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TÍTULO**:**

**THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON
ORGANIZATIONAL PERFORMANCE**

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ABSTRACT

We analyze the influence of Corporate Social Responsibility (CSR) on organisational performance through four main aspects. We carry out a solid theoretical appraisal and employed a rigorous panel data technique on a significant sample of US corporations from 2001 to 2007. First, we provide scholars and management with an alternative measure of corporate financial performance (CFP), which can be impacted by CSR. Our results indicate that brand value is a valid measure of CFP and it is positively impacted by CSR. Second, we contend that corporate reputation is the conceptual link between CSR and financial performance. We build a model accordingly, highlighting the multidimensional nature of CSR and the moderating effect performed by the industry of the firm. We breakdown CSR in five qualitative areas: community relations, environmental issues, employee relations, product issues, diversity of the workforce. Our results suggest that all five qualitative areas impact positively on corporate reputation, as well as market-based indicators of risk and performance. In the final two sections, we investigate what variables influence CSR. We find that organizational culture, management tenure and prior-financial performance (slack resources) impact positively on CSR. We contend that firms that incorporate a humanistic approach to culture perform well in CSP because their internal cultural values and beliefs drive them to establish good relationship with stakeholders. This is maximized by top management permanence in the firm, as the longer they stay the more absorbed the humanistic culture will be. Availability of slack resources combined with the pro-active organizational culture and the integration of top management in this culture further contributes to improving CSP.

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1. INTRODUCTION

Corporate Social Responsibility (CSR) has become one of the most critical business functions in current management literature and practice. The mere assertion of regarding CSR as a business function would be considered nonsense thirty years ago. The raise of this concept from an underrated business jargon to a strategic, competitive advantage driven asset, has triggered our interest and curiosity into deepening our understanding on how CSR evolved and how it is currently thought of and practiced.

This study approaches CSR through a combination of a profound literature review and the addressing of key research questions raised by previous authors – such as use measure and use of relevant variables, estimation technique and sampling. We aim to address fundamental issues in the literature, that have been either understudied or that haven't been properly considered in terms of research design or theoretical foundation. We do so by designing this thesis in a series of four scientific articles.

The stakeholder theory, and in particular the instrumental approach, is the main theory in which this thesis is based. This branch of theory assumes CSR to be a strategic function of organisations, and as such, can be performed under a profit-maximizing rationale. The instrumental stakeholder theory is built under Freeman's (1984) recognition of the need to be aware, attentive of stakeholders and address them accordingly.

The realization of the validity of the implicit social contract between businesses and society (Porter and Kramer, 2006) leads to the awareness that the prospects of both may fortuitously coincide (Chryssides and Kaler, 1996), or in other others, that engaging with society may be somewhat beneficial for the firm. The instrumental approach to the stakeholder theory legitimizes the quest for a reward for firms willing to engage with stakeholders.

As a precondition for an initiative to be considered within the scope of the theory the activities carried out by the firm must be genuine – not public relations or cosmetic (Hull and Rothenberg, 2008) – and beyond the interests of the firm and which is required by law (McWilliams and Siegel, 2001).

Specific issues relating the stakeholder theory with the themes analyzed are explored in detail in each respective section.

The main objectives of this thesis are:

- To perform an extensive literature review of the themes, theories, viewpoints and arguments surrounding corporate social responsibility. We focus on CSR metrics, stakeholder theory, resource-based view of the firm, organizational culture, slack resources theory, neoclassic economics, discretionary issues of top management and corporate reputation.

- To apply a rigorous methodology based on panel data technique, addressing previous researchers' concerns over sampling and use and measurement of variables.

- Provision of an alternative measure of financial performance, brand value, on which CSR's effects can be alternatively perceived, as opposed to the conventional accounting and market-based widely employed;

- Development of a corporate reputation model – establishing reputation as the link between CSR and financial performance – embodying CSR as a multidimensional construct and building on the moderating effect of the interactions between the qualitative areas of CSR and the industry in which a particular firm is more identified with;

- Determination of the variables that influence corporate social performance, with emphasis on organizational culture and testing of the slack resources hypothesis, dedicating the same research effort committed to explaining the influence of CSR on financial performance.

We tested the validity of the instrumental stakeholder theory in Sections 2 and 3. Brand value is used in the first section as the dependent variable, while corporate reputation is employed in the second.

The underlying motive of Section 2 was to measure the impact of CSR on an alternative measure of corporate performance, as opposed to the conventional financial indicator widely tested (see Hillman and Keim, 2001; Orlitzky, Schmidt and Rynes, 2003; Waddock and Graves, 1997). We argue that the integrative nature of brand value (Fan, 2005) could be more sensitive to CSR than those financial indicators.

The sample of the study is composed by the select group of US corporations with the best global brands, as annually published by Interbrand. Based on the instrumental stakeholder theory, we confirm that CSR is a valid source of intangible competitive advantage. It is not used, however, to its full potential, given that CSR has a lesser impact on business performance than the size of the company and market-based indicators of financial performance.

We contend that this undervaluation is due to the nonalignment of CSR initiatives with corporate strategy. The value added of this study in terms of methodology is the successful employment of panel data technique and the introduction of brand value as a measure of corporate performance.

In the following section, we build on the discussion raised in Section 2, that the positive effect of CSR could be first sensed on the reputation of the firm, on its image (Brammer and Pavelin, 2006; Buchholtz, Amason and Rutherford, 1999). Reputation was therefore established as the dependent variable. Under the logic of the instrumental stakeholder theory, CSR initiatives, targeted at key stakeholders would improve corporate reputation and as consequence, financial performance (Fombrun and Shanley, 1990; Turban and Greening, 1997).

We also use the technique of panel data in a sample of 320 American listed companies from 2003 to 2007 to estimate a model of corporate reputation, measured by the Fortune index.

This study proposes that CSR is a key driver of corporate reputation given its potential to foster hard-to-duplicate competitive advantage (Black, Carnes and Richardson, 2000; Brown, 2007; Gardberg and Fombrun, 2006; Roberts and Dowling, 2002). We follow Fombrun and Shanley (1990) argument that reputation, formed by stakeholders' 'cumulative judgements', function as a guarantee that the firm's conduct will follow past behaviour, matching stakeholders expectations. The suggestion of reputation as a source of competitive advantage lies on the ability of the firm to behave and act consistent not only with their past performances but also with the public expectations.

Reputation and CSR are treated as independent constructs, with the second impacting positively on the first (Harrison and Freeman, 1999; Ruf, Muralidhar and Paul, 1998; Turban and Greening, 1997). We propose that reputation is a consequence of a variety of management practices and that CSR engagement is the most effective of these practices in building a sustainable competitive advantage.

This thesis suggests that previous inconclusive researches on this topic were due to misconceptions of CSR and research flaws. Both issues are addressed in this section. The statistical model proposed embodies the multidimensional concept of CSR, presenting a five dimensional construct – employee relations, diversity issues, product issues, community relations, and environmental issues – and interact those with industrial effects. The results indicate that the five dimensions of CSR have a significant impact on corporate reputation and this impact is moderated by the industry of the firm.

The econometric models are gradually estimated in four stages, until the best specification is found. The first includes an aggregated CSR variable; the second introduces

sectoral dummies; the third replaces the aggregated CSR by five primary stakeholders variable; and finally the fourth includes the interactions between the sectoral dummies and five dimensions of CSR.

In Section 4, in a sample of 624 American listed companies from 2001 to 2007, through panel data technique, we test the slack-resources hypothesis. We build on the contradictions between the instrumental stakeholder theory and the slack-resources hypothesis to argue that both concepts are not fully compatible.

The instrumental approach assumes CSR to be strategic and a potential drive of competitive advantage, whereas the slack-resource, albeit in agreement with some of these claims, is contingent upon a previous good financial performance (Seifert, Morris and Bartkus, 2004). The results indicate that prior financial performance, measured as market value-added, impacts positively on corporate social performance (CSP). We perform the same test on five qualitative areas of social performance: product issues, community relations, environmental issues, employee relations and diversity of the work force.

The magnitude of the impacts of financial performance on these areas varies of intensity, which confirms that CSP is essentially of multidimensional nature and must be considered and practiced accordingly. Diversity of the work force was the most salient of the dimensions.

The fifth and final section scrutinizes what variables determine CSP. We build a model of CSP comprising organizational culture, management tenure and financial performance as the explanatory factors of social performance. Our argumentation is based on the depiction of a set of characteristics within organizational culture that would be particularly influential to CSP, the humanistic approach (Maignan, Ferrel and Hult, 1995).

CSP is positively affected by this approach because a humanistic organization tends to develop engaging relations with the organization's stakeholders (Denison and Misra, 1995).

Under the premise that organizational culture surpass personal values and beliefs (Jones, Felps and Brigley, 2007), we also contend that top management absorption of the firm's culture is proportionally related to the time he/she has worked for the company. Assuming that this organization follows a humanistic orientation, management will be constantly stimulated to engage with stakeholders, address their interests and concerns.

A good financial performance (slack-resources), in this sense, will contribute to encourage the organization, through its management, to maintain and reinforce its close ties with stakeholders (Howard-Greville and Hoffman, 2003). The empirical results of this research unequivocally confirm these assertions.

The four sections of this thesis are complementary. In the first section, we carry out mainly an exploratory study to test brand value as an alternative measure of financial performance. Here we made three assumptions that were further developed in the following sections. We asserted that benefits from engagement on CSR may not be directly reflected on financial indicators. Corporate reputation could act as an intermediary link between CSR and superior financial performance. In the Section 3 we developed a broad model of corporate reputation, sustained by arguments raised previously.

Sections 3, 4 and 5 also considered the multidimensionality of CSR that was originally pointed out in the first section. The subsequent models deconstructed CSR into five qualitative areas. This multidimensionality and its interactions with the industry of the firm proved to be a key certifier of the corporate reputation model.

Causality is a major source of concern in the CSR debate. This was identified as a potential issue in Sections 2 and 3. Accordingly, Section 4 concentrated in finding evidence of the bi-directionality of CSR and CFP, through the testing of the slack resources hypothesis.

Section 5 went even further, in a quest to examine what organizational factors determine corporate social performance. As well as confirming the financial performance's

impact, we also unveil the strong effect of a humanistic approach to organizational culture in depicting CSP.

Out of the vast literature researched, we highlight *theoretical contributions* of Carroll (1979), Donaldson and Preston (1995), Freeman (1984), Friedman (1996), Gardberg and Fombrun (2006), Hart (1995), Hatch (1993), Jones (1995), Mitchell et al. (1997) and Wartick and Chochran (1985); *and empirical* of Agle et al. (1999), Griffin and Mahon (1997), Fombrun and Shanley (1990), Hillman and Keim (2001), Margolis and Walsh (2003), McGuire et al. (1988), Orlitzky et al. (2003), Roberts and Dowling (2003) and Waddock and Graves (1997).

In Table I we summarize key issues addressed in each of the following sections.

Table I – Major issues addressed per section

Section	Motives and contributions	Key points	Results and conclusions
2	- CSR literature is excessively focused on conventional financial indicators; - Use of brand may provide another line of study.	- Brand value may capture benefits from CSR engagement unmeasured by currently used financial indicators in research.	- Given the sample, brand value is more sensitive to CSR than market-based performance; - CSR impacts positively on brand value;
3	- Reputation may be the missing link between CSR and CFP; - Build a generalized model of reputation testing CSR's multidimensionality and industry effects; - Address research flaws of previous studies.	- Theoretically associate the concepts of CSR and reputation; - Deconstruct the variable of CSR into its original qualitative areas; - Perform a solid theoretical review of CSR	- CSR is a key driver of corporate reputation; - Industry moderates the impact of CSP on reputation; - Market based indicators are more relevant in reputation assessment than accounting-based
4	- Confirmation of this hypothesis is not fully compatible with stakeholder theory's claims; - Neoclassical economics may not be totally wrong; - Slack resources hypothesis has been understudied.	- CSR is not fully integrated with firm's strategy, culture and structures; - Firms are not fully convinced of the instrumental stakeholder theory claims.	- Confirmation of the stakeholder hypothesis; - Slack resources impact individual dimensions of CSR in different magnitudes; - CSR-CFP enjoy a virtuous cycle
5	- Little research examining what determines CSP; - Organizational culture has not been sufficiently tested on CSP models, despite its agreed influence; - Adapt culture rationale to the CSP literature.	- Creation of a variable based on the humanistic approach to organizational culture; - Translate culture's abstractness into the CSP discussion.	- The humanistic culture variable was successfully constructed using KLD; - Culture, top management tenure and financial performance impact positively on CSP.

1.1. INITIAL CONSIDERATIONS ON METHODOLOGY

As one of the main arguments of this thesis is that inconclusiveness results in previous empirical investigations are due to badly designed researches, we were careful to address previous authors concerns related to estimation method, variables and measures used, and sources of data.

Panel data is the estimation technique used in all four empirical investigations. Panel data provides a robust method to conciliate cross-section and time series integration and enables to control the unobservable heterogeneity (Siegel and Vitalino, 2007; Surroca and Tribó, 2008) in CSR's conceptions. Use of panel data answers calls of previous researchers for the use of a longitudinal analysis (Agle et al., 1999; Fombrun and Shanley, 1990; Seifert et al., 2005; Schnietz and Epstein, 2005) and is consistent with previous research by Berman et al. (1999), Prior et al. (2008), Scholtens and Zhou (2008), Seifert et al. (2004), Siegel and Vitalino (2007) and Surroca and Tribó (2008).

The econometric models in the empirical investigations were initially estimated using fixed effects. The Wooldridge test and the Modified Wald test have detected problems of autocorrelation and heteroskedasticity, respectively. This was corrected using the panel corrected standard errors through a Prais-Winsten regression, following Beck and Katz (1995).

In Sections 2, 3 and 4, additionally to the variables to be presented, the statistical equations include temporal dummies for the period covered in the sample and industry dummies. For the time dummies, we carried out an F test of significance for all specifications that resulted that the dummies contributed to the fitness of the models.

Sectoral dummies were introduced in line with authors' (Gardberg and Fombrun, 2006; McWilliams and Siegel, 2000; Porter and Kramer, 2006; Strike et al., 2006) concerns

over the influence of structural industrial contexts that may determine some of the variables tendencies to a certain result. Accordingly, ten dummy variables for the industrial sector were constructed based on the Data Stream industry classification – INDC3. The industries assigned were: Basic industries, cyclical consumer goods, cyclical services, general industries, information technology, non-cyclical consumer goods, non-cyclical services, resource, financial and utilities (See the Appendix II for a detailed description of the business segments in each industry).

Regarding sources of data, we use KLD database to provide measures of CSR. Throughout the text we interchange the term CSR with CSP. The second refers to the measurement of the first, the way in which CSR is viewed, assessed, or in Woods (1991) words, of actions and outcomes. In this line of reasoning, KLD provides a reliable indicator of CSP. Its methodology in calculating an index based on qualitative areas of CSP fulfils calls of researchers (Backhaus et al., 2002; Hillman and Keim, 2001; Turban and Greening, 1997; Waddock and Graves, 1997) and our own underlying premise which is to consider CSR's multidimensionality in measuring it.

Created by the firm Kinder, Lydenberg and Domini, KLD is amongst the earliest research tools for evaluating CSR performance (Márquez and Fombrun, 2005), being regarded as one of the most well-established assessment agencies.

KLD is a trustworthy source for CSP indicators, and has been extensively used in previous empirical researches (Agle et al. 1999; Berman et al., 2006; David et al., 2007; Godfrey et al., 2009; Hillman and Keim, 2001; Johnson and Greening, 1999; Turban and Greening, 1997; Waddock and Graves, 1997). The reliability of KLD is assured by its broad usage and by the facts that it is a company exclusively dedicated to collecting and assessing CSP. This assures consistency in data collection and analysis (Harrison and Freeman, 1999; Waddock and Graves, 1997).

KLD comprises numerical assessments on thirteen categories. Seven of those relate to social responsibility qualitative issues' areas and the remaining six to engagement in controversial business. For the first set of dimensions, there is a subset of items regarded as strengths and concerns. The rating is a binary system, where 1 indicates the presence of this item and 0 its absence. In line with Hillman and Keim (2001), that considered controversial business as a separate segment, we will not consider its ratings in our research.

Previous researchers have tailored this rating system for their own objectives. We follow the majority of studies (Backhaus et al., 2002; Berman et. al, 1999; Cuesta-Gonzáles et al., 2006; Griffin and Mahon, 1997; Hull and Rothemberg, 2008; Ruf et al., 1998; Turban and Greening, 1997; Waddock and Graves, 1997) that scaled the results from 'strong concern' -2 to 'strong strength' +2. All strengths were added and subtracted to the concerns of each dimension. This process comes up with an overall index for each qualitative area and an overall index.

Considering that we are taking as a premise that CSR is of strategic managerial value in its potential to generate a competitive advantage, our prime objective is on depicting the CSP dimensions that are related to primary stakeholder concerns. In line with Agle et al. (1999), Backhaus et al. (2002), Hillman and Keim (2001) and Waddock and Graves (1997), we considered these items to be community relations, diversity of the work force, employee relations, environmental and product issues. In the Appendix I we detail the description of the KLD ratings relating to the primary stakeholder domains.

The aggregated CSP variable, mentioned in all four sections, is therefore comprised by these five dimensions. In Section 2, the initial variable also included the dimension of human rights and governance, but these were dropped throughout the estimations.

Other sources of data used are Thompson's Data stream, which provides financial information for all four empirical investigations; Interbrand's annual survey of the 'Most

valuable global brands' (Section 2); and 'annual publication of Fortune magazine with the "Most admired US corporations" (Section 3).

In Table II we present previous empirical investigations that have employed the sources of data that we use in our thesis.

Table II – Use of sources of data in previous empirical investigations

Source of data	Empirical investigation
Interbrand (Section 2)	Chu and Keh, 2006; Fehle et al., 2008; Madden et al., 2006; Sotorrio and Sánchez, 2008
Fortune (3)	Berman et al., 1999; Black et al., 2000; Brown, 1997; Cuesta-Gonzáles et al., 2006; Griffin and Mahon, 1997; Fombrun and Riel, 1997; Fombrun and Shanley, 1990; McGuire et al., 1988; McMillan and Joshi, 1997; Preston and O'Bannon, 1997; Roberts and Dowling, 1997; Roberts and Dowling, 2002; Schnietz and Epstein, 2005; Stanwick and Stanwick, 1998; Thomas and Simerly, 1995; Turban and Greening, 1997
KLD (2, 3, 4, 5)	Agle et al. 1999; Backhaus et al., 2002; Berman et al., 1999; Berman et al., 2006; Bird et al., 2007; Cuesta-Gonzáles et al., 2006; David et al., 2007; Godfrey et al., 2009; Griffin and Mahon, 1997; Hillman and Keim, 2001; Hull and Rothenberg, 2008; Johnson and Greening, 1999; McWilliams and Siegel, 2000; Ruf et al., 1998; Schnietz and Epstein, 2005; Scholtens and Zhou, 2008; Siegel and Vitalino, 2007; Strike et al., 2006; Turban and Greening, 1997; Waddock and Graves, 1997

Another major source of concern addressed in this study was the correct employment of variables. We adopted variables that have been previously considered to influence the relationship between CSP and the variable with which it was tested in each section. In Table III we present the variables used in each empirical investigation and previous researches that justify its inclusion in the statistical models.

Table III – Use of related variables in previous empirical investigations

Variable	Empirical investigation
Advertising (Sections 3, 4, 5)	Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; McWilliams and Siegel, 2000; McWilliams and Siegel, 2001; Strike et al., 2006
Research and development (2, 3, 4, 5)	Berrone et al., 2007; Brammer and Millington, 2008; Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; McWilliams and Siegel, 2001; Seifert et al., 2004; Schnietz and Epstein, 2005; Siegel and Vitalino, 2007; Strike et al., 2006
Size (2, 3, 4, 5)	Berman et al., 2006; Brammer and Millington, 2008; David et al., 2007; Godfrey et al., 2009; Griffin and Mahon, 1997; Hillman and Keim, 2001; Hull and Rothenberg, 2008; Johnson and Greening, 1999; Roberts and Dowling, 2002; Saiia et al., 2003; Schnietz and Epstein, 2005; Seifert et al., 2004; Siegel and Vitalino, 2007; Stanwick and Stanwick, 1998; Strike et al., 2006; Surroca and Tribó, 2008; Turban and Greening, 1997; Udayasankar, 2008; Waddock and Graves, 1997
Market-based risk (2, 3, 4, 5)	Black et al., 2000; Brammer and Pavelin, 2006; Fombrun and Shanley, 1990; Hillman and Keim, 2001; McGuire et al., 1988; Orlitzky and Benjamin, 2001; Seifert et al., 2004; Srivastava et al., 1997
Accounting-based risk (3, 4)	Bird et al., 2007; Brammer and Pavelin, 2006; Hull and Rothenberg, 2008; McGuire et al., 1988; Schnietz and Epstein, 2005; Strike et al., 2006; Waddock and Graves, 1997
Market-based performance (2, 3, 4, 5)	Berrone et al., 2007; Bird et al., 2007; Black et al., 2000; David et al., 2007; Fombrun and Shanley, 1990; Hillman and Keim, 2001; Hull and Rothenberg, 2008; McGuire et al., 1988; Roberts and Dowling, 1997; Roberts and Dowling, 2002; Seifert et al., 2004; Siegel and Vitalino, 2007; Srivastava et al., 1997; Surroca and Tribó, 2008; Waddock and Graves; 1997
Accounting-based performance (3, 4)	Berman et al., 1999; Berrone et al., 2007; Buchholtz et al., 1999; David et al., 2007; Deephouse and Ourso, 1997; Fombrun and Shanley, 1990; Griffin and Mahon; Hillman and Keim, 2001; Hull and Rothenberg, 2008; Johnson and Greening, 1999; Preston and O'Bannon, 1997; Roberts and Dowling, 1997; Roberts and Dowling, 2002; Russo and Fouts, 1997; Saiia et al., 2003; Surroca and Tribó, 2008; Turban and Greening, 1997; Waddock and Graves, 1997
Organizational culture (5)	Denison and Misra, 1995; Fey and Denison, 2003; Howard-Grenville and Hoffman, 2003; Maignan et al., 1995; Marcoulides and Heck, 2003; Surroca et al., 2009
Tenure (5)	Thomas and Simerly (1995)

2. EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON BRAND VALUE.

There is a growing consensus that corporate social responsibility (CSR) has crossed the line from being a business jargon to becoming a critical business function. This is demonstrated both in academic circles, with dozens of empirically-based studies and analyses published, and in managerial practice by the rising importance and publicity given to social responsibility issues.

Despite this general recognition, the main characteristic of the CSR concept is the lack of agreement on what it really means (Brammer and Millington, 2008; Valor, 2005; Lantos, 2001; O'Dwyer, 2003). This may be due to the vagueness and intangibility of the term (Frankental, 2001), its ambiguity (Valor, 2005) or simply to the fact that compared to other business functions, CSR's appearance as a legitimate area of inquiry in the mainstream management literature is very recent (Harrison and Freeman, 1999), even "embryonic" (Lantos, 2001).

The fact is that social responsibility has become an "inescapable priority" (Porter and Kramer, 2006) for business leaders. CSR's emergence as a legitimate, even critical endeavour (Gelb and Strawser, 2001) is corroborated by Hull and Rothenberg (2008), Lockett, Moon and Visser (2006), McWilliams, Siegel and Wright (2006), Quazi and O'Brien (2000), Schnietz and Epstein (2005), and practically all the authors cited from the year 2000 on.

This research builds on previous studies on the impact of CSR initiatives/engagement on firm performance. Using brand value as a measure of firm performance, we aim to analyse the select group of US corporations with the most valuable global brands. We argue that brand value gathers in one single variable a range of components and characteristics that are highly sensitive to CSR.

Most previous researches have used CSR in juxtaposition to conventional financial indicators. By using brand value as a measure of corporate performance – with its integrative combination of economic earnings, driving consumer demand and brand strength (reputation, loyalty, market position) – we appraise a new focus on the crucial question of whether CSR pays off or not.

The research methodology consisted of a longitudinal analysis of top US corporations, comprising brand value as the dependent variable in function of CSR and related control variables. Panel data provides a robust technique to control the unobserved heterogeneity of intrinsic perceptions of CSR by corporations.

For measuring brand value, we used the publications of "Best Global Brands" by the consultancy Interbrand, from 2001 to 2003. This was compared to the CSR indicators of KLD and financial information from Thompson World Scope.

This study is fundamentally set within the instrumental stakeholder theory and its analogous approaches (coincidence theory, strategic CSR, enlightened self-interest) all according to social contract justification. CSR is considered to be any activity or investment engaged by a company, oriented at addressing stakeholders' social concerns that is neither mandatory nor required by law. These initiatives, furthermore, would be pursued under the premise that the corporation would be rewarded by its actions. We have appraised CSR as a long-term investment and have constructed our models comparing CSR's effect on brand value over a one-year and two-year lag.

Given the evolving nature of CSR, we have conducted a robust theoretical review in order to consider the issues of CSR conceptualization. A solid appraisal addresses both Schnietz and Epstein's (2005) call for a more profound theoretical foundation and the realization made by Locket et al (2006) that the delineation of the paradigms surrounding CSR is more complex than those of other more typical social sciences.

Accordingly, in addition to the stakeholder theory, the theoretical review encompassed elements of the classical approach to CSR, "business of business is business", with the main arguments being based on the premise that engagement in CSR is damaging not only for the corporations but also for society in general.

We have also noted other authors' concerns over model misspecifications in regards to the use of control variables (McGuire, Sundgreen and Schneewis, 1988; McWilliams and Siegel, 2000; McWilliams and Siegel, 2006; Orlitzky and Benjamin, 2001) and sampling (Schnietz and Epstein, 2005).

The assumption that brand value is suitable as a measure of corporate performance is an underlying premise of this research. This postulation is consistent with Chu and Keh (2006) that stressed the prominence of corporate brand as a corporate performance metric; and with Fehle, Fournier, Madden and Shrider (2008), that asserted that the best brands have hidden values, not priced by conventional asset pricing models.

2.1. Theory and hypothesis

2.1.1. Conceptualizing CSR

Although the term social responsibility may semantically imply an obligation for accountability of some sort, a review of past and present literature does not suggest a consensus of agreement on the matter. Quite on the contrary, both the literature and empirical findings offer arguments and evidence to support contrasting views.

One fundamental perspective coined as the orthodox (Quazi and O'Brien, 2000; Zairi and Peters, 2000) or new-classical approach (Gardiner, Rubbens and Bonfiglioli, 2003; Moir, 2003) was developed by Milton Friedman (1996). He asserted that companies are accountable exclusively to shareholders. Any initiative carried out or cost incurred to address other stakeholders would be counterproductive to business performance (Cannon, 1994; Friedman, 1996; McWilliams and Siegel, 2001; Moneva and Ortas, 2008; Quazi, 2003).

Moreover, companies engaging in CSR would be at a disadvantage in regards to their competitors, since they would be incurring in extra and avoidable costs (Waddock and Graves, 1997). Thus, resources earmarked for CSR initiatives would be more productive or profitable if invested in initiatives to increase the firm's efficiency (McWilliams and Siegel, 2001). From a positional perspective, McGuire et al. (1988) also pointed to the economic disadvantage affecting companies engaging in CSR expenditure as compared to less responsible firms.

This "business of business is business" (Quazi, 2003) approach assumes the basic principle of the classical view of the economy. Via the "invisible hand" mechanism, the pursuit of profit would lead to socially desired outcomes (Lantos, 2001). This quest for profit maximization would not be arbitrary, however. Friedman (1996) indicated that corporations should play by the rules of the game, engaging in free competition without deception or fraud.

The critique of this view came precisely from the realization that this legal framework in which business should operate (Cuesta-Gonzáles, Muñoz-Torres and Fernandez-Izquierdo, 2006) may be highly influenced by the increasing power of corporations. In other words, firms as big and powerful as governments (even more so in several cases) could shape these frameworks to their own advantage (Gardiner et al., 2003).

2.1.2. Social contract argument and instrumental stakeholder theory

This is the point that brings up the ethical or moral duties of corporations. The recognition of a set of moral and ethical rights, unregulated by law, lies at the heart of the current trend in the conceptualization of CSR. In line with these thoughts, McWilliams and Siegel (2001) define CSR as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law".

Most authors also emphasize this aspect of "going beyond legislation". Lantos (2001) argues that ethical CSR is obligatory. O'Dwyer (2003) and Quazi and O'Brian (2000) contend that social responsibility should be practiced irrespective of narrow economic considerations. Porter and Kramer (2006) and Moir (2001) point to the moral appeal and implicit expectations of society that business has a duty to "do the right thing", namely, to act in a responsible manner.

Once a corporation voluntarily accepts some degree of moral/ethical duty – beyond what is legally required – it is recognizing its social nature (Wilson, 2000). Alternatively, it can be argued that the corporation is accepting the validity of the social contract.

The social contract is the basis of the stakeholder theory. Once it is acknowledged that business and society need each other (Porter and Kramer, 2006), the management of the business side of the relationship becomes a crucial aspect of corporate performance. As equal

partners (Lantos, 2001), business and society enjoy a set of rights and have reciprocal responsibilities. This relationship however, is implicit, and not governed by rules or laws.

The objective of CSR, both as an academic branch in business studies and as a managerial tool for practitioners, is to become aware of this relationship and understand how business activity influences society and vice-versa (Freeman, 2001; Lantos, 2001; Quazi, 2003). Freeman (1984) argued in his seminal work disseminating the term stakeholder theory that "systematic attention to stakeholder interests is critical to firm success".

This "coincidence" theory (Chryssides and Kaler, 1996) offers a concrete theoretical basis for corporations to operate, bearing in mind that their decisions will affect societal interests in the same way that societal decisions will affect them (Quazi, 2003). According to this premise, it would not only be logical but also natural for a corporation to take advantage of this implicit contract and undertake initiatives that maximize the "pay back" of society in response to those CSR initiatives engaged in.

This branch of study – called Strategic CSR by Lantos (2001), modern view by Quazi and O'Brien (2000) and instrumental stakeholder theory (Donaldson and Preston, 1995) – considers CSR as a form of investment (McWilliams and Siegel, 2001). This conceptualization implies the recognition of an "optimum" level of CSR. This would be the level at which CSR investment maximises profit, while also satisfying stakeholder demand for CSR.

Following this approach, as well as acting within the logic of ethical/moral behaviour and the social contract, organizations would be performing according to an enlightened self-interest (Porter and Kramer, 2006), calculating the potential benefits of every CSR investment and initiative.

The instrumental approach offers a solid theoretical framework in which corporations can perform CSR activities under the assumption that, through the implicit social contract, they will be somehow rewarded by society.

The advocates of this perspective on CSR seem to agree on this "conceptual compensation". Surroca and Tribó (2008) argue that superior performance will be achieved through stakeholder satisfaction, whereas Lantos (2001) points to a "win-win situation" where investment in CSR will yield a return on investment for business.

Previous empirical and theoretical research singles out the numerous benefits corporations can expect from engaging in CSR activities. Authors are wary, however, of presenting these findings as conclusive.

In regards to consumer purchasing preference and stock market performance, Porter and Kramer (2006) report results as being inconclusive. Freeman (2001) reached the same conclusion pointing out that environmentally-friendly products "have never been big sellers". Ambiguous results (Waddock and Graves, 1997), mixed empirical evidence (Brammer and Millington, 2008), a lack of overwhelming evidence (Frankental, 2001), equivocal evidence (Lantos, 2001) and a dearth of persuasive empirical studies (Schnietz and Epstein, 2005) are some of the other recurrent comments on research results.

There seems to be a general agreement, nevertheless, that this lack of empirical evidence may be due to research methodology issues, presented in the introduction and hereby addressed, as well as the evolving nature of the CSR concept.

2.1.3. Does CSR pay-off?

Although not empirically conclusive, there are persuasive indications that CSR indeed pays off, according to both empirical and theoretical studies.

Most of the argumentation and analysis on the benefits of CSR is focused on the quest for correlations between corporate financial performance (CFP) and CSR, which some authors call corporate social performance (CSP), when used as a macro measure for comparison purposes (Brammer and Millington, 2008; Griffin and Mahon, 1997; Hull and Rothenberg, 2008; Orlitzky, Schmidt and Rynes, 2003; Roberts and Dowling, 2002; Stanwick and Stanwick, 1998; Udayasankar, 2008; Waddock and Graves, 1997).

It is interesting to observe, however, that this financial association is not often directly linked to CSR itself. Financial rewards are most frequently considered a direct consequence of benefits from reputation or image status gained through CSR. McWilliams and Siegel (2001) raised this issue pointing out that support for CSR creates a reputation that a firm is reliable and honest and that consumers will tend to assume that products from such corporations would be of a higher quality than those from companies that do not enjoy this perception. Roberts and Dowling (2002) shared a very similar view, remarking that those corporations perceived to have a good reputation are better able to sustain superior profit outcomes over time.

By this reasoning, brand value, with its integrative approach as measured by Interbrand (2008), may serve as an alternative performance estimator instead of conventional indicators of firm performance. Analysing the features of brands, Fan (2005) regarded corporate brand as the core component of corporate reputation. This is corroborated by Martinez, Polo and Chernatony (2007) that regarded brand strategy as a unique opportunity for corporations to trigger consumer perception.

Hypothesis 1: Corporate social responsibility has a positive impact on brand value.

Reputation seems to be the "missing link" between corporate financial and social performances. Through and by reputation, companies engaging in CSR would be rewarded by their stakeholders and ultimately, in the long run (Moneva and Ortas, 2008; Porter and Kramer, 2006; Roberts and Dowling, 2002; Zairi and Peters, 2000), this would be reflected in superior financial performance.

The potential value creation of CSR is highlighted as one of the most promising benefits of the engagement in social responsibility. This appears to be the macro-argument justifying CSR commitment. According to Berrone, Surroca and Tribó (2007), CSR – through stakeholder satisfaction – would lead to enhanced performance precisely because it is prone to create such intangible assets in terms of image and reputation. It would be these intangible, difficult-to-replicate assets (Branco and Rodrigues, 2006; Hillman and Keim, 2001; Lantos, 2001; Roberts and Dowling, 2002; Schnietz and Epstein, 2005) that would create a kind of competitive advantage that would ultimately lead to an enhanced financial performance.

Another interesting line of reasoning posited on the benefits of CSR is forestalling (Chryssides and Kaler, 1996), or avoiding legislation. Corporations that continuously disregard certain implicit stakeholder claims may be forced to consider them by law (Orlitzky and Benjamin, 2001). In this case, the implicit contract would become explicit regulations governing its activities. This could be damaging for a company both as an obvious financial cost for having violated its social obligations (Porter and Kramer, 2006) and, more seriously, because the corporation may compromise its reputation – hereby regarded as a valuable source of competitive advantage (McGuire et al., 1988; Quazi, 2003).

We hypothesise that CSR engagement, calculated as a proxy of the KLD index, impacts positively on Brand Value – here regarded as a measure of economic earnings, driving consumer demand and brand strength (Interbrand, 2009).

We expect this positive impact to be confirmed between brand value and CSR based on results from previous empirical findings by Gelb and Strawser (2001), McGuire et al. (1988), McWilliams and Siegel (2001), Roberts and Dowling (2002), Schnietz and Epstein (2005), Stanwick and Stanwick (1998) and Waddock and Graves (1997). We hypothesise, however, that the extent and intensity of this effect is not as significant as the competitive advantage generator approach suggest.

The manner in which corporations approach social responsibility does not seem to regard CSR as a critical business function, one that would be embedded in its overall strategy. Hull and Rothenberg (2008) raise an interesting question in support of this view. They argue that CSR tends to be pursued as a response to pressure from stakeholders. In such a context, this reaction would be "neither strategic nor operational but cosmetic". Frankental (2001) also called certain corporate initiatives in social responsibility a "public relations exercise".

Once CSR has not been incorporated into corporate principles and practices (Gardiner et al., 2003; Galan, 2006) its effects on the "bottom-line" will be below its value-driven potential. Accordingly, in order to be maximized, CSR needs to be embedded into the corporation's strategy and taken into account within strategy formulation (Cuesta-Gonzáles et al., 2006; Porter and Kramer, 2006; Valor, 2005).

We hypothesise that because of the incipient integration of CSR into corporate strategy, its impact on brand value is weaker than conventional market-based indicators of performance.

Hypothesis 2: The impact of market-based performance on brand value is more significant than that of corporate social responsibility.

Applying the same logic as Hypothesis 2, we propose that the size of the corporation, here measured as the firm's total assets, is also more significant than CSR in terms of its

positive impact on brand value. This also occurs as a consequence of the superficial influence of CSR issues on corporate strategy formulation.

According to the perspective developed here, the fact that financially successful corporations have resources is not a reason in itself to incur in CSR. Hillman and Keim (2001) raised this issue questioning whether the "slack resources" approach justifies CSR initiatives. Considering the premise of the instrumental stakeholder theory, the answer would be that it does not.

In an empirically-based research, Udayasankar (2008) concluded that the bigger the corporation (also measured in terms of total revenue), the bigger its motivational base for CSR participation. Stanwick and Stanwick (1998) and Brammer and Pavelin (2006) make a similar interpretation of the size variable. They argue that because large corporations tend to receive more public attention, they are more prone to engage in CSR, even if this is to avoid public scrutiny or compromising its image.

This view is corroborated by Waddock and Graves (1997), that point to empirical evidence indicating that larger firms tend to be more active in social responsibility initiatives than smaller ones.

Hypothesis 3: The impact of the size of the corporation on brand value is more significant than that of corporate social responsibility.

2.2. Methodology

2.2.1. Sample and Sources of Data

For measuring brand value, we have used the "Best Global Brands" report, elaborated by the consultancy firm Interbrand and published annually by the Financial Times. According to Fehle et al. (2008), Interbrand's publication rates as the best-known source of brand values, with a methodology that is widely accepted in the business community. The combination of Interbrand and CSR analysis is relatively rare, although it has been used before (see Fehle et al., 2008; Madden, Fehle and Fournier, 2006, Sotorrio and Sanchez, 2008).

Interbrand's methodology for assessing brand value encompasses three elements: financial strength, importance in driving consumer selection, and the likelihood of generating brand revenue. As basic premises for inclusion in the publication, a brand needs to be global (with at least one-third of its revenues generated outside its country of origin) and there must be substantial publicly-available financial data on it (Interbrand, 2009).

For measuring CSR, we have used the KLD database (see Section 1.1 for a detailed account of this source of data).

The original sample consisted of 56 brands owned by US-based corporations that were listed in at least one of the Interbrand publications from 2001 to 2003. The sample was selected on the basis of data availability and access to the databases was restricted to these years.

Finally, we ran a cross analysis between these 56 corporations and the Worldscope and KLD databases. This resulted in a total of 47 corporations and 156 observations for Models 01 and 02 (one-year lag) and 48 corporations with 188 observations for Models 03 and 04 (two-year lag). See Appendix III for a list of corporations encompassed in our sample. Considering the specificity of the population studied, we consider our sample significant and in line with previous research based on the Interbrand tool combined with social

responsibility (Madden et al., 2006, Sotorrio and Sanchez, 2008; Fehle et al., 2008) and Interbrand alone (Chu and Keh, 2006).

2.2.2. Dependent, independent and control variables

Brand value is the dependent variable in all models. For hypothesis one, CSR is the independent, whereas market value added (MVA) and size are the independent for hypothesis 2 and three, respectively. We adopt control variables based on their potential impact on brand value assessment and on the prior research analysed.

For measuring financial performance, some authors differ on whether to use accounting-based or market-based indicators (Roberts and Dowling, 2002; Surroca and Tribó, 2008; Waddock and Graves, 1997). Due to data availability, we are using MVA (market value added) as the market-based indicator. It is calculated as the market evaluation of the company minus the capital invested in it (Berrone et al., 2007). The adoption of this variable is in line with Berrone et al. (2007), Hillman and Keim (2001), Hull and Rothenberg (2008), McGuire et al. (1988), Roberts and Dowling (2002), Surroca and Tribó (2008) and Waddock and Graves (1997).

For measuring *company size*, authors diverge on which parameter to use. Some (Hillman and Keim, 2001; Brammer and Millington, 2008; Stanwick and Stanwick, 1998; Schnietz and Epstein, 2005) use total revenue; others, total assets (Berman, Phillips and Wicks, 2006; Griffin and Mahon, 1997; Hull and Rothenberg, 2008; Roberts and Dowling, 2002) and a few, fixed assets (Surroca and Tribó, 2008). Waddock and Graves (1997), for instance, use both total revenue and total assets. Given that total assets presented no missing values in our sample, whereas total revenue had three, we will consider the former as the measure of size.

Risk is another value that authors consider to influence CSR. Some authors calculate risk as a ratio of the firm's total debt to total assets (Hull and Rothenberg, 2008; Schnietz and Epstein, 2005) or long-term debt to total assets (Waddock and Graves, 1997). Because our model includes a market-based indicator, we have followed McGuire et al. (1988), Hillman and Keim (2001) and Brammer and Pavelin (2006) that considered risk using *beta*.

Recent researchers into CSR also control for *research and development investment*. This arose from the realization that investment in CSR promotes product differentiation (McWilliams and Siegel, 2000) and that there is strong evidence that a growing number of consumers value CSR attributes aggregated into a product (McWilliams and Siegel, 2001). In terms of measurement, we will use a ratio of R&D, calculated by dividing total expenditure in R&D by total assets. This is consistent with Berrone et al. (2007), Brammer and Millington (2008), McWilliams and Siegel (2001) and Schnietz and Epstein (2005).

Considering that our sample consists of corporations from different business segments, we have applied the remarks made by Berrone et al. (2007), Griffin and Mahon (1997) and Roberts and Dowling (2002) on cross-sectional research. These authors argue that some measures – in their particular case they referred to ROA – are subjected to specific contexts within an industry. They argue that if their values are used without adjustments, they may conceal critical information. Regarding ROA, Berrone et al. (2007), for example, calculated a proxy of the measure from each individual company based on the industry average.

In the case of our research, in order to avoid biased measures we have adjusted the value of risk and R&D intensity. The technique for adjusting the values was similar to the one used by Berrone et al. (2007).

2.2.3. Addressing certain research issues

Recent CSR studies have identified a potential causality issue in the correlations of CSR and CFP. Branco and Rodrigues (2006), Hillman and Keim (2001) and McGuire et al. (1988) found evidence supporting a two-fold proposition, whereby social performance leads to improved financial performance and that better financial performance leads to social performance. In an analysis of current trends in CSR research, McWilliams and Siegel (2006) even suggested that future research should explore the causality issue in depth.

To avoid falling into a causality bias, we have employed a lag for the brand value variable when contrasted with the other variables. Brand value, therefore, will always correspond to financial information and CSR measures from the preceding year. The lagging of brand value will also benefit a more effective correlative measure with CSR, given the potential inertia inherent to ethical issues (Berrone et al., 2007) and brand evaluation (Chu and Keh, 2006).

Additionally, we consider that there is an implicit understanding that CSR is a long-term investment. This is corroborated by the notion of CSR as a source of competitive advantage and an intangible asset. Although this is not explicit in most researches, this argument is directly mentioned by Branco and Rodrigues (2006), Moneva and Ortas (2008) and Zairi and Peters (2000). We have therefore analysed this longer term impact in Models 03 and 04 using a two-year lag on brand value.

The econometric models of this study were estimated using the technique of panel data (See Section 1.1 for a detailed account of the use of panel data).

2.3. Results

Table I reports regression results for Models 01, 02, 03 and 04. All models were significant at a 99% level of confidence. The equations for the four models can be expressed as: a) for Models 1 and 2; and b) for Models 3 and 4.

$$a)\ BRAND = \beta_0 + \beta_1 CSR_{it-1} + \beta_2 MVA_{it-1} + \beta_3 SIZE_{it-1} + \beta_4 RISK_{it-1} + \beta_5 R\&D_{it-1} + \alpha_i + u_{it}$$

$$b)\ BRAND = \beta_0 + \beta_1 CSR_{it-2} + \beta_2 MVA_{it-2} + \beta_3 SIZE_{it-2} + \beta_4 RISK_{it-2} + \beta_5 R\&D_{it-2} + \alpha_i + u_{it}$$

TABLE I – Regression Results

	Model 01[a]	Model 02[b]	Model 03[c]	Model 04[d]
Number of observations	156	156	188	188
Number of groups (companies)	47	47	48	48
R-square	0.2354	0.2523	0.2534	0.2722
Wald chi2 (Prob > chi2)	53.49***	58.99***	51.76***	55.13***
Standardized coefficients				
CSR	0.1011	0.1356**	0.1530**	0.1775***
SIZE	0.3397***	0.3335***	0.2885***	0.2785***
MVA	0.2721***	0.2899***	0.2758***	0.2906***
RES_DEV	-0.1486***	-0.1606***	-0.1097***	-0.1207***
RISK	-0.0505	-0.0512	-0.0395**	-0.0357*
_CONS	-0.0379	-0.0023	-0.0385	-0. 0366

[a] one year lag on brand value and KLD with all seven qualitative areas.
[a] one year lag on brand value and adjusted KLD – qualitative areas of COM, ENV, DIV, EMP and PRO.
[c] two years lag on brand value and KLD with all seven qualitative areas.
[d] two years lag on brand value and adjusted KLD – qualitative areas of COM, ENV, DIV, EMP and PRO.
*p<0.10; **p<0.05; ***p<0.01.

Initial results from Model 01 didn't confirm H1, as individually, CSR was not significant. Although Model 03 with the same variable and two years lag did provide a significant coefficient of CSR at 95%, this initial result triggered the adoption of a refinement on the variable CSR. Consistent with Berman et al. (2006), Brammer and Pavelin (2006), Griffin and Mahon (1997), Hillman and Keim (2001) and Waddock and Graves (1997) we have combined the dimensions of community relations (COM), product issues (PRO), employee relations (EMP), diversity of the work force (DIV) and environmental issues (ENV)

in a new CSR variable. This set of variables is considered by these authors as the ones that best represent the primary stakeholder domain of CSR.

Accordingly, Models 02 and 04 (with the adjusted CSR) provided a better fit than Models 01 and 03. The Model 04 in particular – with two years lag on brand value and the refined CSR – appeared as the most robust of all four models. Its R-square of 0.2722 is the highest and four of the five variables, including CSR, were individually significant at 99%. The level of impact of each variable in the equation is also consistent with the hypothesis, MVA being the most relevant, followed by size and CSR.

Table II shows descriptive statistics and correlations between variables in the Model 03. Initial results did not prove to be consistent with hypothesis one, as there was no correlation between brand value and CSR. As for the other hypothesis, brand value did come out as significant at 99% with market based performance (H2) and size (H3).

The correlation's matrix in Table III – with the adjusted model – fully supports H1. Brand value is significantly correlated with CSR (at 95%). MVA's correlation with brand value was 0.4985, which is significantly higher than that of CSR (0.1533). This supports H2 and the fact that MVA's correlation was stronger than that of CSR confirmed our assumption that, though significant, CSR's impact on brand value is weaker than conventional financial indicators, in this case MVA.

H3 was also confirmed by the results. We expected the variable size to have a positive correlation with brand value with a higher magnitude than that of CSR. It scored 0.2968 as opposed to 0.1533 for CSR.

TABLE II – Descriptive statistics and correlation matrix of Model 03[a]

	Mean	SD	BrandValue	CSR	SIZE	MVA	R&D	RISK
BrandValue (E + 07)	1.48	1.64	1.0000					
CSR	1.55	3.51	0.0958	1.0000				
SIZE (E + 07)	4.95	9.75	0.2968***	-0.2063***	1.0000			
MVA (E + 07)	5.71	8.76	0.4985***	-0.0674	0.1906**	1.0000		
R&D	0.48	1.25	-0.0460	0.0256	0.0009	0.3421***	1.0000	
RISK	1.25	3.27	-0.0683	0.0418	-0.0486	-0.0973	0.0036	1.0000

[a]n=182. All variables are in their original scale   *p<0.10; **p<0.05; ***p<0.01

TABLE III – Descriptive statistics and correlation matrix for Model 04[a]

	Mean	SD	BrandValue	CSR	SIZE	MVA	R&D	RISK
BrandValue (E + 07)	1.48	1.65	1.000					
CSR	2.62	3.18	0.1553**	1.000				
SIZE (E + 07)	4.95	9.75	0.2968***	-0.1485**	1.000			
MVA (E + 07)	5.71	8.76	0.4985***	0.0344	0.1906**	1.000		
R&D	0.48	1.25	-0.0461	0.0594	-0.0321	0.3421***	1.000	
RISK	1.25	3.27	-0.0683	0.0369	-0.0302	-0.0973	0.0036	1.000

[a]n=182. All variables are in their original scale. Variable CSR with adjusted KLD - areas of COM, ENV, DIV, EMP and PRO   *p<0.10; **p<0.05; ***p<0.0

By employing brand value as the dependent variable instead of conventional performance indicators, we also intrinsically assumed that, for this sample of corporations, brand value is more responsive to CSR than MVA. We re-estimated Models 03 and 04 with MVA and brand value as the dependent variables (thus excluding the other in the model), so we could compare the behaviour of the R-squares and overall significance of the models. Results in Table IV confirm that brand value is more responsive to CSR than MVA. The R-square from the models with brand value as the dependent variable were twice as those with MVA. Moreover, the models with MVA as the dependent variable were significant only at 90%, while those with brand-value were significant at 99%.

TABLE IV – Comparison between models with brand value and MVA as dependent variables

Dependent variable / Parameters to compare	Model 03[a]		Model 04[b]	
	BRAND	MVA	BRAND	MVA
R-square	0.0930	0.0421	0.0963	0.0406
Wald chi2 (Prob > chi2)	34.34***	8.22*	34.44***	7.88*
Individual P-value of CSR (P > | z |)	0.167	0.144	0.112	0.191

[a] two-year lag on brand value and KLD with all seven qualitative areas
[b] two-year lag on brand value and adjusted KLD – qualitative areas of COM, ENV, DIV, EMP and PRO
*p<0.10; **p<0.05; ***p<0.01

2.4. Discussion and conclusion

The main purpose of our research was to provide empirical evidence to verify the effects of CSR on corporate performance. We have sought to do this by introducing brand value as the dependent variable, as opposed to conventional financial indicators. Our results confirmed that given our sample, brand value is more sensitive to CSR than a market-based performance indicator (market value added).

Although CSR had to be broken down and reconstructed using five of its original qualitative areas, the results provide strong evidence supporting our three hypotheses. CSR impacts positively on brand value. This impact however, is of a lesser magnitude than those of size and market-based performance.

Our research brings to light a critical evaluation of the use of CSR as a multidimensional variable. When CSR is used as an aggregated variable combining all seven qualitative areas in one construct, the econometric model was not significant. Sholtens and Zhou (2008) have already pointed out that these seven themes are all of a very different nature. Other authors (Hillman and Keim, 2001; Waddock and Graves, 1997) have combined variables in a set of groups, which is what solved our initial non-significant results.

Our research assists practitioners through the provision of empirical indications that CSR pays off. The results also indicate that market-based performance and the size of the corporation have a more significant impact on brand value than CSR. This was hypothesised and found to be in line with the critiques of the current application of CSR initiatives and investment. This suggests that when optimally used, CSR's potential contribution to brand value can be maximized.

In terms of academic contribution, our research has successfully used brand value as a measure of financial performance. We have also estimated our model with panel data techniques that are more capable than an OLS regression of controlling the heterogeneity

inherent to issues of CSR conceptualization. The regressions confirm the contention of CSR as a long-term investment, as the models with a two-year lag on brand value were significantly more robust than the one with a one-year lag.

Our research also complements the numerous efforts made by researchers both to provide practitioners with the evidence that CSR impacts positively on firm performance and to supply them with an objective framework in which they can operate.

3. CORPORATE REPUTATION: A COMBINATION OF MULTIDIMENSIONAL DOMAINS OF SOCIAL RESPONSIBILITY MODERATED BY INDUSTRY LEVEL EFFECTS.

It is undisputed that corporate social responsibility (CSR) has achieved a prominent place in management practice and in the academic arena. When confronted as a potential means – in its most precious form of an intangible hard-to-copy asset – to the end of improved corporate reputation, CSR has triggered vast interest and publicity from practitioners to scholars.

Since Milton Friedman's "provocative" article in 1970 (Friedman, 1970), numerous studies have tried to disprove (the majority) or prove him right. Research effort on CSR and reputation has been both conceptual (Carroll, 1979; Donaldson and Preston, 1995; Freeman, 1984; Gardberg and Fombrun, 2006; Hart, 1995; Jones, 1995; Mitchell, Agle and Wood, 1997; Wartick and Chochran, 1985) and empirical (Griffin and Mahon, 1997; Fombrun and Shanley, 1990; Hillman and Keim, 2001; McGuire, Sundgreen and Schneewis, 1988; Roberts and Dowling, 2003; Waddock and Graves, 1997).

To date, evidence that CSR impacts on business results – whether its through reputation building, financial performance or other means – has been labelled as equivocal (Berman, Phillips and Wicks, 2006; Schnietz and Epstein, 2005), contradictory (Griffin and Mahon, 1997) and inconclusive (Backhaus, Stone and Heiner, 2002; Hillman and Keim, 2001; Porter and Kramer, 2006). This lack of a consensus can be originated in the fact that CSR has emerged in the management literature very recently (Lantos, 2001; McWilliams, Siegel and Wright, 2006; Windsor, 2006) and/or that research has been badly designed (Bird, Hall, Momente and Reggiani, 2007; Brown and Perry, 1994; Orlitzky and Benjamin, 2001; Rowley and Berman, 2000; Schnietz and Epstein, 2005).

Our work aims at addressing the misspecifications on research design to develop a framework on corporate reputation, highlighting the valuable role of CSR in reputation building. We propose a model remedying five potential sources of research flaws.

First, we regard reputation as the consequence of CSR. There is very little empirical work studying the effects of CSR on reputation (for exceptions see Brammer and Pavelin, 2006; Turban and Greening, 1997). In some related studies, the construct of CSR doesn't encompass its multidimensional nature (Fombrun and Shanley, 1990; Roberts and Dowling, 2002). Most usually, perceptual reputation – either as overall reputation or specifically reputation for social responsibility – is used as a measure of CSR (Griffin and Mahon, 1997 – in this case combined with others; McGuire et al., 1988; Schnietz and Epstein, 2005; Stanwick and Stanwick, 1998). In either case, the measure is perceptual and there are indications that the overall reputation is highly correlated with reputation for social responsibility (Griffin and Mahon, 1997).

This study considers reputation and CSR as separate and independent constructs (Harrison and Freeman, 1999; Turban and Greening, 1997; Ruf, Muralidhar and Paul, 1998). We argue that, in an econometric or conceptual model, CSR is a significant variable impacting positively on reputation. In this sense, CSR can only perform its role of competitive advantage creation (Roberts and Dowling, 2002; Russo and Fouts, 1997; Turban and Greening, 1997) once it is fully embedded on the corporate reputation.

Second, we present CSR as a strategic business function. We will appraise the rationale of contrasting views of the use of CSR. Our argumentation is based on the compatibility of engagement in social responsibility under distinct views of the firm, ranging from its notion of purely social to a purely economic entity. In line with McWilliams and Siegel (2006) we contend that there is an ideal level of CSR to each firm. This level depends on specific requirements from the competitive environment of the firm (industry to which it

belongs) and must be addressed accordingly, through actions and policies targeted on particular dimensions of CSR.

Thirdly, CSR is deconstructed in its structural parts. We are consistent with Bird et al. (2007) and Rowley and Berman (2000) that considered inadequate and misleading to gather in one single measure attributes that are fundamentally independent. Accordingly, CSR is viewed as a multidimensional construct including: employee relations, diversity issues, product issues, community relations, and environmental issues.

Fourth, we build on recent research in reputation and CSR that views the industry level effects as a determinant of corporate behaviour and performance (Brammer and Pavelin, 2005; Gardberg and Fombrun, 2006; McWilliams and Siegel, 2000; Porter and Kramer, 2002).

Fifth, we have built our model taking into consideration the most relevant control variables raised from previous empirical studies that influence reputation and CSR. We have estimated this model using panel data technique which controls for the corporations' heterogeneity in reputation and CSR rationale; and enables a multidimensional combination of cross-section and time-series relations. Our sample comprises 320 public listed American corporations with data from the period of 2003 to 2007. The model has been gradually estimated as follows: 1) CSR is used as an aggregate measure without taking into consideration industry effects; 2) CSR is broken down into five parts still with no industry effect consideration; 3) We introduce dummies for industry effects on the aggregate measure of CSR; 4) And finally we estimate the model interacting the five constructs of CSR and dummies of industry sectors.

In Table I we present previous empirical studies that included some kind of measure of reputation and CSR either as a dependent or independent variable.

TABLE I – Previous empirical studies based on reputation and or corporate social performance

Authors	Dependent variable and source of measure	Independent variable and source of measure	Treatment of industry effects	Control variables
Agle et al. (1999)	Stakeholder salience	*CSP 5 dimensions aggregated + dimensions individually – KLD database	Normalized Roa to industry level	Roa
Backhaus et al. (2002)	Company's attractiveness as employer (qualitative research)	CSP 5 dimensions aggregated + dimensions individually – KLD		
Berman et al. (1999)	Financial performance (ROA)	CSP 5 dimensions individually – KLD	Normalized environmental variables	Roa, selling intensity, capital int., environmental-structural variables
Berrone et al. (2007)	Financial performance (then inverts with independent)	CSP as aggregate measure (then inverts with dependent) – Osiris database	Controlled for industry and adds sector dummies	Roa, mva, size (sales), risk (beta), R&D, marketing controversies
Bird et al. (2007)	Financial performance (market returns)	CSP 5 dimensions individually – KLD		Risk, market-to-book ratio, leverage (debt/assets)
Black et al. (2000)	**Reputation (aggregate measure) – Fortune "Most admired companies"	Market value of equity		Roa, size (sales), risk (beta), market-to-book value, sales growth
Brammer and Millington (2008)	Financial performance	CSP measured by charity donations		Size, R&D, advertising
Brammer and Pavelin (2006)	Reputation (aggregate measure) – Management Today research	CSP 5 dimensions aggregated + dimensions individually – Osiris	Added dummies for industries	Roa, size (assets), risk (debt/assets), advertising, R&D, institutional ownership
Brown (2007)	Financial performance	***CSP as reputation for CSR – Fortune		
Buchholtz et al. (1999)	Philanthropy	Roa, size	Added one dummy to control industry difference	Roa, size (sales)
Fombrun and Shanley (1990)	Reputation (aggregate measure) – Fortune	CSP measured by charity foundation – Taft database	Normalized variables to sector averages (2 digit SIC codes)	Roa, size, (sales), risk (beta), advertising, inst. ownership, visibility, diversification, market-to-book ratio
Griffin and Mahon (1997)	Financial performance	CSP measured by: reputation as aggregate measure, CSR aggregate measure,	Used one industry	Roa, size (assets)

		philanthropy and pollution indexes – Fortune, KLD and Taft		
Hillman and Keim (2001)	Financial performance (MVA)	CSP 5 dimensions aggregated and individually + 3 dimensions as social issues – KLD	Added dummy for industry (2 digit SIC codes)	Roa, mva, size (sales), risk (beta), roe
Hull and Rothemberg (2008)	Financial performance	CSP measured by the aggregate of 8 dimensions – KLD	Added dummy for industry (SIC code)	Roa, size (assets), risk (debt/assets), R&D
McGuire et al. (1988)	CSP (aggregate measure of reputation) – Fortune	Financial performance		Roa, size (assets), risk (beta and debt/assets), alpha, sales growth, return
Roberts and Dowling (1997)	Superior performance	Reputation (aggregate measure) – Fortune	Adjust to industry's mean	Mva, size
Roberts and Dowling (2002)	Superior performance	Reputation (aggregate measure) – Fortune	Normalized variables to industry level	Roa, size (sales) , market-to-book value
Russo and Fouts (1997)	Financial performance (ROA)	Environmental performance	Moderated by industry growth	Roa, size (sales), advertising, firm growth, capital intensity
Schnietz and Epstein (2005)	Superior returns	CSP as reputation for CSR and presence in the Domini index – Fortune, KLD	Added a dummy for belonging to a responsible industry	Roa, size (sales), risk (debt/assets), advertising, R&D, internationalization
Scholtens and Zhou (2008)	Financial return / risk	CSP 8 dimensions individually presence in the Domini index – KLD		
Srivastava et al. (1997)	Reputation (aggregate measure) – Fortune	Risk		Risk (beta)
Stanwick and Stanwick (1998)	CSP (aggregate measure of reputation) – Fortune	Environmental performance, size and roa – Toxic release inventory		Roa, size
Turban and Greening (1997)	Reputation and attractiveness as an employer (qualitative measures) – Fortune	CSP 5 dimensions individually – KLD		Roa, size (assets)
Waddock and Graves (1997)	Financial performance (then inverts with independent)	CSP 5 dimensions aggregated (then inverts with dependent) – KLD	Added dummy for industry (SIC code)	Roa, size (sales and assets), risk (debt/assets), ros, roe, no employees

*5 dimensions of CSP are usually: community, environment, diversity issues, employee relations and product issues. **Aggregate measure of reputation means that the final construct is a combination of several sub-constructs.   ***CSP as reputation for CSR means that CSR is measured by one of the sub-constructs of the overall measure of reputation

3.1. Theory and hypothesis

3.1.1. Reputation as a consequence of CSR engagement

There is little controversy that reputation is a precious intangible asset (Branco and Rodrigues, 2006; Fombrun and Riel, 1997). Reputation is viewed as a solution for asymmetric information regarding firms. When faced with lack of information on a product or on a firm's initiative, stakeholders rely on the firm's reputation to judge its products or its intentions (Schnietz and Epstein, 2005).

The collective information that stakeholders screen in face of uncertainty was called "cumulative judgments" by Fombrun and Shanley (1990). They argue that reputation works as a signal to the public that constantly reminds them of the firm's key characteristics. It also serves as a guarantee (Sabate and Puente, 2003.b.). Given that the public scan and choose a firm based on its past behaviour and action, it is expected that the same firm behaves and acts accordingly (Fombrun and Riel, 1997). The suggestion of reputation as a source of competitive advantage lies on the ability of the firm to behave and act consistent not only with their past performances but also with the public expectations.

The benefits driven by accrued positive reputation represent a potential path to sustained competitive advantage (Black, Carnes and Richardson, 2000; Branco and Rodrigues, 2003; Fan, 2005; Fombrun and Shanley, 1990; Orlitzky, Schmidt and Rynes, 2003). Given its nature, reputation is observed in its intangible form (Brown, 1997; Gardberg and Fombrun, 2006; Roberts and Dowling, 2002), which is the most valuable, considering it is hard-to-duplicate/imitate (Drejer, 2000).

The notion that a good reputation is rewarded by stakeholders has been analysed under different angles. Sabate and Puente (2003.a.) focused on a generalized view, arguing about the attractiveness of good reputation by "resource holders". They would be drawn not only by the

past information embedded on a reputation, but also for the warranty this represents in a future transaction.

A more specific relationship is the one with customers and employees. Focus on customer benefits assume that they value being associated with high-reputation firms (Berman, Wicks, Kotha and Jones, 1999; McGuire et al., 1988; Roberts and Dowling, 2002). Reputation can also serve as a magnet to attract and retain talent. Corporations that are known for having human resource practices oriented at employees' well-being can at the same time, improve its ability to recruit (Schnietz and Epstein, 2005; Turban and Greening, 1997), improve employees' moral and productivity (Backhaus et al., 2002; McWilliams and Siegel, 2001; Stanwick and Stanwick, 1998; Waddock and Graves, 1997), lower turnover and absenteeism (Berman et al., 1999) and have a more compliant work force (Frankental, 2001), working harder or for a lower remuneration (Branco and Rodrigues, 2002).

These two areas – employee relation and product – are considered to be within the spectrum of the CSR concept. We propose that reputation is a consequence of a variety of management practices and behaviour; and that CSR engagement – proposed as a multidimensional construct – is the most effective of these practices in building a sustainable competitive advantage. One of the main theses of our work is that strategic CSR leads to good reputation (Brammer and Pavelin, 2006; Turban and Greening, 1997).

Reputation is used by many companies to justify CSR initiatives on the grounds that they will improve a company's image and strengthen its brand (Porter and Kramer, 2006). We argue, therefore, that CSR's remarks on competitive advantage are also valid for reputation, since a good reputation would be, in a large part, a result of active engagement in CSR.

3.1.2. Corporate social responsibility: contrasting views and state of the question

There is a vast literature supporting CSR as a source of competitive advantage (Berrone, Surroca and Tribó, 2007; Gardberg and Fombrun, 2006; Jones, 1995; McGuire et al., 1988; Porter and Kramer, 2006; Russo and Fouts, 1997). According to McWilliams and Siegel (2001), support of CSR initiatives leads to the perception that a firm is reliable and honest. This is not, however, a resolved matter.

Critique of social responsibility has been centred on the lack of evidence that it impacts positively on business performance (Backhaus et al., 2002; Berman et al., 2006, Griffin and Mahon, 1997) and on Friedman's claim that shareholder is the one and only stakeholder (Cuesta-Gonzáles, Muñoz-Torres and Fernandez-Izquierdo, 2006; Friedman, 1970; Moneva and Ortas, 2008; Quazi and O'Brien; 2000). Since we argued that the lack of evidence may be resolved with a more robust research design, we focus on the critiques derived from the neoclassic or economic view of the firm (Bowen, 2007; Windsor, 2006)

Friedman's (1970) arguments against CSR target three main areas: political legitimacy, managerial self-interest and business sense-making. Regarding legitimacy, he argued that governmental functions – "imposition of taxes and the expenditure of tax proceeds" - were exclusive responsibilities of governments. Commenting on this assertion, Jones (1999) maintains that management would have no right to act in any other way which isn't related to increasing shareholder value, as it would 'constitute a violation of management's legal, moral and fiduciary responsibilities'. Most authors build on this similar viewpoint, which regards CSR 'expenditures', in rough words, as a waste of shareholder's money (Joyner and Payne, 2002; McWilliams and Siegel, 2001; Moneva and Ortas, 2008).

The question of political legitimacy seems to be more related to the managers' decision to invest or not invest – in CSR – than to a deeper intellectual assertion of a conflict of business/government role in society or the invisible hand leading individual interest's quest

into public good (Moir, 2001). There is an interesting branch of study that focuses specifically on self-interest and discretionary issues of corporate managers leading to agency problems (Berman et al., 2006; Frankforter, Berman and Jones, 2000; Jones, 1995; McWilliams et al., 2006; Prior, Surroca and Tribó, 2006). The main argument of this viewpoint is that managers can engage in social responsibility simply as a means of promoting themselves, by an egoistic motivation to increase their own wellbeing, as opposed to that of the corporation (Handelman and Arnold, 1999).

In terms of business sense-making, Friedman (1996) stated that once corporations 'played by the rules of the game', the only social responsibility they would have was 'to engage in activities designed to increase its profit'. Under this reasoning, companies engaging in CSR would be harming themselves, because they would be incurring in costs that its competitors wouldn't be (Quazi and O'Brien, 2000; McGuire et al., 1988; Waddock and Graves, 1997; Windsor, 2006); and society as a whole, since it would be diverting resources from the activities it performs better – wealth and profit creation – to one that they are not prepared to manage (Cannon, 1994; Shaw and Barry, 1992). The followers of the classical view of the firm justify its profit-seeking behaviour with the conviction that the economic nature of the firm surpasses its social status (Wilson, 2000).

Under the light of evidence that investing in social issues can bring benefit to shareholders, the CSR "deniers", would have no problem in supporting CSR (Jones, Felps and Bigley, 2007). Companies turn into honest, ethical and CSR activists because they expect a return from this behaviour (Jones, 1995). This is pure business sense-making as contended by Friedman (1996).

Engagement in CSR has been thoroughly analyzed since the 1970s (see Carroll, 1979). In the 1980s – more specifically after the publication of Edward Freeman's seminal book disseminating the term stakeholders (Freeman, 1984) – CSR has become an important branch

of management study (Harrison and Freeman, 1999). The concept of stakeholder theory and in subsequent years, the addition of the instrumental component (Donaldson and Preston, 1995), provided practioneers and scholars with a scientific framework in which CSR could be practiced, theorized and in which it could evolve.

The instrumental stakeholder theory came as a consequence of the recognition of the implicit social contract between business and society. The social contract recognizes business and society as equal partners (Lantos, 2001; Porter and Kramer, 2006). The realization that stakeholders affect a firm's objectives in the same way that the firm's performance is affected by stakeholders (Berman et al., 1999; Brammer and Millington, 2008; Handelman and Arnold, 1999; Joyner and Payne, 2002; Mitchell et al., 1997) might mistakenly be interpreted as an ordinary common sense. This is in fact, the deeper foundation of this theory. The instrumental part of the theory deals with the ways in which the corporation can manage its relationship with its various stakeholders and in the design of a strategy wherein this relationship can ultimately benefit business performance (Backhaus et al., 2006; Berman et al., 2006; Donaldson and Preston, 1995; Jones, 1995).

Under the lights of an instrumental approach, the social contract legitimizes the quest of a reward for good behaviour and for being attentive to stakeholders. It then discards actions solely based on altruistic intention (Lantos, 2001; Saiia, Carroll and Buchholtz, 2003). Philanthropy is a good example that demonstrates the premise of reward. It can only be justified if it is strategically used to improve business performance (Buchholtz, Amason and Rutherford, 1999). The concept of an 'enlighted self-interest' (Chryssides and Kaler, 1996; Porter and Kramer, 2006) is a central principle of the theory.

Instrumental stakeholder theory is mainly concerned in assessing key stakeholders' interests and ways in which corporations can benefit from taking notice and acting on their interests (Donaldson and Preston, 1995). The underpinning point of the strategic use of CSR

is that there is no trade-off between investing in CSR and investing in business efficiency (McGuire et al., 1988; Quazi and O'Brien, 2000; Orlitzky et al., 2003). The trade-off will be between competing stakeholders (Buchholtz et al., 1999; Jones et al., 2007; Scholtens and Zhou, 2008; Shepard, Betz and O'Connell, 1997). Establishing who the key stakeholders are, therefore, is as important as designing strategies to address their concerns.

Stakeholders were originally defined as "those who are affected by and/or affect the achievement of the firm's objectives" (Freeman, 1984). In an attempt to be more specific, Mitchell et al. (1997) developed a model to better identify and grade stakeholders based on their possession of three attributes: power, legitimacy and urgency. The level of priority allocated to each stakeholder, hence, is determined by its 'salience', or in other words, it will depend on the combination of the attributes of power, legitimacy and urgency that they control (Surroca and Tribó, 2008).

The key points in the operationalization of CSR are its voluntary nature and its ultimate goal of improving business performance. Whether the reasoning comes from the implicit social contract or business pragmatism, the fact is that CSR engagement is assumed to have a positive impact on corporate reputation – here considered as a drive of improved financial performance (Berman et al., 1999; Berrone et al., 2007; Brammer and Millington, 2008; Brown and Dacin, 1997; Lantos, 2001; Orlitzky et al., 2003; Porter and Kramer, 2002; Roberts and Dowling, 2002; Turban and Greening, 1997; Udayasankar, 2008).

Hypothesis 1: Corporate social performance has a positive impact on corporate reputation.

3.1.3. Multidimensionality of the CSR construct

As it was discussed in the previous section, the multitude of stakeholders poses a challenge for corporations to identify and to address those that are the most salient. Even by adopting the power, legitimacy and urgency analysis, corporations may still have a collection of very diverse stakeholders with competing interests at times (Scholtens and Zhou, 2008). In this context, the correct measurement of CSR is crucial to stakeholder management.

Social responsibility is essentially of multidimensional nature and this multidimensionality is better expressed once the qualitative areas of CSP are exposed. Some authors have deconstructed CSR under primary stakeholder domain and social issues (Agle, Mitchell and Sonnenfeld, 1999; Mattingly and Berman, 2006 – adds government; Hillman and Keim, 2001; Backhaus et al., 2002, Waddock and Graves 1997). The former would include issues considered strategic: employee relations, diversity issues, product issues, community relations, and environmental issues; and the latter focus on altruistic components: human rights, alcohol/tobacco/gambling exclusionary screens, military exclusionary screens, nuclear power exclusionary screens, and non-U.S. concerns over investment in Burma and Mexico (Hillman and Keim, 2001).

According to this justification, our CSR measure will be broken down into the five primary stakeholder domain issues, as recommended by Harrison and Freeman (1999) and Waddock and Graves (1997). By analyzing the issues separately, we intend to capture the specific influence of each on reputation. This is in line with previous research that targeted these individual stakeholder dimensions in the same model (Bird et al., 2007; Brammer and Pavelin, 2006; Scholtens and Zhou, 2008; Turban and Greening, 1997). Other authors commented on specific CSR domains, without necessarily including all in the model, like product issues (Berman et al., 1999; Jones, 1999; McWilliams and Siegel, 2001), environment

(Hart, 1995; Russo and Fouts, 1997) and community issues – philanthropy in particular (Buchholtz, 1999; Carroll, 1991; Saiia et al., 2003).

Hypothesis 2: CSR is not a homogenous construct so when it is broken down into qualitative areas, each of the dimensions will impact differently on reputation.

3.1.4. Influence of industry effects on CSR and reputation

Another critical issue in estimating a model of corporate reputation based on CSR is the industry level effect. We build on previous works that identified the level of CSR (Brammer and Pavelin, 2005; Jones, 1999; McWilliams et al., 2006; Sabate and Puente, 2003.b.; Waddock and Graves, 1997) and financial performance (Berrone et al., 2007; Buchholtz et al., 1999; Griffin and Mahon, 1997; Roberts and Dowling, 2002; Schnietz and Epstein, 2005) to be highly influenced by the industry in which the corporation is primarily identified. Although it is unclear the extent to which the sector impacts on CSR or profitability ratios, there seems to be a consensus that it is significantly high to justify controlling it in a model (McWilliams and Siegel, 2000).

Authors (Griffin and Mahon, 1997; Sabate and Puente, 2003.b.) argue that results from models that don't control for industry – large cross-sectional studies – disguise or mask structural industrial contexts, as the patterns of measurement between CSR, financial performance and reputation vary significantly across sectors. Brammer and Pavelin (2006) were more

Industrial sectors are subject to specific and localized pressures from different stakeholders. Brammer and Pavelin (2006) found that industry acts as a mediating player between reputation and CSR as each sector would have 'industry-specific stakeholder pressures' and the response on CSR strategy would have to be targeted in view of that and not broadly.

Analyzing the specific effect of industrial sector on philanthropy, Porter and Kramer (2002) found that those that are prone to public controversy – he cited as an example the petrochemicals and pharmaceuticals – tend to have a keener attitude towards corporate giving. Jones (1999) focused on the public visibility and the degree of governmental scrutiny that some industries are subjected to. He expected primary sector industries to be more concerned with environmental issues; the secondary sector with employees, suppliers, customers, the environment and communities; and the tertiary sector with employees and consumers.

Analyzing the influence of three particular areas of CSR in twelve industrial sectors, Brammer and Pavelin (2006) found that there is an ideal 'fit' between the CSR domain and the industry to which a corporation is primarily identified. They found that environmental performance tends to have a negative impact on reputation in eight sectors, but not in the chemicals, consumer products, resources and transportation sectors; employee performance, for instance, only influenced reputation on the resources sector; and community performance was found to be the most significant measure, impacting positively on reputation in eleven sectors and negatively in the resources sector.

Hypothesis 3: The interaction between the industry of the firm and the type of social performance influences significantly the relationship between reputation and CSR.

3.2. Methodology

Our sample consisted of 320 American listed companies with data collected from the period of 2003 to 2007. The statistical model comprises 1.120 firm-years.

The econometric models of this study were estimated using panel data technique (See Section 1.1 for a detailed account of the use of panel data). Also consistent with the argumentation on Section 1.1, the models include temporal and industry dummies.

Assuming the long term effect of CSR (Bird et al., 2007; Branco and Rodrigues, 2006; Lantos, 2001; Sabate and Puente, 2003.b.) and related control variables on reputation, we have estimated the econometric model with one year lag on the independent variables. We relate the reputation score of the current year with the data from control variables of the precedent year, as the lists are usually released in March every year.

The data for the reputation variable came from Fortune's annual "Most admired companies" survey. The fortune measure is by far the widest used reputation index (Black et al., 2000; Griffin and Mahon, 1997; Fombrun and Shanley, 1990; Fombrun and Riel, 1997; McGuire et al., 1988; McMillan and Joshi, 1997; Roberts and Dowling, 2002; Turban and Greening, 1997). Fortune's reputation index consists of an overall measure calculated out of an eight dimensions survey. It is compiled annually by Fortune magazine and the rate is based on questionnaire respondents from the corporations themselves. In order to maintain data consistency, respondents rate firms from their own sectors, which assure an informative perceptual result.

Taking notice of Brown and Perry's (1994) finding of high correlation between the financial component of the reputation index and the aggregated reputation variable, we attempted to remove this hallow following Roberts and Dowling (2002) procedure. We regressed the reputation with ROA and market-to-book ratio but in either case the residual was significant as to justify its use instead of the overall reputation index (in face of the loss

of observations). In the first case (ROA), the residual represented 2% of the variance and in the second (MTB), 1.5%.

Corporate social responsibility data were extracted from KLD database (see Section 1.1 for a detailed account of this source of data).

3.2.1. Control variables

The primary control variable in our model is *financial performance*. There are a large number of researchers that investigate financial performance under the lights of CSR (Berman et al., 1999; Brammer and Millington, 2008; Griffin and Mahon, 1997; McGuire et al., 1988; Orlitzky et al., 2003) and corporate reputation (Black et al., 2000; Fombrun and Shanley, 1990; McMillan and Joshi, 1997; Roberts and Dowling, 2002; Sabate and Puente, 2003.b.). Authors differ between using an accounting or market based performance measure. For the former, the majority of studies use return on assets (ROA) to capture financial performance (Berman et al., 1999; Berrone et al., 2007; Deephouse and Ourso, 1997; Griffin and Mahon; Hillman and Keim, 2001; Russo and Fouts, 1997; Turban and Greening, 1997); whereas market value added (Berrone et al., 2007; Hillman and Keim, 2001; McGuire et al., 1988; Roberts and Dowling, 1997), market to book value (Black et al., 2000; Roberts and Dowling, 2002) and market to book ratio (Bird et al., 2007; Fombrun and Shanley, 1990) are the constructs commonly used to measure marketing based performance.

Considering that our objective is to provide a generalized model, we have included both ROA and market-to-book ratio as a measure of financial performance, in line with authors that have used both accounting and market based measures (Berrone et al., 2007; Black et al., 2000; Fombrun and Shanley, 1990; Hillman and Keim, 2001; Orlitzky et al., 2003; Roberts and Dowling, 2002).

The *size of the company* is customarily used in a majority of reputation/CSR research, either as a control or as an independent variable. It has been measured by total assets (Griffin and Mahon, 1997; Hillman and Keim, 2001; Hull and Rothenberg, 1998; Saiia et al., 2003; Turban and Greening, 1997) or total sales, (Roberts and Dowling, 2002; Schnietz and Epstein, 2005; Stanwick and Stanwick, 1998) depending on the research's objectives. We have used the natural logarithm of total assets. The evidence suggests that there is a positive relation between size and reputation (Brammer and Pavelin, 2006; Fombrun and Shanley, 1990). Udayasankar (2008) and Waddock and Graves (1997) argued that the reason for a positive relation between size and CSR is the high visibility of larger firms. They would engage in CSR because of the increased public attention they received derived from its size and reach of operations.

Risk is another variable widely controlled for in reputation and CSR models. Measures of risk also encompass market – with β (beta) as the usual indicator (Hillman and Keim, 2001; Black et al., 2000; Fombrun and Shanley, 1990; Orlitzky and Benjamin, 2001; Srivastava, Crosby, McInish, Wood and Capraro, 1997) – and accounting based, most commonly represented by the ratio of total debt to total assets (Bird et al., 2007; Schnietz and Epstein, 2005; Waddock and Graves, 1997). Under the same rationale of financial performance, we have used both measures in our model, in line with Brammer and Pavelin (2006) and McGuire et al. (1988). We expect a negative relation between risk and reputation, based on the combined analysis which is usually made both for accounting and market purposes (Fombrun and Shanley, 1990). Positive financial performance is linked to low risk and vice-versa.

Recent research has also been controlling for the level of *research and development (R&D)* investment (Berrone et al., 2007; Brammer and Pavelin, 2006; Brammer and Millington, 2008; Hull and Rothemberg, 2008; Schnietz and Epstein, 2005). Consistent with

McWilliams and Siegel (2000) that found a positive relation between R&D and CSR, through the indirect impact of the latter on reputation, we expect R&D to impact positively on reputation. The underlying notion in terms of R&D influencing reputation is that firms' stakeholders judge the quality of its products as a sign of good reputation, particularly those related to technological advancements (Brammer and Pavelin, 2006; Fombrun and Shanley, 1990). This variable has been measured as a ratio of R&D expenses to total sales (McWilliams and Siegel, 2000; Schnietz and Epstein, 2005) and total assets (Berrone et al., 2007; Brammer and Millington, 2008). Considering that total assets was used to measure the size of the company, we will also use it to calculate the ratio of R&D.

Advertising intensity influences reputation and CSR in a combination with R&D (Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; McWilliams and Siegel, 2000). Advertising will be in charge of raising awareness of specific product qualities and features. It can also play a role in increasing the visibility of the firm, thus improving its reputation through the argument presented for the size of the company. The bigger or more visible, the more susceptible corporations will be to public scrutiny and the more encouraged it will be to engage in strategic CSR, hence improving reputation.

Advertising intensity was previously calculated in function of the total revenue of the company (Fombrun and Shanley, 1990; Hull and Rothemberg, 2008; McWilliams and Siegel, 200). Because our data on advertising expenditures was limited to the one hundred leading spenders in advertising, in line with Brammer and Pavelin (2006), we have constructed a dummy variable on the basis of the presence of this company in two thematic lists, '100 leading national advertisers' and the 'most valuable brands'. Both lists are available on line (Advertising Age, 2009; Interbrand, 2009). The first list is compiled by TNS media intelligence and is published annually by the Advertising Age magazine. The second list is

elaborated by the consultancy firm Interbrand and is published annually by the Financial Times.

Charity donation is not normally used as an independent variable neither for CSR or reputation models (see exceptions in Fombrun and Shanley, 1990; Griffin and Mahon, 1997). This is mainly because its measurement is already included in the aggregated construct of CSR (Brammer and Pavelin, 2005) or the individual dimension of community relations in the KLD database for example. Considering the extensive research and managerial importance dedicated to charitable donations, we will use it as a control variable for exploratory purposes.

We expect charity giving – assuming that it is performed instrumentally (Saiia et al., 2003) – to be positively related to reputation. The measure of charitable donation was extracted from the domain of community relations of the KLD database, 'charitable giving'. We will reproduce the dummy variable as assessed by KLD, 1 if 'the company has consistently given over 1.5% of trailing three-year net earnings before taxes (NEBT) to charity'; or 0 otherwise.

3.3. Results

In Table II we present descriptive statistics and a correlation matrix for the general model. Results indicate that reputation is positively correlated with ROA, market-to-book ratio, firm size, advertising intensity, CSR, diversity of work force and employee relations; and negatively correlated with beta and company risk. This was predicted by the literature. We had also expected R&D intensity, charity, community relations, product issues and environmental issues to be positively related to reputation, which didn't occur.

We have run a total of seven regressions to estimate the model of corporate reputation. The models were estimated in an order that we expected it would culminate with the most suitable combination of variables. The first set of estimations encompassed regressions I, II and III. In these specifications, we: I) included an aggregated construct for CSR and omitted industrial dummies; II) included dummies for industrial sectors, which permitted CSR to vary across sectors; III) estimated the model letting the aggregated CSR construct interact with the industrial dummies.

For the second set of regressions, specifications IV, V and VI, we deconstructed CSR into five qualitative areas. The models were estimated as follows: IV) five dimensions of CSR; V) five dimensions of CSR and nine sectoral dummies; VI) five dimensions of CSR, nine sectoral dummies and the most statically significant set of interactions between the CSR dimensions and the sectoral dummies. Table III presents regressions of Specifications I to V.

For estimation VI – Table IV – we followed the same procedure outlined in Brammer and Pavelin (2006). Because the interactions raised the parameters to be estimated (45 to be exact), we took on a refinement process to remain only with those variables that returned significant coefficients at least at 90% of confidence. This process resulted with 26 interactions, 24 being significant at least at the 90% level of confidence. The regression with all the interactions between CSR dimensions and industries is available at the Appendix IV.

Table II – Descriptive statistics and correlation matrix for Model 02

	Variable	mean	st. Dev	min.	max.	Correlation matrix													
						1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Reputation	6.2	1.0	1.5	9.0	-													
2	Roa	8.1	5.9	-25.4	47.5	0.19[b]	-												
3	Maket-to-book ratio	2.3	1.9	-17.6	15.0	0.25[b]	0.53[b]	-											
4	Risk	0.2	0.1	0.0	0.8	-0.07[a]	-0.25[b]	-0.41[b]	-										
5	Beta	1.1	0.5	0.1	2.9	-0.20[b]	-0.12[b]	0.18[b]	0.03	-									
6	Firm size	16.0	1.3	12.7	20.5	0.29[b]	-0.03	0.07[a]	0.13[b]	-0.09[b]	-								
7	R&D	0.0	0.0	0.0	0.2	-0.01	0.09[b]	0.22[b]	0.23[b]	0.00	0.05	-							
8	Charity	0.0	0.2	0.0	1.0	-0.00	0.04	0.01[a]	0.01	0.01	0.01	0.04	-						
9	Advertising	0.2	0.4	0.0	1.0	0.19[b]	0.17[b]	0.29[b]	0.06[a]	-0.17[b]	0.33[b]	0.13[b]	0.02	-					
10	CSP	1.2	0.4	-1.0	2.0	0.14[b]	0.12[b]	0.15[b]	-0.14[b]	-0.03	-0.02	0.23[b]	0.03	0.21[b]	-				
11	COM	1.2	0.3	-1.0	1.0	0.02	0.09[b]	0.15[b]	-0.11[b]	0.04	-0.12[b]	0.09[b]	0.01	0.20[b]	0.43[b]	-			
12	PRO	1.2	0.5	-2.0	1.0	0.03	0.08[b]	0.07	-0.11[b]	0.13[b]	-0.28[b]	0.01	0.01	-0.10[b]	0.37[b]	0.13[b]	-		
13	DIV	1.1	0.7	-2.0	2.0	0.16[b]	0.01	0.11[b]	-0.01	-0.12[b]	0.42[b]	0.21[b]	-0.03	0.38[b]	0.39[b]	0.12[b]	-0.10[b]	-	
14	ENV	0.9	0.5	-2.0	1.0	-0.03	0.01	0.01	0.07[a]	-0.01	0.18[b]	0.16[b]	0.01	0.09[b]	0.16[b]	0.01[b]	0.06[a]	0.20[b]	-
15	EMP	1.0	0.6	-2.0	2.0	0.12[b]	0.11[b]	0.14[b]	-0.14[b]	-0.01	0.09[b]	0.25[b]	0.05	0.09[b]	0.36[b]	-0.01	0.07[a]	0.12[b]	0.14[b]

[a] and [b] indicate that the correlation coefficient is significantly different from zero at a 95% and 99% level of confidence respectively.

Some units of measurement: 4: ratio of total debt to total assets; 6: natural logarithm of total assets; 7: ratio of R&D expenditures to total assets; 8: dummy indicating if firm is notably generous in giving; 9: dummy indicating presence or not of firm in publications of top 100 brands or top 100 advertisers; 10: corporate social performance; 11: community relations; 12: product issues; 13: diversity; 14: environmental issues; 15: employee relations.

Table III – Regression results: Specifications I to V

Variables	I		II		III		IV		V	
Wald chi2	220.82	***	41,661.39	***	5,206.04	***	36,147.940	***	41,945.070	***
R2	0.625		0.637		0.642		0.646		0.658	
Constant	2.340	***	dropped		dropped		Dropped		dropped	
Roa	0.007		0.007		-0.010	*	0.007		0.007	
Market-to-book	0.091	***	0.098	***	0.119	***	0.085	***	0.092	***
Risk	-0.378		-0.389		-0.367		-0.970		-0.382	
Beta	-0.275	***	-0.435	***	-0.434	***	-0.302	***	-0.437	***
Firm size	0.222	***	0.287	***	0.257	***	0.241	***	0.300	***
R&D intensity	-3.318	***	-1.809		-0.796		-3.093	***	-0.567	
Charity	-0.082		-0.063		0.086		-0.082		-0.067	
Advert intensity	0.127		0.065		0.059		0.149		0.091	
Industry										
Basis industries			1.321	***	1.357	***			1.229	***
Cyclical consumer goods			1.309	***	1.306	***			1.216	***
Cyclical services			0.990	***	0.990	***			0.893	***
General industrials			0.896	***	0.988	***			0.806	***
Information technology			0.594	**	0.654	***			0.445	*
Non-cyclical consumer goods			0.816	***	0.861	***			0.750	
Non-cyclical services			0.997	***	0.979	***			1.010	
Resource			0.635	***	0.886	***			0.500	**
Financial			1.124	***	1.065	***			0.943	***
Corporate social performance	0.232	***	0.209	**	-0.113					
→ Basis industries					0.536	***				
→ Cyclical consumer goods					0.391	*				
→ Cyclical services					0.035					
→ General industrials					0.448					
→ Information technology					0.326	*				
→ Non-cyclical consumer goods					0.610	***				
→ Non-cyclical services					0.096					
→ Resource					0.639	***				
→ Financial					dropped					
Community relations							*0.037*		*-0.016*	
Product issues							*0.224*	***	*0.217*	***
Diversity							*0.027*		*0.036*	
Enviromental issues							*-0.173*	***	*-0.138*	***
Employee relations							*0.135*	***	*0.151*	***

In regressions II and III, the omitted industrial dummy is "utilities". Temporal dummies 2004 to 2007 were also estimated, albeit not shown on results. *, **, *** denote significance at the 90%, 95% and 99% level of confidence, respectively.

→ indicates interaction between corporate social performance and the specific industrial dummy in the line

† Degrees of freedom for specifications I to V respectively: 12, 20, 30, 17 and 26.

Table IV – Regression results: Specification VI

Variable	Cœfficient		Variable	Coefficient	
Wald chi2 (54)	51,021.380				
R2	0.647				
Constant	dropped		*Product issues*	0.966	***
Roa	0.008		→ Basis industries	-0.884	**
Market-to-book	0.081	***	→ Cyclical consumer goods	-0.616	*
Risk	-0.178		→ Cyclical services	-0.710	**
Beta	-0.451	***	→ General industrials	0.811	**
Firm size	0.321	***	→ Information technology	0.839	**
R&D intensity	-1.904		→ Non-cyclical consumer goods	0.780	**
Charity	-0.128		→ Non-cyclical services	1.430	***
Advert intensity	0.040		→ Resource	0.643	*
Industry			*Diversity*	-0.533	***
Basis industries	1.262	***	→ Basis industries	0.610	***
Cyclical consumer goods	1.156	***	→ Cyclical consumer goods	0.407	*
Cyclical services	0.929	***	→ Cyclical services	0.595	***
General industrials	0.893	***	→ General industrials	0.584	***
Information technology	0.516	**	→ Information technology	0.488	**
Non-cyclical consumer goods	0.783	***	→ Non-cyclical consumer goods	0.717	***
Non-cyclical services	1.010	***	→ Resource	0.593	**
Resource	0.675	**	→ Financial	0.799	**
Financial	0.966	***	*Enviromental issues*	-0.158	***
Community relations	-0.793	**	→ Cyclical consumer goods	1.075	***
→ Basis industries	0.823	**	→ Resource	0.354	*
→ Cyclical consumer goods	0.629	*	*Employee relations*	0.126	**
→ Cyclical services	0.826	**	→ General industrials	0.184	*
→ *Information technology*	*0.350*		→ *Information technology*	*0.309*	
→ Non-cyclical consumer goods	1.025	***			
→ Non-cyclical services	3.713	***			

The omitted industrial dummy is "utilities".

Temporal dummies 2004 to 2007 were also estimated, albeit not shown on results.

*, **, *** denote significance at the 90%, 95% and 99% level of confidence, respectively.

→ indicates interaction between corporate social performance and the specific industrial dummy in the line

The results support Hypothesis 1. CSR has a positive impact on reputation in Specification I, with no industrial dummies in the model (p=0.005); and in Specification II, with the industrial dummies (p=0.010). As the interactions between CSR and the industries were added, in Specification III, the aggregate construct lost its significance (p=0.348).

Hypothesis 2 is also supported following results of specifications IV and V. As proposed, CSR's behaviour is not homogeneous across the qualitative areas in which it was broken-down. The dimensions of community relations and diversity of the work force were not significant in either specification, whereas product issues and employee relations presented a positive coefficient (p=0.000 and p=0.003, respectively) and environmental issues, a negative one (p=0.003). The signs and significance of the coefficients remained unchanged as the industry dummies were introduced in Specification V.

Hypothesis 3 refers to the influence of the interactions between industries and CSR as an aggregated variable and CSR as a deconstructed variable in determining the firm's reputation. Evidence for this hypothesis can be found on Table IV (Specification VI). First and foremost, all five dimensions, individually, returned significant coefficients at least at the 95% level of confidence. Employee relations and product issues maintained its positive impact from the previous regressions (p=0.019 and p=0.002, respectively); and community relations and diversity added to environmental issues, with a negative impact on reputation (p=0.008, p=0.001 and p=0.004, respectively).

The sectoral dummies presented consistently positive signs. This indicates that the industry does not predispose the firm to a negative reputation.

When interacted with the industries, the areas of product issues and diversity resulted as significative in eight of the nine possible interactions. Diversity's interactions were all positive, whereas product issues interacted positively with general industries, information

technology, non-cyclical consumer goods, non-cyclical services and resources; and negatively with basic industries, cyclical consumer goods and cyclical services.

Coefficients from all other interactions had positive signs, from which we highlight those that were significant for community relations: basic industries, cyclical and non-cyclical consumer goods and cyclical and non-cyclical services; environmental issues: cyclical consumer goods and resource; and employee relations: general industries.

The preponderance of the dimensions of community relations, product issues and diversity of the workforce over employee relations and environmental issues may indicate that, as compared to the first set of dimensions, employee and environmental issues have a minor responsibility in influencing the firm's reputation, perhaps because their performance are not as visible as the first three.

Another alternative explanation may be that these two dimensions relate to legal compliances of the firm and as such, they may not have repercussions externally, compared to product issues or community relations, for example. This explanation reinforces the visibility argument, although it could be argued that diversity of the work force, which has a strong significance across the industries, is also related to internal affairs.

The analysis of the significant interactions by the angle of the industries provides a valuable insight into the importance of the salience of the stakeholders in regards to the CSR dimensions. The most obvious interactions are those of employee relations and environmental issues. Although they present limited significances, those interactions that are significant, are expected, taking into account the business sectors that compose each industry.

The dimension of employee relations is only significant with general industries. Not coincidentally, this industry encompasses sectors highly associated with the union movement. Environmental issues on the other side, is significantly related to the resources industry, which is composed mainly by industries associated with extractive, primary sectors. We had

expected that it would also be significant with basic industries, based on the same argument, but this association was not significant.

Other interactions are not so logically explained and need further refinement to provide conclusive comments. Explanatorily, we can draw upon some indications that these results may imply. Community relations showed a positive significant coefficient in five of the nine industries. In the original specification (Appendix IV), all coefficients were positive (seven of them significant). This indicates that involvement with the community is positively valued across sectors. Product issues on the other side, showed a negative coefficient with three industries and a positive in five of them. In the original specification, however, it performed exactly opposite to community relations, all coefficients negative with seven of them significant. It is not clear why five of the negative coefficients turned into positive in the final specification.

3.3.2. Selecting the best explanatory model

The consistent increase of the R-squares and the significant coefficients that arise as we estimated the model from I) use of an aggregated measure of CSR without regard to industry level; to VI) the five qualitative areas interacting with sectoral dummies, confirm our hypothesis that the interactions between the industry of the firm and the qualitative area of CSR influences significantly the level of reputation of this firm. This further indicates that the Specification VI is the most suitable amongst the six regressions presented.

Because we are using the panel corrected standard errors and they are of asymptotic nature (Beck and Katz, 1995), it would not be scientifically safe to support the claim that the Specification VI is the best suited of the six regressions solely based on its R-square. Thus, additionally, we estimate the regressions using OLS and fixed effect, simply as a means of analyzing the behavioural patterns of their R-squares. Table V presents those results.

Table V – R-squares from estimating the specifications using OLS and fixed effect

Specification/ Model	I	II	III	IV	V	VI
OLS	0.205	0.220	0.273	0.287	0.241	0.334
Fixed-effect	0.132	0.140	0.132	0.140	0.160	0.182
Prais-Winsten	0.625	0.637	0.636	0.646	0.658	0.647

This analysis corroborates that the Specification VI is the best suited corporate reputation model. From the R-square argument, it has the highest R-square of OLS and fixed-effect and the second highest for Prais-Winsten. And for the number of significant coefficients argument, it presents 24 out of the 26 interactions significant, plus all nine industries and all five dimensions of social responsibility.

Regarding the control variables, out of the six specifications presented, the variables market to book ratio, firm size and beta were consistently significant in all regressions. The first two, positively associated with reputation and the third, negatively. As financial performance and risk were measured using both accounting and market-based indicators, the significant coefficients of market-to-book and beta support our contention that they have a positive and negative impact on reputation, respectively.

The results for the variable R&D intensity are considered inconclusive. Their coefficients were significantly negative in the first specifications of the regressions, when there were no dummies for industrial sectors. Once those dummies were introduced, the coefficients remained negative but lost significance.

3.4. Discussion and conclusion

Our work builds on the effort to support the prominent role of CSR in keeping a sustainable business performance. This role, combined with the reputation of the company, can trigger the emergence of an intangible hard-to-duplicate competitive advantage. We pinpointed the problems of conceptualization of CSR and misspecifications in empirical research as intrinsic flaws in the investigation paradigm in the area. We addressed the first with a robust background analysis of the theory and the second with a research design founded on the principle of CSR multidimensionality and industrial sector role as moderator of the relationship between CSR and reputation.

We employed a thorough panel data technique on a set of 320 American listed corporations, from 2003 to 2007, what constituted a panel with 1.120 of firm-observations. We found conclusive evidence indicating that CSR is better assessed and as a consequence practiced, taking into account its multidimensional nature, which in our case was represented by five qualitative areas. Furthermore, we found that industrial sector determines the tendencies to good or bad reputation that each of those areas are prone to.

As the Fortune index is a perceptual measure of reputation, the scores obtained in regards to the number of significant interactions are determined by the visibility of activities in each CSR dimension. This explains why product issues and community relations are significant with eight industries and employee relations and environmental issues are significant to one and two industries, respectively. In the first case, the activities performed in this area are very visible and relevant to the respondents, whereas the activities of the second set are not as visible and/or irrelevant.

This is critical to practitioners that have struggled to identify salient stakeholders. Our model indicates that CSR varies systematically across sectors and there is indeed a best

combination of CSR strategy, considering its five dimensions, to each firm, based on its primary business activity.

Regarding the econometric model, our first realization with the empirical results was that our findings are in line with those works that concluded that financial performance and risk impact positively and negatively on reputation, respectively (Black et al., 2000; Brammer and Pavelin, 2006; Fombrun and Shanley, 1990; Turban and Greening, 1997). We were initially puzzled however, that the market-based indicators of market-to-book and beta were considerably more relevant than those accounting-based, ROA and Debt/Asset. In fact, the accounting based measures were only significant when the market-based were omitted. This is a very interesting finding as it builds on the awareness that the respondents of the Fortune magazine regard market-based performance as significantly more relevant to their perception of reputation than the accounting-based ones.

The timing of this finding – considering the research was carried with data from 2003 to 2007 – shreds light on the run up to the economic crisis. This particular result could offer support to those critics that place part of the blame for the crisis on the equity market – whether as a basis for executive compensation or as the incentive for risk taking.

The results of the interactions were also in part unexpected. Although Brammer and Pavelin (2006) had been one of the only researches that applied a similar technique, nonetheless, we had previous expectations of behaviours of industries. The interactions of the environmental issues area was the one that most resembled Brammer and Pavelin's. The variable itself had a negative sign, but it interacted positively with resource and cyclical consumer goods in our study, whereas in Brammer and Pavelin's it did so with chemicals, consumer products, resources and transportation. This is also in line with Jones (1999).

The industry of cyclical consumer goods (automobile and parts, clothing, textile, households and appliances, see Appendix III for details) was the most salient sector, with

significant interactions with all dimensions but employee relations – although in the original estimation (see Appendix IV) it did have a significant relation; followed by cyclical services (retailers, leisure and entertainment and media amongst others), non-cyclical consumer goods (beverage and food companies, pharmaceuticals and tobacco, amongst others) and basic industries (chemistry and construction amongst others), with significant interactions with community relations, product issues and diversity.

Future research on the impact of CSR on reputation or directly on business performance should assume the multidimensionality of CSR and the moderating effect of industry as a core premise of research design in the area. Exploratory, empirical research could attempt to breakdown each of the five qualitative areas in its constituent parts and analyze the individual effect of a set of parts of one dimension in a cross-section panel, or constituent parts of all dimensions in a specific industry.

4. SLACK-RESOURCES HYPOTHESIS: A CRITICAL ANALYSIS UNDER A MULTI-DIMENSIONAL APPROACH TO CORPORATE SOCIAL PERFORMANCE.

The slack resources hypothesis has been the least researched of the two hypotheses relating to the corporate social and financial performance (CSP and CFP) link. Although the slack resources hypothesis may explain the link as well as the good management hypothesis, most studies tend to focus on the first one, basing their argumentation on the assumption that superior CFP comes as a result of a strategic CSP.

In an analysis of previous researches, Margolis and Walsh (2003) observed that the slack-resources hypothesis was tested in 22 of 127 studies. Out of those, only two (see Johnson and Greening, 1999; Waddock and Graves, 1997) have used appropriate CSP data – calculated measures as opposed to perceived. Furthermore, recent research has uncovered flaws in regards to the CSP construct, use of control variables and estimation methods, which were not considered as major issues in the past.

This paper aims at catching up the under-studied hypothesis of slack-resources with the rest of the CSP discussion, laying out critical theoretical arguments and empirical evidence to the analysis. We adopt the conceptual definition of slack-resources as improved financial performance (Margolis and Walsh, 2003), as opposed to the literal concept of 'cash' available (Balsan, 2005). Under this reasoning, we propose that CSP is contingent upon prior financial performance (consistent with Waddock and Graves, 1997; Orlitzky, Schmidt and Rynes., 2003; Preston and O'Bannon, 1997; Sabate and Puente, 2003.b; Seifert, Morris and Bartkus, 2004).

We build on the contradictions implied on an acceptance of the instrumental stakeholder theory under the light of evidence of the slack-resources hypothesis. We contend that recognition of the slack resources argument is partially inconsistent with an instrumental

approach to social responsibility. Social responsibility initiatives under the slack-resources hypothesis justification are dependent on positive financial results. This contingency is not compatible with some of the core arguments of the instrumental stakeholder theory that assume social responsibility as a strategic investment (McWilliams, Siegel and Wright, 2006) and that it should be aligned with the corporate strategy (Galan, 2006) and the organizational culture of the firm (Agle, Mitchell and Sonnenfeld, 1999) in order to foster a sustainable competitive advantage.

The research design of this study addresses key issues outlined by previous articles in regards to: sampling (Bird, Hall, Momente and Reggiani, 2007; Rodriguez, Siegel, Hillman and Eden, 2008; Margolis and Walsh, 2003; Schnietz and Epstein, 2005), estimation technique (Fombrun and Shanley, 1990; Seifert et al., 2004; Siegel and Vitalino, 2007) and use of control variables (Brammer and Pavelin, 2006; Fombrun and Riel, 1997; McWilliams and Siegel, 2000; McWilliams et al., 2006).

The multidimensional nature of CSP is also taken into account. Following recent research that has broken down CSP into five dimensions (Agle et al., 1999; Backhaus, Stone and Heiner, 2002; Berman, Wicks, Kotha and Jones, 1999; Bird et al., 2007; Brammer and Pavelin, 2006; Johnson and Greening, 1999; Turban and Greening, 1997), we estimate five additional models including each of the qualitative areas asserted – product issues, community relations, environmental issues, employee relations and diversity of the work force – as dependent variables. We propose the assignation of slack resources varies of intensity according to each dimension.

4.1. Theory and hypothesis

4.1.1. Justification and measurement of slack-resources

Much of the research on CSP has been centered on stakeholder management. The claim that engaging and taking stakeholders' interests into account would lead to superior performance is the cornerstone of the stakeholder theory (Backhaus et al., 20002; Beurden and Gossling, 2008; Freeman, 1984). Research evolved as an effort to supply scholars and practioneers with evidence that indeed acting within the interest of stakeholders pays-off.

Forty years of research produced a robust field of study in terms of theory development (Carroll, 1979; Donaldson and Preston, 1995; Freeman, 1984; Gardberg and Fombrun, 2006; Hart, 1995; Jones, 1995; Mitchell, Agle and Wood, 1997; Wartick and Chochran, 1985) and empirical investigation (Agle et al., 1999; Griffin and Mahon, 1997; Fombrun and Shanley, 1990; Hillman and Keim, 2001; Margolis and Walsh, 2003; McGuire, Sundgreen and Schneewis, 1988; Orlitzky, Schmidt and Rynes, 2003; Roberts and Dowling, 2003; Waddock and Graves, 1997) that seems to agree, at least conceptually, that CSP is a suitable predictor of CFP.

Regrettably, however, most of the empirical research was solely based on the good management hypothesis (Backhaus et al., 2002; Brammer and Pavelin, 2006). Reviewing empirical research from the 1970s up to 2002, Margolis and Walsh (2003) pinpointed only 22 out of 127 studies that investigated the slack-resources hypothesis, using CSP as the dependent variable. Out of those, only two (Johnson and Greening, 1999; and Waddock and Graves, 1997) used a multidimensional construct and a non-perceptual indicator of CSP. We add to these studies that we consider as appropriate, articles of Hillman and Keim (2001) and Orlitzky et al. (2003). In these four articles, notwithstanding, the slack-resources is not the main hypothesis. It is used as a complementary hypothesis for the CSP leading to CFP link.

Despite not being directly analysed, the slack-resources argument is widely mentioned, mainly as a remark that the CSP-CFP relationship may involve issues of causality (Berrone, Surroca and Tribó, 2007; Branco and Rodrigues, 2006; Brown, 1997; Godfrey, Merril and Hansen, 2009; Preston and O'Bannon, 1997; Sabate and Puente, 2003.b; Seifert et al., 2004; Siegel and Vitalino, 2007).

Slack-resource is a term that can indicate a literal meaning of 'potentially usable resources' (George, 2005) or a conceptual one, related to prior financial performance or profitability (Margolis and Walsh, 2003; Preston and O'Bannon, 1997). In terms of empirical research, slack-resources have been operationalized for measuring its literal meaning, as debt to equity (Alessandri, 2008) or current assets to current liabilities (Bansal, 2005; Strike, Gao and Bansal, 2006). In CSP, however, the usage of slack-resources is more related to its conceptual notion (Hillman and Keim, 2001; Orlitzky et al., 2003).

In this sense, slack has been operationalized as a measure of financial performance, either accounting-based or market-based. Essentially, organizational slack, under this context is a consequence of doing well (Seifert et al., 2004). A good financial performance implies profitability, which leads to available funds (Preston and O'Bannon, 1997; Waddock and Graves, 1997). Slack-resources provide firms with the possibility of investing in initiatives that didn't seem an immediate pay-off (Bansal, 2005), that were not exactly a priority.

4.1.2. Slack-resources and good management hypothesis: coincidences and contradictions

One possibility that may explain the underestimation of the slack-resources hypothesis is that evidence of its occurrence is not fully compatible with the premises of the instrumental stakeholder theory.

The inner logic of the instrumental approach is the enlighted self-interest (Porter and Kramer, 2006; Seifert et al., 2004) involved on companies' socially motivated initiatives. If

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the enlightenment only occurs when organizations perform well, there can be implied that the neoclassic trade-off argument between investing in business or investing in CSP (McGuire et al., 1988; Preston and O'Bannon, 1997) may be applicable. The same point may be raised about the social contract and competitive advantage arguments.

The social contract portrays an implicit agreement where companies would engage with stakeholders because it has a duty to do so, in response to the negative impact the firm's operations may have on them (Porter and Kramer, 2006). From this engagement – assuming it results in genuine initiatives from the part of the firm – companies could and should expect some sort of reward from society (Liston-Heyes and Ceton, 2009; McWilliams and Siegel, 2001; Mitchell et al., 1997; Rowley and Berman; 2000). In addition, as an outcome of these initiatives, a firm would embody a potential source of competitive advantage (Branco and Rodrigues, 2006; Hart, 1995; Jones, 1995; Roberts and Dowling, 2002; Schnietz and Epstein, 2005; Strike et al., 2006).

Confirmation of the slack-resources hypothesis offers ground for speculating on the validity of these claims. If they are true, why wouldn't companies fully embrace social responsibility regardless of their financial performance? Furthermore, proponents of the instrumental approach argue that social responsibility, in order to impact at financial performance at its full potential, must be embedded on the corporation's strategy (Galan, 2006; Hull and Rothemberg, 2008; McWilliams, Siegel and Wright, 2006; Valor, 2005) and harmonized within the organization's structure and culture (Agle et al., 1999; Brock, 2005; Cramer, 2005; Jones, Felps and Bigley, 2007). How would it be embedded and harmonized if companies decide to support social responsibility only when and if it performs well?

Our contention is that the verification of the slack-resources hypothesis is not evidence that companies behave in accordance with the instrumental stakeholder theory. In an extensive meta-analysis, Orlitzky et al. (2003) recognized that both concepts relate to each

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other reciprocally, presenting a 'concurrent bidirectionality'. Their results confirmed Waddock and Graves' (1997) proposition of a virtuous cycle between CSP and CFP.

Notwithstanding that the question of what comes first in this cycle remains unanswered – the slack-resources or the instrumental management – we agree that prior financial performance determines corporate social performance.

The arguments to support our view rest in a partial acceptance of the instrumental approach to social responsibility combined with the discretionary nature of slack-resources. On the same way that confirmation of the slack-resources hypothesis doesn't imply compliance with an instrumental approach to social responsibility it doesn't necessarily deny its arguments.

It is possible that managers may be hesitant on fully committing to social responsibility, because evidence that CSR influences financial performance remains equivocal (Backhaus et al., 2002; Griffin and Mahon, 1997; Hillman and Keim, 2001; Lockett, Moon and Visser, 2006; Schnietz and Epstein, 2005). Initiatives on stakeholder management that were designed but not executed due to a lack of consensus on its implementation (David, Bloom and Hillman, 2007), may be put on stand-by. Superior performance may provide managers with the discretionary resources they need to engage in social responsibility.

Hypothesis 1: Prior financial performance positively affects corporate social performance

4.1.3. Multidimensionality of CSP

Under this reasoning, which stakeholder(s) to address is a fundamental question posed to managers (Berman et al., 1999). Even by adopting Mitchell et al.'s (1997) three attribute – power, legitimacy, urgency – analysis to order the salience of stakeholders, a firm would still

end up with a very heterogeneous group to take notice of (Scholtens and Zhou, 2008). In this context, the correct measurement of CSP is crucial to stakeholder management.

CSP has been operationalized as a perceptual and an 'actual' measure (Liston-Heyes and Ceton, 2009). Perceptually, the most used construct is the Fortune reputation index, which has been employed as an aggregated measure of reputation (McGuire et al., 1988; Roberts and Dowling, 2002; Stanwick and Stanwick, 1998) or specifically as reputation for social responsibility (Brown, 2007; Schnietz and Epstein, 2005; Fombrun and Shanley, 1990; Preston and O'Bannon, 1997). 'Real' or measurable CSP has in the KLD database its main provider of data. Researchers have used KLD's multidimensional construct both as a means to calculate an aggregated CSP indicator (Agle et al., 1999; Griffin and Mahon, 1997; Hillman and Keim, 2001; Hull and Rothemberg, 2008; Waddock and Graves, 1997); and as an analysis of the influence of individual dimensions of CSP on CFP, like product issues (Berman et al., 1999; Jones, 1999; McWilliams and Siegel, 2001), environment (Hart, 1995; Russo and Fouts, 1997) and employee relations (Turban and Greening, 1997).

An 'actual' measure of CSP is more effective than the perceptual one in demonstrating genuine initiatives of social responsibility (Mattingly and Berman, 2006; Ruf, Muralidhar and Paul, 1998).

Moreover, CSP is essentially of a multidimensional nature. This indicates that firms can perform social responsibility on specific and targeted areas. We propose that the intensity of slack assignation varies across these targeted areas, here represented by the primary stakeholder domains of CSP (Harrison and Freeman, 1999; Waddock and Graves, 1997). Consistent with Agle et al. (1999), Backhaus et al. (2002), Berman et al. (1999), Bird, Hall, Momente and Reggiani.(2007) Brammer and Pavelin (2006) and Turban and Greening (1997), we will consider the following qualitative areas as such: product issues, community relations, environmental issues employee relations, and diversity of the work force.

By analysing these five qualitative areas individually, we intend to capture the specific influence of prior CFP on each dimension. We propose that this impact will be of different intensity amongst the dimensions, as they are of different nature.

Hypothesis 2: The impact of prior financial performance on each of the five dimensions of CSP will be of different intensity.

4.2. Methodology

4.2.1. Sample and sources of data

We had an unbalanced dataset of 624 listed American companies included in the S&P 1000. Data were collected from the period of 2001 to 2007, totalling 3.085 observations. To avoid using companies that might have been on the sample only once by an unexpected result, we have incorporated firms with a minimum of two observations throughout the dataset. We have estimated a total of eight equations (from I to VIII).

The econometric models of this study were estimated using panel data technique (See Section 1.1 for a detailed account of the use of panel data). Also consistent with the argumentation on Section 1.1, the models include temporal and industry dummies.

4.2.2. Dependent, independent and control variables

CSP data were provided by the KLD database (see Section 1.1 for a detailed account of this source of data). To serve our purpose of embodying the multidimensional nature of CSP, we will test six different measures as the dependent variable. The first is the aggregated CSP measure encompassing the five primary stakeholders' domain: product issues (PRO), community relations (COM), environmental issues (ENV), employee relations (EMP) and diversity of the work force (DIV). Then we will estimate equations with each of these domains as the dependent variable, so we can capture the individual effect of prior financial performance on each qualitative area.

Financial performance has been previously calculated as accounting-based (Berman et al., 1999; Berrone et al., 2007; Deephouse and Ourso, 1997; Griffin and Mahon; Hillman and Keim, 2001; Russo and Fouts, 1997; Turban and Greening, 1997) and market-based (Berrone et al., 2007; Bird et al., 2007; Black, Carnes and Richardson, 2000; Fombrun and Shanley, 1990; Hillman and Keim, 2001; McGuire et al., 1988; Roberts and Dowling, 1997; Roberts

and Dowling, 2002) indicators. For the former, the majority of studies use return on assets (ROA) to capture financial performance, and for the latter, studies vary from market value added (MVA), market-to-book and Tobin Q. Johnson and Greening (1999) and Waddock and Graves (1997) used ROA to determine financial performance. We test our equation with ROA, ROA and MVA together and MVA. Prior financial performance corresponds to the precedent year of the CSP.

Following previous authors (Griffin and Mahon, 1997; Hillman and Keim, 2001; Hull and Rothenberg, 1998; Saiia et al., 2003; Turban and Greening, 1997), we control for the size of the firm, measured by the natural logarithm of total assets; risk, calculated by beta (Hillman and Keim, 2001; Black et al., 2000; Fombrun and Shanley, 1990; Orlitzky and Benjamin, 2001; Srivastava, Crosby and McInish, 1997); research and development intensity (Berrone et al., 2007; Brammer and Pavelin, 2006; Brammer and Millington, 2008; Hull and Rothemberg, 2008; McWilliams and Siegel, 2001; Schnietz and Epstein, 2005), calculated as a ratio of investment in R&D by total assets; and advertising intensity (Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; McWilliams and Siegel, 2000).

Because our data on advertising were limited to the one hundred leading spenders in advertising, in line with Brammer and Pavelin (2006), we have constructed a dummy variable on the basis of the presence of this company in at least one of two thematic lists, '100 leading national advertisers' and the 'most valuable brands'. Both lists are available on the internet (Advertising Age, 2009; Interbrand, 2009).

4.3. Results

Table I presents descriptive statistics and correlation matrix of the variables.

The eight models were initially estimated with the fixed effect estimator. This was followed by tests of autocorrelation (Wooldridge test) and heteroskedasticity (Modified Wald test). As both tests were positive, we have applied Beck and Katz's (1995) recommendations to correct these asymptomatic problems, by estimating the models with panel corrected standard errors.

Specifications I, II and III used the aggregated measure of CSP. And the following IV to VIII considered each of the individual dimensions of CSP as the dependent variable. The first three specifications attempted to find the most suitable model in terms of combination of prior financial performance variable. The model with MVA alone (Specification III) provided a best fit compared to the use of ROA alone and ROA and MVA together. It had the highest R-square (0.0210) and the individual significance of MVA in this specification was also the strongest of the three models. ROA did not come up as significant in any of the two specifications it was present. Accordingly, the models with the individual dimensions of CSP were estimated using MVA alone.

Specifications II and III support Hypothesis 1 that prior financial performance has a positive impact on CSP. Prior-CFP was significant at the confidence level of 95% (p=0.016 and p=0.011, respectively).

Hypothesis 2 was contrasted through the estimation of five models with a different qualitative area as the dependent variable in each. As predicted, the coefficient of prior-CFP, although consistently positive, ranged from significant at 99% (Specification VIII, p=0.000), significant at 90% (VI, p=0.077) to not significant (IV, V and VII).

This confirms that prior financial performance impacts with different intensities on each of the five qualitative areas of CSP. All five R-squares were higher than those of the

aggregated CSP. Specification VIII scored the highest R-square (0.2478), followed by VI (0.0521), V (0.0423), IV (0.0339) and VII (0.0368).

Regarding the control variables, the size of the company, presented a negative sign in all but two equations (VII and VIII). This indicates that the size negatively affects CSP and in its dimensions of PRO, COM and ENV and a positively on DIV ($p=0.000$ in all estimations). The risk's coefficient showed a negative impact on CSP at specifications VI ($p=0.043$) and VIII ($p=0.000$) and a positive on specification IV ($p=0.000$). R&D and advertising had a positive coefficient at least at the 95% confidence level in the majority of the specifications – II, III, VII and VII for the first; and in III, V, VI and VIII for the latter.

The dimension of diversity of the work force was the one that most resembled the typical link CFP-CSP, with positive influences of prior-CFP, size, R&D and advertising and a negative of risk ($p=0.000$ for all variables).

Table I – Descriptive statistics and correlation matrix

Variable	Mean	St. dev.	1	2	3	4	5	6	7	8	9	10	11
1 CSP	-0.04	0.30	1.000										
2 PRO	-0.02	0.40	0.313 [a]	1.000									
3 COM	-0.08	0.31	0.529 [a]	0.110 [a]	1.000								
4 ENV	-0.10	0.36	0.482 [a]	0.146 [a]	0.292 [a]	1.000							
5 EMP	-0.25	0.55	0.289 [a]	0.069 [a]	0.024	0.012	1.000						
6 DIV	-0.50	0.62	0.284 [a]	-0.103 [a]	0.084 [a]	0.004	0.092 [a]	1.000					
7 MVA	14.78	1.66	0.023	-0.148 [a]	-0.072 [a]	-0.113 [a]	0.108 [a]	0.421 [a]	1.000				
8 ROA	7.24	9.51	0.057 [a]	0.032	0.031	0.057 [a]	0.049 [a]	0.049 [a]	0.168 [a]	1.000			
9 SIZE	15.12	1.50	-0.081 [a]	-0.236 [a]	-0.169 [a]	-0.288 [a]	0.086 [a]	0.411 [a]	0.740 [a]	-0.069 [a]	1.000		
10 RISK	1.12	0.49	0.003	0.112 [a]	0.024	-0.001	0.004	-0.135 [a]	-0.173 [a]	-0.084 [a]	-0.081 [a]	1.000	
11 RD	0.04	0.04	0.120 [a]	0.044 [b]	0.108 [a]	0.153 [a]	0.094 [a]	0.100 [a]	0.012	-0.051 [a]	-0.225 [a]	0.012	1.000
12 ADV	0.10	0.30	0.150 [a]	-0.128 [a]	0.119 [a]	0.029	0.078 [a]	0.383 [a]	0.436 [a]	0.084 [a]	0.385 [a]	-0.127 [a]	0.016

[a] and [b] indicate that the correlation coefficient is significantly different from zero at a 99% and 95% level of confidence respectively.

Units of measurement: 1: CSP. 2: product issues; 3: community relations; 4: environmental issues; 5: employee relations; 6: diversity; 7: natural logarithm of market value added; 8: return to assets; 9: natural logarithm of total assets; 10: beta; 11: ratio of R&D expenditures to total assets; 12: dummy indicating presence or not of firm in publications of top 100 brands or top 100 advertisers.

Table II – Regression results

	I. CSP	II. CSP	III. CSP	IV. PRO	V. COM	VI. ENV	VII. EMP	VIII. DIV
R2	0.0187	0.0207	0.0210	0.0339	0.0423	0.0521	0.0368	0.2478
Wald chi2 (19)	50.77 ***	55.61 ***	59.49 ***	99.51 ***	147.36 ***	130.11 ***	477.72 ***	2,870.96 ***
MVA		0.0141 **	0.0147 **	0.0069	0.0019	0.0107 *	0.0091	0.0339 ***
ROA	0.0005	0.0004						
Size	-0.0220 ***	-0.0339 ***	-0.0347 ***	-0.0663 ***	-0.0381 ***	-0.0711 ***	0.0118	0.1370 ***
Risk	-0.0143	-0.0070	-0.0076	0.0686 ***	-0.0144	-0.0380 **	0.0049	-0.1007 ***
RD	0.5211 **	0.4383 **	0.4148 **	-0.3527	0.0206	0.3665 *	0.9074 **	1.6299 ***
Advert	0.1428 ***	0.1389 ***	0.1405 ***	0.0093	0.1343 ***	0.1083 ***	0.0526	0.2727 ***
Constant	0.2397	0.2397	dropped	dropped	dropped	dropped	dropped	dropped

*, **, *** denote significance at the 90%, 95% and 99% level of confidence, respectively. Number of observations: 3.085 firms/years for 694 firms from 2001 to 2007.

Time dummies and industry dummies were omitted from the table.

Estimation I considers variable ROA and not MVA, II uses both, and from estimation III on, variable ROA is excluded.

4.4. Discussion and conclusion

Our study builds on the lack of academic attention given to the slack-resources hypothesis. It has been both underestimated and understudied. We offer empirical confirmation of the slack-resources hypothesis in a large sample of American corporations. Prior financial performance is found to be a good predictor of CSP.

In the literature review we discussed the incongruences between evidence of the slack-resources hypothesis and the instrumental stakeholder theory. We argued that both may not be fully compatible. An instrumental approach to social responsibility implies acceptance that CSP positively affects CFP, or in other words, it is a potential source of competitive advantage if performed strategically. Verification of the slack-resources hypothesis may indicate otherwise. Firms may be convinced of the strategic role of CSP only at a certain extent. Hence, they will only fully commit to it, if financial results permit.

This realization shreds light on the neoclassical's arguments against social responsibility: that there's a trade-off between investing on the business and on social responsibility; and the competitive disadvantage that companies engaging in the latter would be incurring in. Given the discretionary nature of slack-resources, it also offers arguments for those that claim that social responsibility may be a means of managerial self-interest.

Our work contributes to bring awareness that the debate on the CSP-CFP performance must fully embrace the slack-resource hypothesis.

In the results section, we have contrasted accounting-based and market-based indicators of financial performance with DSC. The latter provided more significative results, so it can be argued that market-based measures are better predictors of CSP than those accounting-based.

We estimated five additional models using each of the primary stakeholders' domains as the dependent variable. The coefficients of prior financial performance were consistently

positive in all specifications, though it was statistically significant only with diversity of the work force. Considering this dimension is not related to high investment initiatives, this may indicate that there is no overwhelming preference in allocating slack resources in a particular dimension of CSP.

Results of the five qualitative areas of CSP have deep implications both for researchers and for managers. For scholars, it indicates that further work is needed on better assessing the influence of financial performance on each dimension of CSP, perhaps focussing on detailing subcategories of each dimension. And for managers, our evidence indicates that the multidimensional character of CSP enables them to focus on initiatives on specific dimensions that they think are better related to their activity or that will bring more benefits to their businesses, instead of engaging on a full scale CSP.

5. DETERMINANTS OF CORPORATE SOCIAL PERFORMANCE: THE INFLUENCE OF ORGANIZATIONAL CULTURE, MANAGEMENT TENURE AND FINANCIAL PERFORMANCE

Academic attention and managerial practice have made corporate social performance (CSP) into an important performance metrics in business management and research. This is reflected by the linkages that have been established between CSP and a vast number of management theories: agency theory (Frankforter, Berman and Jones, 2000; Jones, Felps and Brigley, 2007; Prior, Surroca and Tribó, 2008; Wieland, 2005), behavioral theory (Bowen, 2007; Detert, Schroeder and Mauriel, 2000; Jones et al., 2007; Rodriguez, Siegel, Hillman and Eden, 2008), good management theory (Backhaus, Stone and Heiner, 2002; Brammer and Pavelin, 2006), neoclassical economic theory (Buchholtz, Amason and Rutherford, 1999; Friedman, 1970; Windsor, 2006; Wood and Jones, 1995), slack resources theory (Demacarty, 2009; Orlitzky, Schmidt and Rynes, 2003; Preston and O'Bannon, 1997; Strike, Gao and Bansal, 2006), social cognition theory (Agle, Mitchell and Sonnenfeld, 1999; Buchholtz et al., 1999; Gardberg and Fombrun, 2006; Quinn and Dalton, 2009) and theory of the firm (McWilliams and Siegel, 2001; Rowley and Berman, 2000; Wieland, 2005), amongst others.

A significant majority of the researchers' considerations were devoted to uncovering the relationship between CSP and firm performance, through stakeholder theory – the mainstream (eg.: Brammer and Millington, 2008; Donaldson and Preston, 1995; Freeman, 1984; Jones, 1995; Mitchell et al., 1997; Orlitzky et al., 2003) or resource dependence theory (Berman, Wicks, Kotha and Jones, 1999; Branco and Rodrigues, 2006; Hillman and Keim, 2001; McWilliams and Siegel, 2001; Russo and Fouts, 1997). CSP has been preponderantly operationalized as a cause of superior firm performance as opposed to a consequence,

exceptionally when the 'virtuous circle' argument is presented (Orlitzky et al., 2003; Waddock and Graves, 1997).

Whether CSP is used to explain or is explained by financial performance, the question of what influences CSP has been highly underrated in management research. Apart from the slack resources hypothesis, which uses financial performance itself to explain CSP, there is a very limited number of empirical research studies dedicated to employing alternative management metrics to enlighten CSP.

In a dataset of American public companies from 2000 to 2005 and employing the panel data technique, this study examines the impact of organizational culture and management tenure in depicting CSP. We argue that both variables impact positively on CSP.

Organizational culture influences CSP through the set of values and beliefs incorporated into organizational members' rationale (Hatch and Schultz, 1997). These values function as a frame of reference that guides the individual's reaction when carrying out his/her duty. Our study builds on the humanistic approach (Maignan, Ferrel and Hult's, 1995) to organizational culture. This cultural orientation is composed of a collection of social values – sense of involvement and collaboration among organizational members (Fey and Denison, 2003) – that tend to develop engaging relations with the organization's stakeholders. We argue that the presence of these features within the organization will impact positively on the corporation's social performance.

We build a humanistic culture variable out of a series of dimensions of the KLD database. This variable is constructed under the premises of this approach and based on previous theory (Denison and Misra, 1995; Fey and Denison, 2003; Howard-Greville and Hoffman, 2003; Surroca, Tribó and Waddock, 2009).

As a complement to the culture argument, we propose that the time of permanence of the top managers of the firm in the organization also impacts positively on CSP. In line with

Jones et al. (2007), we agree that organizational culture prevails over personal values. The top management embodies and reflects the values and beliefs of the organization both internally and externally in its engagements with the environment.

We follow Gupta (1988), who suggested that the level of absorption of the organizational culture is dependent on the time during which a manager has been exposed to its culture, or in other words, by his or her tenure. Assuming that the organization follows a humanistic orientation and that this orientation is highly responsive to stakeholders' concerns, the longer an executive remains in the firm, the more inclined he/she will be to address these concerns and lead the corporation to socially responsible initiatives, as it is bound to by its culture.

The third factor considered to impact on CSP is financial performance. Our argument is based on the slack resources hypothesis and the proposition of the virtuous cycle (Waddock and Graves, 1997) that both directions of the relationship between CSP and financial performance are significant. Our central claim is that organizational slack allows firms to invest in social initiatives according to their humanistic conscience (Howard-Grenville and Hoffman, 2003) and following the instrumental stakeholder theory.

5.1. Theory and hypothesis

5.1.1. Initial considerations about Organizational Culture

The connection between organizational culture and corporate social performance has been drawn, in general, as a peripheral association. Although culture is a recurrent concept in the CSP literature, there is not sufficient empirical research relating both. Culture is typically mentioned when researchers emphasize that CSP is best maximized when it is embedded within the organizational culture (Branco and Rodrigues, 2006) or when it becomes an integral part of the business culture of the firm (Cramer, 2005; Gardiner, Rubbens and Bonfiglioli, 2003; Wood, 1991).

Arguments for the integration of CSP into corporate strategy (Brock, 2005; Cuesta-Gonzáles, Muñoz-Torres and Fernandez-Izquierdo, 2006; Galan, 2006; Mahon, Lindgreen and Swaen, 2009; Porter and Kramer, 2002; Siegel and Vitalino, 2007) and organizational structure or to be automatically rationalized in the economic decisions of the firm (Berman, Phillips and Wicks, 2006; Hull and Rothenberg, 2008; McWilliams, Siegel and Wright, 2006; Porter and Kramer, 2006; Roberts and Dowling, 2002; Valor, 2005; Wood, 1991) are also indirectly related to the culture incorporation argument.

Organizational culture is a field of study that has commonly been interrelated to psychology. It was absorbed by management from the sociological and anthropological fields (Hatch, 1997). In doing so, the concept has maintained its complexity and a certain abstractness (Fey and Denison, 2003) characterized in its original areas. Discussing the difficulty in finding a widely agreed definition of culture, Detert et al. (2000) argues that some of the few consensus that surround culture is that it is holistic, historically determined and socially constructed.

The holistic sense of culture relates to the fact that it can be manifested in visible and invisible aspects (Marcoulides and Heck, 1993), through the design of structures and

processes (Fey and Denison, 2003; Jones et al., 2007) that tries to influence and guide a firm in its daily operations, in the case of visible aspects; and through an imperceptible set of norms, values and beliefs spread all over the organization, in the case of invisible aspects (Cramer, 2005; Fombrun and Riel, 1997).

Culture is socially constructed because it is substantially based upon collective assumptions of all organizational members across all hierarchical levels (Hatch and Schultz, 1997). They are historically determined in the sense that it refers to past experiences, the manner in which problems were dealt with and relationships were established. Culture objectively represents the successful responses employed by the organization to meet those situations (Hatch, 1997). In order to maintain those successful responses, a culture creates a series of desirable behaviors to be engaged for each circumstance. It is bound, therefore, to shape the way organizational members act and interact amongst them and with the external environment, influencing their subsequent attitudes and behaviors (Marcoulides and Heck, 1993).

5.1.2. CSP and Culture

Considering the extensive reach of influence of organizational cultural inside the firm, it is logical to assume that it somehow impacts on corporate social performance. Russo and Fouts (1997) argue that socially responsible corporations are characterized by a socially responsible cultural atmosphere in the organization. Jones et al. (2007) went further, highlighting that social performance – through engagement with stakeholders – is a central facet of organizational culture.

The mechanism of how culture affects CSP is similar to the one that determines how culture influences any other business function. It operates on the subconscious level (Hatch, 1993), scanning past responses and manners in which the situations were dealt with in the past, providing a frame of reference for the agent that will guide his/her reaction in the present

and in the future. There are a series of features in the vast net of this cultural framework that may be interconnected with social initiatives. In an attempt to furnish a unifying concept of culture, Maignan et al. (1995) broke down organizational culture into a three-dimensional orientation: market, humanistic and competitive. The second of these orientations may present the set of characteristics that interact directly with CSP.

A humanistic culture is composed of social values related to a sense of involvement and collaboration among organizational members, a feeling that, irrespective of hierarchy, people contribute to decisions that affect their work and that these contributions are in line with organizational goals and business practices (Fey and Denison, 2003).

A firm that displays a humanistic approach to culture transmits to its members and to society the notion that its mission is aligned with the individual mission of its workforce and that it performs in accordance with the values and beliefs of its members.

Without directly mentioning the term humanistic, Russo and Fouts (1997) point out that such organizations promote organizational commitment and learning and a cross-functional integration across the organization – without hierarchical barriers, as proposed by Hatch (1993). According to Maignan et al. (1995), culture encourages organizational members to cooperate with stakeholders, since in humanistic organizations employees demonstrate concern for the interest of others, both inside and outside the organization.

The measurement of culture, be it overall or humanistic, is a highly controversial issue in management research. The intangibility and abstractness of the term may have inhibited researches from developing or proposing an empirically usable variable. Maybe because of this, most investigations on culture are carried out through primary qualitative data (Detert et al., 2000; Maignan et al., 1995). Marcoulides and Heck (1993) and Fey and Denison (2003) agree that researchers have not yet identified a specific variable that can comprise the

elements of organizational culture, but this fact is not in itself a reason that should contain empirical quantitative investigation in this area.

Although the lack of a consensus on a culture variable may be considered a limitation for a scientific research study, it is not a factor that restricts it. A culture variable was successfully created and used in McMillan and Joshi (1997), although they remarked that a reliable measure is difficult to obtain because of the lack of quantitative studies. Also pointing out the difficulties of the venture, Denison and Mishra (1995) developed a measure that resembles those of the humanistic precepts. This measure was further developed in Fey and Denison (2003) and served as an inspiration for Surroca et al. (2009) in a forthcoming article that successfully applied culture in a quantitative empirical investigation related to CSP.

Based on the humanistic approach principles of: high involvement, commitment, coordination, and identification with core values (Howard-Greville and Hoffman, 2003), we have created a culture variable using the KLD database – a detailed explanation of the variable is available in the Methodology section and in Appendix V. In selecting the specific organizational characteristics that make up the humanistic culture index developed herein, we also took notice of the four dimensional model of Denison and Mishra (1995) and Fey and Denison (2003): involvement, consistency, adaptability and mission; and in particular the adaptation provided by Surroca et al. (2009).

Assuming the characteristics of the humanistic culture as sensitive and responsive to CSP and that the mechanism of cultural transmission ensures that the intrinsic features of this approach are transferable and guide organizations in their interactions with stakeholders (Howard-Greville and Hoffman, 2003; Jones et al., 2007; Wicks, Berman and Jones, 1999), we hypothesize that the level of humanistic culture positively affects a firm's corporate social performance.

Hypothesis 1: Humanistic culture impacts positively on corporate social performance: the higher the score of the culture index, the better is the CSP

5.1.3. Influence of top management and management tenure on culture and CSP

The role of top management is critical in understanding how culture influences CSP, both in the sense that leadership affects visible and invisible aspects of organizational culture (Wieland, 2005; Wilson, 2000) and the fact that it may reflect and manifest the humanistic approach of the firm.

Humanistic culture can not be practiced without management commitment, and as a result, neither can the corporation perform in social issues as effectively as if it embodied an engaged management team. This comes as a realization of Wood's (1991) assertion that the social responsibilities of firms are met by individual actors and not by some abstract actors. Top management in this sense functions as personified instruments of organizational culture.

We fully accept Jones et al.'s (2007) claim that stakeholder culture is a potent organizational factor that influences managers' social initiatives. Although their personal values are important in leading the firms in social issues, it is the accumulated set of norms, beliefs and values of the organization that will be reflected in management initiatives. We therefore argue that organizational culture prevails over individual manager's values.

The underlying point of this contention is that, as members of the organization, executives' abilities to manage organizational culture is both enabled – given their managerial position – and constrained by their cultural context (Hatch and Schultz, 1997).

As well as the other cultural conceptions introduced earlier, executive assurance of humanist principles, such as ethics, can not be delegated; it has to arise naturally from within the organizational culture (David, Bloom and Hillman, 2007). Gupta (1988) has built on this

argument, pointing out that the level of personal absorption of organizational culture is directly related to the time that an individual has been working for a particular firm.

Under this reasoning, management tenure performs the role of internally embracing organizational culture and externally representing the humanistic inner beliefs of the organization and interacting with stakeholders accordingly.

In an empirical investigation also employing top management tenure as an explanatory variable, Thomas and Simerly (1995) argue, in favor of the use of this variable, that in large corporations dominant coalitions rather than individual managers tend to take control of the decision making process. They further contend that the length of manager's stay in a company can be a useful measure of the individual's managerial knowledge of the firm and its stakeholders and the degree to which he/she has been exposed to the organizational culture.

In line with this argumentation, we hypothesize that the extent of the top management tenure in an organization is a significant determinant of a firm's social performance.

Hypothesis 2: Management tenure impacts positively on corporate social performance: the longer the managers remain in the firm the better is the CSP

5.1.4. Slack resources hypothesis

As opposed to the previous constructs of organizational culture and management tenure that hasn't been sufficiently explored in the CSP debate, financial performance has been widely discussed in the social responsibility literature. Although much of the discussion is centered on the CSP leading to financial performance argument – according to Margolis and Walsh (2003), 82% out of a selection of 127 empirical studies – there is a reasonable number of researches that are dedicated to studying the hypothesis that prior financial performance is a determinant of CSP.

The essential claim of the slack resources hypothesis is that a prior superior financial performance leads to an excess of resources and these extra funds are invested in socially responsible initiatives. Slack is operationalized as a measure of financial performance, a consequence of doing well (Seifert, Morris and Bartkus, 2004). A good financial performance implies profitability, which leads to available funds (Preston and O'Bannon, 1997; Waddock and Graves, 1997).

The slack resources hypothesis is situated within the justification of the stakeholder theory (Godfrey, Merril and Hansen, 2009; Orlitzky et al., 2003; Preston and O'Bannon, 1997; Siegel and Vitalino, 2007; Waddock and Graves, 1997). The inner logic of this theory is the enlighted self-interest (Porter and Kramer, 2006; Seifert et al., 2004) involved on companies' socially motivated initiatives.

The instrumental approach to the stakeholder theory encourages firms to design initiatives oriented at addressing stakeholders' concerns and interests over the impact of its operations (Donaldson and Preston, 1995). These initiatives, through the implicit contract argument (Handelman and Arnold, 1999; Wartick and Cochran, 1985), would be somewhat rewarded by society in the form of improved customer loyalty (Berman et al., 1999; McGuire, Sundgreen and Schneewis, 1988; Roberts and Dowling, 2002), image gain (Brammer and Pavelin, 2006; Turban and Greening, 1997) or employee relations and/or productivity (Backhaus et al., 2002; McWilliams and Siegel, 2001; Stanwick and Stanwick, 1998; Waddock and Graves, 1997), for example.

Additionally, as a result of this engagement, the organization would foster a potential source of competitive advantage (Branco and Rodrigues, 2006; Hart, 1995; Jones, 1995; Roberts and Dowling, 2002; Schnietz and Epstein, 2005; Strike et al., 2006), via the development of a privileged relationship with its stakeholders.

In an empirical research examining the relationship between CSP and financial performance, Waddock and Graves (1997) concluded that both directions of the relation are statistically significant. CSP impacts positively on financial performance and prior financial performance impacts positively on CSP. This led them to propose that there is a 'virtuous cycle' amongst them. Through an extensive meta-analysis, Orlitzky et al. (2003) confirmed that both concepts relate to each other reciprocally, presenting a 'concurrent bidirectionality'.

The link between slack resources and organizational culture is particularly interesting in humanistic cultures. The availability of extra financial resources may trigger the firm, through its humanistic approach, to invest in social initiatives that hadn't been engaged previously for financial reasons. Howard-Grenville and Hoffman (2003) consider this scenario as instrumental in improving CSP.

Previous researches (Berman et al., 2006; Buchholtz et al., 1999; Mitchell et al., 1997) have considered the role of top management as decisive in assigning slack-resources utilization. Buchholtz et al. (1999) in particular found in an empirical research that managerial values mediated the investment of organizational slack on philanthropy initiatives.

Hypothesis 3: Prior financial performance impacts positively on corporate social performance

Following Wood's (1991) assertion that organizational culture may facilitate or hinder relationships among CSP components, we have taken notice of the multidimensionality of the CSP concept. Hence, we propose to analyse, as well as the aggregated CSP, the effect of culture, top management tenure and financial performance on a set of primary stakeholder domains (Harrison and Freeman, 1999; Waddock and Graves, 1997).

Consistent with previous research (Agle et al., 1999; Backhaus et al., 2002; Berman et al., 1999; Bird, Hall, Momente and Reggiani, 2007; Brammer and Pavelin, 2006; Turban and

Greening, 1997) we break down CSP into five qualitative areas: product issues, community relations, environmental issues, employee relations, and diversity of the work force. Analysing each of these dimensions as the dependent variable will enable us to examine the influence of the independent variables on the areas they impact most directly.

5.2. Methodology

5.2.1. Sample and research issues

The sample of this study consisted of 295 American public companies included in the S&P 500. Data were collected from 2000 to 2005, comprising 1.822 firm/years. To test hypothesis one to three we estimated a total of six equations, the major (Specification I) with CSP as the dependent variable and five additional (Specification II to VI) to test the hypothesis on each of the five qualitative areas of CSP. In order to avoid a potential endogeneity bias, we have applied a lag of one year on the independent variables on all specifications.

The econometric models of this study were estimated using panel data technique (See Section 1.1 for a detailed account of the use of panel data). Also consistent with the argumentation on Section 1.1, the models include temporal and industry dummies.

5.2.2. Dependent, independent and control variables

CSP data were provided by the KLD database (see Section 1.1 for a detailed account of this source of data). Given the multidimensional argument raised in the previous section, we also estimate exploratory models with one of each qualitative area as the dependent variable instead of the aggregated construct.

Management tenure was calculated as the average time members of the board have been employed in their current firm. This is consistent with Thomas and Simerly's (1995) construction of their tenure variable and is in line with the theoretical assumptions of Gupta (1988), Hatch and Schultz (1997), Maignan et al. (1995) and Waldman, Siegel and Javidan (2004).

The variable embodying organizational culture was constructed using the KLD database. We identified six specific areas within the database that resembled the features of

humanistic culture argued in the previous section. In Appendix V, we detail the items used to form our variable.

For financial performance, we follow previous authors (Berrone, Surroca and Tribó., 2007; Bird et al., 2007; Black, Carnes and Richardson, 2000; Fombrun and Shanley, 1990; Hillman and Keim, 2001; McGuire et al., 1988; Roberts and Dowling, 1997; Roberts and Dowling, 2002) that consider the market evaluation of the firm as more sensitive and responsive to CSP than accounting-based measures and use market valued added as the independent variable.

In line with previous investigations, this research uses the following control variables: size of the firm (Griffin and Mahon, 1997; Hillman and Keim, 2001; Hull and Rothenberg, 1998; Saiia, Carroll and Buchholtz, 2003; Turban and Greening, 1997), measured by the natural logarithm of total revenues; risk, calculated by beta (Black et al., 2000; Fombrun and Shanley, 1990; Hillman and Keim, 2001; Orlitzky and Benjamin, 2001; Srivastava, Crosby, McInish, Wood and Capraro, 1997); research and development intensity (Berrone et al., 2007; Brammer and Millington, 2008; Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; McWilliams and Siegel, 2001; Schnietz and Epstein, 2005), calculated as a ratio of investment in R&D by total revenues; and advertising intensity (Brammer and Pavelin, 2006; Hull and Rothemberg, 2008; McWilliams and Siegel, 2000).

Because our access to data on advertising expenditures was restricted to the one hundred leading spenders in advertising, we constructed a dummy variable – in line with Brammer and Pavelin (2006) – on the basis of the presence of this company on two thematic lists, '100 leading national advertisers' and the 'most valuable brands'. Both lists are available on the internet (Advertising Age, 2009; Interbrand, 2009).

5.3. Results

Table I shows descriptive statistics and individual correlations between the variables. The aggregated measure of CSP is positively correlated with management tenure, culture and financial performance (at the 99% level of confidence in all cases). When broken down into their social dimensions, most of the correlations maintained the positive sign with the three independent variables: community relations ($p=0.005$ for tenure; $p=0.051$ for culture and $p=0.011$ for MVA); employee relations ($p=0.000$ with all three variables) and diversity ($p=0.000$ for culture and MVA and not significant with tenure). Not following this behavior was the relation between MVA and product issues (negative with $p=0.000$) and environmental issues and culture (also negative with $p=0.001$).

The considerable proportion of correlations that behaved as predicted supports our contention that management tenure, organizational culture and financial performance are strong determinants of CSP.

The significant correlations of MVA with tenure and culture, in particular, are consistent with this study's assumption that these two variables are drivers of slack resources assignation.

The statistical equation testing Hypothesis 1, 2 and 3 can be expressed as:

$$CSP = \beta_0 + \beta_1 Tenure_{it-1} + \beta_2 Culture_{it-1} + \beta_3 MVA_{it-1} + \beta_4 Size_{it} + \beta_5 Risk_{it} + \beta_6 R\&D_{it} + \beta_7 Adv_{it}\, \alpha_i + u_{it}$$

In Table II we present the results from the panel data regressions. We ran a total of six estimations. The first one tested the effect of the independent variables on the aggregated measure of CSP, whereas the following one replaced the overall measure with each of its five qualitative areas. All models were statistically significant and representative at the 99% level of confidence.

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Table I – Descriptive statistics and correlation matrix

Variable	mean	dev	1	2	3	4	5	6	7	8	9	10	11	12	13
1 CSP	-0.05	0.33	1												
2 TEN	9.87	4.36	0.173 [a]	1											
3 CULT	0.56	0.75	0.149 [a]	0.003	1										
4 MVA	15.73	1.30	0.078 [a]	0.133 [a]	0.347 [a]	1									
5 PRO	-0.03	0.48	0.366 [a]	0.092 [a]	-0.036	-0.128 [a]	1								
6 COM	-0.10	0.34	0.541 [a]	0.075 [a]	0.053 [b]	0.069 [b]	0.092 [a]	1							
7 ENV	-0.14	0.37	0.427 [a]	0.133 [a]	-0.088 [a]	0.003	0.148 [a]	0.310 [a]	1						
8 EMP	-0.18	0.58	0.312 [a]	0.090 [a]	0.385 [a]	0.114 [a]	0.113 [a]	0.023	-0.021	1					
9 DIV	-0.37	0.64	0.297 [a]	-0.027	0.403 [a]	0.316 [a]	-0.084 [a]	0.148 [a]	-0.013	0.103 [a]	1				
10 SIZE	16.02	1.18	-0.122 [a]	-0.065 [B]	0.279 [a]	0.512 [a]	-0.273 [a]	-0.181 [a]	-0.337 [a]	0.039	0.261 [a]	1			
11 BETA	1.06	0.44	0.036	-0.049	0.019	-0.213 [a]	0.105 [a]	-0.038	-0.004	0.017	-0.063 [b]	-0.031	1		
12 RD	0.05	0.06	0.110 [a]	-0.019	0.261 [a]	0.152 [a]	0.037	0.120 [a]	0.136 [a]	0.208 [a]	0.122 [a]	-0.182 [a]	0.011	1	
13 ADV	0.19	0.39	0.134 [a]	0.123 [a]	0.264 [a]	0.475 [a]	-0.110 [a]	0.122 [a]	0.014	0.062 [b]	0.324 [a]	0.032 [a]	-0.100 [a]	0.019	1

[a] and [b] indicate that the correlation coefficient is significantly different from zero at the 99% and 95% levels of confidence respectively.

Units of measurement: 1: CSP; 2: Tenure, spent by executives on the firm; 3: Culture, measured on a scale from 0 to 5; 4: natural logarithm of total revenues; 5: product issues; 6: community relations; 7: environmental issues; 8: employee relations; 9: diversity; 10: natural logarithm of market value added; 11: beta; 12: ratio of R&D expenditures to total revenues; 13: dummy indicating presence or not of firm in publications of top 100 brands or top 100 advertisers.

Table II – Regression results with Specifications with CSP as the dependent variable

	I.CSP		II.PRO		III.COM		IV.ENV		V.EMP		VI.DIV	
R2	0.0495		0.0584		0.0587		0.0857		0.0.1421		0.1927	
Wald chi2†	52.54	***	77.52	***	89.00	***	110.48	***	237.99	***	680.85	***
Tenure	0.0072	***	0.0075	**	-0.0007		0.0022		0.0085	**	-0.0031	
Culture	0.0400	***	0.0110		0.0147		-0.0114		0.2388	***	0.1413	***
MVA	0.0270	**	0.0221		0.0171		0.0289	**	0.0111		0.0094	
Size	-0.0543	***	-0.1102	***	-0.0636	***	-0.1020	***	-0.0094		0.0843	***
Beta	0.0161		0.1139	***	-0.0592	**	-0.0209		-0.0062		-0.1256	
RD	-0.0725		-0.1273		0.0678		0.2513	***	0.8395	**	0.1575	
Advert	0.0571	*	-0.1175		0.0951	***	0.0326		-0.0273		0.2000	*
_CONS	0.2996		dropped		dropped		Dropped		-0.2797		Dropped	

*, **, *** denote significance at the 90%, 95% and 99% level of confidence, respectively. Number of observations: 1822 firms/years for 295 firms from 2000 to 2005. Time and sectoral dummies were omitted from the table. † Degrees of freedom for specifications I to VI respectively: 18, 19, 19, 18, 19 and 19.

The first specification supports the three hypotheses put forward. Tenure, culture and MVA coefficients were significant and positive ($p=0.007$, 0.010 and 0.047 respectively). In line with our assertions, these three variables positively impact the level of CSP performed by a firm.

The estimations with the five dimensions of CSP presented very diverse results, although the coefficients of the independent variables were found to be consistently positive (except in three cases out of eighteen – and these three were not significant at all).

The dimension of employee relations was the one that most resembled the aggregated construct of CSP, where tenure and culture were significant ($p=0.045$ and 0.000). Furthermore, tenure was significant with product issues ($p=0.024$), culture with diversity ($p=0.000$) and MVA with environment ($p=0.022$).

These results support the multidimensional nature of CSP and indicate that breaking down the aggregate measure may provide insight into specific areas of CSP that are more sensitive and prone to react to management metrics, such as tenure and culture.

5.4. Discussion and conclusion

Our study builds on the limited number of empirical research studies examining the determinants of corporate social performance. Although CSP is a well established theme in academic research, the great majority of papers that investigate what affects it are exclusively centered on financial performance as the explanatory variable.

We successfully employ organizational culture and management tenure as significant variables explaining the behavior of CSP, in combination with financial performance.

Organizational culture is a recurring theme in the CSP literature; nevertheless, perhaps inhibited by the difficulty in measuring it, researchers have not dared to include it as a variable in a statistical model. Following an alternative path of the literature, we build our own culture variable, based on the humanistic approach to culture. This approach seems to embody a set of highly specific characteristics that are prone to be manifested in CSP.

The question of management's role in organizational culture is naturally raised in the theory development, as managers tend to be the organizational actors that most interact with the stakeholders. Accepting that organizational culture surpasses personal values leads to our proposition that the top management will reflect the values and beliefs of the organization as whole in its relationships with stakeholders. In this context, it would be logical, though theory also endorses this, to assume that the longer managers work for the company the more rooted the cultural values of the firm would be in his/her conscious and subconscious.

The statistical model tested here fully supports these assumptions. Indirectly, the results also confirm that the culture variable was correctly constructed. This suggests that a humanistic approach to culture can be mathematically measured using the theory in place.

As well as the culture-tenure link, we also included financial performance as an explanatory variable. Since this variable was lagged with regard to CSP, we build on the slack resource hypothesis argumentation. Extra and available resources allow humanistic

corporations – individual correlation was significant and positive – to follow their humanistic conscience. Slack enables the firm to activate initiatives that had been designed but not implemented due to cash restrictions.

The regressions with the qualitative areas of CSP as the dependent variables provide an insight into influences of the independent variables on specific dimensions of CSP. The significance of culture and tenure with the dimensions of employee relations, for both, and diversity of the work force, for the first is particularly interesting because these dimensions represent initiatives carried out by the firm specifically targeted at its internal stakeholders. These results indicate that these dimensions are the strongest beneficiaries of the humanistic approach to culture.

Future investigation into the determinants of CSP could combine the management tenure variable with one specifically targeted on CEO tenure. This could address arguments on discretionary issues that are directly related to the CEO and not a top management team.

Although the culture variable was successfully employed, more research is needed before a unified and widely accepted variable appears. We suggest more empirical research boldness in using the databases in place to combine assessed characteristics of the firm with the arguments raised by the theory.

6. CONCLUSION AND IMPLICATIONS

The main purpose of this thesis was to critically depict the effects of CSR on organizational performance. We approached this objective through the development of four scientific articles, Sections 2, 3, 4 and 5.

In Section 2, we successfully employed brand value as a financial indicator of performance. The model with brand value as the dependent variable presented more significant results than the one with a conventional financial indicator – market value added. This confirms that for our sample of corporations, the "Best Global Brands" – US based, brand value is more sensitive to CSR than market-based performance. This is critical for practioneers and scholars. For the first, we provide scientific evidence that CSR's impact on organizational performance is not necessarily tangible. It can be perceived by intangible constructs such as the brand of the corporation. For the latter, we present brand value as a variable that can be used to capture the effectiveness of CSR's strategic use.

In Section 3, our objective was to develop a broad model of corporate reputation taking into consideration the critical role played by CSR and its multidimensional character. CSR's prominent position in terms of impacting on reputation was unequivocally confirmed by our econometric analysis. The most significant model estimated was the one with the interactions between the five qualitative areas of CSR – community relations, employee relation, environmental issues, product issues and diversity of the work force – and industry dummies. This confirms both the multidimensional nature of CSR and the moderating effect of the industry in which the firm is primarily identified with.

Considering that we have used a large and significant sample – 624 US listed companies from 2003 to 2007 – and have employed a rigorous estimation method, our results provide a unique insight into how CSR can be most influential on corporate reputation. They

confirm that there is an ideal level of CSR that maximizes its impact on reputation. Its intensity is contingent upon the industry of the firm and it is relative to specific qualitative areas of CSR. Moreover, the results indicate that market-based measures are considerably better predictors of reputation than those accounting-based.

These findings provide managers with evidence that, in order to maximize the effects of CSR on reputation, it is appropriate that they take into consideration specific requirements of the industry in which the firm is primarily identified with in the design of the CSR initiatives they are going to engage in. A specifically targeted CSR program may be more efficient than a broad one.

For management research, our model provides strong indications that CSR measured as a multidimensional nature is more appropriate than an aggregated variable and that the industry of the firm plays a moderating role in the relation between CSR and reputation.

In Section 4 of our study, we find empirical evidence of the slack-resources hypothesis. Prior-financial performance proved to be a fit predictor of CSR. This indicates that the relationship of CSR and CFP is two-fold, which partially confirms some of the classical arguments against CSR. The fact that commitment to CSR is more significant for firms with a prior strong financial performance indicates that engagement in CSR may be dependent upon financial performance. This contingency suggests that managers are either unsure of the positive impact of CSR on financial performance – if it were not so, they would engage irrespective of slack-resources available – or that they have no support to carry CSR oriented activities.

Evidence of the slack-resources theory may also suggest what we pointed out in Section 2. Although of critical importance, CSR hasn't been fully integrated into corporate strategy and culture and until it is not, it will not perform at its full potential as theorized by the instrumental stakeholder theory.

The final section of this thesis scrutinizes factors that impact on corporate social performance. We test the hypothesis that organizational culture, management tenure and financial performance impact positively on corporate social performance. The argumentation of this article is based on the identification of a humanistic approach to organizational culture. The organizational features that characterize the humanistic orientation of culture embody a set of highly specific items that are prone to be manifested in social performance.

The relevance of this work lies on the successful construction of the humanistic culture variable and the confirmation of the hypothesis that culture, tenure and financial performance are strong determinants of social performance, impacting positively on its level.

5.1. Recommendations for future research

A combined analysis of the three sections suggests that research hasn't yet provided the indisputable scientific evidence of the positive impact of CSR on organizational performance. Our work contributes to remedying this lack of confirmation in several key fronts. First, we find strong evidence of the positive impact of CSR on brand value and corporate reputation. Our reputation model, in particular, indicates that research must take into consideration specific qualitative areas of CSR.

We suggest future researchers to be even more specific, focusing on particular issues inside those qualitative areas. This level of detailed analysis may indicate precisely, which are the exact activities that are more prone to impact on organizational performance, taking into consideration industrial level effects.

Sections 2 and 3 indicated that integration of CSR into strategy and culture may play an important role on determining the effectiveness of CSR in improving organizational performance. Future research should find a way to control this aspect, as the integration

aspect may be the differential in determining the link between CSR and organizational performance.

We also suggest that the quest for conclusive evidence of the CSR leading to CFP link doesn't inhibit research on the surrounding areas of social responsibility. Explaining which organizational features determine CSR may be a fructiferous field of study, as the last section of the thesis proved in its usage of a humanistic orientation of culture in determining social performance.

Exploratory studies and academic boldness may provide researchers with alternatives leads on this still unresolved theme of corporate social responsibility.

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8. APPENDICES

I. Description of the KLD ratings of the primary stakeholder domain

1. Community relations

Strengths

Charitable Giving. The company has been exceptionally generous in its giving.

Innovative Giving. The company has an innovative giving program that supports nonprofit organizations, particularly those promoting self-sufficiency among the economically disadvantaged.

Non-US Charitable Giving. The company has innovative giving programs outside of the U.S., or dedicates a significant percentage of its overall charitable giving to programs outside of the U.S.

Support for Education. The company is either a leader in its support for primary or secondary public school education, or the company has offered significant support for youth job-training programs.

Support for Housing. The company is a prominent participant in public/private partnerships that support housing initiatives for the economically disadvantaged.

Volunteer Programs. The company has an exceptionally strong employee volunteer program.

Other Strengths. The company has either an exceptionally strong in-kind giving program or engages in other positive community activities not covered by other KLD ratings.

Concerns

Investment Controversies. The company's lending or investment practices are controversial.

Negative Economic Impact. The company's actions have resulted in major controversies concerning the quality of life, tax base, or property values in the community.

Tax Disputes. 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.

Other Concerns. The company is involved in a community controversy not covered by other KLD ratings.

2. Product Issues

Strengths

Benefits to Economically Disadvantaged. The company has as part of its basic mission the provision of products or services for the economically disadvantaged.

Quality. The company has a long-term, well-developed, company-wide quality program, or it has a quality program widely recognized as exceptional.

R&D/Innovation. The company leads its industry in the research and development of innovative products.

Other Strengths. The company's products have social benefits that are highly unusual or unique for its industry and not covered by other KLD ratings.

Concerns

Antitrust. The company has recently paid substantial fines or civil penalties for antitrust violations such as price fixing, collusion, or predatory pricing, or is involved in major controversies or regulatory actions related to antitrust allegations.

Marketing/Contracting Controversy. The company has either been involved in a major marketing or contracting controversy, or has paid a substantial fine or civil penalty relating to advertising practices, consumer fraud, or government contracting.

Safety. The company has either paid substantial fines or civil penalties, or is involved in a major recent controversy or regulatory action, relating to the safety of its products or services.

Other Concerns. The company has major controversies with its franchises, is an electric utility with nuclear safety problems, defective product issues, or is involved in other product related controversies not covered by other KLD ratings.

3. Environmental Issues

Strengths

Clean Energy. The company has taken significant measures to reduce the contributions of its operations to global climate change and air pollution through the use of renewable energy, other clean fuels, or through the introduction of energy efficient programs or sale of products promoting energy efficiency.

Beneficial Products & Services. The company derives substantial revenues from the development of innovative products with environmental benefits, including remediation products, environmental services, or products that promote the efficient use of energy.

Pollution Prevention. The company has strong pollution prevention programs, including both emissions and toxic-use reduction programs.

Recycling. The company is either a substantial user of recycled materials in its manufacturing processes, or a major firm in the recycling industry.

Management Systems. The company has demonstrated a superior commitment to management systems through ISO 14001 certification and other voluntary programs.

Other Strengths. The company has undertaken noteworthy environmental initiatives not covered by other KLD ratings.

Concerns

Climate Change. The company derives substantial revenues, directly or indirectly, from the sale of coal or oil and its derivative fuel products.

Ozone Depleting Chemicals. The company manufacturers ozone depleting chemicals such as HCFCs, methyl chloroform, methylene chloride, or bromines.

Agricultural Chemicals. The company is a substantial producer of agricultural chemicals, including pesticides.

Hazardous Waste. The company has substantial liabilities for hazardous waste, or has recently paid significant fines or civil penalties for waste management violations.

Regulatory Problems. The company has recently paid substantial fines or civil penalties for, or it has a pattern of controversies regarding, violations of air, water, or other environmental regulations.

Substantial Emissions. The company's emissions of toxic chemicals into the air and water from individual plants are notably high.

Other Concerns. The company has been involved in an environmental controversy not covered by other KLD ratings.

4. Employee Relations

<u>Strengths</u>

Health and Safety. The company has strong health and safety programs.

Retirement Benefits. The company has a strong retirement benefits program.

Union Relations. The company has taken exceptional steps to treat its unionized workforce fairly.

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

Employee Involvement. The company strongly encourages employee involvement through active participation in management decision-making, and/or through ownership in the company by granting stock options to a majority of its employees.

Other Strengths. The company has strong employee relations initiatives not covered by other KLD ratings.

<u>Concerns</u>

Union Relations. The company has a history of notably poor union relations.

Health and Safety. The company recently has either paid substantial fines or civil penalties for willful violations of employee health and safety standards, or it has been otherwise involved in major health and safety controversies.

Retirement Benefits. The company has either a substantially under funded defined benefit pension plan, or an otherwise inadequate retirement benefits program.

Workforce Reductions. The company has made significant reductions in its workforce in recent years.

Other Concerns. The company is involved in an employee relations controversy that is not covered by other KLD ratings.

5. Diversity of the work force

<u>Strengths</u>

Board of Directors. Women and/or minorities hold a significant proportion of the seats on the company's board of directors.

CEO. The company's chief executive officer is a woman or a member of a minority group.

Employment of the Disabled. The company has innovative hiring or other human resource programs for the disabled, or it has a superior reputation as an employer of the disabled.

Gay & Lesbian Policies. The company has progressive policies toward its gay and lesbian employees.

Promotion. The company has made substantive progress in the promotion of women and/or minorities to senior executive line positions.

Women & Minority Contracting. The company has a strong record of purchasing and/or contracting with businesses owned by women or minorities.

Work/Life Benefits. The company has outstanding programs addressing employee work/life concerns.

Other Strengths. The company has made a notable commitment to diversity that is not covered by other KLD ratings.

<u>Concerns</u>

Employee Discrimination. The company has paid substantial fines or civil penalties as a result of employee diversity controversies, or is currently involved in major employee diversity-related legal proceedings. Legal cases include those brought by company employees as well as those brought by the U.S. Department of Labor and the U.S. Equal Employment Opportunity Commission (EEOC).

Non-Representation. The company has no women on its board of directors or among its senior line executives.

Other Concerns. The company is involved in diversity controversies not covered by other

II. Data-stream industry code

➢ Basic industries (BASIC): chemicals, building & construction materials, forestry, paper and steel companies;

➢ Cyclical consumer goods (CYCGD): automobile and parts, clothing and footwear, textiles, households and appliances, furnishing and floor coverings;

➢ Cyclical services (CYSER): retailers, leisure and entertainment, media and photography, support services and transport;

➢ General industries (GENIN): aerospace and defence industries, electrical equipment, engineering and machinery companies;

➢ Information technology (ITECH): Information technologies, information technology and hardware, software and computer services;

➢ Non-cyclical consumer goods (NCYCG): beverage companies, food processor and farming, health maintenance organizations, hospital management, medial equipment, household products, personal products, pharmaceuticals, biotechnology and tobacco;

➢ Non-cyclical services (NCYSER): food and drug retailers, telecom fixed line, telecom wireless;

➢ Resources (RESOR): Oil and gas services, exploration and production, gold mining, other mineral extractor;

➢ Financials (TOTLF): Banks, Insurance, Investment companies and real estate;

➢ Utilities (UTILS): gas distribution and water.

III – Table of corporations included in the sample (Section 2)

3M	FedEx	Motorola
Accenture	Ford Motor Company	Nike
Amazon.com	Gap Inc.	Oracle
Anheuser-Busch	General Electric	PepsiCo
Apple	Gillette	Pfizer
AT&T	H.J. Heinz	Polo Ralph Lauren
Boeing	Hewlett-Packard	Procter & Gamble
Caterpillar	Hilton Hotels	Starbucks
Cisco Systems	IBM	Texas Instruments
Coca-Cola	Intel Corporation	The Walt Disney Company
Colgate Palmolive	Kellogg Company	United Parcel Service
Dell	Kimberly-Clark	Wrigley Jr. Co
Eastman Kodak	Kraft Foods	Xerox
eBay	McDonald's	Yahoo
Estee Lauder	Merck & Co. Inc.	Yumi Brands Inc
Exxon Mobil Corporation	Microsoft	

IV. Regression results with five dimensions of CSP and full interaction (Section 3)

Variable	Coefficient		Variable	Coefficient	
Wald chi2 (66)	52,013.250	***			
R2	0.643				
Constant			*Diversity*	-0.628	***
Roa	0.008		→ Basic industries	0.702	***
Market-to-book	0.092	***	→ Cyclical consumer goods	0.477	
Risk	-0.176		→ Cyclical services	0.694	***
Beta	-0.452	***	→ General industrials	0.679	***
Firm size	0.321	***	→ Information technology	0.579	**
R&D intensity	-1.939		→ Non-cyclical consumer goods	0.821	***
Charity	-0.132		→ Non-cyclical services	0.190	
Advert intensity	0.036		→ Resource	0.691	**
Industry			→ Financial	0.901	**
Basis industries	1.399	***	*Enviromental Issues*	-0.171	***
Cyclical consumer goods	1.362	***	→ Basic industries	-0.053	
Cyclical services	1.067	***	→ Cyclical consumer goods	1.102	***
General industrials	1.047	***	→ Cyclical services	-0.181	
Information technology	0.644	**	→ General industrials	0.130	
Non-cyclical consumer goods	0.892	***	→ Information technology	0.075	
Non-cyclical services	1.063	***	→ Non-cyclical consumer goods	0.070	
Resource	0.819	**	→ Non-cyclical services	dropped	
Financial	1.098	***	→ Resource	0.347	*
Community relations	-0.880	***	→ Financial	dropped	
→ Basic industries	0.911	***	*Employee relations*	-0.176	
→ Cyclical consumer goods	0.707	**	→ Basic industries	0.324	
→ Cyclical services	0.955	**	→ Cyclical consumer goods	0.518	*
→ General industrials	1.140	***	→ Cyclical services	0.313	**
→ Information technology	0.422		→ General industrials	0.498	**
→ Non-cyclical consumer goods	1.114	***	→ Information technology	0.461	*
→ Non-cyclical services	3.665	***	→ Non-cyclical consumer goods	0.229	
→ Resource	0.736	**	→ Non-cyclical services	0.194	
→ Financial	dropped		→ Resource	0.349	
Product issues	0.980	***	→ Financial	dropped	
→ Basic industries	-0.885	***			
→ Cyclical consumer goods	-0.561				
→ Cyclical services	-0.726	**			
→ General industrials	-0.826	**			
→ Information technology	-0.857	**			
→ Non-cyclical consumer goods	-0.796	**			
→ Non-cyclical services	-1.415	***			
→ Resource	-0.684	*			
→ Financial	dropped				

The omitted industrial dummy is "utilities".
Temporal dummies 2003 to 2007 in Model 01 and 2004 to 2007 were also estimated, albeit not shown on results.
*, **, *** denote significance at the 90%, 95% and 99% level of confidence, respectively.
→ indicates interaction between corporate social performance and the specific industrial dummy in the line

V – Breakdown of categories in KLD measured by the culture variable (Section 5)

- Volunteer Programs: The company has an exceptionally strong volunteer program.

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

- Work/Life Benefits: The company has outstanding employee benefits or other programs addressing work/life concerns, e.g., childcare, elder care, or flextime.

- Employee Involvement: 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: The company has a notably strong retirement benefits program. KLD renamed this strength from Strong Retirement Benefits.

- Health and Safety Strength: The company has strong health and safety programs.

TESIS DOCTORAL – RESUMEN EN CASTELLANO

TÍTULO**:**

EL IMPACTO DE LA RESPONSABILIDAD SOCIAL CORPORATIVA EN EL DESEMPEÑO ORGANIZATIVO

RESUMEN

Analizamos la influencia de la Responsabilidad Social Corporativa (RSC) en el desempeño organizativo a través de cuatro aspectos principales. Llevamos a cabo un vigoroso análisis teórico, empleando la técnica de datos de panel en una muestra significativa de empresas estadounidenses que cotizan en bolsa, en el periodo comprendido entre 2001 y 2007. Primeramente, aportamos al mundo académico y profesional una medida alternativa de desempeño financiero corporativo (DFC), que puede ser influenciada por la RSC. Nuestros resultados indican que el valor de la marca es una medida válida de DFC y que esta positivamente relacionada con la RSC. Seguidamente, comprobamos que la reputación corporativa es la conexión conceptual entre la RSC y el desempeño financiero. Construimos un modelo de acuerdo con esa premisa, destacando el efecto multidimensional de la RSC y el efecto moderador desempeñado por el sector al que pertenece la empresa. Desglosamos la RSC en cinco áreas cualitativas: relaciones con la comunidad, medio ambiente, relaciones laborales, temas de producto, y la diversidad de la fuerza de trabajo. Nuestros resultados sugieren que las cinco áreas cualitativas impactan positivamente en la reputación corporativa, así como indicadores de mercado de riesgo y desempeño financiero. En las dos secciones finales, investigamos cuales variables influyen en la RSC. Encontramos que la cultura organizacional, el tiempo de permanencia de los directivos en la empresa y desempeño financiero impactan positivamente en la RSC. Sostenemos que las empresas que incorporan un enfoque humanístico a la cultura tienen un buen desempeño de RSC porque sus valores culturas y creencias internas conllevan al establecimiento de una buena relación con sus stakeholders. Esto es maximizado por el tiempo de permanencia de los altos directivos, una vez que la absorción de la cultura corporativa está proporcionalmente relacionada con este tiempo de permanencia. La disponibilidad de recursos, a través de un alto desempeño financiero, combinado con una cultura organizacional pro-activa y con la integración de los altos directivos en esta cultura contribuyen significativamente en la mejora de la RSC.

1. INTRODUCCIÓN

La responsabilidad social corporativa (RSC) se ha convertido en una de las funciones de negocios más trascendentes en la literatura de gestión y práctica profesional. La mera afirmación de que la RSC es una función de negocios sería considerada un disparate hace treinta años. La RSC ha pasado de ser un concepto abstracto a un activo estratégico, base de ventaja competitiva. Este proceso ha despertado nuestro interés en profundizar en el conocimiento de cómo la RSC ha evolucionado y como actualmente es entendida y practicada.

Estudiamos la RSC mediante la combinación de una profunda revisión de la literatura y la gestión de cuestiones claves de investigación – como el uso de variables de control, técnica de estimación y toma de muestras. Nuestro objetivo es abordar las cuestiones primordiales subrayadas en la literatura, que hayan sido poco estudiadas o que no hayan sido adecuadamente consideradas en términos de diseño de la investigación o fundamentación teórica. Nuestro estudio lo diseñamos en una serie de cuatro artículos científicos.

La teoría de los stakeholders, y en particular el enfoque instrumental, es la principal teoría en que nuestra tesis está basada. Este campo de estudios asume que la RSC es una función estratégica de la firma y como tal, puede ser desarrollada bajo la racionalización de maximización de lucros. La teoría instrumental de los stakeholders ha sido construida bajo la realización que la empresa debería darse cuenta y estar atenta a los intereses y preocupaciones de sus stakeholders (Freeman, 1984).

El reconocimiento de la validez del contracto social implícito entre las organizaciones y la sociedad (Porter y Kramer, 2006) conlleva a la tomada de conciencia que el futuro de los dos puede 'fortunadamente coincidir" (Chryssides and Kaler, 1996), o en otras palabras, que comprometerse con la sociedad puede traer beneficios para la empresa. El enfoque

instrumental a la teoría de los stakeholders legitima la búsqueda por una recompensa para empresas dispuestas a envolverse con sus stakeholders.

Como precondición para una iniciativa ser considerada dentro del ámbito de la teoría es que las actividades desarrollados por la empresa deben ser genuinas – no cosméticas o fruto de acciones de relación publica (Hull and Rothenberg, 2008) – e ir más allá de los intereses directos de la empresa o de lo que ya es requerido por las leyes (McWilliams and Siegel, 2001).

Los temas específicos relacionando la teoría de los stakeholders y los temas analizados en cada sección son explorados detalladamente en cada respectiva sección.

Los principales objetivos de esta tesis son:

▪ Llevar a cabo una extensa revisión de la literatura de los temas, teorías, opiniones y argumentos relacionados con la responsabilidad social corporativa. Enfocamos particularmente en la medición de la RSD, teoría de los stakeholders, visión de la empresa basada en los recursos, cultura organizacional, hipótesis de los recursos disponibles, economía neoclásica y reputación corporativa, entre otros;

▪ Aplicar una rigurosa metodología basada en la técnica de datos de panel, llevando en cuenta las cuestiones apuntadas por otros investigadores en relación a la toma de muestras, uso y medición de variables;

▪ Provisión de una medida alternativa de desempeño financiero, valor de la marca, en la cual los efectos de la RSC puedan ser alternativamente percibidos, al contrario de los indicadores basados en el mercado o en la contabilidad, que son comúnmente utilizados;

▪ Desarrollar un modelo de corporación corporativa – estableciendo la reputación como la conexión entre la RSC y el desempeño financiero – teniendo en cuenta el efecto moderador de las interacciones entre las dimensiones cualitativas de la RSC y el sector al que pertenece la empresa

- Determinar las variables que influencian el desempeño social corporativo, con énfasis en la cultura organizacional y el contraste de la hipótesis de los recursos disponibles, dedicando para esto el mismo esfuerzo académico que el dedicado a la explicación de la influencia del DSC en la RSC.

Hemos probado la validez de la teoría instrumental de los stakeholders en las secciones 2 y 3. El valor de la marca es utilizado como variable dependiente en la sección, mientras que la reputación corporativa es usada en el segundo.

En la Sección 2, estudiamos el impacto de la RSC en el valor de la marca. La muestra de la investigación esta compuesta por el conjunto de empresas estadounidenses publicadas en la lista "Mejores Marcas Mundiales" realizada por la consultora Interbrand. Basándonos en la teoría instrumental de los *stakeholders*, confirmamos que la RSC es una fuente válida de ventaja competitiva intangible. Sin embargo, ella no es utilizada en todo su potencial; dado que la RSC tiene un menor impacto en el desempeño organizativo que el tamaño de la empresa y otros indicadores financieros convencionales.

Entendemos que esta infravaloración se debe a la falta de coordinación entre las iniciativas de RSC con la estrategia corporativa. El valor añadido de este estudio en términos de metodología es el empleo con éxito de datos de panel y la introducción de valor de la marca como una medida de desempeño corporativo. También proveemos evidencia empírica de que el impacto de las iniciativas de RSC en el desempeño corporativo es a largo plazo, es decir el modelo estimado con un retardo de dos años en la RSC es más significativo que el retardado en un año.

En la Sección 3, también utilizamos la técnica de datos de panel en una muestra de 320 empresas estadounidenses en el periodo de 2003 a 2007 para estimar un modelo de reputación corporativa, medido por el índice de la revista Fortune. Proponemos que la RSC es un factor clave de la reputación corporativa, dado su potencial para fomentar ventajas

competitivas difíciles de imitar. Defendemos que investigaciones previas no concluyentes sobre este tema se deben a concepciones erróneas de la RSC y a defectos en sus diseños. Ambos aspectos son tratados en esta sección.

Nuestro modelo incorpora el concepto multidimensional de la RSC, presentando un constructo con cinco dimensiones – relaciones con la comunidad, medio ambiente, relaciones laborales, temas de producto, y la diversidad de la fuerza de trabajo – e interactuándolos con los efectos derivados del sector al que pertenece la empresa. Nuestros resultados indican que las cinco dimensiones de la RSC tienen un impacto significativo sobre la reputación de la empresa y este impacto es moderado por su sector.

Las dimensiones cualitativas de la RSC más relevantes fueron la diversidad de la fuerza de trabajo y la de temas de producto. La primera esta positivamente relacionada con ocho de los nueve sectores; y la segunda ha presentado un impacto positivo en cinco sectores y negativos en tres.

Por otra parte, los indicadores de riesgo y de resultado financiero, basados en el mercado fueron siempre más robustos que los basados en la contabilidad.

En la Sección 4, en una muestra de 624 empresas estadounidenses en el período de 2001 a 2007, a través de datos de panel, comprobamos la hipótesis de los recursos disponibles. Nos hemos basado en las contradicciones entre la teoría instrumental de los *stakeholders* y en la teoría de los recursos disponibles para sostener que ambos conceptos no son totalmente compatibles.

El enfoque instrumental asume que la RSC es estratégica y que tiene el potencial de generar una ventaja competitiva para la empresa. La teoría de los recursos disponibles, sin embargo, aunque comparte algunas de las proposiciones instrumentales, está condicionada a un resultado financiero anterior positivo. Nuestros resultados indican que el resultado financiero anterior, medido como el valor de mercado añadido, influye positivamente en el

desempeño social corporativo (DSC). Realizamos la misma prueba en las cinco áreas cualitativas de desempeño social.

La magnitud de los impactos del desempeño financiero en estas áreas varía de intensidad, lo que confirma que la DSC es esencialmente de carácter multidimensional y debe ser considerada y practicada de acuerdo a ello. La diversidad de la fuerza de trabajo ha sido la más destacada de las dimensiones.

La quinta y última sesión de esta tesis analiza cuales son las variables que determinan el desempeño de la RSC. Hemos construido un modelo incluyendo la cultura organizacional, el tiempo de permanencia de los directivos y el desempeño financiero como variables explicativas del desempeño social. Nuestra argumentación está basada en la identificación de una serie de características de la cultura organizacional que particularmente influenciarían el desempeño social, el enfoque humanístico (Maignan, Ferrel y Hult, 1995).

El desempeño social es positivamente afectado por este enfoque, en vista de que una organización humanista tiende a desarrollar buenas relaciones con sus stakeholders (Denison and Misra, 1995). Bajo la premisa de que la cultural organizacional sobrepasa valores y creencias personales (Jones, Felps and Brigley, 2007), también argumentamos que la absorción de la cultura organizacional por parte de sus directivos está proporcionalmente relacionada con el tiempo que él/ella ha trabajado en esta empresa. Asumiendo que esta organización sigue una orientación humanística, los directivos estarán siendo continuamente estimulados a comprometerse con los intereses y preocupaciones de los stakeholders.

Un buen desempeño financiero, en este sentido, contribuirá para incentivar la organización, a través de sus directivos, para mantener y reforzar su proximidad con los stakeholders (Howard-Greville and Hoffman, 2003). Los resultados empíricos de la investigación comprueban estas proposiciones.

Las cuatro secciones de nuestra tesis son complementarias. En la primera sección, realizamos un estudio exploratorio con el fin de comprobar la utilidad del valor de la marca como una medida alternativa de desempeño financiero. Aquí hemos asumido tres supuestos que se desarrollaron aún más en las siguientes secciones. En el análisis de la teoría, propusimos que los beneficios de la práctica de la RSC pueden no ser directamente reflejados en los indicadores financieros convencionales. La reputación de las empresas podría actuar como un eslabón intermedio entre la RSC y el desempeño financiero. En la Sección 3, hemos desarrollado un amplio modelo de la reputación corporativa, sostenida por los argumentos planteados en la sección anterior.

En las Secciones 3, 4 y 5, tenemos en cuenta la multidimensionalidad de la RSC. En ambos modelos, la RSC es desglosada en cinco áreas cualitativas, como se señala en la Sección 2. La multidimensionalidad de la RSC y sus interacciones con el sector de la empresa es un elemento clave del modelo de reputación corporativa.

La causalidad es un factor crítico en el debate sobre la RSC. La dirección de la relación entre la RSC y el DFC fue identificada como un problema potencial en las secciones 2 y 3. En las secciones 4 y 5 realizamos un análisis profundo de los argumentos relacionados con la hipótesis de los recursos disponibles (es decir, que la RSC es consecuencia de del DFC). Este análisis teórico fue completado por una regresión econométrica que confirma que esta relación es de hecho de doble dirección.

2. EFFECTOS DE LA RESPONSABILIDAD SOCIAL CORPORATIVA EN EL VALOR DE LA MARCA

2.1. Introducción

Existe un consenso creciente de que la RSC ha cruzado la línea entre ser un lenguaje abstracto de negocios para convertirse en una función estratégica de gestión. Esto se demuestra tanto en los círculos académicos, con docenas de estudios teóricos y empíricos publicados como en la práctica de gestión corporativa con la progresiva importancia y la publicidad dada a las cuestiones de responsabilidad social.

A pesar de este reconocimiento general, la característica principal del concepto de la RSC es la falta de acuerdo sobre lo que realmente significa (Brammer y Millington, 2008; Valor, 2005; Lantos, 2001; O'Dwyer, 2003). Esto puede ser debido a la vaguedad e intangibilidad de la palabra (Frankental, 2001), su ambigüedad (Valor, 2005) o simplemente al hecho de que en comparación con otras funciones de negocios, el surgimiento de la RSC como un área legítima de la investigación en la literatura de gestión es muy reciente (Harrison y Freeman, 1999), incluso "embrionaria" (Lantos, 2001).

Es un hecho, sin embargo, que la responsabilidad social se ha convertido en una "prioridad ineludible" (Porter y Kramer, 2006) para los líderes empresariales. La consideración de la RSC como una área legítima, incluso crítica (Gelb y Strawser, 2001) es corroborada por Hull y Rothenberg (2008), Lockett et al. (2006), McWilliams et al. (2006), Quazi y O'Brien (2000), Schnietz y Epstein (2005), y la prácticamente todos los autores citados a partir del año 2000.

Nuestra investigación se basa en estudios anteriores sobre el impacto de las iniciativas de RSC en el desempeño de la empresa. Nuestro objetivo es analizar el selecto grupo de empresas de Estados Unidos con las mejores marcas mundiales. Utilizamos el valor de la

marca como una medida de desempeño de la empresa. Proponemos que el valor de marca, como la variable dependiente, reúne en una única categoría componentes y características sensibles a la RSC y que pueden capturar influencias que no serían percibidas por indicadores convencionales de desempeño.

La mayoría de investigaciones previas han utilizado la RSC en yuxtaposición con indicadores financieros convencionales. Al utilizar el valor de la marca – con su combinación de integración de los ingresos económicos, impulsando la demanda de los consumidores y fortaleza de la marca (la reputación, la lealtad, la posición de mercado) – estamos evaluando un nuevo enfoque en la cuestión crucial de si la RSC vale la pena o no.

Nuestra metodología de investigación consistió en un análisis longitudinal de las principales corporaciones de Estados Unidos en términos de valor de marca. El uso de datos de panel proporciona una técnica robusta para controlar la heterogeneidad no observada de las percepciones intrínsecas de la RSC por las empresas.

Para medir el valor de la marca, este estudio utiliza la lista de "Mejores Marcas Mundiales" publicadas por la consultora Interbrand, de 2001 a 2003. Esta lista es contrastada con indicadores de responsabilidad social de la firma KLD e información financiera proveída por Thompson World Scope.

Este estudio esta fundamentalmente basado en la teoría instrumental de los *stakeholders* y sus enfoques análogos (teoría de la coincidencia, la RSC estratégica, *enlighted self-interest*), todo de acuerdo a la justificación del contrato social. Se consideró la RSC como una actividad o inversión llevada a cabo por una empresa que no es obligatoria ni requerido por la ley.

Estas iniciativas, además, se llevarían a cabo bajo la premisa de que la empresa se vería recompensada por sus acciones. Hemos evaluado la RSC como una inversión a largo

plazo, construyendo modelos que comparan el efecto de la RSC en el valor de marca aplicando un retardo de un año en un modelo y de dos años en otro.

Dada la naturaleza evolutiva de la RSE, hemos realizado una revisión teórica sólida, a fin de examinar las cuestiones de la conceptualización de la RSE. Una evaluación consistente atiende tanto a Schnietz y Epstein (2005) que pide por una base teórica más profunda y la realización hecha por Locket et al (2006) que la delimitación de los paradigmas que rodean la RSC es más compleja que los de otras ciencias sociales más típicas.

En consecuencia, además de la teoría de los *stakeholders*, el examen teórico abarca los elementos del enfoque clásico de la RSC, " el negocio de los negocios son los negocios", con los principales argumentos basándose en la premisa de que la participación en la RSC es perjudicial no sólo para las empresas, sino también para la sociedad en general.

Como premisa subyacente de nuestra investigación asumimos que el valor de la marca es una medida adecuada para capturar el desempeño financiera de la empresa. Esta postulación es coherente con Chu y Keh (2006), que destacó la importancia de la marca corporativa como una métrica del rendimiento corporativo, y con Fehle et al. (2008), que afirmó que las mejores marcas tienen valores ocultos, no valorados por los modelos convencionales de fijación de precios de los activos.

1.2. Discusión y conclusión

El objetivo principal de nuestra investigación fue aportar pruebas empíricas para verificar los efectos de la RSC en el desempeño corporativo. Hemos tratado de hacerlo mediante la introducción del valor de la marca como la variable dependiente, a diferencia de los indicadores financieros convencionales. Los resultados confirmaron que, dada nuestra muestra, el valor de marca es más sensible a la RSC que una medida de desempeño financiero basada en el mercado (valor de mercado añadido).

Aunque la RSC tuvo que ser descompuesta y reconstruida a base de cinco de sus áreas cualitativas originales, los resultados proporcionan pruebas sólidas de apoyo a nuestras tres hipótesis. La RSC impacta positivamente el valor de la marca. Este efecto sin embargo, es de menor magnitud que el del tamaño de la empresa y del valor de mercado añadido.

Nuestra investigación saca a la luz una evaluación crítica de la utilización de la RSC como una variable multidimensional. Cuando la RSC es utilizada como una variable agregada combinando todas las siete áreas cualitativas en un constructo, el modelo econométrico no salió significativo. Sholtens y Zhou (2008) ya han señalado que estos siete temas son de una naturaleza muy diferente. Seguimos otros autores (Hillman y Keim, 2001; Waddock y Graves, 1997) que han combinado las variables en un conjunto de grupos, que es lo que resolvió el no inicial de resultados significativos.

Este estudio contribuye con la práctica organizativa a través del proveimiento de indicaciones empíricas de que la RSC merece la pena. Los resultados también indican que el desempeño financiero basado en el mercado y el tamaño de la empresa tienen un impacto más significativo en el valor de la marca que la RSC. El impacto fuerte, pero relativo de la RSC está en línea con las críticas actuales de la aplicación de la RSC. Esto sugiere que cuando se utiliza de manera óptima, la contribución potencial de la RSC de valor de la marca puede ser maximizada.

En cuanto a la contribución académica, nuestra investigación ha utilizado con éxito el valor de la marca como una medida de rendimiento financiero. El modelo ha sido estimado con datos de panel, que es una técnica más capaz que una regresión de MCO, pues controla la heterogeneidad inobservable inherente a los problemas de la conceptualización de la RSC. Las regresiones confirman la tesis de la RSC como una inversión a largo plazo. El modelo con retraso de dos años sobre el valor de marca fue significativamente más robusto que el que del retraso de un año.

Nuestra investigación también complementa los numerosos esfuerzos realizados por investigadores en proporcionar a los profesionales evidencia de que la RSC impacta positivamente en los resultados de la empresa y suministrarles con un marco objetivo en el que puedan operar.

3. REPUTACIÓN CORPORATIVA: UNA COMBINACIÓN DE DOMINIOS MULTIDIMENSIONALES DE LA RESPONSABILIDAD SOCIAL MODERADOS POR EFECTOS A NIVEL DEL SECTOR.

3.1. Introducción

Es indiscutible que la responsabilidad social corporativa (RSC) ha logrado un lugar destacado en las prácticas de gestión y en el ámbito académico. Al ser valorada como una posible fuente – en su forma más apreciada de activo intangible difícil de copiar – de mejora de la reputación corporativa, la RSC ha generado gran interés y publicidad de directivos a investigadores.

Desde el 'provocador' artículo de Milton Friedman, publicado en 1970 (Friedman, 1970), numerosos estudios han tratado de rebatir (la mayoría) o darle la razón. El esfuerzo de investigación sobre la RSC y la reputación ha sido tanto conceptual (Carroll, 1979, Donaldson y Preston, 1995; Freeman, 1984; Gardberg y Fombrun, 2006; Hart, 1995; Jones, 1995; Mitchell et al., 1997, Wartick y Chochran, 1985) como empírico (Griffin y Mahon, 1997; Fombrun y Shanley, 1990; Hillman y Keim, 2001; McGuire et al., 1988; Roberts y Dowling, 2003; Waddock y Graves, 1997).

Hasta la fecha, la evidencia que la RSC impacte en el desempeño organizativo – ya sea mediante la creación de su reputación, resultados financieros o de otros medios – ha sido calificada como equívoca (Berman et al., 2006; Schnietz y Epstein, 2005), contradictoria

(Griffin y Mahon, 1997) y no concluyente (Backhaus et al., 2002; Hillman y Keim, 2001; Porter y Kramer, 2006). Esta falta de consenso puede tener su origen en el hecho de que la RSC ha surgido en la literatura de gestión muy recientemente (Lantos, 2001; McWilliams et al., 2006; Windsor, 2006) y / o que las investigaciones han sido mal diseñada (Bird et al ., 2007, Brown y Perry, 1994; Orlitzky y Benjamin, 2001; Rowley y Berman, 2000; Schnietz y Epstein, 2005).

Nuestro trabajo tiene como objetivo corregir los errores de especificación en el diseño de la investigación para desarrollar un modelo de reputación, destacando el valioso papel de la RSC en la construcción de la reputación. Proponemos un modelo remediando cinco fuentes potenciales de fallas de la investigación.

En primer lugar, consideramos la reputación como la consecuencia de la RSC. Hay pocos trabajos empírico que han estudiado los efectos de la RSC en la reputación (algunas excepciones son Brammer y Pavelin, 2006; Turban y Greening, 1997).

En algunos estudios el constructo de la RSC no se refiere a su carácter multidimensional (Fombrun y Shanley, 1990; Roberts y Dowling, 2002). La mayoría de las investigaciones utiliza la reputación perceptiva – o bien como reputación general o específicamente como reputación para la responsabilidad social – como una medida de la RSC (Griffin y Mahon, 1997 – en este caso combinada con otras variables; McGuire et al., 1988; Schnietz y Epstein, 2005 ; Stanwick y Stanwick, 1998). En cualquiera de los casos, la medida es perceptiva y hay indicios de que la reputación global está muy relacionada con la reputación para la responsabilidad social (Griffin y Mahon, 1997). Nuestro trabajo considera que la reputación y la RSC como variables separadas e independientes (Harrison y Freeman, 1999; Turban y Greening, 1997; Ruf et al., 1998).

Argumentamos que en un modelo econométrico o conceptual, la RSC es una variable significativa, incidiendo positivamente en la reputación. En este sentido, la RSC sólo puede

cumplir su función de creación de ventajas competitivas (Roberts y Dowling, 2002; Russo y Fouts, 1997), una vez que está plenamente integrada en la reputación corporativa.

En segundo lugar, presentamos la RSC como una función estratégica de la empresa. Evaluamos los distintos y muchas veces conflictivos razonamientos sobre la utilización de la RSC. Nuestra argumentación se basa en la compatibilidad de la participación en la responsabilidad social bajo distintos puntos de vista de la empresa, que van desde su noción como de una entidad meramente social a una entidad puramente económica. En línea con McWilliams y Siegel (2006) proponemos que hay un nivel ideal de RSC para cada empresa. Este nivel depende de los requisitos específicos del entorno competitivo de la empresa (el sector a que pertenece) y consecuentemente así debe ser tratado, mediante acciones y políticas específicas en dimensiones particulares de la RSC.

En tercer lugar, consistentes con Bird et al. (2007) y Rowley y Berman (2000) – que consideran engañoso reunir en una sola medida los atributos que son fundamentalmente independientes – desglosamos la RSC en sus partes estructurales. En consecuencia, la RSC es vista como un constructo multidimensional incluyendo las siguientes dimensiones: relaciones con la comunidad, medio ambiente, relaciones laborales, temas de producto, y la diversidad de la fuerza de trabajo.

El cuarto punto que nos centramos, se basa en investigaciones recientes sobre reputación y la RSC que considera el efecto del sector al que pertenece la empresa como determinante para su comportamiento y desempeño (Brammer y Pavelin, 2005; Gardberg y Fombrun, 2006; McWilliams y Siegel, 2000; Porter y Kramer, 2002).

Por fin en quinto lugar, el modelo econométrico de este estudio ha sido construido teniendo en cuenta las variables de control más relevantes planteados en estudios empíricos anteriores y que influyen en la reputación y en la RSC.

Hemos estimado este modelo usando datos de panel que es un método que controla la heterogeneidad inobservable de las corporaciones en concepciones sobre la RSC, además de permitir una interacción longitudinal entre los datos de las series de tiempo y de sección transversal. La muestra consta de 320 compañías estadounidenses cotizadas en la bolsa de Nueva York con datos del período de 2003 a 2007.

El modelo se ha calculado en formas de etapas, hasta llegar a la mejor combinación de variables y efectos: 1) La RSC es usada como una medida agregada, sin tomar en consideración los efectos de la industria, 2) La RSC se divide en cinco partes, aún sin tener en cuenta los efectos de la industria, 3) Se introducen *dummies* para calcular el efecto del sector de la empresa, interactuándolas con la variable agregada de la RSC; y 4) Se interactúan las *dummies* de los sectores con las cinco áreas cualitativas de la RSC.

3.2. Discusión y conclusión

La primera impresión de los resultados empíricos es que nuestras conclusiones están en consonancia con las obras que indican que el desempeño financiero y el riesgo impactan positiva y negativamente en la reputación, respectivamente (Black et al., 2000; Brammer y Pavelin, 2006; Fombrun y Shanley, 1990; Turban y Greening, 1997). Sin embargo, estábamos inicialmente confundidos, con que los indicadores de desempeño financiero (valor de mercado sobre valor contable) y riesgo (beta) basados en el mercado basados se presentaron considerablemente más significativos que sus correspondientes contables (retorno sobre los activos y relación deuda/activos). De hecho, los indicadores contables sólo fueron significativos cuando los de mercado fueron omitidos. Este es un hallazgo muy interesante ya que indica que para los encuestados – directivos de las mayores empresas estadounidenses – en lo que le toca a la reputación de la empresa, los indicadores contables son prácticamente irrelevantes si comparado con los de mercado.

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El período de este hallazgo – el estudio de la investigación fue realizada con datos de 2003 a 2007 – es particularmente pues dice respeto al período inmediatamente anterior a la grave crisis económica de 2008. Este resultado podría ofrecer apoyo a los críticos que ponen parte de la culpa de la crisis en el mercado de valores, ya que es basado en valoración que los ejecutivos son compensados e incentivados a incurrir en riesgos.

Los resultados de las interacciones también han sido, en parte, inesperados. No obstante, que Brammer y Pavelin (2006) es una de las pocas investigaciones en que se aplica una técnica similar a la nuestra, teníamos expectativas previas de los comportamientos de las interacciones de los sectores con las dimensiones cualitativas de la RSC. Las interacciones del área de temas ambientales fue la que más se asemejó a al estudio de Brammer y Pavelin. La variable en sí tuvo un signo negativo, pero ha interactuado positivamente con los sectores de *recursos* y *bienes de consumo cíclico* en nuestro estudio, mientras que en Brammer y Pavelin lo hicieron con los sectores de *productos químicos*, *productos de consumo*, *recursos* y *transporte*s. Esto también está de acuerdo con Jones (1999).

El sector de *bienes de consumo cíclico* (automotores y autopartes, confección, textil, equipamientos hogareños y equipamientos generales, véase el Apéndice II para más detalles) fue el sector más prominente, con interacciones significativas con todas las dimensiones, excepto relaciones con empleados – si bien que en la estimación original (ver Apéndice III) la relación había sido significativa; el segundo sector más representativo es el de los *servicios cíclicos* (minoristas, de ocio y entretenimiento y los medios de comunicación, entre otros); seguido por el de *bienes de consumo no cíclicos* (bebidas y empresas de alimentos, productos farmacéuticos y tabaco, entre otros) y las industrias básicas (química y la construcción entre otros), con interacciones significativas con las relaciones comunitarias, las cuestiones de productos y la diversidad.

Nuestro trabajo se basa en el esfuerzo para apoyar el importante papel de la RSE en el mantenimiento de un desempeño corporativo sostenible. Esta función, junto con la reputación de la empresa, puede desencadenar la aparición de una ventaja competitiva intangible difícil de duplicar. Hemos señalado los problemas de la conceptualización de la RSC y los errores de especificación de investigaciones empíricas como defectos intrínsecos en el paradigma de investigación en el área. Nos dirigimos a la primera con un sólido análisis de los antecedentes de la teoría y al segundo con un diseño de investigación basado en el principio de la multidimensionalidad de RSC y el papel del efecto del sector a que pertenece la industria como moderador de la relación entre la RSE y la reputación.

Hemos empleado una minuciosa técnica de datos de panel sobre un conjunto de 320 empresas estadounidenses en la lista, desde 2003 hasta 2007, formando un panel con 1,120 observaciones. Encontramos evidencia concluyente indicando que la RSC es mejor evaluada y como consecuencia practicada, teniendo en cuenta su carácter multidimensional, que en nuestro caso estuvo representada por cinco áreas cualitativas. Estos resultados también indican que el sector a que pertenece la empresa determina las tendencias a la buena o mala reputación que la empresa va a tener. Esto es fundamental para los profesionales que han luchado por identificar los *stakeholders* más destacados en relación a sus empresas. El modelo empírico destacado indica que la RSC varía sistemáticamente a lo largo de los diferentes sectores y que existe de hecho una mejor combinación de la estrategia de RSC, para cada empresa, teniendo en cuenta las cinco dimensiones caritativas de la RSC y el sector a que pertenece la empresa.

La investigación futura sobre el impacto de la RSE en la reputación o directamente en el rendimiento empresarial debe asumir la multidimensionalidad de la RSC y el efecto moderador de la industria como premisas fundamentales de diseño de la investigación en el área. Exploratoriamente, la investigación empírica podría intentar desglosar cada uno de los

cinco ámbitos cualitativo en sus elementos constitutivos y analizar el efecto individual de un conjunto de partes de una dimensión en una sección transversal del panel, o componente de partes de todas las dimensiones en una industria específica.

4. HIPÓTESIS DE LOS RECURSOS DISPONIBLES: UN ANÁLISIS CRÍTICO BAJO EL ENFOQUE MULTIDIMENSIONAL DEL DESEMPEÑO SOCIAL CORPORATIVO

4.1. Introducción

La hipótesis de los recursos disponibles, *slack resources,* ha sido la menos estudiada de las dos hipótesis sobre la conexión entre el desempeño social y financiero corporativo (DSC y DFC). Si bien puede explicar los fenómenos, así como la teoría de la buena gestión, la mayoría de los estudios tienden a centrarse en este último, basando su argumentación en el supuesto de que el DFC superior es el resultado de un DSC estratégico. En un análisis de investigaciones anteriores, Margolis y Walsh (2003) observó que la hipótesis de los recursos disponibles fue probada en 22 de 127 estudios. De éstas, sólo dos (véase Johnson y Greening, 1999; Waddock y Graves, 1997) han utilizado datos adecuados de DSC – medidas calculadas en lugar de medidas de percepción. Además, investigaciones recientes han descubierto fallos con respecto a la construcción del constructo del DSC, el uso de variables de control y métodos de estimación, que no fueron considerados como problemas en el pasado.

Este trabajo tiene como objetivo hacer que la infra-estudiada hipótesis de los recursos disponibles alcance el resto de la discusión sobre el DSC, proveyendo argumentos teóricos críticos y evidencia empírica al análisis. Adoptamos la definición conceptual de recursos disponibles como la mejora del desempeño financiero (Margolis y Walsh, 2003), en contraposición al concepto literal de "caja" disponible (Balsan, 2005). Según este

razonamiento, proponemos que el DSC es contingente a los resultados de ejercicios anteriores (de acuerdo con Waddock y Graves, 1997; Orlitzky et al., 2003; Preston y O'Bannon, 1997; Sabaté y Puente, 2003.b; Seifert et al. , 2004).

Nos hemos basado en las contradicciones implícitas en la aceptación de la teoría instrumental de los *stakeholders* bajo la luz de la evidencia de la hipótesis de recursos disponibles. Sugerimos que el reconocimiento de este último es parcialmente incompatible con un enfoque instrumental de la responsabilidad social. Iniciativas de responsabilidad social bajo la justificación de recursos disponibles dependen de resultados financieros positivos. Esta contingencia no es compatible con algunos de los argumentos básicos de la teoría instrumental de los *stakeholders,* que asume la responsabilidad social como una inversión estratégica (McWilliams et al., 2001) y que debe estar alineada con la estrategia corporativa (Galán, 2006) y la organización la cultura de la empresa (Agle et al., 1999) con el fin de generar una ventaja competitiva sostenible.

El diseño empírico de este trabajo busca solucionar temas de investigación definidas por artículos anteriores en cuanto a: toma de muestras (Bird et al., 2007, Rodríguez et al., 2008, Margolis y Walsh, 2003; Schnietz y Epstein, 2005), la técnica de estimación (Fombrun y Shanley, 1990; Seifert et al., 2004, Siegel y Vitalino, 2007) y el uso de variables de control (Brammer y Pavelin, 2006; Fombrun y Riel, 1997; McWilliams y Siegel, 2000; McWilliams et al., 2006).

También se tiene en cuenta el carácter multidimensional del DSC. A raíz de investigaciones recientes que se ha desglosado el DSC en cinco dimensiones (Agle et al., 1999; Backhaus et al., 2002; Berman et al., 1999; Bird et al., 2007; Brammer y Pavelin, 2006; Johnson y Greening, 1999; Turban y Greening, 1997), estimamos cinco modelos adicionales, incluyendo cada una de las áreas cualitativas apuntadas – problemas de producto, las relaciones comunitarias, medio ambiente, relaciones con los empleados y la diversidad de la

fuerza de trabajo – como variables dependientes. Proponemos que, dada la naturaleza heterogénea de estas construcciones, el impacto de los resultados financieros será de una intensidad diferente en cada uno de los dominios.

4.2. Discusión y conclusión

Nuestro estudio se basa en la falta de atención académica dada a la hipótesis de los recursos disponibles, que ha sido tanto subestimada cuanto poco estudiada. Ofrecemos confirmación estadísticamente sólida de la hipótesis de los recursos disponibles en una amplia muestra de empresas estadounidenses. El desempeño financiero anterior es un buen predictor del DSC.

En la revisión de la literatura hemos discutido las incongruencias entre la evidencia de la hipótesis de los recursos disponibles y la teoría instrumental de los *stakeholders*. Hemos sostenido que ambas no pueden ser totalmente compatibles. Un enfoque instrumental de la responsabilidad social implica la aceptación de que el DSC impacta positivamente en el DFC, o en otras palabras, la responsabilidad social es una fuente potencial de ventaja competitiva si se realiza de manera estratégica. La verificación de la hipótesis de los recursos disponibles puede indicar lo contrario. Las empresas pueden estar convencidas de la función estratégica del DSC sólo en cierta medida. Así, sólo se comprometerían plenamente con el, si los resultados financieros lo permitan.

Esta realización trae a la luz los argumentos neoclásicos en contra de la responsabilidad social, el que hay un *trade-off* entre la inversión en la empresa y en la responsabilidad social; y la desventaja competitiva que las empresas comprometidas con la responsabilidad social estarían incurriendo frente a las que no se comprometen. Dado el carácter discrecional de los recursos disponibles, estos hallazgos también ofrecen argumentos a favor de aquellos que afirman que la responsabilidad social puede ser un medio de auto-promoción de intereses por parte de los directivos.

Nuestro trabajo contribuye a crear conciencia de que el debate sobre el DSC y el DFC debe incluir la hipótesis de los recursos disponibles.

En la sección de resultados, hemos contrastado medidas de desempeño financiero contables y de mercado con el DSC. La variable de desempeño de mercado, el valor de mercado añadido, ha obtenido resultados más significativos, de ahí su puede argumentar que los indicadores basados en el mercado son mejores predictores del DSC que los basados en la contabilidad.

Se estimaron cinco modelos adicionales con cada uno de las dimensiones de *stakeholders* primarios, como la variable dependiente. A pesar de que los coeficientes del desempeño financiero hayan sido positivos en todas las especificaciones, su intensidad ha variado significativamente. Estos resultados indican que el impacto de los resultados financieros anteriores en el DSC cambia de magnitud según la área cualitativa analizado.

Los resultados de las cinco áreas cualitativas de CSP tienen profundas implicaciones tanto para los investigadores como para los directivos. Para los primeros, indica que es necesario seguir trabajando en una mejor evaluación de la influencia de los resultados financieros de cada dimensión del DSC, tal vez enfocándose en estudiar las influencias específicas en las subcategorías de cada dimensión. Y para los directivos, la evidencia indica que el carácter multidimensional de la CSP les permite centrarse en las iniciativas sobre las dimensiones específicas que ellos piensan que están mejor relacionadas con su actividad o que traerán más beneficios a sus empresas, en lugar de participar iniciativas demasiado amplias.

5. DETERMINANTES DEL DESEMPEÑO SOCIAL CORPORATIVO: LA INFLUÉNCIA DE LA CULTURA ORGANIZACIONAL, TIEMPO DE PERMANENCIA DE LOS DIRECTIVOS Y DEL DESEMPEÑO FINANCIERO.

5.1. Introducción

Una parcela significativa de investigadores del campo de responsabilidad social se ha dedicado a estudiar la relación entre la RSC y el desempeño de la empresa, a través de la teoría de los stakeholders – la mayoría (Brammer y Millington, 2008; Donaldson y Preston, 1995; Freeman, 1984; Jones, 1995; Mitchell, Agle and Wood, 1997; Orlitzky et al., 2003) o de la visión de la empresa basada en los recursos (Berman, Wicks, Kotha y Jones, 1999; Branco y Rodrigues, 2006; Hillman y Keim, 2001; McWilliams y Siegel, 2001; Russo y Fouts, 1997). La RSC ha sido predominantemente operacionalizada como una causa para un desempeño financiero positivo, al contrario de una consecuencia, la excepción es cuando el argumento del 'ciclo virtuoso' es presentado (Orlitzky et al., 2003; Waddock y Graves, 1997).

Nuestro estudio se justifica en la realización de la poca relevancia académica dada al estudio de factores que determinen la RSC. Analizamos teóricamente y empíricamente los efectos de la cultura organizacional, el tiempo de permanencia de los directivos en la empresa y el desempeño financiero en la RSC.

La cultura organizacional influencia la RSC a través de un conjunto de valores y creencias incorporados en los razonamientos de los miembros de la organización (Hatch y Schultz, 1997). Estos valores funcionan como referencias que guían las reacciones de los individuos al llevar a cabo sus trabajos. Nuestro estudio se basa en el enfoque humanístico (Maignan, Ferrel and Hult's, 1995) a la cultura organizacional.

Esta orientación cultural esta compuesta por una colección de valores sociales que tienden a desarrollar en los miembros de la organización un sentido de cooperación con sus

stakeholders (Fey and Denison, 2003). Argumentamos que la presencia de estas características hace con que la cultura organizacional impacte positivamente en el desempeño social.

Además del argumento de la cultura, proponemos que el tiempo de permanencia de los altos directivos en la firma, en la organización también impactan positivamente en el desempeño social. En línea con Jones et al. (2007), estamos de acuerdo que la cultural organizacional sobrepasa los valores personales.

Consistentes con Gupta (1988), sugerimos que el nivel de absorción de la cultura organizacional estará proporcionalmente relacionado con el tiempo que el individuo habrá trabajado en esta empresa. Asumiendo que la organización sigue orientación humanística y que esta orientación es altamente sensible a las preocupaciones de los stakeholders, cuanto más tiempo dure un ejecutivo en la empresa lo más inclinado él/ella va a estar en atender a las demandas de los stakeholders, mejorando así el desempeño social de la empresa.

5.2. Discusión y conclusión

Hemos utilizado exitosamente la cultura organizacional y el tiempo de permanencia de los directivos como variables explicando el comportamiento del desempeño social de una empresa, en combinación con el desempeño financiero.

La cultura organizacional es un tema recurrente en la literatura de la RSC, pero, quizás inhibidos por la dificultad en medirla, investigadores no la han incluido como variable en modelos empíricos. Siguiendo un camino alternativo en la teoría, construimos nuestra propia variable de cultura, basada en el enfoque humanístico a la cultura. Este enfoque parece personificar un conjunto de características que tienden a manifestarse positivamente en temas sociales.

La cuestión del papel de los directivos en la cultural organizacional aparece naturalmente en el desarrollo de la literatura una vez que los directivos son los personajes de la organización que más interactúan con los stakeholders externos. Aceptando que la cultural organizacional supera los valores personales conlleva a la proposición que los directivos, en su relación con los stakeholders, irán reflejar los valores y creencias de la organización, no los suyos.

En este contexto, es lógico deducir que cuanto más tiempo un directivo trabaja en la empresa, más incorporados en su conciente y subconsciente estarán los valores de la empresa.

El modelo estadístico confirmó estas hipótesis, que la cultura y el tiempo de los directivos impactan positivamente en el'desempeño social corporativo.

6. CONCLUSIÓN E IMPLICACIONES

Nuestro objetivo principal era analizar críticamente los efectos de la RSC en el desempeño organizativo. Nos acercamos a este objetivo mediante el desarrollo de cuatro artículos científicos, Secciones 2, 3, 4 y 5.

En la sección 2, se empleó con éxito el valor de la marca como un indicador de desempeño financiero. El modelo con el valor de la marca como la variable dependiente, presentó los resultados más significativos que el que tiene un indicador financiero convencional - el valor de mercado añadido. Esto confirma que para nuestra muestra de empresas, "Las Mejores Marcas Globales" - basada en Estados Unidos, el valor de la marca es más sensible a la RSC que el desempeño financiero basado en un indicador de mercado. Esto es crítico para profesionales y académicos. Para los primeros, proporcionamos evidencia científica que el efecto de la RSC en el desempeño organizativo, no es necesariamente tangible. Este puede ser percibido por construcciones intangibles como la marca de la

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corporación. Para los académicos, el valor de este estudio esta en la consolidación del valor de la marca como una variable que puede ser usada para capturar la eficacia de la utilización estratégica de la RSC.

En la sección 3, nuestro objetivo fue desarrollar un modelo amplio de la reputación corporativa teniendo en cuenta el papel fundamental desempeñado por la RSC y su carácter multidimensional. El análisis econométrico confirma el lugar destacado de la RSC en términos de impacto en la reputación. El modelo más significativo estimado fue el que contenía las interacciones entre las cinco áreas cualitativas de la RSC – relaciones con la comunidad, medio ambiente, relaciones laborales, temas de producto, y la diversidad de la fuerza de trabajo – y las *dummies* de industria. Esto confirma tanto el carácter multidimensional de la RSC y el efecto moderador de la industria de la cual la firma hace parte.

Teniendo en cuenta que hemos utilizado una muestra amplia y significativa - 624 empresas estadounidenses en el periodo de 2003 a 2007 - y se ha empleado un método de estimación riguroso, nuestros resultados proporcionan una visión única de cómo la RSC puede ser más influyente en la reputación corporativa. Los resultados confirman que hay un nivel ideal de RSC que maximiza su impacto en la reputación. Su intensidad depende de la industria de la empresa y esta relacionada directamente con áreas cualitativa específicas de la RSC. Estos resultados también indican que los indicadores de mercado son más sensibles a la RSC que los contables.

Estos hallazgos proporcionan evidencias para los directivos, que, a fin de maximizar los efectos de la RSC en la reputación, es conveniente que tengan en cuenta las necesidades específicas de la industria a que pertenece la empresa en el diseño de las iniciativas de RSC que van a participar. Un programa de RSC con objetivos específicos puede ser más eficiente que uno más amplio.

Para la investigación en el área de la gestión, nuestro modelo proporciona una fuerte evidencia de que es más adecuado utilizar la RSC como una medida multidimensional que como una variable agregada. Los hallazgos también sugieren que la industria de la empresa desempeña un papel moderador en la relación entre la RSC y la reputación.

En la Sección 4 de nuestro estudio, encontramos evidencia empírica de la hipótesis de los recursos disponibles. El desempeño financiero anterior resultó ser un válido predictor de la RSC. Esto indica que la relación de la RSC y del DFC es de doble dirección, lo que confirma en parte algunos de los argumentos clásicos en contra de la RSC. El hecho de que el compromiso con la RSC es más firme para las empresas con un desempeño financiero anterior más fuerte indica que este compromiso puede depender de los resultados financieros. Esta contingencia sugiere que los directivos no están seguros de los efectos positivos de la RSC en los resultados financieros – si no fuera así, se llevaría a cabo independientemente del volumen de los recursos disponibles – o que no tienen apoyo para realizar actividades orientadas a la RSC.

La evidencia de la hipótesis de los recursos disponibles también puede sugerir lo que se señala en la Sección 2. Aunque de importancia crítica, la RSC no se ha integrado plenamente en la estrategia corporativa y la cultura, y hasta que no lo sea, no se presentará en su pleno potencial como la teoría instrumental de los partícipes lo sugiere.

La última sección de esta tesis analiza los factores que impactan en el desempeño social corporativo. Testamos las hipótesis que la cultural organizacional, el tiempo permanencia de los directivos en la empresa y el desempeño financiero impactan positivamente en el desempeño social corporativo. La argumentación de este artículo está basada en la identificación de un enfoque humanístico a la cultura organizacional. Las características de la orientación humanística personifican un conjunto de ítems que son propensos a manifestarse en el desempeño social.

La relevancia de este trabajo está centrada en la construcción satisfactoria de la variable de cultura y en la confirmación de las hipótesis que la cultura, el tiempo de permanencia de los directivos y el desempeño financiero son determinantes del desempeño social, impactando positivamente en su nivel.

Un análisis combinado de las cuatro secciones sugiere que la investigación todavía no ha proporcionado evidencia científica inequívoca de los efectos positivos de la RSC en el desempeño organizativo. Nuestro trabajo contribuye a resolver esta falta de confirmación en varios frentes claves. En primer lugar, nos encontramos con una fuerte evidencia de los efectos positivos de la RSC en el valor de la marca y en la reputación corporativa. Nuestro modelo de reputación indica que la investigación debe tomar en consideración determinadas áreas cualitativas de la RSC. Sugerimos que los futuros investigadores sean aún más específicos, centrándose en cuestiones particulares dentro de estas dimensiones de la RSC. Este nivel de análisis detallado puede indicar de manera precisa, cuales son las actividades exactas que son más propensas al impacto en el desempeño organizativo, teniendo en cuenta los efectos a nivel industrial.

En las Secciones 2 y 3 se indica que la integración de la RSC en la estrategia y la cultura corporativa puede desempeñar un papel importante en determinar la eficacia de la RSC en la mejora del desempeño de la organización. Investigaciones futuras deberían intentar encontrar una forma de controlar este aspecto, ya que esta integración puede ser el diferencial en la determinación de la relación entre la RSC y el desempeño organizativo.

También sugerimos que la búsqueda por evidencia concluyente del argumento que la RSC impacta en el desempeño financiero no inhiba investigaciones en los temas periféricos a la responsabilidad social. Explicar cuales factores dentro de la organización determinan el desempeño social puede ser un campo de estudios muy fructífero, como comprobado en la

ultima sesión de nuestro trabajo, con la utilización de una orientación humanística para cultura, como determinante del desempeño social.

Estudios exploratorios y audacia académica pueden proveer a los investigadores caminos alternativos para este tema, aún no resuelto de la responsabilidad social corporativa.