

Are members of Business for Social Responsibility more socially responsible?

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1. Does participation in Business for Social Responsibility (BSR), and business association sponsored self-regulation more generally, improve corporate social performance (CSP)?

BSR is one of a growing number of business associations that are attempting to promote effective self-regulation of CSP.

Others include the World Business Council for Sustainable Development, the International Chamber of Commerce Business Charter for Sustainable Development, and the Caux Roundtable.

Business associations may be able to effectively complement industry and NGO sponsored self-regulation initiatives.



2. BSR and business associations more generally might be capable of broader impacts on CSP than voluntary self-regulation programs sponsored by industry and civil society.

Their members include firms from many industry sectors.

They can address many different facets of CSP.

Most self-regulation programs analyzed for effectiveness address firms in one industry, or one group of closely related industries.

In addition, the programs examined in the extant literature typically address only environmental performance and/or protection of labor rights.

BSR attempts to address CSP broadly, including community relations, corporate governance and accountability, environmental management, labor rights, management, and supply-chain management.

3. BSR does not offer a “blanket” certification to its members. Thus, it may not induce free-riders to join.

This could be problematic, since studies show that standards and third-party oversight and certification are present in effective programs (since certification induces participation, and third-party administration induces performance).

However, without certification or other endorsements of member CSP there is no obvious reason for free-riders to join.

Industry-run oversight and certifications have been linked with lower CSP – suggesting that this type of self-regulation induces **free-rider participation**.

4. BSR may promote better CSP through institutional pressure and by facilitating learning networks.



- Holds conferences
- Holds workshops
- Facilitates collaboration
- Conducts research on CSP best practices
- Addressing a broad range of CSP issues may help generate normative pressure
- “Club”-like interorganizational culture emphasizing CSR

With corporate members from many industries and associate members from the civil sector, the scope of knowledge and the likelihood that members will share it may be higher in BSR than in single-industry voluntary environmental programs, ceteris paribus.

5. Measuring CSP, the dependent variable.

The study utilizes measures of corporate social action from the Kinder, Lydenberg, & Domani (KLD) Socrates database.

KLD measures *CSP strengths* (corporate social actions linked to positive externalities) and *concerns* (corporate social actions linked to negative externalities).

In addition, the measures span seven (7) areas of CSP (management of community relations, corporate governance, diversity, employee relations, environment, human rights, and product/product lifecycles).

6. Hypotheses

H1: BSR members are more likely to be associated with higher levels of CSP strengths than non-members over time.

H2: BSR members are more likely to be associated with lower levels of CSP concerns than non-members over time.

7. Results

CSP Strengths – Hypothesis generally supported

| | | |
|----------------------|-----------------|-----------|
| community relations | $\beta = +.607$ | $p < .05$ |
| corporate governance | $\beta = +.169$ | $p < .05$ |
| diversity | $\beta = +.808$ | $p < .05$ |
| employee relations | $\beta = -.076$ | insig |
| environment | $\beta = +.000$ | insig |
| human rights | $\beta = +.520$ | $p < .05$ |
| products | $\beta = -.056$ | insig |

CSP Concerns – Hypothesis unsupported

| | | |
|----------------------|-----------------|-----------|
| community relations | $\beta = -.085$ | insig |
| corporate governance | $\beta = +.083$ | insig |
| diversity | $\beta = -.029$ | insig |
| employee relations | $\beta = +.037$ | insig |
| environment | $\beta = -.280$ | $p < .05$ |
| human rights | $\beta = +.719$ | $p < .05$ |
| products | $\beta = -.019$ | insig |

8. Discussion

BSR membership is associated with business practices that create positive social impacts.

However, BSR membership is generally not associated with a firm’s ability to mitigate its negative social impacts.

Our interpretation: normative pressure and learning networks that business associations can generate may be appropriate mechanisms to induce firms to adopt or innovative new practices that create positive social impacts.

This assumes that they do not induce free-riderism with non-third-party certification or other branding mechanisms that can be used for green-washing.

However, the study does not provide evidence that these mechanisms can induce firms to address the negative impacts created by their business practices.

Coercive pressure generated by third-party certification may in fact be the best tool for this goal.

Methods:

Sample

811 firms (74 BSR members) who were listed on the S&P 500 Index in between 1992 to 1996. The longitudinal dataset contained 6,743 firm-year observations, including 458 observations of BSR members.

Measures

- Independent Variable:** Membership in BSR (measured with a dummy variable)
- Dependent Variable:** CSP (using measures from the KLD database)
- Control Variables:** Sales, Return on Assets, Leverage, Capital Intensity, R&D Intensity, Industry sector, and year.

Two-stage statistical method

- Stage one:** propensity matching was used to generate a matched sample to control for self-selection bias.
- Stage two:** fixed-effects regression analysis.

References:

All clip art used on this poster was borrowed from BSR’s 2008 annual report, which can be downloaded at: http://www.bsr.org/files/bsr_report_2008.pdf.