory variable controlling for our control variables without dummy industry included; in both tables, the results for the primary stakeholder management variable were similar to Model 02. These results support Hypothesis 1, which shows that primary stakeholder management has a positive effect on Tobin's q, which is a market measure of corporate financial performance, and also has a positive effect on ROA as an accounting measure.

Model 04 in Tables 2 and 3 presents non-participation in controversial business, as the exploratory variable controlling for all our control variables; in Table 2, non-participation in controversial business is significant and positively related to Tobin's q at $p<0.05$, and in Table 3 it is not significantly related to ROA. Model 05 in Tables 2 and 3 also presents non-participation in controversial business, as the exploratory variable controlling for our control variables without dummy industry included; in Table 2, this variable significance increases to $p<0.01$ and in Table 3 it still presents a non-significant coefficient. Hypothesis 2 is supported by Table 2's results, as non-participation in controversial business positively affects Tobin's q. However, in Table 3, when we used ROA as our dependent variable, non-participation in controversial business had no significance.

Table2: Results of Prais-Winsten Regression Analyses using Tobin's q

Variables	Model 01	Model 02	Model 03	Model 04	Model 05	Model 06
Primary Stakeholder Management		0.029** (0.011)	0.035** (0.011)			0.032** (0.011)
Non-participation in controversial business				0.831* (0.435)	1.203** (0.428)	1.108** (0.427)
Number of employees	-0.285*** (0.026)	-0.290*** (0.026)	-0.301*** (0.027)	-0.279*** (0.026)	-0.288*** (0.027)	-0.294*** (0.027)
Beta	-0.145** (0.063)	-0.139* (0.062)	-0.195** (0.057)	-0.140* (0.063)	-0.193** (0.058)	-0.188** (0.058)
R&D Intensity	0.880* (0.388)	0.858* (0.388)	1.052** (0.389)	0.872* (0.388)	1.082** (0.390)	1.037** (0.388)
Advertising	0.983*** (0.153)	0.934*** (0.152)	0.959*** (0.155)	0.974*** (0.153)	1.007*** (0.155)	0.951*** (0.155)
Industries						
Mining, construction	-1.249*** (0.215)	-1.242*** (0.214)		-1.263*** (0.218)		
Food, textiles, apparel	-0.969*** (0.227)	-0.993*** (0.225)		-0.955*** (0.231)		
Forest prod. , paper, publishing	-1.054*** (0.201)	-1.095*** (0.199)		-1.071*** (0.203)		
Chemicals, pharmaceuticals	-0.475** (0.234)	-0.495* (0.231)		-0.485* (0.237)		
Refining, rubber, plastic	-0.999*** (0.235)	-0.989*** (0.233)		-1.008*** (0.238)		
Containers, steel, heavy mfg.	-0.876*** (0.201)	-0.892*** (0.199)		-0.869*** (0.205)		
Computers, autos, aerospace	-0.700** (0.197)	-0.734*** (0.196)		-0.694*** (0.201)		
Transportation	-0.513 (0.299)	-0.526 (0.295)		-0.512 (0.303)		
Telephone, utilities	-1.395*** (0.528)	-1.387*** (0.251)		-1.374*** (0.257)		
Wholesale, retail	-0.632** (0.204)	-0.537* (0.203)		-0.545** (0.207)		
Banking and financial services	-0.075 (0.483)	-0.117 (0.475)		-0.088 (0.486)		
Hotel, entertainment	-0.230 (0.227)	-0.265 (0.225)		-0.230 (0.230)		
Constant	5.169*** (0.316)	5.230*** (0.313)	4.695*** (0.266)	3.514*** (0.948)	2.264*** (0.888)	2.494*** (0.889)
Wald chi2	278.64***	300.30***	213.06***	290.82***	202.59***	217.97***
R2	0.2889	0.3272	0.2985	0.3200	0.3014	0.3022

†$p<0.10$; *$p<0.05$; **$p<0.01$; ***$p<0.001$

Estimation also includes dummy for the years (2003 -2007). In models 02, 03 and 04 the omitted industry dummy variable is 'hospital management'. Standard errors in parentheses. n=2783.

Table 3: Results of Prais-Winsten Regression Analyses using ROA

Variables	Model 01	Model 02	Model 03	Model 04	Model 05	Model 06
Primary Stakeholder Management		0.217** (0.087)	0.210 ** (0.088)			0.209** (0.088)
Non-participation in controversial business				1.374 (3.457)	1.445 (3.310)	0.786 (3.324)
Number of employees	-.505*** (0.158)	-0.545*** (0.157)	-0.540 *** (0.161)	-0.495 *** (0.160)	-0.498*** (0.161)	-0.534*** (0.162)
Beta	-0.560 (0.444)	-0.518 (0.443)	-0.416 (0.423)	-0.555 (0.444)	-0.446 (0.424)	-0.411 (0.422)
R&D Intensity	-17.699*** (3.532)	-17.970*** (3.618)	-17.651*** (3.385)	-17.696*** (3.533)	-17.310*** (3.260)	-17.645*** (3.381)
Advertising	2.601*** (0.628)	2.201*** (0.666)	2.272*** (0.662)	2.606 *** (0.626)	2.664 *** (0.626)	2.272*** (0.660)
Industries						
Mining, construction	-0.130 (1.833)	-0.048 (1.837)		-0.131 (1.829)		
Food, textiles, apparel	0.561 (1.485)	0.450 (1.490)		0.597 (1.486)		
Forest prod. , paper, publishing	-0.616 (1.628)	-0.869 (1.628)		-0.621 (1.627)		
Chemicals, pharmaceuticals	1.617 (1.657)	1.534 (1.656)		1.609 (1.653)		
Refining, rubber, plastic	2.374 (1.668)	2.516 (1.675)		2.373 (1.665)		
Containers, steel, heavy mfg.	1.883 (1.506)	1.876 (1.507)		1.928 (1.509)		
Computers, autos, aerospace	1.300 (1.462)	1.103 (1.462)		1.327 (1.461)		
Transportation	1.312 (1.620)	1.250 (1.624)		1.332 (1.618)		
Telephone, utilities	-1.230 (1.568)	-1.149 (1.569)		-1.186 (1.571)		
Wholesale, retail	1.925 (1.449)	1.908 (1.451)		1.913 (1.448)		
Banking and financial services	2.352 (2.510)	2.140 (2.493)		2.342 (2.509)		
Hotel, entertainment	2.034 (1.587)	1.814 (1.589)		2.048 (1.584)		
Constant	13.031*** (2.174)	13.459*** (2.180)	14.510 *** (1.733)	10.273*** (7.324)	11.369*** (6.812)	12.940*** (6.859)
Wald chi2	133.21***	124.50 ***	94.14 ***	116.99 ***	92.31 ***	95.25 ***
R2	0.0950	0.1054	0.1001	0.0972	0.0981	0.1001

†p<0.10; *p<0.05; **p<0.01; ***p<0.001
Estimation also includes dummy for the years (2003 -2007). In models 02, 03 and 04 the omitted industry dummy variable is ‘hospital management’. Standard errors in parentheses. n=2783.

Model 06 in Tables 2 and 3 presents primary stakeholder management and non-participation in controversial business, as exploratory variables controlling for our control variables without dummy industry included because industry membership control in the regression model may mask non-participation in controversial business effects, as we could observe from the results for Models 04 and 05 in Table 2. The two exploratory variables in Model 6 in both these tables, primary stakeholder management and non-participation in controversial business, were similar to the previous regression models.

5. Discussion and Conclusion

Stakeholder theory provided a compromise for resolving the conflict for corporate management drawn between managing a firm solely in the interests of its shareholders (the neo-classical view) and managing the firm in the interests of its stakeholders (instrumental stakeholder theory). The source of the compromise is that it is extremely unlikely that management can maximize the value of the company by ignoring the interests of its stakeholders. According to this approach, management will automatically take into account the interests of other parties in making their decisions, which will not conflict with the interests of shareholders.

The purpose of this paper has been to provide knowledge on the impact that firms' non-participation in controversial business can have on CFP. To achieve this objective we adopted two economic measures, a market-based one and an accounting-based one, since they focus on different aspects of an organization's financial performance (Wu, 2006). Accounting-based measures reflect an organization's internal efficiency, which is influenced by the organization's social performance, and market-based measures are related more closely to shareholders' wealth (Beurden and Gössling, 2008). The effect of non-participation in controversial business on corporate financial performance was tested by examining its impact on both the aforementioned economic measures; in addition, the effect of primary stakeholder management activities was tested in the same way, allowing us to observe whether non-participation in controversial business means that firms have a different causal relationship with certain aspects of the firm's economic performance, when compared to the effect of primary stakeholder management activities.

Our results using a market-based measure such as CFP indicate that non-participation in controversial business and primary stakeholder management have a positive effect on Tobin's q. These results support both Hypothesis 1 and 2; furthermore, they suggest that both non-participation in controversial business and primary stakeholder management generate competitive advantage and are instrumental for a firm's market performance. These positive effects of firms' non-participation in controversial business showed that it could be a response to society's expectations, being inextricably interwoven with stakeholder expectations of companies (Branco and Rodrigues, 2007).

Our results using an accounting-based measure such as CFP indicate that primary stakeholder management has a positive effect, while the non-participation in controversial business variable has no significant effect on ROA. These results support our Hypothesis 1, although they do not support Hypothesis 2. This can be explained by the profitability of certain controversial businesses (Palazzo and Richer, 2005) and because the accounting measure is less exposed to stakeholder behaviour than the market measure (Kacperczyk, 2009). The negative perception or expectations regarding corporate performance caused by controversial business involvement affect firms' reputations, which consequently reflect on their market performance, but do not necessarily influence their accounting performance. In addition, Coff (1999) suggests that even when no increase in economic performance is observed, it does not necessarily mean that profits are not being generated. Instead, what may be occurring is that a firm's stakeholders may be exploiting any advantage that its business processes are generating before they affect the firm's overall performance.

As with all empirical studies, this research has limitations that potentially restr ict the generalizability of the results. Our sample consists of US firms; consequently, our results are logically restricted to it. Future research should study this effect by using data for firms from other geographic locations, since the country variable is a key factor in the relationship between CSP measures and CFP (Doy and Guay, 2006). Thus, a comparative study could help to explain the impact of a country's characteristics, since it could provide a better understanding of the influence those external factors, such as politics, economy and society, have, especially on the effect of avoiding participation in controversial business.

In addition, our findings create other opportunities for further research focusing on understanding the motivation behind non-participation in controversial business by type of activity, since each controversial business activity has different characteristics, and their specific effects on the organization represent a gap in the literature. Furthermore, focusing on increasing the knowledge related to primary stakeholder management would be a valuable area of future research, studying the effect that the participation in controversial business has on it.

Our research can help business managers since it provides empirical proof that non-participation in controversial business impacts positively on a firm's market performance, so the company has to take into account stakeholders' opinion regarding any involvement in controversial businesses because it can have a negative impact. W e also confirmed previous research results that state that stakeholder management directed toward benefiting primary stakeholders increases corporate financial performance when it is measured with market-based and accounting-based variables. This implies that stakeholder management affects firms by increasing corporate market value, and also by improving an organization's internal efficiency, which is one of the factors directly influencing a firm's accounting performance.

In terms of academic contribution, our research has added to the numerous efforts researchers have made to further knowledge on the relationship between CSP and CFP, with the advantage that we tested firms' non-participation in controversial business and the primary stakeholder management effect on an organization's financial performance using market-based and accounting-based measures. We provide interesting analyses on the differences between these two CSP measures, which help us to understand the instrumental component of avoiding participation in controversial businesses. Our analytical results indicate that non-participation in controversial business is a relevant CSP measure that has to be considered individually, since it impacts on a firm's performance in a different way than primary stakeholder management.

Chapter 4

Social Actions and Organizational Reputation

1. Introduction

Reputation is used by many companies to justify social actions (Porter and Kramer, 2006). The broad premise that any dimension of corporate social perform ance can initially enhance corporate reputation (CR) is not true, since social actions need to take on a more substantial weight in order to improve or at least sustain firm reputation. Little is known about the impact that social actions have on CR; a mos t valuable, albeit intangible, competitive resource (Deephouse, 2000; Fombrun, 1996). According to Liston -Heyes and Ceton (2009), corporate reputations are often unrepresentative of real corporate social performance. Our work aims to develop a framework on reputation, highlighting the valuable roles that different types of social actions play in reputation building.

Over the past two decades, corporate social performance has been the focus of significant attention by a proliferation of conceptual and empiri cal works (e.g. Berman et al, 1999; Barnett, 2007; McWilliams and Siegel, 2000; Padgett and Galan, 2010). The literature has paid particular attention to the relationships between corporate social performance and financial performance (see Orlitzky et al, 2003 and Margolis and Wash, 2003). The results of the majority of these studies may be viewed as inconclusive, with critics pointing out misspecifications and questioning methodology (Margolis and Wash, 2003). Recently, some scholars have begun to address these issues. Surroca et al (2009) explain the relationship between corporate social and financial performance proposing a model in which intangible resources mediate this relationship. They have found that CR is an important intangible resource, which is the result of corporate responsibility performance, and since it generates competitive advantage, it impacts on corporate financial performance.

Furthermore, there is very little systematic research of the effects of corporate social performance on CR (exceptions: Brammer and Pavelin, 2004; 2006; Fombrun and Shanley, 1990; Turban and Greening, 1997; Williams and Barrett, 2000). A seminal empirical study by Fombrun and Shanley (1990) provides evidence that social responsiveness, measured as philanthropy, is positively associated with CR. More recent evidence is provided by Williams and Barrett (2000) supporting this association. The results reported by Turban and Greening (1997) indicate that independent dimensions of corporate social performance are positively related to firms' reputations; in the same vein, Brammer and Pavelin (2004; 2006) have found that each social performance dimension has a different impact on CR, and this relationship varies according to the characteristics of firms and their environments. However, they do not address the difference between the strength and weakness of corporate social actions on CR.

Prior research has found significantly inconsistent results between corporate social performance strengths and weaknesses, suggesting they are subject to different dynamics and should be considered separately (Godfrey et al., 2009; Mattingly and Berman, 2006; McGuire et al, 2003). McGuire et al (2003) advocate that corporate social performance strengths represent more proactive positions and initiatives toward stakeholders (e.g., development of innovative products with environmental benefits), whereas corporate social performance weaknesses are indicative of socially risky strategies or avoidance approaches (e.g., poor health and safety standards for employees). Thus, it is important to measure corporate social performance strengths and weaknesses to better understand its impact on organization performance.

In line with this approach, this study proposes a model in which corporate social performance strengths and weaknesses may impact differently on CR. In addition, following Mattingly and Berman (2006), corporate social performance strengths and weaknesses are classified into technical and institutional. Technical strengths and weaknesses reflect the extent to which an organization engages in activities that benefit or harm the interests of stakeholders that provide tangible support to the organization. Institutional strengths and weaknesses relate to those providing an intangible support. Our work addresses the valuable role of each social action type on CR, which makes some useful contributions to the literature. On a general level, knowing which type of social action affects CR can help organizational scholars to explain the companies' decisions in participating in specific social activities. Research on this topic assists scholars, policy makers, and stakeholder groups to carry out more effective strategies for encouraging businesses to develop a social agenda. This research also provides some insight for managers regarding how social actions can be designed and implemented to generate positive CR.

2. Theoretical Background and Hypothesis Development

2.1. Conceptualizing Corporate Reputation

Organizational researchers, following the lead of economists, analyze issues of social identity under the rubric of reputation (see Weigelt and Camerer, 1988 for a review) and represent it as a critical antecedent of organizational performance (Fombrun and Shanley, 1990; Hall, 1993). Models of reputation are predicated on the decision-theory vision of a world of imperfect information in which actors rely on proxies or signals to make rational assumptions about the intentions and future behaviors of other actors (Fombrun and Shanley, 1990). Thus, according to Weigelt and Camerer (1988), reputation presumes a tight coupling between past actions and future expectations, and organizational attributes and the evaluation of organizations. Along the same lines, Fombrun (1996) has defined CR as "a perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to all of its key constituents when compared with other leading rivals" (p.72), which is the definition we adopt for this research. Wartick (2002), builds upon Fombrun's (1996) statement and stresses three key points in conceptualizing reputation: (1) reputation emphasizes the perceptual nature of the construct; (2) it is a net or aggregate perception by all stakeholders, not just one or two; and (3) it is inherently comparative vis-à-vis some standard.

Some scholars (Surroca et al, 2009; Orlitzky et al, 2003; Wood, 2010) maintain that the ''reputational effects'' of engaging in social practices provide the crucial link between social initiative and profitability. According to Godfrey (2005), a CR in and of itself has no cash value, but it may generate economic value. In an empirical research, Roberts and Dowling (2002) demonstrated that firms with strong positive reputations possess a cost advantage because, ceteris paribus, employees prefer to work for high-reputation firms. At the same time, suppliers are less concerned about contractual hazards when transacting with high-reputation firms, good reputations should also lead to lower contracting and monitoring costs (Dyer and Chu, 2003). Moreover, high-reputation firms are perceived as providing more value, what often allows them to charge a higher price for their products, and their customers are more loyal (Keh and Xie, 2008). Under a financial perspective, the market beliefs that such companies deliver sustained earnings and future growth. Consequently, they enjoy higher price-earnings and market values, and lower costs of capital (Carter and Ruefli, 2006; Fombrun, 1996; Fombrun and Shanley, 1990; Roberts and Dowling, 2002).

These direct benefits cited are complemented by a number of ancillary benefits. Goldberg and Hartwick (1990) suggest that potential customers receive (especially extreme) advertising claims for attitude change more favorably, if the reputation of the firm making those claims is more positive. In similar lines, the marketing literature suggests that a good reputation supports and enhances sales force effectiveness, new product introductions and recovery strategies in the event of crises or threat (Dowling, 2001).

CR is a difficult resource to create. It is formed by stakeholders' relationship with a firm and their knowledge of its character, ability, products, services and behaviors (Dowling, 2004). Roberts and Dowling (2002, p.1091) argue that "the development of a good reputation takes considerable time, and depends on a firm making stable and consistent investments over time." According to the resource-based-view, CR is an intangible resource, as it is difficult to develop, replicate and accumulate, or be imitated by competitors (Barney, 1991; Wernerfelt, 1984). Hall (1992; 1993) asserts that CR is a key factor to firm success, but only long-lasting to few (Carter and Ruefli, 2006) because of its high-risk nature (Eccles et al, 2007), being rarely stable over a long time-frame (Wiggins and Ruefli, 2002). Moreover, a firm's individual reputation is also nested in that of the industries within which it is associated (Shamsie, 2003). To overcome this problem, managers invest extra effort and resources to appear more socially proactive in the hope of differentiating themselves from their less responsible colleagues (Barnett, 2007). This suggests that managers no longer see social engagement as ancillary to economic performance but rather as an integral component of corporate strategy.

However, as is apparent in Godfrey (2005), reputation is not a perfect function of a firm's strategic posture, since there are information asymmetries and different stakeholders have varied forms of exchange relationships with the firm. We argue that the relationship between corporate social actions for reputation differs among different stakeholder groups. The next section substantiates this argument.

2.2. The role of social action on corporate reputation

There is no controversy that corporate social performance influences firm's reputation (see Quevedo-Puente et al., 2007). Although, there is a plenty of ways to study the relationship between them. We consider on this research that the impact of corporate soc ial performance on CR necessarily involves reconceptualizing our corporate social performance data as indicators of firms' social actions rather than the consequences or outcomes of actions. Prior empirical researches used Kinder Lydenburg Domini (KLD) soc ial rating data (adopted on this research and described later in the method section) to measure firm -level social performance have typically conceptualized the data to represent social performance outcomes rather than potentially consequential social action (exceptions: Berman et al, 1999; Godfred et al, 2009; Mattingly and Berman, 2006).

Furthermore, a large number of previous investigations have used KLD data to measure firm-level social performance, conceptualizing it as a continuum of constructs rangin g from weak to strong (e.g. Berman, et al, 1999; McWilliams and Siegel, 2000). In such approaches, a firm's influence on each stakeholder group is either weak or strong, and these weaknesses and strengths are viewed in aggregate to represent the corporate social performance construct. As such, firms may exhibit weak or strong corporate social performance depending on whether weaknesses outweigh strengths or vice versa (McGuire et al, 2003).

Mattingly and Berman (2006, p.20) have cautioned "that positive and negative social actions are both empirically and conceptually distinct constructs and should not be combined in future research". They also propose, in their inductive research, a taxonomy further segregating the strengths and weaknesses between institutional and technical stakeholders, depending "on whether stakeholder groups provide institutional or technical resources" (2006, p. 37). Mattingly and Berman’s (2006) four dimensions of social action are independent allowing an organization to score high or low on all four, simultaneously, as we will expose later on. Technical strength denotes a high level of attention to stockholder agency, product safety and quality, and treatment of employees, actions toward stakeholders that are primarily engaged in resource exchanges with firms. A high score on technical weakness suggests neglect or harm to stakeholders from the technical environment to a greater extent than firms that have low score on this dimension. Institutional strength denotes a commitment to the representation in organization policy of historically disadvantaged groups, natural environment, and the local communities, indicating the extent to which firms respond to normative expectations, by acting responsibly with this institutional stakeholders. By contrast, a high score on institutional weakness reveals an express willingness to do harm in these areas, which means that firms have histories of local investment controversies and other negative externalities

On supporting institutional social actions, CR is thus not only the unintended consequence of managerial activities, but is also a purposeful instrument that can be effectively and strategically used to further corporate goals. For instance, a firm may decide to invest in a hospital in the local community or in an advertising campaign emphasizing its good environmental or hiring policies, purely for the sake of enhancing its reputation in the eyes of that community. There is ample room for a firms to engage in symbolic management because it has informational advantage (Pfeffer and Salancik, 2003) over institutional stakeholders. , Technical stakeholders have more information than institutional stakeholders about the extent to which the firm meets its demands, since there is frequent resource excha nge between them. In addition, weak social action towards institutional stakeholders is a failure to meet normative expectations and reflects, for example, problems with environmental regulatory compliance or hazardous waste disposal, among others, which u ndoubtedly impact negatively on CR because these actions destroy firms' legitimacy, which is the adherence to social norms and expectations, and is the precursor of CR (Doh et. al., 2009). According to Godfrey et al. (2009) technical stakeholders have economic exchange relations with the firm; however, technical social actions are less likely to produce moral capital (goodwill); indeed, it is precisely because these actions can be viewed as a power-exchange between the firm and its stakeholders, consistent with the firm's profit-making interest and viewed as merely self-serving, rather than 'other-regarding', behaviors. In the same line, Casciaro and Piskorski (2005) assert that technical stakeholders are involved in frequent exchange with the firm, and by m aking these transactions, firms absorb the social demand posed by them. According to the authors, if the firm does not attended to these demands, this exchange relationship might be affected, since employees can leave, investors can sell their stocks, and customers can go elsewhere. Therefore social actions towards these stakeholders are directly related to corporate welfare, building good corporate reputation, seeing as part of a firms' reputation reflect core business activities (Frombrun and Shanley, 199 0), however, this outcome would only be perceived as a regular business action (Porter and Kramer, 2002) instead of an admired quality of the firm.

Institutions' social actions have a different profile since these actions respond to normative expectations based on pragmatic appeals, and thus provide evidence of 'other - regarding' orientation by the firm's mangers when compared to technical social actions (Godfrey et al, 2009; Mattingly and Berman, 2006). The strength social actions directed towards institutional stakeholders contribute an admired quality to the firm, because the firm is choosing a "non-profit cause" or "social cause" to invest in (Godfrey, 2005). Based on Carroll's (1979) work, strengths in institutional corporate social actions can be class ified in discretionary dimension of corporate social responsibility. The author asserts that corporate actions under the discretionary dimension can generate approval and create reputation that is perceived by its various publics. For the reason that firms is doing beyond it social obligation and it may lead to the firm the imputations of exemplary behavior that is more than a merely good behavior (Wood and Logsdon, 2002).

Figure 1: Comparative effect of corporate social actions on corporate reputation.

Institutional Strength + + ▪ Perceived by various publics. ▪ Produce moral capital / other-regarding orientation / admired behavior. ▪ Response to institutional stakeholder expectation. ▪ Mayor information asymmetry.	**Technical Strength +** ▪ Perceived by affected stakeholders. ▪ Produce moral capital / self-serving orientation / good behavior. ▪ Response to technical stakeholders expectation. ▪ Less information asymmetry.
Institutional Weakness - - ▪ Destroy moral capital / Controversial investment and others negative externalities. ▪ Demands reaction of various publics.	**Technical Weakness -** ▪ Destroy moral capital / Neglect or harm to technical stakeholders. ▪ Demands reaction of technical stakeholders.

Our arguments about the comparative effect of different types of corpo rate social actions on corporate reputation are summarized on Figure 1. As we can observe, the four constructs are distinct and the strengths and weaknesses are not necessarily the inverse of each other. They are qualitatively distinct types of social acti ons with a multitude of causes and consequences (Mattingly and Berman, 2006). Based on these arguments, we therefore suggest the following hypotheses:

Hypothesis 1: Strengths in institutional corporate social actions have a stronger positive impact on corporate reputation than strengths in technical corporate social actions.

Hypothesis 2: Weaknesses in institutional corporate social actions have a stronger negative impact on corporate reputation than weaknesses in technical corporate social actions.

3. Methods

3.1 Data and Sample

Our current sample comprising 256 US firms is unbalanced and covers a four -year period from 2004 to 2008. It is made up of all those firms for which corporate social performance, reputation and control variable data could be o btained. Most control variables were taken from the Thomson Reuters Datastream, the CR data was taken from Fortune magazine's 'World's Most Admired Companies' ranking, and the corporate social performance data was taken from KLD social rating data

Since our sample is made up only by firms that are included in the cited databases, the results obtained may relate quite specifically to the sample and could limit the significance of our findings. In order to resolve the issue related to the sample selection and offer a greater contribution to the literature, we examined the role of our corporate social actions measures in relation to the inclusion of a firm in the Fortune magazine's 'World's Most Admired Companies' ranking, on the first stage of our work. We tested this by looking at a sample that includes our current selection plus firms that belong to the Standard and Poors (S&P) 500 index that do not feature in the Fortune ranking but do feature in the KLD data. We decided to increase our new sample, with firms that belonged to the Standard and Poor's (S&P) 500 Index, because these firms have similar characteristics to the ones composing our original sample. Analyzing this new sample, has allowed us to corroborate the role of corporate social actions, conceptualized in the Mattingly and Berman (2006) way, play in shaping the inclusion in the Fortune ranking, in addition to explaining the role of corporate social actions in shaping variation within those in the Fortune ranking. The results from the analysis of the extended sample contributes knowledge to achieve the objective of this work, which is to increase the understanding of the role that social actions play on corporate reputation. Since, firms that are included in the Fortune ranking are considered to have a superior reputation in comparison with other firms of the same industry that are not included in this ranking, indicates that the inclusion of a firm on the Fortune ranking can be a measure of CR.

Fortune magazine's 'World's Most Admired Companies' ranking is made-up by large companies that obtain the highest score on the Fortune survey, compared with other firms of the same industry. The survey is based on responses from executives, directors, and financial analysts and determines a reputation score from eight attributes ranked on 11-point scales from poor to excellent. In order to maintain data consistency, respondents rate firms from their own sectors, thereby assuring an informative perceptual result. These attributes are long-term investment value; financial soundness; wise use of corporate assets; community and environmental friendliness; quality of management; product quality; innovativeness; and ability to attract, develop, and keep talented people. Fortune's ratings remain the most widely used reputation construct in empirical research (Sabate and Puente, 2003); moreover, Fortune's data have the virtue of not being highly correlated with KLD social rating data (Szwajkowski and Figlewicz, 1999), which are the data we have used to operationalize the social action constructs.

The KLD data, in our analysis period, is composed by the largest 3000 United States companies on the capitalization market. This social data is a reliable source for corporate social performance measures and has been widely used by previous research. Some of these articles are: Berman et al. (1999), Hillman and Keim, (2001), McWilliams and Siegel (2000), Padgett and Galan (2010); Waddock and Graves (1997). The KLD database consists of so-called qualitative and exclusionary screens. The latter assess whether a firm participates in a specific line of business that is considered social controversial (e.g., military, tobacco or gambling). In the context of our hypotheses, we must avoid such a bias and control the effect of controversial business participation on CR, hence we used it as control variable. For corporate social action variables, we take into account solely the qualitative screens, in which six indicators (dimensions) are distinguished: community, diversity, employee relations, environment, products (customers) and corporate governance (investors). For each of these dimensions, a number of criteria, ranging from five to thirteen per dimension, are available on an annual basis. These measure either strengths or weaknesses, indicating positive or negative corporate social actions in the domain of that specific dimension.

3.2. Measures

To measure CR, our dependent variable, we have used Fortune magazine's data ranking. This is published annually in a March issue, and then we relate the reputation score of the current year with the data of precedent year. Due to the possible effect of past financial performance on reputation, the so-called halo effect, we regressed reputation on increasingly higher-order lags of return on asset (ROA) until no further significant improvement in R^2 was observed (Roberts and Dowling, 2002). We found no significant increases in R^2 beyond three lags. Hence the R^2 was only 0.018, we adopt the reputation measure as the residual of reputation measure has a very similar behavior and decrease our dataset disabling our analyses. We adopt ROA as financial performance control variable as previous studies (e.g. Brammer and Pavelin, 2006; Turban and Grenning, 1997). Assuming the long-term effect of social actions on CR (Robert and Dowling, 2002), we have estimated the models with a two-year lag on the CR variable. To achieve our first analysis we create a dummy variable, an included (1) and not included (0) in the Fortune ranking.

Regarding corporate social actions measures, we have followed Mattingly and Berman (2006) classification schemes, since our theoretical interest encompasses the qualitative classes of it. First, we constructed 12 disaggregated measures, two (strength and weakness) for each of KLD's social dimensions and deemed to be of equal importance, scaling the results from zero to two. Second, we constructed the four corporate social action measures: Institutional strength (community, diversity and environment strengths); Institutional weakness (community and environment); Technical strength (products/customers, corporate governance/investors, employee relations); Technical weakness (products/customers, corporate governance/investors, employee relations, diversity). Since CR data are compiled by sector, we have standardized corporate social action measures by sector.

The diversity dimension is classified in institutional strengths and technical weaknesses, since Mattingly and Berman (2006) highlight that the KLD diversity social dimension, has items that reflect a firm's response to institutional pressures, and others relate to corporate action toward diversity-related employees. They assert "although employees are technical stakeholders, as they are engaged in resources exchange with the firm, diversity-related employees may also have normative expectations for the firm's treatment of non-employed diversity-related stakeholders" (p.36).

We have used control variables based on the degree to which they may influence the effect that social actions dimensions have on CR. ROA is used to control the financial performance effect on CR (Brammer and Pavelin, 2006; Turban and Greening, 1997). Company size matters, since large firms have high visibility, and a larger and more diverse stakeholder constituency (Brammer and Pavelin, 2004). We measure it as the total assets defined on a log scale. Risk is another factor used as a control variable in corporate reputation models. In line with Brammer and Pavelin (2006), we expect a negative relation between risk and reputation, as high business risk impacts negatively on CR (Fombrun and Shanley, 1990). Risk is measured as the ratio of total debt to total assets.

Christiansen and Vendelo (2003) assert that research and development (R&D) intensity affects CR. Thus, in order to identify the true impact of social actions on CR, we need to control for investment in R&D. To measure this, we use a proxy of R&D, calculated by dividing total expenditure in R&D by total sales. Advertising intensity plays a role in increasing the visibility of the firm, beside its size. Advertising intensity was previously calculated as a function of the company's total revenue (Fombrun and Shanley, 1990; McWilliams and Siegel, 2000). As our data on advertising expenditure was limited, in line with Brammer and Pavelin (2006), we have constructed a dummy variable on the basis of the company's presence in two thematic lists, '100 leading national advertisers' (Advertising Age, 2009) and the 'most valuable brands' (Interbrand, 2009). Both lists are available online, and '100 leading national advertisers' list is compiled by TNS media intelligence and is published annually by the Advertising Age magazine. The 'most valuable brands' list is drawn up by the consultancy firm Interbrand and is published annually by the Financial Times.

In addition to these variables, a control needs to be made of the controversial business involvement (CBI) impact. According to Dowling (2004) the CBI by firms may have a negative affect on their reputation. In order to measure it, we focus on the KLD dimension concerning firm operations related to alcohol, tobacco, gambling, firearms, nuclear power and military contracting. These CBI ratings differ from the corporate social performance ones described earlier, as they are rated as 'concerns' only. For each concern, we give 0 to indicate its avoidance and 1 to indicate involvement. We have given equal importance to the categories adopted from KLD to construct this measure.

Finally, it may be that, even controlling for financial performance and all the other firm attributes we have discussed, reputation varies systematically across sectors (Brammer and Pavelin, 2004; 2006; Dowling, 2004). Some business activities may predispose a firm to a better reputation than other activities. To avoid this bias, we have used dummy variables based on the

DataStream industry classification. Accordingly, we allocated each firm to one of twelve sectors: basic industries, cyclical consumer goods, cyclical services, general industries, information technology, non-cyclical goods, non-cyclical services, resource, financial and utilities.

4. Results

On the first state of our analyses, we test our two hypotheses considering that CR is measured by the inclusion or not inclusion in the Fortune ranking, which allows us to observe what role institutional and technical social actions (strengths and weaknesses) play in shaping a firms' inclusion in the Fortune ranking. After carrying out this first analysis, we test our same hypotheses considering that CR is measured with data from the Fortune ranking, which contributes to understanding the role that institutional and technical social actions (strength and weakness) play in shaping variation within those in the Fortune ranking.

We have used the panel data technique to estimate our models. This choice is justified by the importance of considering significant problems that arise when studying the impact of social actions on CR. Unlike cross-sectional analysis, panel data allows us to control every firm, and have their own specificity that generates a particular behaviour closely linked to the company's strategy (Bouquet and Deutsch, 2008).

On our first analysis, given that the dependent variable is binary we adopt a Logistic Regression and performed the Hausman Specification test to determine if we had to use a fixed effects model or random effects model. The results of this test indicated that the random effects model was the appropriate choice in our analysis. A Wald test of significance was performed to assert the joint significance of the control variables and the result indicated that sector and temporal dummies do not contribute to the model's overall significance .

Table 1 provides the descriptive statistics, mean and standard deviation, of our current sample, which is composed by firms included in the Fortune ranking. Also the same data is provided for the added sample, used to increase our current selection composed by firms that are not included on the Fortune ranking. And finally, our extended sample used o n our first analysis, composed by the current and additional sample. One can also observe the sample size for each group: 620 observations in our current sample, 585 observations in the added sample, and 1215 observations in the extended sample.

Table 1: Descriptive statistics

	Included on Fortune Ranking sample		Not Included on Fortune Ranking sample		Extended sample	
Variable	Mean	s.d.	Mean	s.d.	Mean	s.d.
CR	6.04	1.16				
Technical strength	0.01	0.59	0.08	0.62	0.04	0.89
Institutional strength	-1.20	0.76	-3.13	1.33	-1.98	1.35
Technical weakness	0.10	0.94	0.30	0.62	0.16	0.98
Institutional weakness	-0.02	0.37	0.07	0.52	0.01	0.42
CBI	0.02	0.16	0.06	0.28	0.04	0.23
ROA	7.57	8.19	7.48	7.67	7.14	7.49
R&D	0.03	0.04	0.04	0.05	0.04	0.04
Risk	0.18	0.16	0.20	0.17	0.20	0.17
Size	14.41	1.61	14.58	1.76	14.61	1.71
Advertising intensity	0.03	0.18	0.05	0.22	0.04	0.20
Sample size	620		585		1215	

Table 2 provides the correlation matrices for the variables; it shows that both CR measures have a negative significant correlation with technical strengths and institutional weaknesses, along with a non-significant correlation with institutional strengths and technical weaknesses. As predicted by the literature, these results support the diversity of the impact of social action types on firms' reputation.

Table 3 presents the results of the random-effects logistic regression, using the extended sample data. As can be seen, technical strengths are significant and negatively related to Inclusion on Fortune ranking ($p < 0.01$), institutional strengths are significant and positively related to Inclusion on Fortune ranking ($p < 0.01$), technical weaknesses are significant and negatively related to Inclusion on the Fortune ranking ($p < 0.01$) and institutional weaknesses are not significantly related to Inclusion on the Fortune ranking. We controlled for CBI, financial performance, R&D, firm risk, firm size, and advertising intensity.. To test the Hypothesis 1 we ran a χ^2 test on the two strength variables parameter estimates, and the result indicate that the parameter estimates are statistically different, supporting the hypothesis. To test Hypothesis 2 we ran a χ^2 test on the two weakness variables parameter estimates , and the result indicate that the parameter estimates are not statistically different, not supporting the hypothesis.

Table 2: Correlations matrix [a]

	Variable	1	2	3	4	5	6	7	8	9	10	11
1	Included and Not included on Fortune ranking											
2	CR											
3	Technical strength	-0.07***	-0.02									
4	Institutional strength	0.08***	0.14***	0.30***								
5	Technical weakness	-0.09***	0.04	0.15***	0.28***							
6	Institutional weakness	-0.08***	-0.05**	0.22***	0.23***	0.29***						
7	CBI	-0.03**	-0.04**	-0.01	0.01	0.07***	-0.01					
8	ROA	-0.06***	-0.01	0.04*	-0.03*	0.01	0.06***	0.02				
9	R&D	-0.08***	-0.11***	0.05***	-0.01	0.04**	0.04***	0.02	-0.04**			
10	Risk	0.01	0.01	-0.01	0.03*	0.02	-0.06***	0.05**	-0.19***	-0.18***		
11	Size	0.04***	0.17***	0.05***	0.05***	0.01	-0.01	0.04	-0.14***	-0.14***	0.25***	
12	Advertising intensity	-0.04***	-0.01	0.01	-0.01	-0.03	-0.01	-0.03	0.05	-0.04	-0.03	-0.02

[a] n = 1215. *p≤0.10; **p≤0.05; ***p≤0.01

Table 3: Results of Random-effects Logistic Regression Analyses

Included and Not included on Fortune – Dependent variable.	01	02	03
Technical strength		-3.1506***	
Institutional strength		11.2300***-	
Technical weakness			-1.1513***
Institutional weakness			0 .8928
CBI	-22.9112	-9.0080***	-9.5429***
ROA	0.1732*	-0.0626	0.2017**
Risk	-6.2401	-2.2791	-0.4193
R&D	-35.9367***	-30.5930***	-33.8864*
Size	0.9912	-0.0889	-0.3290
Advertising intensity	-4.3351	0.5939	-1.0831
Constant	-5.3088	31.6898***	17.3750***
Log likelihood	-388.844	-246.645	-231.758
Likelihood ratio $\chi 2$ -test	639.27**	234.99**	198.61**
Institutional strength > Technical strength $\chi 2$ (1)		118.48**	
Institutional weakness > Technical weakness $\chi 2$ (1)			2.26

n=1215. *p<0.01; **p<0.05; ***p<0.01

On our second model, we test our current sample, where CR is measured with data from the Fortune Ranking, was initially specified using the fixed effect estimator. We carried out a Hausman test that indicated correlation between individual effects and independent variables and in light of this the fixed effect is better suited than the between effects. As well as the individual effects added to control for the cross-reference units, we have also included time dummies in our model. With these temporal effects we reduce a source of bias by capturing the events that all states were subjected to in a given year. An *F* test of significance was performed to assert the joint significance of the temporal dummies, with the result being that they contribute to the model overall’s significance. We have also applied the Wooldridge and Modified Wald tests to examine potential autocorrelation in our panel and heteroskedasticity problems in our fixed effect equation. The result was positive in all cases.

Consistent with Beck and Katz (1995), we have corrected both problems usi ng panel corrected standard errors through a Prais -Winsten regression. In addition to test the multicollinearity, we checked the variance inflation factors (VIFs) of the regression models on both pooled data and individual years of the data. We found that all VIFs were lower than 3.

Table 4: Results of Prais-Winsten Regression Analyses

Corporate Reputation (CR) – Dependent variable	01	02	03
Technical strength		-0.1590**	
Institutional strength		0.1295*	
Technical weakness			0.0264
Institutional weakness			-0.1679
CBI	-0.6488***	-0.7112***	-0.6422***
ROA	0.0013	0.0014	0.0017
R&D	-3.2466**	-2.9460**	-3.1705**
Risk	0.2058	0.1943	0.1599
Size	0.0592*	0.0637**	0.0558*
Advertising intensity	-0.0553	0.0250	-0.0477
Constant	5.1495***	5.2383***	5.2182***
Wald chi2	(19) 80.31	(21) 82.53	(21) 82.27
R^2	0.6462	0.6600	0.6559
Institutional strength > Technical strength $\chi2$ (1)		4.56**	
Institutional weakness > Technical weakness $\chi2$ (1)			2.06

n=620. Estimation also includes dummy for the years (2004 -2008) and for industry.
*p<0.10; **p<0.05; ***p<0.01

Table 4 presents the results of the regression analyses for our second model. As can be seen, technical strengths are significant and negatively related to CR ($p < 0.05$), while institutional strengths are significant and positively related to CR ($p < 0.10$). We ran a χ^2 test on the two strength variables parameter estim ates, and the result indicates that the parameter estimates are statistically different. This evidence substantiates the theory underpinning Hypothesis 1. In addition, on table 4 we can see technical and institutional weaknesses are no longer significant. To test Hypothesis 2, we ran a χ^2 test on the two weaknesses variables parameter estimates, and the result indicates that the parameter estimates are not statistically different. Thus, we do not find support for Hypothesis 2.

We controlled for CBI, financial performance, R&D, fi rm risk, firm size, advertising intensity and sector. The results show that CBI is significantly and negatively related with CR, consistent with Dowling (2004), and firm size is significantly and positively related with CR, consistent with Brammer and Pave lin (2004). ROA, risk and advertising intensity have no significant relation with CR although prior studies support it. R&D is significant and negatively related with CR although we expected the opposite result.

5. Discussion and Conclusions

The purpose of this chapter has been to evaluate the effect of different types of corporate social actions on CR. We have argued that to better understand this effect, the construct of social actions should be decomposed as Mattingly and Berman (2006) propose: into its strengths and weaknesses and into its institutional and technical stakeholder relations. We theoretically develop the difference between social action construct decompositions, and hypothesize that strengths in institutional corporate social actions have a stronger positive impact on corporate reputation than strengths in technical corporate social actions; and that weaknesses in institutional corporate social actions have a stronger negative impact on corporate reputation than weaknesses in technical cor porate social actions.

Our main arguments to explain how institutional strengths strongly influences CR are the following: these social actions produce moral capital, have a other regarding orientation that generate a admired behavior to the company on th e eyes of various publics; in addition there is information asymmetry between institutional stakeholders and firms, which allows managers to engage in symbolic corporate social actions to build positive reputation; and also, these social actions create reputation perceived by the firms' various publics, and not only by the ones that were meant to receive the benefit of these social actions. On the other hand, strength social actions toward technical stakeholders can be viewed as self-serving actions since these stakeholders affect directly corporate welfare, in addition to this fact; technical stakeholders have more information about firms' behavior than institutional stakeholders.

On relation to weak social actions we highlight that institutional weakness destroy moral capital, since it can be a controversial investment and/or it can generate negative externalities. Institutional weakness demands attention of various publics, since it may impact directly or indirectly on all society, generating a stronger negative impact on CR. Technical weaknesses destroy moral capital by neglecting or harming technical stakeholders, and these actions demand attention especially to the stakeholder affected.

To add more appeal to this work and in order to make a greater contribution to the literature, we test our hypotheses using two samples and two CR measures. The results of our first analysis, allows us to observe what role institutional and technical social actions (strengths and weaknesses) play in shaping a firms' inclusion in the Fortune ranking. And the results of our second analysis allow us to understanding the role that institutional and technical social actions (strength and weakness) play in shaping variation within those in the Fortune ranking.

Analysing the results obtained from both models we determine that strengths in institutional social actions have a greater impact on CR than strengths in technical social actions, since both models support Hypothesis 1, substantiating the arguments developed. Furthermore, we found that weaknesses in institutional social actions do not have a greater impact on CR than weaknesses in technical social actions, which does not support Hypothesis 2 and indicate that to preserve positive CR is necessary, avoid both types of weakness. The no significant difference on the impact between both weakness in social actions on CR, which can be partially explained by the high attention given by mass media about any weak corporate social actions, which influence the public opinion (Pollock. and Rindova, 2003). The mass media release information in a more frequent manner over corporate concerns than over corporate strength, and it is more common see a report about corporate employees' demands than a report about positive evaluation of a compa ny by its employees.

Our research can be very useful for business managers since it provides theoretical discussion and empirical proof about the effect of social actions on CR, which can assist them in designing or modifying social responsibility strateg ies used by the firm in order to build a positive CR. It is a very important business issue, since firms' reputation is a crucial link between social initiative and profitability and it is a difficult resource to create (Surroca et al, 2009). Our research reveals mainly that strengths in institutional social actions have to be the firm's priority when building or maintaining positive reputation, and that weakness in institutional and technical social actions have to be avoided in the same way, since both can impact negatively on CR . In addition to these managerial contributions, our research results can be useful for policy makers, representatives from non-governmental organizations, mass media and some stakeholder groups for developing more effective st rategies and encourage businesses to develop a social agenda.

In terms of the academic contribution, our research has added to the numerous efforts that researchers have made to increase the knowledge about the relationship between corporate social perfor mance and CR. Our research differentiates itself from other studies because we adopted Mattingly and Berman (2006) typology to measure corporate social performance data, which allows a detailed analysis of this relationship in a way that has not been done in previous researches. Our work identifies the diverse effects that firm's social responsibility strategies can have on its reputation. Recognizing these effects may help resolve inconclusive findings in the literature, concerning the relationship between corporate social performance and CR and emphasizes on the importance of more theoretical discussion on this issue.

Our findings also create opportunities for further research. A fertile ground for future study is the negative relation of R&D with CR that is contradictory to previous literature. Also, the strong negative association of participation on controversial business and CR found on our results should encourage future researchers to study with greater detail Dowling's (2004) assumption that firms' involvement on controversial business can erase reputation generated by a positive social performance, since participation on controversial business produces a strong negative corporate reputation.

Chapter 5

Firms and Industry Effects on Corporate Social Responsibility

1. Introduction

In recent years, corporate social responsibility (CSR) has been the focus of significant attention by a proliferation of conceptual and empirical work (McWilliams et al., 2006). The literature has paid particular attentio n to the relationships between CSR and financial performance (see Orlitzky, Schimidt and Rynes, 2003; Margolis and Wash, 2003; Margolis et al., 2007), most works found a positive effect of CSR on financial performance. Furthermore, some researches found the industry effect to be an important factor to consider in corporate social responsibility intensity (e.g. Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; Russo and Fouts, 1997). Although, according with Wood (2010) literature review, there is only one research that examined the variation of firm and industry effects on CSR's strategies, which is O'Shaughnessy et al., (2007) that covers 130 Japanese firms.

Explaining the sources of performance differences regarding industry and firm factors is a key theoretical and empirical issue in the field of management. T he industrial organization view usually argues that industry factors are the primary determinants of firm performance and strategy, while the resource -based view argues that the firm's internal environment drives competitive advantage. Since the initial works by Schmalensee (1985) and Rumelt (1991), a number of empirical studies have examined the relative importance of firm and industry factors (e.g. Chang and Singh, 2000; Mauri and Michaels, 199 8; Short et al., 2007). Differing from the previously cited strategic studies, Mauri and Michaels (1998) analyzed variance components of the firm and industry effect on core strategies, Research and

Development (R&D) intensity and advertising intensity. Their findings suggest that firms competing in the same industry tend to develop homogeneous competitive strategies; in line with institutional theory (DiMaggio and Powell, 1983) managers try to reduce the strategic gaps with relevant competitors to gain legitimacy in the eyes of institutional investors and other important stakeholders. Thus, we need to pay attention to the institutional mechanisms that may have a bearing on whether or not corporations act in socially responsible ways (Doh and Guay, 2006).

According to previous researches (e.g. Berman et al., 1999; Hillman and Keim, 2001; Surroca et al, 2009) we assume that CSR positively affects organizational performance and is sustainable in the long term (Bruch, 2005), thus representing a strategic asset (Sze`kely and Knirsch, 2005). However, it differs from many other types of strategic assets since its value is determined not only by the CSR of the focal firm, but also by the CSR of other firms in its industry (Porter and Kramer, 2006). CSR is influenced by market, institutional and environment forces that shape the industrial context. As a consequence, we expect that a significance portion of the variability in CSR is attributable to industry-level factors, hence we follow O'Shaughnessy et al (2007) and suggest that CSR is a shared strategic asset, without forgetting that there are determinants of CSR that may be operating inside the corporation (Campbell, 2007). This research analyzed variance components of the firm and industry effect on CSR to answer the following question: To what extent do industry and firm factors explain the variance in CSR?

CSR is conceived as a broad construct that is composed of primary stakeholder management and social issue participation (Clarkson, 1995). Primary stakeholder management has been studied in a decoupling form in early studies (e.g. Berman et al., 2006; Hillman and Keim, 2001; Kacperczyk, 2009), with each dimension having distinct characteristics; hence in this research we analyze each dimension of primary stakeholder management through individual construct variation in order to increase the comprehension of CSR variation between firm and industry factors.

We contend that this better understanding of CSR variance can meaningfully contribute to both theory development and management (practice). In terms of theory development, most work on corporate social responsibility issues adopts the assumption that it is driven by firm specific factors and that they are the outcome of strategies involving structure, ownership, resource allocation and managerial decisions regarding corporate goals (McWilliams et al., 2006). As we have cited before, there are reasons to expect that a firm's social responsibility may also be profoundly influenced by the industrial context. We will discuss this in the following section.

There are, moreover, many practical concerns of interest to various collectives as a result of our study. For example, it can provide non-governmental organizations and governmental and regulatory institutions with an indicator that explains the performance variation levels of each dimension of CSR, and can help improve tools designed to promote it. Although our research provides managers with evidence of CSR variability among CSR dimensions that could help in strategic decision-making, and besides the perspective of responsible investment funds, our research could provide assistance regarding selection criteria for their investment portfolios.

To explain the importance firm and industry factors have on CSR, we employ a variance components method previously used in the strategy and economic literature to investigate the sources and structure of corporate profitability (e.g. Hawawini et al., 2003; Mauri and Michaels, 1998; McGahan and Porter, 1997; Roquebert et al., 1996). The variance components method is a statistical tool that assesses how much variability exists in the dependent variable (in our case the CSR proxy) can be attributed to each independent variable (firm, industry, year, industry-year interaction). Using this approach, we evaluate the extent to which observed variation in the dependent variable is attributable to influences found at firm and industry levels of analysis. In order to identify certain distinguishing characteristics of CSR variables and also to shed new light on how other corporate performance outcomes vary systematically across firms and industries with the same sample, we also perform variance components analysis on measures of corporate financial performance and compare these findings to our CSR results.

2. Corporate Social Responsibility Levels

Firm effects capture the unique firm characteristics that influence the variation in CSR across industries and firms, whereas industry effects refer to attributes common to a specific industry. The dominance of firm effects suggests heterogeneity because of barriers to imitation (Rumelt, 1991) and the inability of firms to change their resource endowments over time (Carroll, 1993). In contrast, the dominance of industry effects over time shows the similarities in response to industry conditions and the imitation of successful social responsibility strategies.

With a view to understanding CSR variation in industry level, this research adopted the industrial organization view – a firm's strategy is primarily determined by industry membership and its common market structure (Hawawini et al., 2003; Roquebert et al., 1996; Rumelt, 1991) as well as applying the institutional theory – the performance of firms in the same industry tends toward similarity because they share common influences (DiMaggio and Powell, 1983; Bansal, 2005; Jennings and Zandbergen, 1995). In terms of firm level we therefore adopted the resource-based view, which inherently provides an explanation for firm effects on CSR outcomes within the same industry (Barney et al., 2001), and the slack resources perceived (Waddock and Graves, 1997).

2.1. Firm-level evidence

Some of the main contributors to the resource-based literature in the strategic management field have acknowledged business ethics/ corporate social responsibility (Barney et al., 2001) and determinants of firm performance (Short et al., 2007) as areas of study for which it has important implications. Strategy-related research in the past has paid specific attention to resources as important sources of performance (e.g., Andrews, 1971; Penrose, 1959); however, it was Wernerfelt (1984) who first coined the term "resource-based view of the firm". While Wernerfelt (1984: 172) has suggested that a resource can be "anything which could be thought of as a strength or weakness", more recent approaches to studying resources tend to be more specific focusing upon a wide variety of tangible and intangible resources and capabilities. Barney (1991) maintains that if these resources (tangible and intangible) and capabilities are valuable, rare, hard-to-duplicate and non-replaceable, they can constitute a source of sustainable competitive advantage. Peteraf (1993) has developed a model that states that for a company to have a competitive advantage, it needs resource heterogeneity, ex-post limits to competition, imperfect mobility of resources, and ex-ante limits to competition.

Moreover, Prahalad and Hamel (1990) reaffirm Wernerfelt's (1984) argument against the industrial organization and reinforce the resource-based view, which states that a firm's success is not wholly determined by external factors but also by its internal characteristics - those that are the core of its resources. According to these criteria, resources that may lead to competitive advantage include socially complex and causally ambiguous resources such as reputation, knowledge assets, long-term relationships with suppliers and customers, and corporate culture (Barney, 1986). For example, since a firm's culture is an intangible resource that is difficult to imitate (Barney et al., 2001), for firms such as Ben and Jerry's, Johnson & Johnson, and the Body Shop concern for ethics can become embedded in a culture in ways that are inimitable (Barney et al., 2001). As the diverging track records of these three firms illustrate, however, a uniquely ethical culture does not necessarily translate into superior CSR, since CSR is a multidimensional construct (Waddock and Graves, 1997) and ethical culture is just one factor that influences CSR.

The first theoretical paper to apply the resource-based view framework to corporate social responsibility was by Hart (1995), who focuses exclusively on environmental social responsibility. Hart asserts that, for certain types of firms, environmental social responsibility can constitute a resource or capability that leads to a sustained competitive advantage. Also using the resource-based view framework, a more formal theory-of-the-firm model of profit maximizing corporate social responsibility has been posited by McWilliams and Siegel (2001). These authors outline a simple model in which two companies produce identical products, except that one firm adds an additional 'social' attribute or feature to the product, which is valued by some consumers or, potentially, by other stakeholders. In this model, managers conduct a cost/benefit analysis to determine the level of resources to devote to corporate social responsibility activities/attributes.

In fact, the resource-based view is a theory that focuses on the firm level, with implicit independence of context, to explain a firm's performance. Nevertheless, there is an ongoing debate on how isolated resources are from their context in the resource-based view. On the one hand, resources in the resource-based view are deemed to be important regardless of the industry (Barney et al., 2001); the resource characteristics of inimitability and rarity, for example, could be argued as absolute characteristics (not relative to any specific industry). For example, a resource that provides superior CSR must be rare across the economy, not simply in one industry (since a rival could import it from outside that industry). On the other hand, Wernerfelt (1984), Peteraf (1993) and others observe that resources and the firms that possess them affect economic performance based on the interaction with the specific industry of use. Similarly, Russo and Fouts (1997) assert that the social performance of firms (especially environmental performance) can be a source of competitive advantage, particularly in the same industries. Nevertheless, what these two sides of the resource-based view have in common is the implication that firm performance levels differ substantially based on differences in their resource profiles.

Moreover, Bansal (2005) proposes that the variation in CSR is defined by resource-based factors. Indeed, the application of resource-based rationales to corporate social responsibility and disclosure can be justified by several reasons (Bansal, 2005): it creates new resource-based opportunities through changes in technology, legislation, and market forces; it influences a firm's financial performance; it requires the investment of financial and/or human resources. As CSR requires investment, Waddock and Graves (1997) affirm that better financial performance potentially results in the availability of slack (financial and other) resources that provide an opportunity for companies to invest in social performance domains. Consequently, social responsibility should assume the same variation behavior of financial performance, which is identified to be larger on firm level than on industry level (e.g. Rumelt, 1991 – firm level was measured by corporate and business level effects). Therefore, consistent with the resource-based view and with the slack resources perceived, in our empirical analysis we expect CSR within industries to vary systematically with differences in firm-level characteristics.

2.2. Industry-level evidence

The characteristics of a firm's industry have been hypothesized to be a key influence on its social responsibility (e.g. McWilliams and Siegel, 2000). Industry plays a moderating role in social responsibility intensity because of the presence of industry-specific stakeholder pressures for improved social responsiveness. Likewise, industrial organization researchers have argued that strategy and performance are primarily determined by the membership of an industry and are sustained through entry barriers (Rumelt, 1991). From this perspective, the common structural elements of an industry lead its members to share competitive characteristics. While successful firms develop resources producing competitive advantage, other firms are able to reduce competitive gaps by imitating these valuable resources. As a result, convergent patterns of competition can become common industry characteristics over time (Mauri and Michaels, 1998).

Furthermore, based on the industrial organization paradigm, the structural determinants of competition lead to firms developing strengths based on Key Success Factors those are stable and externally determined by the industry environment (Vasconcellos and Hambrick, 1989). Therefore, Amit and Schoemaker (1993) have sought to replace the strategy field's concept of Key Success Factors with the notions of: (1) strategic industry factors, the set of resources and capabilities that have become the prime determinant of economic rents for industry participants; and (2) strategic assets, a firm-level construct, referring to the set of firm-specific resources and capabilities. This approach implies that firms in an industry converge towards competitive parity, thus enhancing their chances of survival (Barney, 1991). When there is no clear understanding of the means to an end relationship, firms should imitate the more observable aspects of successful strategies. Managers pursuing the Key Success

Factors approach pursue strategic benchmarking aimed at decreasing competitive gaps (Chen, 2005).

Several schools within industrial organization have proposed market structure as the primary explanation for the emergence of common patterns of behavior and similar performance outcomes for firms in the same industry. However, some of its schools differ regarding the dynamics of industry structure. The traditional Harvard school (Bain/Mason) views market structure as exogenous and stable (Porter, 1981), while the Schumpeterian and Chicago schools (Demsetz/Stigler) view market structure as dynamic and constantly evolving. The Chicago school believes in the convergence of competitive patterns over the long term when less successful firms imitate the strategies of more successful ones (Conner, 1991). Similarly, the Schumpeterian school focuses on revolutionary innovations that make rivals' positions obsolete and change industry structure (Conner, 1991). Despite these differences, the literature on industrial organization treats the industry as the unit of analysis, implicitly assuming that firms within an industry are homogeneous.

Mauri and Michaels' (1998) findings suggest that firms competing in the same industry tend to develop homogeneous competitive strategies for investing in technology and marketing resources. The results are consistent with institutional theory. In contrast to the resource-based theory's focus on firm heterogeneity, institutional theorists ask 'why there is such startling homogeneity of organizational forms and practices' (DiMaggio and Powell, 1983: 148). Institutional theorists argue that organizations in the same industry tend toward similarity over time because they share many common influences and are interpenetrated by relationships that disseminate common knowledge and understandings (DiMaggio and Powell, 1983). From an institutional perspective, social and economic interrelations among firms and common dependencies on a range of external actors are sources of pressures for isomorphism or conformity that give rise to firm homogeneity. Isomorphism pressures (DiMaggio and Powell, 1983) refer to influences for conformity exerted on firms by the government, professional associations and other external constituents that define or prescribe socially acceptable economic behavior. These pressures cause firms to tend toward homogeneous structures and strategies (DiMaggio and Powell, 1983), reduce uncertainty on the market (Jennings and Zandbergen, 1995) and lead to legitimacy (DiMaggio and Powell, 1983).

According to Deephouse and Carter (2005), industry faces strong institutional and competitive pressures, which means that legitimacy and reputation are important, with the former being the social acceptance resulting from adherence to social norms and expectations, and the latter a social comparison among organizations on a variety of attributes. King et al., (2002) deal with the "reputation commons problem", describing how members of the same industry are often "tarred by the same brush" as a consequence of the misdeeds of one of its members. For example, pollution is generally thought of as pure externality and the marginal impact of each firm's pollution sometimes can not be determined, as this requires considerable amounts of information. If such information is not available or is costly to acquire, stakeholders may then identify a group of firms or an industry type that may have harmed a resource and distribute the responsibility for any damage equally among its members (King et al., 2002). Thus, recognizing that the actions of one firm can seriously affect the reputation of others in the same industry, and because firms fear that state regulation is insufficient to protect the industry, many industry groups have embarked upon strict self-regulation programs in order to prevent reputation-damaging activities (King and Lenox, 2000). Likewise, industry culture can be determinant of the awareness of, and orientation to, social responsibility at firm level. Baucus and Near (1991) found that differences in industry culture predicted illegal behavior, as actors within industries tended to look to each other to determine standards of behavior.

Furthermore, stakeholders normally advocate industry-wide compliance mechanisms, as these lower their contract writing and monitoring costs, but firms require stakeholders to be strong (power, legitimacy and urgency, Mitchell et al., 1997) to provide a counterbalance to corporate self-interest power (Campbell, 2007). In fact, firms tend to imitate the visible and well-defined activities of relevant competitors to gain legitimacy in the eyes of institutional investors and other important stakeholders. Accordingly, shared industry characteristics such as market structure, public visibility, media attention, scrutiny from government, culture and configurations of stakeholders lead to convergence of CSR among firms in the same industry and differences across industries. Therefore, the share competitive context and the institutionalist mimicry support our expectations that CSR varies systematically with differences in industry-level characteristics.

Just as certain factors may be relevant in one industry but not in another, they can be relevant at one given moment but not at another. In other words, in explaining performance, transient effects must be distinguished from stable effects (Rumelt, 1991). Accordingly, most studies investigating the relative size of industry and firms' effects have incorporated variance over time into their analyses, and have tried to capture year effects, or the macroeconomic fluctuations in firms' activity (Hawawini et al., 2003; 2004; McGahan and Porter, 1997; Roquebert et al., 1996; Rumelt, 1991), as they have attempted to examine transient industry effects (e.g., Hawawini et al., 2003; 2004; Rumelt, 1991; Roquebert et al., 1996). We therefore include year and the interaction of year and industry as independent variables in our models in order to observe the effect of macroeconomic fluctuations in firm activity and transient industry effects, respectively.

3. Method

3.1. Data and Sample

The company industry classification, diversification degree and financial performance data were obtained from the Worldscope database. CSR data were extracted from the KLD database. We believe that the KLD measure is more suited to our analysis than any expenditure measure of social responsibility, since Mauri and Michaels (1998) report that their results suggest that firm-level proxies like R&D and advertising expenditures capture broad classes of resources, not idiosyncratic firm resources or resource development processes, whereas the KLD measure of social responsibility is the result of firms resources (financial or not) and capabilities.

The KLD data are available only at company level. There is no information on social performance at business level. Our sample therefore proceeds along the lines of Hawawini et al. (2003; 2004), who used a database that did not provide business level data. The lack of specificity has consequences for our research. The firm effects in this study are likely to reflect both corporate- and business-level effects and we will not be able to distinguish between them. Our interest focuses particularly on the relative importance of industry vs. firm effects, and any corporate-level effects will add to the firm effect variable.

The sample compiled of US firms is unbalanced and covers the five-year period from 2003 to 2007, coinciding with a time of economic stability in the United States. They are non-diversified firms, classified into industries based on the SIC system at the 3-digit level. The sample was screened in various ways. We excluded firms that did not contain a primary SIC designation, or were identified by SIC as ‘miscellaneous’, ‘not elsewhere classified’, ‘non-classifiable establishments’, and ‘government’. The data were also screened to identify firms that were not reported to be active in the same industry classification over the data period available. We also discarded firms that did not have at least two years' observations or an industry classification that did not have at least 10 firms/year observations. The final sample contains 2200 observations for 495 firms across 19 industry classifications.

3.2. Measures

In this study, the main dependent variable CSR is a composite of six dimensions (corporate governance, community, minorities, employees, the natural environment, and customers), consistently reported between 2003 and 2007 and selected because they reflect corporate attention to primary stakeholders that exert considerable influence on corporate strategy (Prahalad and Hamel, 1994). For each dimension, strengths and concerns are measured to evaluate positive and negative aspects of corporate action toward stakeholders. KLD's dataset is designed as a binary system. For each strength or concern, rating 1 indicates the presence of that rating and 0 indicates its absence. Authors use different methodologies to apply the ratings to their specific research objectives. We added all the strengths and subtracted the concerns of each dimension to construct the six dimensions of CSR, and to construct the CSR proxy we converted each CSR dimension using the five-point Likert-type scale adopted by Hillman and Keim (2001), and then added the six dimensions. Thus, the six dimensions have the same influence on CSR proxy. This same CSR proxy has been used before by: Backhaus et al. (2002); Bouquet and Deutsch (2008); Choi and Wang (2009); Padgett and Galan (2010).

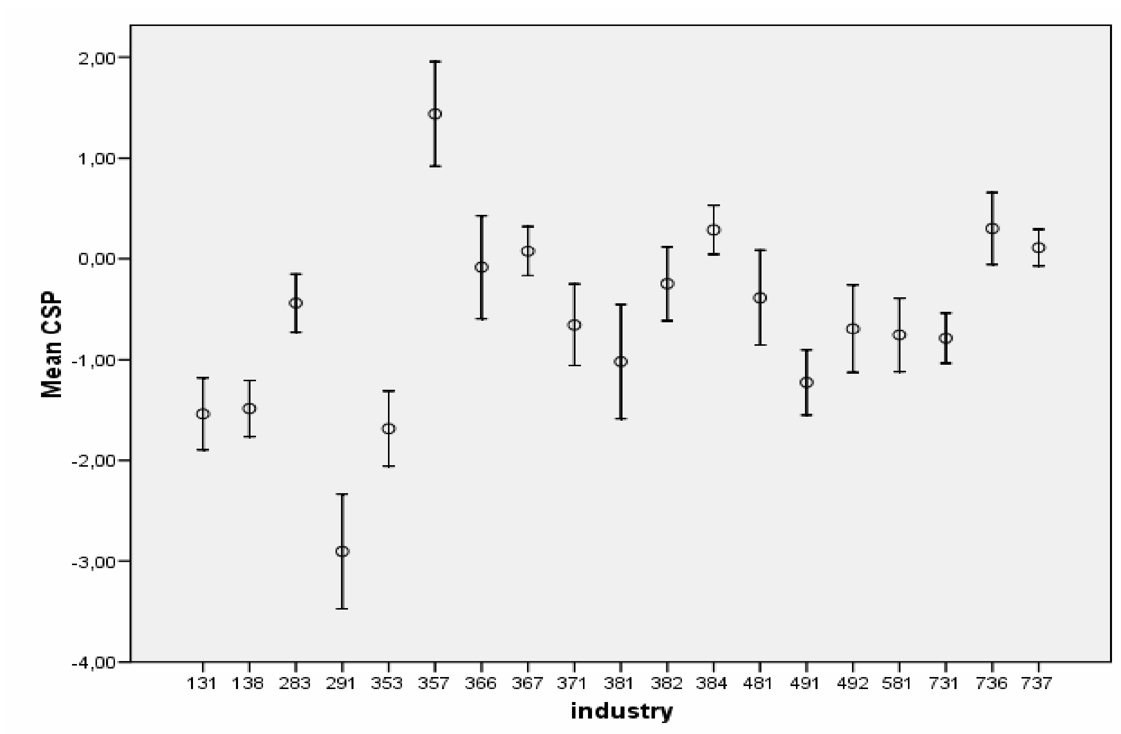
In addition, we also test the sample using return on assets (ROA) calculated as net income divided by total assets. It has been commonly used as a financial performance measure in the strategy literature and, in particular, it has been widely used in the earnings decomposition literature (e.g. McGahan and Porter, 1997; Rumelt, 1991; Schmalensee, 1985).

Table 1: Mean CSR and ROA by industry for the period 2003 -2007.

SIC	Industry name	$N_{f(1)}$	CSR	ROA
131	Crude Petroleum And Natural Gas	117	-1.5385	7.8476
138	Oil And Gas Field Services	95	-1.4842	9.1364
283	Drugs	171	-0.4386	7.1895
291	Petroleum Refining	50	-2.9020	10.5398
353	Construction, Mining, and Materials Handling	54	-1.6852	8.0021
357	Computer and Office Equipment	87	1.4368	6.7704
366	Communications Equipment	73	-0.0822	5.3653
367	Electronic Components and Accessories	277	0.0758	5.9513
371	Motor Vehicles and Motor Vehicle Equipment	58	-0.6552	8.3596
381	Search, Detection, Navigation, Guidance, Aeronautical, and Nautical Systems, Instrumen ts, and Equipment	50	-1.0200	8.0584
382	Laboratory Apparatus and Analytical, Optical, Measuring, and Controlling Instruments	101	-0.2475	5.9062
384	Surgical, Medical, and Dental Instruments And Supplies	157	0.2866	8.4980
481	Telephone Communications	57	-0.3860	6.6457
491	Electric Services	160	-1.2250	4.0153
492	Gas Production and Distribution	98	-0.6939	4.6018
581	Eating and Drinking Places	114	-0.7544	8.3919
731	Advertising	52	0.1111	7.0277
736	Personnel Supply Services	50	-0.7885	6.3035
737	Computer Programming, Data Processing, and Other Computer	378	0.3000	4.7092

Before proceeding to the model specification, we should describe the final sample. Table 1 presents the mean CSR and ROA by industry for the period 2003 -2007 and the number of firms in each industry is reported. Moreover, Graph 1 shows the difference in CSR (our main dependent variable) between industries in the sample. As we can see in Table 1 and Graph 1 the CSR, mean and within-industry homogeny, differ by industry, thereby fortifying the relevance of the variance analysis. The descriptive statistics and correlation between the variables tested is shown in Table 2. We observe a significant correlation between most of them, albeit with a relatively low coefficient on average, for exam ple, (0.17) between Community and Environment. This result reinforces the suggestion that the level and the relative importance of firm and industry effects would be different across the different measures of social responsibility. It is also relevant to study the CSR proxy, since the sum of each CSR's dimensions reflects the role of firms' social actions and allow us to understand the impact that industry-level has on this strategic asset.

Graph 2: Bar graph of mean CSR by industry.



SIC 3-digit-code reference on Table1.
[c] confidence interval of 95%

Table 2: Descriptive statistics and correlation matrix.

	Mean	s.d.	1	2	3	4	5	6	7
1 CSR	-0.42	2.03							
2 Community	0.07	0.56	0.4246**						
3 Governance	-0.36	0.75	0.3017**	-0.0886**					
4 Minority	0.48	1.41	0.5386**	0.2301**	-0.1032**				
5 Employee	-0.11	0.92	0.6065**	0.1806**	-0.0886**	0.2301**			
6 Environment	-0.17	0.91	0.2438**	0.1722**	0.0607**	0.0558**	0.1644**		
7 Consumer	-0.20	0.69	0.2438**	-0.1059**	0.0966**	0.0966**	0.0619**	0.1821**	
8 ROA	6.86	6.14	0.0692**	0.0140	-0.0045	0.0202	0.1043**	0.0204	0.0450*

$^{*}p<0.05$; $^{**}p<0.01$

3.3. Model specification

The primary goal of this study is to determine the relative importance of industry - level, firm-level, year-level factors on corporate social responsibility in US firms. In order to do so, we employ a variance decomposition methodology. The methodology estimates the proportions explained by each independent variable in the variation of the dependent variable. Our model is based on the following descriptive model, w hich is similar to Schmalensee (1985) and Rumelt (1991), but the dependent variable is corporate social responsibility instead of financial measure:

$$r_{ijt} = \mu_{...} + \alpha_i + \beta_j + \gamma_t + (\alpha\gamma)_{it} + \varepsilon_{ijt} \qquad (1)$$

In this equation, the dependent variable, r_{ijt}, is corporate social responsibility, where $\mu_{...}$ is a constant equal to the overall mean (the three dots indicate that it is an average over the i, j, and t index); α_i is a random industry effect where $i = 1 \ldots r$ denotes any one industry as i; β_j is a random firm effect where $j = 1 \ldots n_i$ denotes any one firm as j; n_i is the number of firms within industry I, where i denotes any one industry as i; γ_t is a random year effect where t denotes any one year as t; $(\alpha\gamma)_{it}$ is a random industry–year interaction effect; and ε_{ijt} is a random error term.

The main effects (α_i, β_j, and γ_t) and the interaction effect $(\alpha\gamma)_{it}$ follow a normal random distribution with mean zero and variance σ_α^2, σ_β^2, σ_γ^2, and $\sigma_{\alpha\gamma}^2$, i.e., $\varepsilon(0, \sigma^2)$. The model specifies five sources of variation in corporate social responsibility: stable and transient industry factors, stable firm effects, the effects of yearly macroeconomic fluctuatio ns, and random error. Firm effects include both corporate and business unit effects and reflect the influence of firm specific factors such as heterogeneity among firms in organizational culture, managerial skills, tangible and intangible assets. Stable in dustry effects reflect the influence of structural characteristics of industries on the social responsibility of firms, while the transient component of industry effects measures the sensitivity of corporate social responsibility to the impact of business cycles on the industry. The impact of factors with broader social or economic significance is captured by the year effect.

Past studies use various forms of variance decomposition methods. Early studies in the earnings variance decomposition literature emp loyed mostly nested ANOVA techniques that consider the effects to be fixed (e.g. McGahan and Porter, 1997; Rumelt, 1991), and variance components analysis (VCA) (e.g. Hawawini et al., 2003; 2004; Mauri and Michaels, 1998; Roquebert, et al., 1996). The vari ance component models are a special type of ANOVA model: the random effects ANOVA in which the independent variables are assumed to be random in nature (see Neter et al., 1996: Chapter 24). Thus, following the studies that have sought to VCA, the equation for the estimation of variance components is developed based on the descriptive statistical model of Equation 1 by decomposing the total variance in the dependent variable (corporate social responsibility) into its components as follows:

$$\sigma_r^2 = \sigma_\alpha^2 + \sigma_\beta^2 + \sigma_\gamma^2 + \sigma_{\alpha\gamma}^2 + \sigma_\varepsilon^2 \qquad (2)$$

The dependent variable *rij t* in the above model has constant variance and is normally distributed because they are linear combinations of independent normal random variables. The variance components estimation is particularly suited to studies such as the present paper since it does not require a dataset covering the whole population, while at the same time allowing the results to be generalized. This is useful since it is impossible to construct a dataset that covers all industries and all firms in each industry.

We use the maximum likelihood option, which is the method recommended by Searle et al. (1992), and VARCOMP procedure to estimate the different variance components (Hawawini et al., 2003; 2004, Roquebert et al., 1996). When maximum likelihood estimation techniques are used, standard linear model significance testing techniques may not be applicable. ANOVA techniques such as decomposing sums of squares and testing the significance of effects by taking ratios of mean squares are appropriate for linear methods of estimation, but are not generally appropriate for quadratic methods. When ANOVA methods are used for estimation, standard significance testing techniques can be employed, with the exception that any confusion between random effects must be taken into account. However, asymptotic tests of significance of maximum likelihood variance component estimates can be constructed for the parameter estimates from the asymptotic covariance matrix. The square roots of the diagonal elements of the covariance matrix are standard errors of the parameter estimates, which can be used to create asymptotically valid confidence limits on the parameters. In other words, we can estimate the significance levels o f the resulting t-values. Following Roquebert et al., 1996, we argue that the magnitude of the parameter, expressed as a percentage of the total variance explained, can be used as an indicator of the likelihood that the underlying value of the parameter is nonzero. However, the use of these standard errors for testing the hypothesis where the parameter equals zero is not valid for hypothesis testing.

4. Results

Table 3 shows the results for CSR and ROA, including the parameter estimates for the various effects and the percentage of total variance for each parameter presented. Furthermore, Table 4 shows only the parameter estimates for the various effects on behalf of the six dimensions individually, and Table 5 the percentage of total variance each parameter presented. The value of the diagonal of the asymptotic covariance matrix and the estimated significance level of all measures are shown in the Appendix B.

As can be seen from Table 3, CSR and ROA are influenced mainly by firm -level factors. Nonetheless, CSR recorded a percentage of variance estimates in industry -levels that was considerably higher than ROA. Year and industry -year effects are low on CSR, while on ROA the industry-year effects explain a little more (4%). The result for ROA variation in firms and industry levels is similar to those presented by Mauri and Michaels (1998), though our sample is chosen very differently. Using a 5 -year period, Mauri and Michaels (1998) found that 36.9% of variation was derived from firm factors and 6.2% from indus try factors, and using a 15-year period that 25.4% of variation was derived from firm factors and 5.8% from industry factors. While the core strategies studied by Mauri and Michaels (1998), R&D intensity (5-year period; 62.2% by industry) and advertising i ntensity (5-year period; 69.3% by industry) has presented more influence of industry factors than our CSR variance component (14%); however, we did not use an expenditures measure as Mauri and Michaels (1998) did. These results show that in our sample, firm factors explain most of the variation in CSR across firms, even though the industry explains much more in CSR if compared with ROA variation.

Table 3: Absolute values of variance and relative proportions contributed by independent variables for years 2003-2007 across CSR and ROA.

Variance component	CSR		ROA	
	Variance estimate	%	Variance estimate	%
Firm effects	2.480744	58.5%	11.255707	29.1%
Industry effects	0.585021	14.0%	1.384624	4.0%
Year effects	0.012810	0.3%	0.741165	1.9%
Industry-year effects	0.054898	1.2%	1.424484	4.0%
Error	1.101183	26.0%	23.373919	61.0%

To analyze the difference in variation between the six dimensions of CSR, in Table 5 we can see that firm effects dominate most of the explained variation, except for the Environment proxy, in which the industry effects explain 50.5% of the variance, while in the firm effects it explains 30.8%. In addition, industry factors explain as follows: 14.4% for Consumer; 11.2% for Minority; 5.6% for Employee; 5.0% for Community; and 2.0% for Governance. We can thus observe a clear difference in explained variation between the dimensions of CSR. Year factors contribute little for explaining the dimension of CSR, while it is not significant in the Environment, Employee and Minority dimensions. The industry-year interaction effect is also small; it is higher for Environment (2.6%).

Table 4: Absolute values of variance contributed by independent variables for years 2003-2007 across the six dimensions of CSR.

Variance component	Variance estimate					
	Governance	**Community**	**Consumer**	**Environment**	**Employee**	**Minority**
Firm effects	0.276982641	0.204372381	0.294814029	0.304540847	0.47320072	1.489231497
Industry effects	0.009776121	0.014545257	0.065240712	0.498917652	0.046310277	0.226505307
Year effects	0.013328914	0.000207481	0.000575382	0.000000000†	0.000000000†	0.000000000†
Industry-year effects	0.001538872	0.003100609	0.0016477	0.025379426	0.012428523	0.006537227
Error	0.268017058	0.084607629	0.091682884	0.159155235	0.294401129	0.302702311

† The estimate was not significant.

Table 5: Relative proportions of variance contributed by independent variables for years 2003-2007 across the six dimensions of CSR.

Variance component	Variance estimate					
	Governance	**Community**	**Consumer**	**Environment**	**Employee**	**Minority**
Firm effects	48.4%	66.6%	64.9%	30.8%	57.2%	73.6%
Industry effects	2.0%	5.0%	14.4%	50.5%	5.6%	11.2%
Year effects	2.3%	0.0%	0.1%	0.0%†	0.0%†	0.0%†
Industry-year effects	0.2%	1.0%	0.3%	2.6%	1.6%	0.3%
Error	47.1%	27.4%	20.3%	16.1%	35.6%	14.9%

† The estimate was not significant.

5. Discussion and Conclusion

This study revisited the relative importance of industry and firm level effects on CSR in sundry ways. First, we tested for the effects using a CSR measure composed for the strategies stakeholders' performance, and found large firm-level effects on CSR (58% of the variance in the composite measure). This result attests to the fact that firms retain considerable self-determinism regarding their CSR trajectories. It also supports the resource-based view that social performance is determined by internal characteristic of firms, since CSR is a strategic asset that presents barriers to imitation. Although consistent with the slack resources perceived, under causal ambiguity, CSR should assume the same variation behavior as financial performance, which in our study is measured as ROA. The ROA variance, like the CSR variance in our study, is larger on firm level than on industry level.

Despite the reduced number of industries in our sample and the classification based on the SIC system at 3-digit level, which undoubtedly results in a conservative estimate of the importance of industry-effects (Chang and Singh, 2000), we find a relatively large industry component in CSR decomposition, if compared to ROA results. Even though we expected a larger industry–level effect, the results support our core proposition that CSR represents a shared strategic asset, which is consistent with the industry organization view (Rumelt, 1991), whereby common market structure is the explanation for strategic choice, as managers pursuing the Key Success Factors approach adopt strategic benchmarking aimed at decreasing competitive gaps. They are also consistent with the institutional theory perspective (DiMaggio and Powell, 1983) that firms competing in the same industry tend to develop homogeneous competitive strategies, as managers try to reduce the strategic gaps with relevant competitors to gain legitimacy in the eyes of primary stakeholders.

The results for firm and industry effect, considered together, imply that CSR researchers need to examine both levels simultaneously, as we find both firm-level and industry-level factors to be quite important to CSR. Furthermore, research on CSR issues should not adopt the assumption that it is driven by firm-specific factors only, thus also having to analyze industry factors (McWilliams and Siegel, 2000). For example, the exploration of links between CSR and firms' reputation and/or legitimacy should take the firms' industry into account, as this linkage might be more or less profound in certain industries than in others. One interesting question that this raises, however, is "which industry characteristics influence the improvement of CSR?"

Furthermore, the considerable industry-effect on CSR variation of our results opens the door to an examination of how individual firms may differentiate and exploit their social performance and compete at industry-level, since in industries with strong positive CSR, individual firms can free ride on the CSR efforts of dominant firms, and at the same time firms with weak CSR can damage the industry-level CSR. Another factor that could help to better answer the last question is to measure CSR in a different way; instead of using a real measure of CSR (KLD database), a perceived measure that is based on reputation indices could be used. Liston-Heyes and Ceton (2009) found that these two indices measure different phenomena. Furthermore, Brammer and Pavelin (2006) found that CSR has varying reputation impacts and that these impacts are contingent upon each industry. Since the reputation of a firm is largely socially constructed (Hoffman and Ocasio, 2001) and because industry is highly visible, the actions in its industry may weigh heavily on the attributions stakeholders make regarding a firm's corporate social performance. King et al. (2002) refer to this phenomenon as the "reputation commons problem".

The paper also finds that each strategic CSR dimension has a different variation between industry and firm levels. However, all dimensions present major variations at firm level, expect for the environment dimension, which records a larger industry effect. This reaffirms the institutional theory that firms' legitimacy stems from adherence to social norms and expectations (DiMaggio and Powell, 1983). This dimension has more public visibility, media attention and scrutiny from government, which explains why Environment was the first social responsibility dimension to be addressed by firms.

Our results have many practical implications. The implication for firm management is clear from the statements that have been discussed earlier. While industry factors do influence the context in which social responsibility choices are made, such influences often do not explain the firm's social performance. The fact that firms operate in a particular industry does not automatically imply that they have a superior or inferior social responsibility, as there are internal and other external factors that also influence social responsibility. Thus, CSR should be a good strategy of differentiation for some firms, with the exception of the mature CSR dimension, Environment, which is explained largely by the industry components. Therefore, for non-governmental organizations and governmental and regulatory institutions the results of our study suggest that those interested in influencing CSR should note the amount of variance explained by industry effects. In other words, if there are stable differences between industries with regard to CSR, there are opportunities to influence CSR choices.

The findings of this study, however, are subject to limitations. First, our sample is composed of only American firms and future research on the variation of CSR should take into account the firms' geographic location, since country is a key factor in corporate social responsibility intensity (Doy and Guay, 2006). Thus, a comparative study could help understand the impact of a country's characteristics on its firms' social responsibility.

Furthermore, the sample should be for a longer period to improve the analysis of time impact on CSR as well as to observe the difference in the CSR decomposition between stable, growing and recessing economic periods, since CSR activities are a dynamic concern, and their diversity in variance decomposition should reveal industry and firm-level behavior in each scenario. Therefore, a comparative analysis between countries and period could give a better understanding of the influence that external factors, such as politics, economy and society, have on CSR intensity.

Chapter 6

Conclusions

The purpose of this thesis is to answer some questions that at moment have no consensual response on corporate social responsibility literature, focusing on providing knowledge of the relationship between corporate social responsibility and organizational performance and the determinants of corporate social responsibility intensity. This thesis' contributions are addressed on one theoretical review chapter and three empirical analyses chapters. On the following lines the readers can review the main conclusions of each part of this thesis.

On Chapter 2 we trace the conceptual developmental path of corporate social responsibility, which provides a thorough analysis of this concept, advancing on the discussion of the progress of CSR in researches and provides recommendations for furthers researchers. We adopt a chronological structure organized on decade-by-decade categories. Our results demonstrated that CSR research has changed constantly during the last 60 years. On the 1950s the primary focus was on businesses' responsibilities to society and doing good deeds for society. On the 1960s key events, people and ideas were instrumental in characterizing the social changes ushered in this decade. On the1970s business managers applied the traditional management functions to dealing with CSR issues. While, in the 1980s, business and social interest came closer and firms became more responsive to their stakeholders. During the 1990s the idea of CSR became almost universally approved, also CSR was coupled with strategy literature and finally, on the 2000s, CSR became definitively an important strategic issue.

Chapter 3 analyses the relationship between primary stakehold er management and non-participation on controversial business on two measures of corporate financial performance. First we confirmed that primary stakeholder management positively related to both corporate financial performance measures tested providing empirical robust proof that company's actions are directly linked to primary stakeholders. Second we tested if non-participation on controversial business has a positive effect on Tobin's q, this result suggest that non-participation on controversial busines s like primary stakeholder management generate competitive advantage and it is instrumental for firms' market performance, however, our results using accounting -based measure as CFP indicate that non -participation in controversial business variable has no significant effect on ROA, this result can be explained by the profitability of some controversial businesses and because the accounting measure is less exposed to stakeholder behaviour than the market measure.

Chapter 4 analyzes the impact of corporate social responsibility on organizational reputation, and for this analysis we propose an original form to evaluate this relationship. We theoretically develop the difference between social actions constructs decompositions, and hypothesized that strengths in institutional corporate social actions have a stronger positive impact on corporate reputation than strengths in technical corporate social actions; and also that weaknesses in institutional corporate social actions have a stronger negative impact on corporate reputation than weaknesses in technical corporate social actions. Analysing the results obtained from ours analytics models we determine that strengths in institutional social actions have a greater impact on CR than strengths in technical social a ctions. Furthermore, we found that weaknesses in institutional social actions do not have a greater impact on corporate reputation than weaknesses in technical social actions, which indicate that to preserve positive corporate reputation is necessary, avoi d both types of weakness. The no significant difference on the impact between both weaknesses in social actions on corporate reputation can be partially explained by the high attention given by mass media about any weak corporate social actions, which influence the public opinion.

Finally, on chapter 5 we revisited the relative importance of industry and firm level effects on corporate social responsibility. First, we tested for the effects using a CSR measure composed for the strategies stakeholders' performance, and found a large firm-level effects and also and relatively large industry component on CSR variance decomposition, if compared to our financial performance variance decomposition result. In addition, we also tested the variance decomposition between industry and firm levels of each strategic CSR dimensions, and found that all dimensions present major variations at firm level, expect for the Environment dimension, which records a larger industry effect. These results, considered together, imply that CSR researchers need to examine both levels simultaneously, as we find both firm-level and industry-level factors to be quite important to CSR. Industry factors do influence the context in which social responsibility choices are made, but such influences often do not explain the firm's social performance. The fact that firms operate in a particular industry does not automatically imply that they have a superior or inferior social responsibility, as there are internal and other external factors that also influence social responsibility. Thus, CSR should be a good strategy of differentiation for some firms, with the exception of the mature CSR dimension, Environment, which is explained largely by the industry components.

All the results of each chapter of this thesis contribute significant knowledge to CSR literature and create other opportunities for further researches as was mentioned on each chapter's conclusion. In addition to these recommendations we should emphasize the dynamic attribute of CSR and the enormous possibilities for future investigations that it hold. We hope that this thesis has been an important stepping-stone towards new exploration in CSR research that can deeply improve our understanding of the relationship between business and society.

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APPENDIX A: KLD indicator variables

QUALITATIVE ISSUE AREAS

COMMUNITY (COM-)

STRENGTHS

Charitable Giving (COM-str-A). The company has consistently given over 1.5% of trailing three-year net earnings before taxes (NEBT) to charity, or has otherwise been notably generous in its giving. In 2002, KLD renamed the Generous Giving Strength as Charitable Giving.

Innovative Giving (COM-str-B). The company has a notably innovative giving program that supports non-profit organizations, particularly those promoting self-sufficiency among the economically disadvantaged. Companies that permit non-traditional federated charitable giving drives in the workplace are often noted in this section as well.

Non-US Charitable Giving (COM-str-F). The company has made a substantial effort to make charitable contributions abroad, as well as in the U.S. To qualify, a company must make at least 20% of its giving, or have taken notably innovative initiatives in its giving program, outside the U.S.

Support for Housing (COM-str-C). The company is a prominent participant in public/private partnerships that support housing initiatives for the economically disadvantaged, *e.g.*, the National Equity Fund or the Enterprise Foundation.

Support for Education (COM-str-D). The company has either been notably innovative in its support for primary or secondary school education, particularly for those programs that benefit the economically disadvantaged, or the company has prominently supported job-training programs for youth. In 1994, KLD added the Support for Education Strength.

Indigenous Peoples Relations (COM-str-E). The company has established relations with indigenous peoples in the areas of its proposed or current operations that respect the sovereignty, land, culture, human rights, and intellectual property of the indigenous peoples. KLD began assigning this strength in 2000. In 2002 KLD moved this strength rating into the Human Rights area.

Volunteer Programs (COM-str-G). The company has an exceptionally strong volunteer program. In 2005, KLD added the Volunteer Programs Strength.

Other Strength (COM-str-X). The company has either an exceptionally strong in-kind giving program or engages in other notably positive community activities.

CONCERNS

Investment Controversies (COM-con-A). The company is a financial institution whose lending or investment practices have led to controversies, particularly ones related to the Community Reinvestment Act.

Negative Economic Impact (COM-con-B). The company's actions have resulted in major controversies concerning its economic impact on the community. These controversies can include issues related to environmental contamination, water rights disputes, plant closings, "put-or-pay" contracts with trash incinerators, or other company actions that adversely affect the quality of life, tax base, or property values in the community.

Indigenous Peoples Relations (COM-con-C). The company has been involved in serious controversies with indigenous peoples that indicate the company has not respected the sovereignty, land, culture, human rights, and intellectual property of indigenous peoples. KLD began assigning this concern in 2000. In 2002 KLD moved this strength rating into the Human Rights area.

Tax Disputes (COM-con-D). The company has recently been involved in major tax disputes involving Federal, state, local or non-U.S. government authorities, or is involved in controversies over its tax obligations to the community. In 2005, KLD moved Tax Disputes from Corporate Governance to Community.

Other Concern (COM-con-X). The company is involved with a controversy that has mobilized community opposition, or is engaged in other noteworthy community controversies.

CORPORATE GOVERNANCE (CGOV-)

In 2002 KLD renamed the Other category to Corporate Governance in order to better communicate the intent and content of these ratings.

STRENGTHS

Limited Compensation (CGOV-str-A). The company has recently awarded notably low levels of compensation to its top management or its board members. The limit for a rating is total compensation of less than $500,000 per year for a CEO or $30,000 per year for outside directors.

Ownership Strength (CGOV-str-C). The company owns between 20% and 50% of another company KLD has cited as having an area of social strength, or is more than 20% owned by a firm that KLD has rated as having social strengths. When a company owns more than 50% of another firm, it has a controlling interest, and KLD treats the second firm as if it is a division of the first.

Transparency Strength (CGOV-str-D). The company is particularly effective in reporting on a wide range of social and environmental performance measures, or is exceptional in reporting on one particular measure. In 2006, KLD added the Transparency Strength, which incorporates information from the former Environment: Communications Strength (ENV -str-E) as part of its content.

Political Accountability Strength (CGOV-str-E). The company has shown markedly responsible leadership on public policy issues and/or has an exceptional record of transparency and accountability concerning its political involvement in state or federal -level U.S. politics, or in non-U.S. politics. In 2006, KLD added the Political Accountability Strength.

Other Strength (CGOV-str-X). The company has a unique and positive corporate culture, or has undertaken a noteworthy initiative not covered by KLD's other corporate governance ratings.

CONCERNS

High Compensation (CGOV-con-B). The company has recently awarded notably high levels of compensation to its top management or its board members. The limit for a rating is total compensation of more than $10 million per year for a CEO or $100,000 per year for outside directors.

Ownership Concern (CGOV-con-F). The company owns between 20% and 50% of a company KLD has cited as having an area of social concern, or is more than 20% owned by a firm KLD has rated as having areas of concern. When a company owns more than 50% of another firm, it has a controlling interest, and KLD treats the second firm as if it is a division of the first.

Accounting Concern (CGOV-con-G). The company is involved in significant accounting related controversies. In 2006, KLD added the Accounting Concern.

Transparency Concern (CGOV-con-H). The company is distinctly weak in reporting on a wide range of social and environmental performance measures. In 2006, KLD added the Transparency Concern.

Political Accountability Concern (CGOV-con-I). The company has been involved in noteworthy controversies on public policy issues and/or has a very poor record of transparency and accountability concerning its political involvement in state or federal level

U.S. politics, or in non-U.S. politics. In 2006, KLD added the Political Accountability Concern.

Other Concern (CGOV-con-X). The company is involved with a controversy not covered by KLD's other corporate governance ratings.

DIVERSITY (DIV-)

STRENGTHS

CEO (DIV-str-A). The company's chief executive officer is a woman or a member of a minority group.

Promotion (DIV-str-B). The company has made notable progress in the promotion of women and minorities, particularly to line positions with profit-and-loss responsibilities in the corporation.

Board of Directors (DIV-str-C). Women, minorities, and/or the disabled hold four seats or more (with no double counting) on the board of directors, or one-third or more of the board seats if the board numbers less than 12.

Work/Life Benefits (DIV-str-D). The company has outstanding employee benefits or other programs addressing work/life concerns, *e.g.*, childcare, elder care, or flextime. In 2005,

KLD renamed this strength from Family Benefits Strength.

Women & Minority Contracting (DIV-str-E). The company does at least 5% of its subcontracting, or otherwise has a demonstrably strong record on purchasing or contracting, with women- and/or minority-owned businesses.

Employment of the Disabled (DIV-str-F). The company has implemented innovative hiring programs; other innovative human resource programs for the disabled, or otherwise has a superior reputation as an employer of the disabled.

***Gay & Lesbian Policie*s (DIV-str-G).** The company has implemented notably progressive policies toward its gay and lesbian employees. In particular, it provides benefits to the domestic partners of its employees. In 1995, KLD added the Gay & Lesbian Policies Strength, which was originally titled the Progressive Gay/Lesbian Policies strength.

Other Strength (DIV-str-X). The company has made a notable commitment to diversity that is not covered by other KLD ratings.

CONCERNS

Controversies (DIV-con-A). The company has either paid substantial fines or civil penalties as a result of affirmative action controversies, or has otherwise been involved in major controversies related to affirmative action issues.

Non-Representation (DIV-con-B). The company has no women on its board of directors or among its senior line managers.

Other Concern (DIV-con-X). The company is involved in diversity controversies not covered by other KLD ratings.

EMPLOYEE RELATIONS (EMP-)

STRENGTHS

Union Relations (EMP-str-A). The company has taken exceptional steps to treat its unionised workforce fairly. KLD renamed this strength from Strong Union Relations.

No-Layoff Policy (EMP-str-B). The company has maintained a consistent no-layoff policy.

KLD has not assigned strengths for this issue since 1994.

Cash Profit Sharing (EMP-str-C). The company has a cash profit-sharing program through which it has recently made distributions to a majority of its workforce.

Employee Involvement (EMP-str-D). The company strongly encourages worker involvement and/or ownership through stock options available to a majority of its employees; gain sharing, stock ownership, sharing of financial information, or participation in management decision-making.

Retirement Benefits Strength (EMP-str-F). The company has a notably strong retirement benefits program. KLD renamed this strength from Strong Retirement Benefits.

Health and Safety Strength (EMP-str-G). The company has strong health and safety programs.

Other Strength (EMP-str-X). The company has strong employee relations initiatives not covered by other KLD ratings.

CONCERNS

Union Relations (EMP-con-A). The company has a history of notably poor union relations. KLD renamed this concern from Poor Union Relations.

Health and Safety Concern (EMP-con-B). The company recently has either paid substantial fines or civil penalties for willful violations of employee health and safety standards, or has been otherwise involved in major health and safety controversies.

Workforce Reductions (EMP-con-C). The company has made significant reductions in its workforce in recent years.

Retirement Benefits Concern (EMP-con-D). The company has either a substantially under funded defined benefit pension plan, or an inadequate retirement benefits program. In 2004, KLD renamed this concern from Pension/Benefits Concern.

Other Concern (EMP-con-X). The company is involved in an employee relations controversy that is not covered by other KLD ratings.

ENVIRONMENT (ENV-)

STRENGTHS

Beneficial Products and Services (ENV-str-A). The company derives substantial revenues from innovative remediation products, environmental services, or products that promote the efficient use of energy, or it has developed innovative products with environmental benefits. (The term "environmental service" does not include services with questionable environmental effects, such as landfills, incinerators, waste-to-energy plants, and deep injection wells.)

Pollution Prevention (ENV-str-B). The company has notably strong pollution prevention programs including both emissions reductions and toxic-use reduction programs.

Recycling (ENV-str-C). The company either is a substantial user of recycled materials as raw materials in its manufacturing processes, or a major factor in the recycling industry.

Clean Energy (ENV-str-D). The company has taken significant measures to reduce its impact on climate change and air pollution through use of renewable energy and clean fuels or through energy efficiency. The company has demonstrated a commitment to promoting climate-friendly policies and practices outside its own operations. KLD renamed the Alternative Fuels strength as Clean Energy Strength.

Communications (ENV-str-E). The company is a signatory to the CERES Principles, publishes a notably substantive environmental report, or has notably effective internal communications systems in place for environmental best practices. KLD began assigning strengths for this issue in 1996, and then incorporated the issue with the Corporate Governance: Transparency rating (CGOV-str-D), which was added in 2005. In files prior to 2005, this column does not appear. In all spreadsheets it is incorporated into the Transparency rating.

Property, Plant, and Equipment (ENV-str-F). The company maintains its property, plant, and equipment with above average environmental performance for its industry. KLD has not assigned strengths for this issue since 1995.

Management Systems (ENV-str-G). The company has demonstrated a superior commitment to management systems through ISO 14001 certification and other voluntary programs. This strength was first awarded in 2006.

Other Strength (ENV-str-X). The company has demonstrated a superior commitment to management systems, voluntary programs, or other environmentally proactive activities.

CONCERNS

Hazardous Waste (ENV-con-A). The company's liabilities for hazardous waste sites exceed $50 million, or the company has recently paid substantial fines or civil penalties for waste management violations.

Regulatory Problems (ENV-con-B). The company has recently paid substantial fines or civil penalties for violations of air, water, or other environmental regulations, or it has a pattern of regulatory controversies under the Clean Air Act, Clean Water Act or other major environmental regulations.

Ozone Depleting Chemicals (ENV-con-C). The company is among the top manufacturers of ozone depleting chemicals such as HCFCs, methyl chloroform, methylene chloride, or bromines.

Substantial Emissions (ENV-con-D). The company's legal emissions of toxic chemicals (as defined by and reported to the EPA) from individual plants into the air and water are among the highest of the companies followed by KLD.

Agricultural Chemicals (ENV-con-E). The company is a substantial producer of agricultural chemicals, *i.e.*, pesticides or chemical fertilizers.

Climate Change (ENV-con-F). The company derives substantial revenues from the sale of coal or oil and its derivative fuel products, or the company derives substantial revenues indirectly from the combustion of coal or oil and its derivative fuel products. Such companies include electric utilities, transportation companies with fleets of vehicles, auto and truck manufacturers, and other transportation equipment companies. In 1999, KLD added the Climate Change Concern.

Other Concern (ENV-con-X). The company has been involved in an environmental controversy that is not covered by other KLD ratings.

CONTROVERSIAL BUSINESS ISSUES

KLD's Controversial Business Issues ratings differ from the qualitative ratings described in the above issues: the only type of rating for these issues is a concern rating, as they are primarily used as exclusionary lists.

After 2002, KLD listed companies for only one type of involvement in any business issue. Because of this, all types are coded as AREA-con-A. A few legacy concerns remain and are described below, but are all noted as "not rated" in the spreadsheets post-2002.

ALCOHOL *(ALC-con-A)*

Licensing. The company licenses its company or brand name to alcohol products.

Manufacturers. Companies that are involved in the manufacture alcoholic beverages including beer, distilled spirits, or wine.

Manufacturers of Products Necessary for Production of Alcoholic Beverages. Companies that derive 15% or more of total revenues from the supply of raw materials and other products necessary for the production of alcoholic beverages.

Retailers. Companies that derive 15% or more of total revenues from the distribution (wholesale or retail) of alcoholic beverages.

Ownership by an Alcohol Company. The company is more than 50% owned by a company with alcohol involvement.

Ownership of an Alcohol Company. The company owns more than 20% of another company with alcohol involvement. (When a company owns more than 50% of company with alcohol involvement, KLD treats the alcohol company as a consolidated subsidiary.)

Alcohol Other Concern (ALC-con-X). The company derives substantial revenues from the activities closely associated with the production of alcoholic beverages. KLD assigned concerns in this category through 2002.

GAMBLING *(GAM-con-A)*

Licensing. The company licenses its company or brand name to gambling products.

Manufacturers. Companies that produce goods used exclusively for gambling, such as slot machines, roulette wheels, or lottery terminals.

Owners and Operators. Companies that own and/or operate casinos, racetracks, bingo parlors, or other betting establishments, including casinos; horse, dog, or other race tracks that permit wagering; lottery operations; on-line gambling; pari-mutuel wagering facilities; bingo; Jai-alai; and other sporting events that permit wagering.

Supporting Products or Services. Companies that provide services in casinos that are fundamental to gambling operations, such as credit lines, consulting services, or gambling technology and technology support.

Ownership by a Gambling Company. The company is more than 50% owned by a company with gambling involvement.

Ownership of a Gambling Company. The company owns more than 20% of another company with gambling involvement. (When a company owns more than 50% of company with gambling involvement, KLD treats the gambling company as a consolidated subsidiary.)

Gambling Other Concern (GAM-con-X). The company derives substantial revenues from the activities closely associated with the production of goods and services closely related to the gambling industry or lottery industries. KLD assigned concerns in this category through 2002.

TOBACCO *(TOB-con-A)*

Licensing. The company licenses its company name or brand name to tobacco products.

Manufacturers. The company produces tobacco products, including cigarettes, cigars, pipe tobacco, and smokeless tobacco products.

Manufacturers of Products Necessary for Production of Tobacco Products. The company derives 15% or more of total revenues from the production and supply of raw materials and other products necessary for the production of tobacco products.

Retailers. The company derives 15% or more of total revenues from the distribution (wholesale or retail) of tobacco products.

Ownership by a Tobacco Company. The company is more than 50% owned by a company with tobacco involvement.

Ownership of a Tobacco Company. The company owns more than 20% of another company with tobacco involvement. (When a company owns more than 50% of company with tobacco involvement, KLD treats the tobacco company as a consolidated subsidiary.)

Tobacco Other Concern (TOB-con-X). The company derives substantial revenues from the production of tobacco products. KLD assigned concerns in this category through 2002.

FIREARMS *(FIR-con-A)*

Manufacturers. The company is engaged in the production of small arms ammunition or firearms, including, pistols, revolvers, rifles, shotguns, or sub-machine guns. KLD added this coverage in 1999.

Retailers. The company derives 15% or more of total revenues from the distribution (wholesale or retail) of firearms and small arms ammunition. KLD added this coverage in 1999.

Ownership by a Firearms Company. The company is more than 50% owned by a company with firearms involvement. KLD added this coverage in 1999.

Ownership of a Firearms Company. The company owns more than 20% of another company with firearms involvement. (When a company owns more than 50% of company with firearms involvement, KLD treats the firearms company as a consolidated subsidiary.) KLD added this coverage in 1999.

MILITARY *(MIL-con-A)*

Manufacturers of Weapons or Weapons Systems. Companies that derive more than 2% of revenues from the sale of conventional weapons or weapons systems, or earned $50 million or more from the sale of conventional weapons or weapons systems, or earned $10 million or more from the sale of nuclear weapons or weapons systems.

Manufacturers of Components for Weapons or Weapons Systems. Companies that derive more than 2% of revenues from the sale of customized components for conventional weapons or weapons systems, or earned $50 million or more from the sale of customized components for conventional weapons or weapons systems, or earned $10 million or more from the sale of customized components for nuclear weapons or weapons systems.

Ownership by a Military Company. The company is more than 50% owned by a company with military involvement.

Ownership of a Military Company. The company owns more than 20% of another company with military involvement. (When a company owns more than 50% of company with military involvement, KLD treats the military company as a consolidated subsidiary.)

Minor Weapons Contracting Involvement (MIL-con-B). The company has minor involvement in weapons-related contracting. In the most recent fiscal year for which information is available, it derived $10 to $50 million in conventional weapons-related prime contracts (when that figure is less that 2% of revenue), or $1 to $10 million from nuclear weapons-related prime contracts. KLD assigned concerns in this category from 1991 through 2002.

Major Weapons-related Supplier (MIL-con-C). During the last fiscal year, the company received from the Department of Defense more than $50 million for fuel or other supplies related to weapons. KLD assigned concerns in this category from 1991 through 2002.

Military Other Concern (MIL-con-X). The company has substantial involvement in weapons-related contracting. In the most recent fiscal year for which information is available, it derived more than 2% of sales or $50 million from weapons-related contracting, or it received more than $10 million in nuclear weapons-related prime contracts. KLD assigned concerns in this category through 2002.

NUCLEAR POWER *(NUC-con-A)*

The rating does not include companies that store, dispose, or reprocess nuclear fuel waste nor does it include manufacturers of general power plant parts unless the part is specifically and uniquely made for the production of nuclear power.

Construction & Design of Nuclear Power Plants. The company designs, engineers, and constructs nuclear power plants and nuclear reactors for use in nuclear power plants; including companies that design nuclear reactors and engineer and/or construct nuclear power plants.

Nuclear Power Fuel and Key Parts. The company supplies nuclear fuel material and key parts used in nuclear plants and reactors. Fuel includes mining of uranium and conversion, enrichment, and fabrication of uranium. Key parts include manufacture or sale of specialized parts for use in nuclear power plants including but not exclusive to steam generators, control rod drive mechanisms, reactor vessels, cooling systems, containment structures, fuel assemblies, and digital instrumentation & controls.

Nuclear Power Service Provider. The company is involved in the transport of nuclear power materials and nuclear plant maintenance.

Ownership of Nuclear Power Plants. The company has an ownership interest or operates nuclear power plant(s). Does not include publicly traded companies that are an owner or operator of a nuclear plant that has shut down and is being decommissioned.

Ownership by a Nuclear Power Company. The company is more than 50% owned by a company with nuclear power involvement.

Ownership of a Nuclear Power Company. The company owns more than 20% of another company with nuclear power involvement. If comp any ownership of company with nuclear power involvement is greater than 50%, KLD treats subsidiary as a consolidated subsidiary.

Design (NUC-con-C). The company derives identifiable revenues from the design of nuclear power plants. This category does not i nclude companies providing construction or maintenance services for nuclear power plants. KLD assigned concerns in this category through 2002; the rating was re -instated as *Construction & Design of Nuclear Power Plants* under the code NUC-con-A in 2005.

Fuel Cycle/Key Parts (NUC-con-D). The company mines, processes, or enriches uranium, or is otherwise involved in the nuclear fuel cycle. Or, the company derives substantial revenues from the sale of key parts or equipment for generating power through using nu clear fuels. KLD assigned concerns in this category through 2002. KLD assigned concerns in this category through 2002; the rating was re -instated as *Nuclear Power Fuel and Key Parts* under the code NUCcon- A in 2005.

Nuclear Power Other Concern (NUC-con-X). The company is involved in the production of Nuclear Power. KLD assigned concerns in this category through 2002.

APPENDIX B

Chapter 5

Value of the diagonal of the asymptotic covariance matrix and the estimated significance level of CSR and ROA.

Variance component	CSR		ROA	
	Diagonal	sig. level	Diagonal	sig. level
Firm effects	0.03161230	13.9525	1.25761093	10.0369
Industry effects	0.05689921	2.4525	0.68413223	1.6740
Year effects	0.00017830	0.9593	0.35876819	1.2373
Industry-year effects	0.00034365	2.9613	0.20350039	3.1577
Error	0.00148320	28.5929	0.71932592	27.5593

Value of the diagonal of the asymptotic covariance matrix of each dimension of CSR.

Variance component	Estimate variance (diagonal)					
	Governance	Community	Consumer	Environment	Employee	Minority
Firm effects	0.00048662	0.00021147	0.00042110	0.00049313	0.00123942	0.010235208
Industry effects	0.00006602	0.00006818	0.00069792	0.02868425	0.00058060	0.009712391
Year effects	0.00008818	0.00000019	0.00000041	0.00000000	0.00000000	0.000000000
Industry-year effects	0.00000442	0.00000147	0.00000094	0.00003119	0.00001921	0.000009423
Error	0.00008716	0.00000875	0.00001024	0.00003106	0.00010590	0.000111691

The estimated significance level of each dimension of CSR.

Variance component	Significance level					
	Governance	Community	Consumer	Environment	Employee	Minority
Firm effects	12.5561	14.0540	14.3666	13.7140	13.4411	14.7202
Industry effects	1.2031	1.7615	2.4695	2.9458	1.9219	2.2983
Year effects	1.41942	0.4777	0.8959	-	-	-
Industry-year effects	0.73165	2.5612	1.6970	4.5443	2.8359	1.9762
Error	28.7086	28.6104	28.6470	28.5578	28.6084	28.6421

TESIS DOCTORAL - RESUMEN EN CASTELLANO

TÍTULO:

LA RELEVANCIA DE LA RESPONSABILIDAD SOCIAL EN LA EFICACIA ORGANIZATIVA

RESUMEN

En esta investigación analizamos la influencia de la Responsabilidad Social Corporativa (RSC) en el desempeño organizativo de la empresa, además de abordar factores determinantes de la intensidad de la RSC. Llevamos a cabo un vigoroso análisis teóri co, empleando métodos robustos de estimación en una muestra significativa de empresas estadounidenses, y para medir la RSC utilizamos la base de datos Kinder Lydenberg Domini (KLD) que, de acuerdo a varios autores, es en muchos aspectos, el mejor instrume nto disponible actualmente para medir la RSC. Nuestros análisis empíricos están organizados en tres capítulos. En el primero, nuestros resultados resaltan las diferencias entre dos medidas de RSC (gestión de los stakeholders primarios y no -participación en negocios controvertidos) y sus respectivos impactos en el desempeño financiero medido con una variable basada en el valor del mercado y con una variable basada en datos contables, aportando relevante conocimiento en el estudio de la relación entre RSC y d esempeño financiero. En el siguiente capítulo proponemos un nuevo modelo para identificar el impacto de las fortalezas y debilidades de las acciones sociales de la empresa en su reputación, ya que muchas empresas utilizan el argumento de desarrollo de buen a reputación para justificar acciones sociales y la reputación organizacional puede ser un mediador importante entre desempeño social y financiero corporativo. Finalmente en el último análisis empírico, analizamos la importancia relativa del efecto indus tria y el efecto empresa en la RSC, y de acuerdo con los resultados obtenidos es necesario evaluar la influencia de la industria y también de los factores internos de la empresa en los estudios sobre la RSC.

Introducción

Este primer capítulo es de carácter introductorio y trata de reflejar el enfoque general de la tesis titulada: "La relevancia del desempeño social corporativo en el desempeño organizacional".

En las próximas líneas se presentarán los objetivos que se pretenden alcanzar con este trabajo y las razones para su desarrollo. Asimismo, se expondrá la estructura adoptada y la base de datos de responsabilidad social corporativa utilizada en el análisis empírico.

Objetivos de la Tesis

En las últimas dos décadas el desempeño social de las empresas ha sido el foco de atención de muchos trabajos conceptuales y empíricos (por ejemplo, Margolis y Wash, 2003; Orlitzky et al., 2003, Wood 1991; 2010). La literatura ha prestado especial atención a las relaciones entre el desempeño social y financiero, aunque los resultados obtenidos han sido mixtos y sin una conclusión clara, ya que, entre otras razones, es difícil medir con precisión la responsabilidad social de las empresas y, consecuentemente, su impacto sobre el desempeño de la empresa (McWilliams et al., 2006).

Dentro de este contexto, la presente tesis trata de responder algunas de las preguntas que en la actualidad no tienen una respuesta consensuada en la literatura sobre Responsabilidad Social Corporativa (en adelante RSC). Por lo tanto, está centrada en la comprensión de la relación entre la RSC y el desempeño organizativo, además, aborda algunos factores determinantes de la intensidad de RSC.

Como se mencionó anteriormente, la relación entre la RSC y el desempeño financiero ha sido estudiada por muchos investigadores, aunque hoy en día carecemos de una comprensión clara de la misma. La presente tesis propone un nuevo análisis de esta relación, para ello utiliza diferentes medidas de desempeño social, un método de estimación ro busto y una fundamentación teórica basada principalmente en la teoría de los *stakeholders*.

Otro objetivo de la tesis consiste en tratar de identificar el impacto de la RSC en la reputación de la organización, ya que muchas empresas utilizan el argumento de desarrollo de buena reputación para justificar acciones sociales (Porter y Kramer, 2006), y la reputación organizacional puede ser un mediador importante entre desempeño social y financiero de la empresa (Surroca et al., 2009). Proponemos un nuevo anál isis para identificar el impacto de diferentes tipos de acciones sociales en la reputación de la organización, ya que existe poca investigación acerca de esta relación y sin conclusiones claras.

Respecto a los factores que influyen en la intensidad de la RSC, de acuerdo con McWilliams y Siegel (2000) y Russo y Fouts (1997) uno de los más relevantes es la industria. Sugerimos en nuestra investigación, con base en afirmaciones procedentes de la teoría organización industrial y de la teoría institucional, que la RSC es un activo estratégico compartido, que es afectada por cambios en las condiciones económicas y estructurales del mercado (Roquebert et al., 1996), y que es moderada por una variedad de factores institucionales (DiMaggio y Powell, 1983). Sin olvid arnos que existen factores determinantes de la RSC que son internos a la empresa (Campbell, 2007). Por lo tanto, originalmente el estudio propuesto analiza la descomposición de la varianza de la RSC en relación con los efectos empresa e industria.

Las contribuciones de esta tesis están organizadas en un capítulo de revisión de la literatura y tres capítulos de análisis empíricos. En las líneas siguientes se resumen cada uno de los capítulos de la tesis.

Organización de la Tesis

El concepto de RSC tiene una larga historia asociada con la manera en que impacta en el comportamiento de la organización. Para comprender el impacto de la RSC en el comportamiento organizativo es necesario comprender su evolución histórica. Por lo tanto, el segundo capítulo de la tesis describe el desarrollo conceptual de la RSC, con el propósito de mostrar los avances en la investigación y contrastar las opiniones de los autores más citados en la materia.

El concepto de RSC a lo largo de los años se ha desarrollado en múltiple s aspectos, con aportaciones de muchos autores. Para la revisión de la literatura propuesta se adopta una estructura cronológica organizada por décadas. Se observa que la investigación de la RSC ha cambiado constantemente en los últimos 60 años, y que en la década de 2000, la RSC comienza a ser una cuestión estratégica importante para la empresa, lo que refuerza la necesidad de estudiar el impacto de la RSC sobre el desempeño de las empresas.

En el primer estudio empírico de la presente tesis, capítulo 3, se aporta a la literatura una mejor comprensión de la relación entre el desempeño social y financiero, ya que se hace uso de una metodología robusta y se abordan cuestiones que investigadores previos no abordaron. Se evaluó el efecto de dos medidas de desempeño social, gestión de los *stakeholders* primarios y la no-participación en negocios controvertidos sobre el desempeño financiero corporativo medido con una variable basada en el valor del mercado y también con una variable basada en datos contables. En línea con investigaciones previas, encontramos que la gestión de los *stakeholders* primarios afecta a las dos medidas de desempeño financiero de forma positiva. Por otra parte, la no-participación en el negocio controvertido presentó un efecto positivo sobre el desempeño financiero cuando éste es medido con una variable basada en el valor del mercado y un efecto no significativo sobre el desempeño financiero cuando éste es medido con una variable basada en datos contables de la empresa. Estos resultados enfatizan la necesidad de tener en cuenta la participación en negocios controvertidos en la definición del plan estratégico de la empresa relativo a la gestión de temas sociales, ya que el valor de mercado de la empresa es sensible a este factor.

En línea con los resultados del capítulo 3, en el capítulo 4 analizamos el impacto de la RSC en la construcción de la reputación organizativa. En este capítulo se analiza cómo las fortalezas y debilidades de las acciones sociales de la empresa dirigidas a sus diferentes tipos de *stakeholders* primarios impactan en su reputación. Clasificamos los *stakeholders* de la empresa en institucionales y técnicos. Los *stakeholders* técnicos proporcionan un apoyo tangible a la empresa, mientras que los institucionales proporcionan un apoyo intangible. Encontramos que los *stakeholders* institucionales afectan en gran medida la reputación corporativa, a diferencia de los *stakeholders* técnicos, que tienen una relación de intercambio económico con la empresa, sin embargo, no influye de la misma manera la reputación organizacional. Las acciones sociales hacia los *stakeholders* técnicos son vistas por la sociedad como acciones de la empresa de beneficio propio, que no tienen carácter social.

En el capítulo 5 se analiza la importancia relativa del efecto industria y el efecto empresa en la RSC. De acuerdo con los resultados obtenidos es necesario evaluar la influencia de la industria y también de los factores internos de la empresa en los estudios sobre RSC. Se concluye que las investigaciones sobre RSC no deben considerar únicamente factores específicos de la empresa, sino que deben tener en cuenta también los factores relacionados con la industria.

Las principales motivaciones y contribuciones de cada capítulo citado se muestran de manera resumida en la Tabla 1. Por otra parte, en las siguientes líneas se describe la base de datos asociada a los datos de responsabilidad social utilizada en los análisis empíricos de la tesis.

Capítulos	**Motivaciones**	**Contribuciones**
2	- el concepto de RSC tiene una larga historia asociada con la manera en que impacta en el comportamiento de la organización.	- proporciona información complementaria a otros estudios que han tratado sobre la evolución conceptual de la RSC y y sugiere nuevos temas de investigación.
3	- no hay consenso en la literatura sobre la relación entre el desempeño social y financiero corporativo; - es necesario el uso de una metodología más robusta respecto a las normalmente utilizadas así como el uso de nuevas variables; - la no-participación en negocios controvertidos ha sido investigada por poca literatura académica.	- uso de una metodología robusta en el estudio la relación entre el desempeño social y financiero de las empresas; - plantea cuestiones críticas relacionadas con la medición de la variable RSC; - evalúa el efecto del desempeño social corporativo en forma disociada al desempeño financiero corporativo;
4	- la mejora en la reputación es utilizada por muchas empresas para justificar sus acciones sociales; - la reputación organizativa puede moderar la relación entre la RSC y el desempeño financiero; - existe poca investigación sobre los efectos de las acciones sociales en la reputación organizativa y las conclusiones no son claras.	- revisión teórica sobre la relación entre la reputación organizativa y los diferentes tipos de acciones sociales; - propone un nuevo modelo que identifica el impacto de diferentes tipos de acciones sociales en la reputación organizacional.
5	- la RSC es influida por factores de mercado e institucionales, que dan forma a su contexto industrial; - la RSC puede ser un recurso o capacidad interna que conduce a una ventaja competitiva sostenida.	- revisa la importancia relativa del efecto industria y el efecto empresa en la RSC - proporciona evidencia empírica de que cada tipo de acción social corporativa ejerce una variación diferente entre el efecto industria y el efecto empresa.

La base de datos - Responsabilidad Social Corporativa

Según los resultados del meta-análisis realizado por Marlogis et al. (2007), el impacto de la RSC en el desempeño financiero de la empresa depende en gran medida de cómo se mida ésta. Marlogis et al. (2007) identificaron diferentes tipos de medidas de RSC utilizadas en investigaciones empíricas, y concluyeron que el recurso más utilizado en la literatura, es el llamado "auditoría de terceros" - que es el resultado de la evaluación sistemática de los datos de una empresa por investigadores de una determinada instituc ión a través de un conjunto de criterios. El recurso más utilizado actualmente es la base de datos *Kinder Lydenberg Domini* (KLD), seguida por su precursor *Council on Economic Priorities* (CEP) y por organizaciones similares en otros países, por ejemplo: *Canadian Social Investment Database* (CSID) - Canadá; *Sustainalytics Platform database* (antes del año 2009 conocido como SiRi Pro) - Europa, Norteamérica y Australia; *Ethical Investment Research Service* (EIRIS) - Reino Unido.

En la presente tesis utilizamos la base de datos KLD que, de acuerdo con Márquez y Fombrun (2005), es en muchos aspectos, el mejor instrumento disponible actualmente para medir la RSC de las empresas estadounidenses. Más de 40 artículos académicos en una variedad de disciplinas han utilizado los datos procedentes de la KLD para estudiar cuestiones sociales, medioambientales y de gobierno (KLD, 2008). Algunos de estos artículos son, entre otros, Agle et al. (1999), Berman et al. (1999), Coombs y Gilley (2008), Griffin y Mahon (1997), Hillman y Keim, (2001), McWilliams y Siegel (2000), Ruf et al. (2001), Waddock y Graves (1997).

De acuerdo con Brammer y Millington (2008), la forma de medir la RSC es una de las principales dificultades que tienen los investigadores, ya que los diferentes as pectos que comporta su definición tienen diferentes motivaciones y, consecuentemente, implicaciones diversas en el desempeño organizativol. Por lo tanto, en la presente tesis decidimos utilizar los datos procedentes de la base de datos KLD adecuándolos a las necesidades de cada uno de nuestros análisis empíricos propuestos y combinando esta base de datos con otras bases de datos en función del análisis empírico concreto propuesto

La base de datos KLD *Statistical Tool for Analyzing Trends in Social and Environmental Performance* (STATS) es desarrollada por KLD *Research & Analytics, Inc*. A partir de 1991, KLD STATS se actualiza anualmente y es una base de datos con información por empresa, formada por un grupo aproximadamente de 650 empresas estadounidenses q ue componen el *Domini 400 Social SM Index* y *S&P 500* ®. A partir de 2001, KLD amplia el universo de empresas y pasa a estar formado por las 1000 mayores empresas estadunidenses por capitalización bursátil. Ya en 2003, KLD ha ampliado aún más su cobertura in cluyendo las 3000 empresas mayores empresas estadounidenses por capitalización bursátil.

KLD cubre aproximadamente 80 indicadores clasificados en siete importantes áreas cualitativas formadas por: comunidad, gobierno corporativo, diversidad (*proxy* para minorías), medioambiental, derechos humanos, relaciones con los empleados y calidad del producto (*proxy* para clientes). Además de estas siete áreas cualitativas, KLD también proporciona información sobre la participación en negocios considerados controvert idos , que pueden excluir la empresa de algunos grupos de inversión social. KLD indica la participación de la empresa en negocios relacionados con: alcohol, juego, armas de fuego, productos militares, energía nuclear y tabaco.

KLD STATS está diseñada ut ilizando un sistema binario de puntuación para cada dimensión cualitativa o de participación en negocios polémicos. Para cada indicador, el número 1 indica la presencia de esa calificación y el número 0 indica la ausencia. Los siete indicadores cualitativos están formados por indicadores positivos y negativos, eso es, las fortalezas y debilidades en cada una de las áreas cualitativas son identificadas. Mientras que los indicadores de presencia de negocios polémicos están formados solamente por la indicación binaria de la participación o ausencia de participación de una determinada manera en el negocio controvertido. En el apéndice A, hay una lista con todos los indicadores KLD STATS, utilizados en la tesis, clasificados por áreas.

Capítulo 2

Antecedentes Históricos de la Responsabilidad Social Corporativa

Introducción

Los académicos y empresarios han notado cómo la responsabilidad social corporativa (RSC) se ha transformado de una idea irrelevante y dudosa a un importante tema de investigación (McWilliams et al., 2006). La RSC se ha convertido en uno de los conceptos más ortodoxos y ampliamente aceptados en el mundo de los negocios durante los últimos años (Carroll y Shabana, 2010). Según Lee (2008), las investigaciones sobre la RSC han evolucionado a lo largo de dos vías: en términos del nivel de análisis, los investigadores han pasado de una discusión de los efectos macro-sociales de la RSC a un análisis de su impacto en los procesos y en el funcionamiento de la organización; en términos de la orientación teórica adoptada, los investigadores se han desplazado de una abordaje explícita normativa, orientada por argumentos éticos a una abordaje implícita normativa, orientada al rendimiento de la gestión.

La evolución del concepto RSC tiene una larga historia y esta asociada con la forma en que impacta en el comportamiento de la organización. Lee (2008) utiliza un ejemplo que ilustra bien esta transformación: En 1919, los accionistas de Ford Motor Company, acordaron con la decisión de la Corte Suprema de Michigan (EUA) en conceder a los hermanos Dodge, su solicitud de dividendos máximo. Esta decisión impidió a Henry Ford (presidente de la compañía y principal accionista) reinvertir las ganancias acumuladas de la empresa en la expansión de una planta de producción, ya que según él, el objetivo de su compañía era servir a la sociedad; en 1999, el nieto de Henry Ford, William Clay Ford Jr., intentó otra vez convencer a los accionistas de la empresa de la importancia de que sus negocios sirvan a la sociedad. Esta vez el joven Ford no ha tenido que enfrentar ningún pleito, pues recibió apoyo de varios grupos de intereses de la empresa incluyendo la gran mayoría de los accionistas.

Es interesante observar como los accionistas de Ford Motor Company respondieron de manera diferente en los dos períodos. De acuerdo con Lee (2008), el comportamiento de los accionistas es distinto en los dos periodos porque el significado y las implicaciones empresariales de la RSC en 1999 eran mucho más aceptables para ellos que las existentes en 1919. En 1919, el concepto de RSC se enmarca vagamente en términos morales y macro-sociales de manera que los accionistas no comprendían cómo la RSC serviría a sus intereses y como se relacionaría con el buen rendimiento y la gestión de la corporación. Por esa razón, los hermanos Dodge afirmaban que no había ningún beneficio tangible en gestionar una empresa con el objetivo de atender demandas sociales. En 1999, la literatura de RSC ya se había unido a la literatura de dirección estratégica y su relación con el mercado era más explícita, lo que probablemente influyó en el comportamiento de los accionistas.

Para comprender el impacto de la RSC en el comportamiento de la organización es necesario comprender su evolución. En este capítulo ha sido descrito el desarrollo conceptual de la RSC, con el propósito de retratar los avances en la investigación de la RSC y contrastar las opiniones de los autores más citados en la materia. Para esto se ha realizado una extensa revisión bibliográfica y evaluación de estudios anteriores, cuyo objetivo principal es similar al nuestro, con la intención de encontrar la mejor estructura para el desarrollo de nuestra revisión conceptual.

Estudios como Carroll (1999, 2008) y Carroll y Shabana (2010) proporcionan al le ctor la historia de la RSC de forma detallada y conocimiento de las principales contribuciones académicas en la materia (véase también: Preston, 1975; Crowther, 2008, y Windson, 2000). Otros autores aportan a la literatura revisiones del concepto RSC, por ejemplo, Dahlsrud (2006); Federico (2008); Joyner y Payne (2002); Lee (2008); Moir (2001); Valor (2005). Además, recientemente terminologías alternativas estrechamente relacionadas con la RSC han sido propuestas y algunos autores han desarrollado revision es conceptúales para ellas: para “sostenibilidad corporativa” ver Marrewijk (2003); para “ciudadanía corporativa” ver Wood y Lodgson (2002) y Waddock (2004) ; para “desempeño social de las empresas” ver Wood (1991) y (2010).

En nuestra revisión seguimos u na estructura cronológica adoptada por Carroll (1999), ya que esta estructura nos permite tener una clara comprensión de la evolución conceptual de la RSC. Hay muchos autores que han dejado una importante contribución a literatura de la RSC, como nuestro o bjetivo no es realizar una revisión exhaustiva de la evolución conceptual de la RSC, nos centramos en las investigaciones que han generado gran parte del discurso original en esta materia, y por lo tanto son los más prestigiosos y citados.

Comenzamos nuestra evolución conceptual con la publicación del libro de Howard R. Bowen titulado "Responsabilidad Social del Empresario" (1953). Aunque existan varias referencias a RSC anteriores al trabajo de Bowen, como es posible verificar en el libro de Morrell Heald llamado "La responsabilidad social de la empresa: Empresa y Comunidad, 1900-1960" (1970), que proporcionan una interesante discusión de la teoría y la práctica de la

RSC en la primera mitad del siglo XX, y más recientemente en el trabajo de Richard Hoff man (2007) que reseña de los orígenes de la RSC moderna.

Resumen y Conclusiones

El propósito de este capítulo ha sido describir la evolución conceptual de la RSC. El concepto de la RSC ha evolucionado en múltiples aspectos, gracias a las contribuciones de muchos autores. Durante la década de 1950, el enfoque predominante era el social y había escasa discusión sobre los beneficios de la RSC para la empresa. En la década de 1960 cambios sociales marcaron el comportamiento empresarial con relación a temas sociales. Ya en la década de 1970 algunos directivos de grandes empresas empiezan a fomentar una mayor intensidad en las actividades de RSC, la mayoría de ellos con claro interés en obtener buenos resultados económicos. En la década de 1980, el interés social de las empresas las hizo más sensibles a las necesidades de sus *stakeholders*. Ya durante la década de 1990 la RSC se convirtió en una parte importante de la gestión de las empresas y pasó a ser estudiada con más intensidad por académicos que se dedican a cuestiones estratégicas empresariales. Finalmente, a partir del año 2000 la RSC pasó a ser una necesidad para muchas empresas, debido a los recientes cambios institucionales que han convertido factores sociales y ambientales en un importante requisito para la legitimidad de las empresas, al punto de que algunas empresas tienen ciertas responsabilidades sociales tan incorporadas como si fueran responsabilidades legales.

Basándonos en esta retrospección, en primer lugar, este estudio sugiere que los investigadores sobre la RSC deben prestar más atención al aspecto social de la relación empresa y sociedad. Durante los últimos veinte años, la mayor parte de las investigaciones han examinado la RSC desde la perspectiva de las empresas. La perspectiva social y cómo las empresas afectan a la sociedad ha sido explorada raras veces. Nosotros sostenemos que es necesario investigar más allá de la actual búsqueda de evidencia entre beneficios económicos y la RSC, regresando de alguna manera al estilo de las investigaciones realizadas en la década de 1950, cuando la sociedad era el tema principal del estudio.

Si bien esperamos que investigaciones sobre la evidencia de los beneficios económicos de la RSC sigan existiendo, ya que aún existen muchas preguntas po r responder: cómo, dónde y cuándo la RSC mejora el desempeño financiero de las empresas. Además, las afirmaciones de Friedman (1970) de que las acciones sociales son aceptables solamente si están totalmente justificadas por los propios intereses de la empr esa, reflejan nuestra realidad actual. Aunque, en nuestra opinión, los académicos deben abordar el tema de la rentabilidad financiera de la RSC sin olvidar el aspecto ético y social de esta relación, como ya habíamos mencionado previamente.

Por otra parte, teniendo en cuenta la importancia y las diferencias de los diversos contextos institucionales, se sugiere que otro factor relevante que debe ser abordado por futuras investigaciones es la diferencia de la relación entre empresas y sociedad entre países. Ya que cada país tiene una determinada estructura social, instituciones, y necesidades que son específicamente influidas por su historia y cultura.

Por último, se sugiere la ampliación del ámbito de la investigación de la RSC a pequeñas y medianas empresa s (PYMEs), ya que la mayoría de las investigaciones existentes tienen como objeto de estudio grandes empresas que cotizan en bolsa. Las PYMEs están intensamente relacionadas con la sociedad y sus economías locales, teniendo en cuenta que la mayoría de sus clientes y trabajadores proceden de su misma región geográfica. La RSC entre las PYMEs requiere una visión diferente de la utilizada normalmente para las grandes empresas. Los investigadores necesitan distintos argumentos teóricos y conceptuales que puedan atender a los desafíos únicos que se enfrentan las PYME para desarrollar su RSC.

La RSC refleja la relación entre empresa y sociedad, y esta se ha modificado intensamente en los últimos sesenta años. Por esta razón, existe la necesidad de seguir estudiando los constantes cambios de esta relación.

Capítulo 3

El desempeño social y financiero de la empresa

Introducción

El papel de las empresas en la sociedad y sus aspectos éticos son de gran interés. En un mundo de recursos limitados, la sociedad espera que las empresas se preocupen por cuestiones tales como daños al medio ambiente, seguridad de sus productos y una justa gestión de recursos humanos. Al mismo tiempo las empresas enfrentan presiones crecientes para maximizar su desempeño social y financiero. En este contexto observase un numero creciente de publicaciones académicas que examinan la relación entre el desempeño financiero de las empresas (DFE) y el desempeño social de las empresas (DSE), aunque con resultados heterogéneos (vea Griffin y Mahon, 1997; Orlitzky et al., 2003; Margolis et al., 2007). Otros estudios mencionan la futilidad de la búsqueda de una relación general entre el desempeño social y financiero (Margolis y Walsh, 2003).

De acuerdo con Waddock y Graves (1997) DSE es un constructo multidimensional que refleja el comportamiento de la empresa en relación sus stakeholders. Wartick y Cochran (1985) afirman que la DSE incorpora la interacción entre los principios de responsabilidad social, los procesos de respuesta social, y las políticas y programas diseñados por las empresas para abordar cuestiones sociales. A pesar de la falta de una definición compartida y precisa en la literatura, DSE generalmente es entendida como un amplio constructo que incluye la gestión de stakeholders primarios y la no-participación en negocios polémicos (también conocido como participación en temas sociales) (Hillman y Keim, 2001).

Varios estudios han contribuido al entendimiento del efecto del DSE en el DFE, sin embargo ellos sugieren la necesidad de nuevas investigaciones para suplir sus limitaciones. Muchos de los investigadores anteriores miden DSE (gestión de stakeholders primarios y no-participación en negocios polémicos), como un sólo constructo (por ejemplo, Ruf et al., 2001) o tomando en cuenta únicamente el constructo gestión de los stakeholders primarios (por ejemplo, Berman et al ., 1999). La no-participación en negocios polémicos, ha sido analizada en sólo un puñado de estudios, el ejemplo más destacado es Hillman y Keim (2001), que utiliza un enfoque diferente ya que ellos hacen referencia a la no-participación en negocios polémicos como a la participación en cuestiones sociales. Hemos decidido no utilizar su terminología para evitar problemas semánticos. La participación en cuestiones sociales se refiere a la no-participación en ciertas actividades, lo que podría crear confusión en el lector ocasional. Además, nuestro objetivo es medir el efecto que la no-participación en negocios polémicos tiene sobre el rendimiento financiero.

El principal objetivo de nuestra investigación es proporcionar un mejor entendimiento sobre el impacto que la no-participación en negocios controvertidos puede ejercer en la DFE. Para alcanzar este objetivo adoptamos la teoría de los *stakeholders*, evaluamos la DSE de acuerdo con su capacidad de atender a las demandas de sus diversos *stakeholders*. (Berman, et al., 1999). Para comprender mejor el efecto de la no-participación en negocios controvertidos sobre el DFE, en nuestros análisis empíricos adoptamos dos medidas, una de mercado y una contable, ya que ellas reflejan diferentes aspectos del rendimiento empresarial (Wu, 2006). Además, analizamos el impacto de la gestión de los *stakeholders* primarios sobre la DFE, ya que nos permite observar y comparar con los resultados de la no-participación en negocios polémicos.

Discusión y Conclusiones

Los resultados obtenidos en este estudio al utilizar una medida de mercado como indicador de DFE, indican que la no-participación en negocios controvertidos, así como la gestión de *stakeholders* primarios tienen un efecto positivo en la q de Tobin. Estos resultados apoyan las hipótesis 1 y 2, además, sugieren que tanto la no-participación en negocios polémico como la gestión de *stakeholders* primarios generaran a la empresa ventajas competitivas y son instrumentales para su buen funcionamiento. El efecto positivo de la no-participación en negocios controvertidos en la medida de mercado utilizada como indicador de DFE, demuestra que las expectativas de la sociedad pueden estar íntimamente relacionadas con las expectativas de los *stakeholders* (Branco y Rodrigues, 2007).

Sin embargo, nuestros resultados al utilizar una medida contable como indicador de DFE, indican que la gestión de los *stakeholders* primarios tiene un efecto positivo, mientras que la no-participación en negocios polémicos no presenta efecto significativo en el ROA. Estos resultados apoyan la hipótesis 1, y rechazan la hipótesis 2. Este resultado puede ser explicado por la rentabilidad de algunos negocios polémicos (Palazzo y Richer, 2005) y porque el indicador contable de una empresa está menos expuesto a la conducta de los *stakeholders* que el indicador de valor de mercado (Kacperczyk, 2009). La participación en negocios polémicos afecta negativamente a la reputación de las empresas, consecuentemente, el desempeño de su valor de mercado es afectada, sin embargo, sus resultados contables no necesariamente son afectados de forma inmediata.

La presente investigación puede ayudar a los directivos en el proceso de toma de decisión de participar o no en negocios controvertidos, ya que proporciona indicios de que la no-participación en negocios polémicos afecta positivamente el valor de mercado de la empresa, por lo tanto, es necesario que los directivos tomen en cuenta la opinió n de la sociedad respecto la participación de negocios considerados polémicos. Los resultados de la presente investigación también confirman los resultados de investigaciones anteriores, que indicaron que la buena gestión de *stakeholders* primarios aumenta el valor de mercado y valor contable de las empresas.

En cuanto a la contribución académica, la presente investigación se suma a los numerosos esfuerzos de comprensión de la relación entre el desempeño social corporativo y el desempeño financiero corporativo, con la ventaja de que hemos analizado los efectos que la no-participación en negocios polémicos y la gestión de los *stakeholders* primarios tienen sobre el desempeño financiero organizativo utilizando una medida de mercado y una medida contable. Resaltamos las diferencias entre las dos medidas de desempeño social corporativo utilizadas, y sus respectivos impactos en las dos medidas de desempeño financiero adoptadas. Los resultados analíticos indican que la no-participación en negocio polémico es una medida relevante del desempeño social corporativo que tiene que ser considerado individualmente, ya que impacta de manera diferente sobre el desempeño de una empresa.

Capitulo 4

Acción Social y Organizacional de la Reputación

Introducción

La reputación es utilizada por muchas empresas para justificar sus acciones sociales (Porter y Kramer, 2006). La regla que dice que cualquier acción social de la empresa mejora su reputación no es cierta, ya que no todas acciones sociales generan o mantienen una reputación corporativa (RC) positiva. Poco se sabe sobre el impacto que las acciones sociales en la RC. De acuerdo con Liston-Heyes y Ceton (2009), la RC es poco representativa de la verdadera responsabilidad social empresarial. Nuestro trabajo tiene como objetivo desarrollar un marco en la construcción de la RC, destacando el papel valioso que los diferentes tipos de acciones sociales.

En las últimas dos décadas, la literatura sobre RSC ha prestado especial atención a la relación entre desempeño corporativo social y financiero (Orlitzky et al, 2003; Margolis y Wash, 2003). Los resultados de la mayoría de estos estudios no son concluyentes. Recientemente algunos autores empezaron a incluir nuevas variables en sus análisis. Surroca et al (2009) explican la relación entre el desempeño social y financiero de las empresas proponiendo un modelo en el que los recursos intangibles moderan esta relación. Ellos afirman que la RC es un importante recurso intangible, que es resultado de la responsabilidad social corporativa, y que genera una ventaja competitiva, por lo tanto, tiene un impacto positivo sobre el desempeño financiero corporativo.

Existen pocas investigaciones sobre los efectos de la responsabilidad social de las empresas en su reputación (con excepción de Brammer y Pavelin, 2004; 2006; Fombrun y Shanley, 1990; Turban y Greening, 1997; Williams y Barrett, 2000). Fombrun y Shanley (1990) demuestran que la RSC, medida como filantropía, está asociada positivamente con la RC. Más evidencias de esta relación positiva fueron proporcionadas más recientemente por Williams y Barrett (2000). Ya Turban y Greening (1997) indican que los varios tipos de acciones sociales se relacionan independientemente y positivamente con la RC. En el mismo sentido, los resultados de Brammer Pavelin (2004; 2006) afirman que cada tipo de acciones sociales tiene un impacto diferente en la RC, y este impacto varía de acuerdo con las características de la empresa y su entorno. Sin embargo, ellos no abordaron el impacto de acciones negativas en la RC.

Investigaciones recientes han encontrado resultados inconsistentes entre las fortalezas y debilidades de las acciones sociales, lo que sugiere que están sujetas a una dinámica distinta y , por lo tanto, pueden ser estudiadas por separado (Godfrey et al., 2009; Mattingly y Berman, 2006; McGuire et al., 2003). McGuire et al. (2003) afirman que los puntos fuertes de la RSC están representados por sus actitudes proactivas e iniciativas hacia los *stakeholders* (por ejemplo, el desarrollo de productos innovadores con beneficios ambientales), mientras que las debilidades de la responsabilidad social de una empresa son indicativos de las estrategias de riesgo social adoptadas (por ejemplo, debilidad en salud y seguridad de los empleados). Por lo tanto, es importante al medir la responsabilidad social corporativa llevar en cuentas los puntos fuertes y débiles para poder entender mejor su impacto en el rendimiento de la organización.

En consonancia con este enfoque, este estudio propone un modelo en el que los puntos fuertes y débiles de la RSC tienen una incidencia diferente en la RC. Mattingly y Berman (2006) encontraron que las fortalezas y debilidades de la responsabilidad social corporativa pueden ser clasificadas en técnicas e institucionales. Las fortalezas y debilidades técnicas reflejan el grado en que una organización se involucra en actividades que benefician o perjudican los intereses de los *stakeholders* que proporcionan un apoyo tangible a la organización. Mientras que las fortalezas y debilidades institucionales se refieren a las que proporcionan un soporte intangible.

Nuestro trabajo aborda el impacto de cada tipo de acción social en la RC, lo que contribuye de varias formas a la literatura. Al conocer qué tipo de acción social realmente afecta la RC, los directivos tienen más información para decidir las inversiones sociales de la empresa. Además, la investigación sobre este tema ayuda a los investigadores, miembros del tercer sector y responsables políticos a elaborar estrategias más eficaces par a alentar a las empresas a desarrollar una agenda social más eficiente.

Discusión y Conclusiones

El propósito de este capítulo ha sido evaluar el impacto de los diferentes tipos de acciones sociales en la reputación corporativa. Hemos sostenido que par a comprender mejor esta relación, las acciones sociales deberían ser estudiadas de acuerdo con la descomposición propuesta por Mattingly y Berman (2006): separar las acciones con impacto positivo de las acciones con impacto negativo, y las acciones dirigi das para *stakeholders* con relaciones técnicas (*stakeholders* técnicos) de los que tienen una relación institucional con la empresa (*stakeholders* institucionales). Se ha justificado teóricamente la diferencia entre los diversos tipos de acciones sociales uti lizadas en esta investigación, y se han desarrollado las siguientes hipótesis a verificar: *Las acciones sociales que tienen impacto positivo en los stakeholders institucionales afectan con más intensidad la reputación de la empresa que las acciones que tienen impacto positivo en los stakeholders técnicos* (hipótesis 1); y que *las acciones con impacto negativo en los stakeholders institucionales afectan con más intensidad la reputación de la empresa que las acciones con impacto negativo en stakeholders técn icos* (hipótesis 2).

Nuestro principal argumento para explicar el mayor impacto de los *stakeholders* institucionales en la reputación corporativa es su expectativa normativa que tiene en relación al comportamiento de las empresas, lo que genera o destruye la legitimidad de las empresas – precursor de la reputación corporativa (Doh et al., 2009). Además, la asimetría de información entre los *stakeholders* institucionales y la empresa permite a ésta desarrollar acciones sociales simbólicas para evitar problemas de reputación, ya que los *stakeholders* técnicos tienen acceso a más información que los *stakeholders* institucionales, y además, tienen una dependencia mutua con la empresa, pues s on parte de la misma.

Para hacer una mayor contribución a la literatura, las dos hipótesis de este estudio fueron contrastadas de dos formas distintas. Los resultados del primer análisis, ha permitido observar el efecto que las acciones sociales institucionales y técnicas (fortalezas y debilidades) desempeñan en la inclusión de una empresa en el ranking Fortune. Mientras que los resultados del segundo análisis permite comprender el papel que las acciones sociales institucionales y técnicas (fortalezas y debilidades) desempeñan en la conformación de la clasificación de las empresas que forman el ranking Fortune.

El análisis de los resultados obtenidos en ambos modelos sugiere que las acciones sociales que tienen impacto positivo en los *stakeholders* institucionales afectan positivamente y con más intensidad la reputación de la empresa que las acciones que tienen impacto positivo en los *stakeholders* técnicos, ya que ambos análisis soportan la hipótesis 1. En relación con la hipótesis 2, hemos encontrado que las acciones con impacto negativo en los *stakeholders* institucionales no afectan con más intensidad la reputación de la empresa que las acciones con impacto negativo en *stakeholders* técnicos, ya que ambos análisis no apoyan la hipótesis 2, indicando que para preservar la reputación corporativa es necesario evitar cualquier acción social con impacto negativo.

La contribución académica de esta investigación es la evidencia empírica que aporta sobre la relación entre los diversos tipos de acciones sociales y la reputación corporativa. Además, la información que proporciona puede ayudar a los directivos a comprender mejor el efecto de las acciones sociales en la reputación corporativa, lo que puede facilitar una planificación estratégica que asegure una mayor coherencia entre acciones sociales y creación de reputación corporativa positiva. Estos resultados también pueden ayudar a responsables políticos, representantes de organizaciones no gubernamentales y a algunos grupos de *stakeholders* a desarrollar estrategias más eficaces para alentar a las empresas a desarrollar una agenda social.

Capitulo 5

El efecto empresa e industria en la responsabilidad social corporativa.

Introducción

En los últimos años, la RSC ha sido el tema de muchos trabajos conceptuales y empíricos (McWilliams et al., 2006), la mayoría de los trabajos abordan la relación entre RSC y el desempeño financiero (véase Orlitzky, Schmidt y Rynes, 2003; Margolis y Wash, 2003; Margolis et al., 2007). Algunos de estos autores en sus investigaciones identificaron que la industria es un factor importante a ser considerado en el estudio de la responsabilidad social corporativa (ejemplos: Brammer y Pavelin, 2006; Hull y Rothemberg, 2008; Russo y Fouts, 1997). De acuerdo con la revisión de literatura realizada por Wood (2010), sólo hay una investigación hasta hoy que ha examinado la variación de la RSC en relación al efecto empresa e industria, que es el de O' Shaughnessy et al., (2007)..

En el ámbito de la economía industrial los factores de la industria son los principales determinantes del desempeño de una empresa, mientras que según el punto de vista de autores que se basan en la teoría de recursos son las características internas de la empresa las que determinan su ventaja competitiva. Siguiendo los estudios pioneros de Schmalensee (1985) y Rumelt (1991), varios trabajos empíricos han examinado la importancia relativa del efecto empresa e industria en el desempeño financiero de la empresa (por ejemplo, Chang y Singh, 2000; Mauri y Michaels, 1998; Short et al., 2007). De acuerdo con investigaciones previas (por ejemplo, Berman et al., 1999; Hillman y Keim, de 2001; Surroca et al, 2009) asumimos que la RSC afecta positivamente el desempeño organizacional y que es sostenible a largo plazo (Bruch, 2005), por lo tanto, es un activo estratégico (Sze´kely y Knirsch, 2005). Sin embargo, se diferencia de muchos otros tipos de activos estratégicos puesto que su valor no está determinado sólo por la responsabilidad social de la propia empresa, sino también por la responsabilidad social de otras empresas en su industria (Porter y Kramer, 2 006). La RSC es influida por el mercado, por instituciones y por todas las fuerzas que dan forma a su contexto industrial. Consecuentemente, esperamos que una parte importante de la variabilidad en la RSC sea atribuida a factores de su industria. Por tanto, de acuerdo con O'Shaughnessy et al (2007) la RSC es un activo estratégico compartido, sin olvidarnos que existen factores determinantes de la RSC que son establecidos por características internas de la empresa (Campbell, 2007). Esta investigación analiza los componentes de varianza del efecto empresa y efecto industria en materia de RSC para contestar la siguiente pregunta: ¿Hasta qué punto la RSC viene explicada por el efecto empresa o por el efecto industria?

La RSC se concibe como un constructo amplio que está compuesto por la gestión de *stakeholders* primarios y la no participación en negocios polémicos (Clarkson, 1995). La gestión de los *stakeholders* primarios ha sido estudiada de forma disociada, por *stakeholders* (por ejemplo: Berman et al., 2006; Hillman y Keim, 2001; Kacperczyk, 2009), ya que la gestión de cada *stakaholder* consiste en que acciones distintas impactan de diferentes formas en el desempeño de la empresa. Por lo tanto, en este trabajo hemos estudiado el efecto empresay el efecto industria para cada una de las dimensiones de la gestión de los *stakeholders* primarios, a fin de ampliar la comprensión de los determinantes de la RSC.

Para explicar la importancia del efecto empresa e industria en la RSC, fue empleado el método de la varianza utilizado anteriormente por Hawawini et al., (2003); Mauri y Michaels, (1998); McGahan y Porter (1997); Roquebert et al., (1996).

Discusión y Conclusiones

Este estudio analiza la importancia relativa del efecto industria y empresa en la RSC. En primer lugar, estudia el efecto empresa e industria utilizando una medida de la RSC compuesta por la suma del desempeño social de la empresa con sus *stakeholders* primarios, y hemos encontrado grandes efectos a nivel empresa en la RSC (58% de la varianza). Este resultado confirma que las empresas retienen una considerable auto-determinación con respecto a sus acciones de RSC. Este resultado también apoya la visión basada en recursos, que indica que el rendimiento social es determinado por características internas de las empresas, ya que la RSC es un activo estratégico que presenta barreras de imitación. Aunque de acuerdo con la perspectiva de los recursos inactivos, y en virtud de la ambigüedad causal, la RSC debería tener la misma variación entre efecto empresa e industria de los resultados financieros corporativos, que en nuestro estudio se medido con el valor del ROA. En nuestro estudio, la varianza del ROA es igual a la varianza de la RSC, mayor el efecto empresa que el efecto industria.

A pesar del reducido número de industrias en nuestra muestra y la clasificación basada en el sistema SIC nivel de 3-dígitos, sin duda resulta en una estimación conservadora de la importancia del efecto industria (Chang y Singh, 2000) y encontramos una proporción relativamente grande del efecto industria en la descomposición de la varianza de la RSC, en comparación con los resultados obtenidos con la variable de desempeño financiero ROA. A pesar de nuestra expectativa por un mayor efecto industria en nuestros resultados, estos son suficientes para sustentar nuestra propuesta, de que la RSC representa un activo estratégico común en una industria, que es consistente con la teoría de organización industrial (Rumelt, 1991) y con la teoría institucional (DiMaggio y Powell, 1983).

Los resultados del efecto empresa y del efecto industria, considerados en conjunto, refuerzan la necesidad de evaluar ambos niveles en los estudios sobre RSC. Así que, las investigaciones sobre cuestiones de la RSC no debe utilizar el supuesto de que esta determinada únicamente por factores específicos de la empresa, ya que deben analizar también los factores relacionados con la industria (McWilliams y Siegel, 2000). Por ejemplo, para estudiar los vínculos entre la RSC y la reputación y/o legitimidad de una e mpresa debe tomarse en cuenta las características de su industria, ya que dependiendo de la industria este vínculo puede ser más o menos intenso. Una interesante cuestión que surge con este planteamiento es "cuáles son las características de las industrias que influyen en la intensidad de la RSC?"

El efecto industria es considerable en nuestros resultados y motiva la investigación de cómo las empresas pueden diferenciarse y explotar sus resultados sociales, ya que en industrias en que hay fuerte responsabi lidad social, algunas empresas pueden aprovecharse del esfuerzo de las demás en acciones sociales y asumir por si mismas sus efectos positivos, al mismo tiempo en que empresas socialmente irresponsables pueden dañar la RSC percibida de su industria.

Por lo tanto, verificar la varianza de la RSC percibida en lugar de utilizar una medida real de la RSC, podría aportar información relevante para el análisis del papel de la industria en la RSC. Liston-Heyes y Ceton (2009) comprobaron que la RSC real y la perc ibida de una empresa son distintos. Por otra parte, Brammer y Pavelin (2006) afirman que la RSC tiene diversos impactos en la reputación de la empresa y que esta relación es influenciada por la industria.

Esta investigación también señala que cada dimensi ón estratégica de la RSC tiene una variación diferente entre industria y empresa. Sin embargo, todas las dimensiones estudiadas presentaron un alto valor en el efecto empresa, con excepción de la dimensión ambiental, que registra un mayor efecto industria. Este resultado esta en línea con la teoría de legitimidad institucional de las empresas (DiMaggio y Powell, 1983). Ya que la dimensión ambiental tiene una mayor visibilidad pública, atención de los medios y sufre mayor control del gobierno, que las demás dimensiones, lo que explica porqué esta es la dimensión que las empresas abordan con prioridad.

Nuestros resultados tienen varias implicaciones prácticas para la gestión de la empresa, que se desprende de las declaraciones que se han discutido anteriorme nte. Factores relacionados con la industria influyen en el contexto en el que las opciones de responsabilidad social se hacen, sin embargo estas no explican el desempeño social de la empresa como un todo. El hecho de que empresa opere en una industria en p articular no implica que automáticamente tienen una responsabilidad social superior o inferior, ya que factores internos de la empresa y otros factores externos no relacionados con la industria también influyen en la responsabilidad social. Así, la RSC pue de ser una buena estrategia de diferenciación para algunas empresas, con la excepción de acciones uniformes en la dimensión ambiental, que se explica en gran medida por los componentes de la industria. Por lo tanto, para las organizaciones no gubernamental es, gubernamentales e instituciones reguladoras nuestros resultados sugieren que para influir en la intensidad de la RSC debe tener en cuenta siempre el efecto industria. En otras palabras, si hay diferencias estables dentro de la industria con respecto a la RSC, existen más oportunidades para influir en las decisiones sociales de las empresas.

Sin embargo, los resultados de este estudio están sujetos a limitaciones. En primer lugar, nuestra muestra se compone únicamente de las empresas estadounidenses, fut uras investigaciones sobre la variación de la RSC debe tener en cuenta la ubicación geográfica de las empresas, ya que país es un factor clave en la intensidad de responsabilidad social corporativa (Doy y Guay, 2006). Así que, un estudio comparativo entre la RSC de varios países podría ayudar a comprender el impacto de las características de un país sobre la responsabilidad social de sus empresas. Por otra parte, el uso de una muestra por un período más largo del que ha sido estudiado en esta tesis, mejoraría el análisis del factor tiempo, ya que permitiría observar el comportamiento de la varianza de la RSC en periodos de estabilidad, crecimiento o recesión económica. Por lo tanto, un análisis comparativo entre países y por un periodo más largo podría dar una mejor comprensión de la influencia que los factores externos, como la política, la economía y la sociedad, tienen sobre la intensidad de la RSC.

Capítulo 6

Conclusiones

El objetivo de esta tesis es responder a algunas preguntas que en el momento no tienen respuesta consensual en la literatura de la responsabilidad social corporativa, centrándose en proporcionar conocimiento de la relación entre la responsabilidad social corporativa y el desempeño organizacional, aparte de abordar algunos de los det erminantes de la intensidad de responsabilidad social corporativa. Las contribuciones de esta tesis están organizadas en un capítulo teórico y tres capítulos de análisis empíricos. En las siguientes líneas los lectores pueden revisar las principales conclu siones de cada parte de esta tesis.

El capitulo 2 describí la evolución conceptual de la RSC. El concepto de la RSC ha evolucionado en múltiples aspectos, gracias a las contribuciones de muchos autores. Durante la década de 1950, el enfoque predominante era el social, había escasa discusión sobre los beneficios de la RSC para la empresa. En la década de 1960 cambios sociales marcaron el comportamiento empresarial con relación a temas sociales. Ya en la década de 1970 algunos directivos de grandes empresas empiezan a fomentar una mayor intensidad en las actividades de RSC, la mayoría de ellos con claro interés en obtener buenos resultados económicos. En la década de 1980, el interés social de las empresas las hizo más sensibles a las necesidades de sus *stakeholders*. Ya durante la década de 1990 la RSC se convirtió en una parte importante de la gestión de las empresas y pasó a ser estudiada con más intensidad por académicos que se dedican a cuestiones estratégicas empresariales. Finalmente en 2000 la RSC pasó a ser una necesidad para muchas empresas, debido los recientes cambios institucionales que han convertido factores sociales y ambientales en un importante requisito para la legitimidad de las empresas, al punto de que algunas empresas tienen ciertas responsabilidades sociales tan incorporadas, como si fueran responsabilidades legales. Basándonos en esta retrospección, recomendamos varios aspectos de esta materia que necesitan ser más estudiados.

El capítulo 3 tiene como propósito analizar el efecto de la gestión de los *stakeholders* primarios y la no-participación en negocios polémicos en el desempeño financiero de la empresa (DFE). En primer lugar, confirmamos utilizando una metodología robusta la hipótesis ya estudiada por estudios previos: La gestión de los *stakeholders* primarios afecta positivamente a la DFE. En línea con la teoría de los *stakeholders* y la revisión de la literatura empírica realizada, estos resultados implican que la inversión en la gestión de los *stakeholders* primarios puede traer ventaja competitiva a la empresa, ya que puede crear, desarrollar o mantener recursos importantes. Enseguida abordamos el impacto de la no-participación en negocios polémicos en el DFE. Nuestros resultados indicaron que la no-participación en negocios polémicos tiene un impacto positivo sobre la DFE cuando este es medido por una variable basada en el valor del mercado y un efecto no significativo sobre el desempeño financiero cuando es medido por una variable basada en datos contables de la empresa.

El capítulo 4 tiene como propósito evaluar el impacto de los diferentes tipos de acciones sociales en la reputación corporativa. Hemos sostenido que para comprender mejor esta relación, las acciones sociales deberían ser estudiadas de acuerdo con la descom posición propuesta por Mattingly y Berman (2006): separar las acciones con impacto positivo de las que tienen impacto negativo, y las acciones dirigidas para *stakeholders* con relaciones técnicas (*stakeholders* técnicos) de los que tienen una relación instit ucional con la empresa (*stakeholders* institucionales). Nuestros resultados sugieren que los directivos de las empresas deben centrarse en acciones sociales dirigidas a *stakeholders* institucionales para mejorar la reputación corporativa, además de evitar cu alquier tipo de acciones sociales con impacto negativo. Ya que nuestros resultados demostraron que las acciones sociales positivas dirigidas a *stakeholders* institucionales generan más reputación, sin embargo las acciones negativas dirigidas a *stakeholders* institucionales y a *stakeholders* técnicos destruyen con la misma intensidad la reputación corporativa.

Finalmente, en el capítulo 5 examinamos la importancia relativa del efecto industria y empresa en la RSC de diversas formas. En primer lugar, examina mos el efecto empresa e industria utilizando una medida de la RSC compuesta por la suma de cada una de las dimensiones de la RSC. Además, analizamos la descomposición de la varianza del efecto industria y empresa de cada uno de las dimensiones de la RSC, y encontraron que la medida compuesta de RSC, así como todas sus dimensiones por separado presentan variaciones importantes en el ámbito de empresa, con excepción de la dimensión medioambiental, que registra un mayor en el efecto industria. Estos resultado s, considerados en conjunto, implican que las investigaciones sobre cuestiones de la RSC no deben utilizar el supuesto de que esta está determinada únicamente por factores específicos de la empresa, ya que deben analizar también los factores relacionados c on la industria.

Todos los resultados de cada uno de los capítulos de esta tesis aportan conocimientos relevantes para la literatura la RSC y crean nuevas oportunidades para futuros estudios, así como se ha mencionado en la conclusión de cada uno de los ca pítulos. Además de las recomendaciones ha citadas es necesario destacar que el dinamismo de la RSC induce ha enormes posibilidades de investigación. Esperamos que esta tesis contribuya de forma significativa para la mejora del conocimiento de la compleja r elación entre empresa y sociedad.