Misery Loves Companies:
Whither Social Initiatives by Business?

Joshua D. Margolis
Harvard University
jmargolis@hbs.edu
617-495-6444

James P. Walsh
University of Michigan
jpwalsh@umich.edu
734-936-2768

June 22, 2001

We want to thank Paul Adler, Howard Aldrich, Alan Andreasen, Jim Austin, Charles Behling, Mary Gentile, Stu Hart, Nien-he Hsieh, Nitin Nohria, Lynn Paine, Gail Pesyna, Rob Phillips, Lance Sandelands, Debora Spar and Joe White for their comments on earlier versions of this paper. The Aspen Institute's Initiative for Social Innovation through Business, the Harvard Business School, and the University of Michigan Business School provided invaluable support for this project.

Misery Loves Companies:
Whither Social Initiatives by Business?

ABSTRACT

Corporations have responded to society's plea to provide innovative solutions to deep-seated problems of human misery. Organization and management scholarship can play an important role in understanding and guiding this corporate action. To date, this challenge has largely been ignored. Instead, the empirical quest to link a firm's social investments to its financial returns has preoccupied researchers. Our goal in this paper is to reorient debate and research about social initiatives by business. We try to stimulate a fresh research agenda in three ways. First, we document the 30-year history of empirical work on the search for a relationship between corporate social performance (CSP) and corporate financial performance (CFP). Second, we critically appraise the quality of this work. And third, we question the underlying theoretical and practice-based premises of this research and, in so doing, introduce a set of new research questions to examine. We believe that these alternative questions offer great promise for understanding and, ultimately, guiding possible corporate social initiatives. We close the paper by reflecting upon the role that scholars play, and can play, in guiding the conduct of the business enterprise.

The world cries out for repair. While some people in the world are well off, many more live in misery. Ironically, the magnitude of the problem defies easy recognition. With the global population approaching six billion people, it is difficult to paint a vivid and compelling picture of social life. In the extreme, Bales (1999) conservatively estimates that there are 27 million slaves in the world today, while Attaran and Sachs (2001) report that 35 million people are now infected with the HIV virus, 95 percent of them living in sub-Saharan Africa. Even more broadly, one is left with aggregate statistics that both inform and numb. Compiled from data released by the World Bank (2000), Table 1 represents the kind of snapshot that such statistics provide. Living in the United States, we may be shocked to learn that so many people live on less than $2.00 per day, or that a quarter of the children in Bangladesh and Nigeria are at work in their nations' labor force, or that some countries have infant mortality rates more than ten times our own. Indeed, access to a computer, well enough access to sanitation or a telephone, can be very limited around the world. The lists go on. People in Delhi and Beijing breathe air that has 415 and 377 micrograms of total suspended particulates per cubic meter, yet the World Health Organization establishes 90 as a maximum safe level (Berlin's level is 50). Over 25,000 square kilometers of land were deforested in Brazil each year from 1990 to 1995 (on average, 5,886 square kilometers of land were reforested each year in the United States during this same time period). Thirty percent of all indigenous mammals in Indonesia are threatened with extinction, while 13% of Japan's birds are threatened and 24% of higher plants in the United States are so threatened.[1]

INSERT TABLE 1 ABOUT HERE

Closer to home, the picture may be more vivid and compelling. For twenty years, Americans have lived through a period of unparalleled prosperity. Ibbotson Associates (2000) tells us that in real terms, a dollar invested in large company stocks in December 1925 was worth $24.79 by year-end 1979. Exactly twenty years later, that dollar was worth $303.09. Nevertheless, the fact that the upper echelon of

[1] As we equate disease, poverty, a degraded living environment, and the like with misery, we are aware that some readers may accuse us of holding a self-absorbed and even hegemonic worldview. Who are we to say that people living in such circumstances are miserable? Indeed, flipping the premise of the question, D'Souza (2000) recently explored the spurious relationship between manifest prosperity and well being in affluent societies. Without entering into a debate about what constitutes an absolute level of misery, we are interested in exploring situations where contrasts such as those between the rich and poor, the healthy and the sick, and the educated and the uneducated is startling – startling to such an extent that companies are asked to redress such living conditions.

society disproportionately reaped these gains is no longer news. Galbraith (1998) and Mishel, Bernstein and Schmitt (1999) provide a comprehensive picture of wealth inequality in America, while Conley (1999) clearly points out that many Black Americans have been left out of this economic boom. In real terms, Americans in the 90th percentile enjoyed a 6.4 percent wage increase from 1979 to 1997, while those in the 10th through 70th percentiles actually lost 14.9, 8.0, 7.8, 8.6, 5.5, 4.4, and 3.9 percent respectively. Those in the 80th percentile saw an increase of only .4% in this same time period (Mishel et al., 1999: 131). Table 1 also provides a comparative portrait of how the top ten percent of the people in each of these thirteen countries today control so much more of each nation's wealth than those in the bottom ten percent. Miringoff and Miringoff (1999) chronicle these same kinds of inequality data but also provide evidence that child abuse, child poverty, teenage suicide, and violent crime, as well as the number of people living without health insurance, have all increased in the United States since the 1970s. These kinds of data serve as a stimulus for outrage and reform (see Danaher (1996), Kapstein (1999), Sklar (1995) and Wolman & Colamosca (1997) for a domestic consideration of these issues, and then Greider (1997), Henderson (1996), Korten (1995) and Madeley (1999) for discussions from a global point of view).

The calls for corporate involvement in redressing broader problems of society come from many quarters. All three branches of the United States government have addressed the role of the corporation in promoting social welfare. President Bush and Secretary of State Powell have asked companies to contribute to a global AIDS fund (*New York Times*, 2001), while Former President Clinton used his "bully pulpit" to urge corporations to attend to social problems (*New York Times*, 1996) and later advocated that minimum labor standards be a part of international trade agreements (*New York Times*, 1999). With the Economic Recovery Act of 1981, Congress increased (from 5% to 10%) the allowable corporate tax deduction for charitable contributions (Mills & Gardner, 1984). And even as a majority of states were adopting "other constituency statutes," statutes that allow directors to attend to factors besides shareholder wealth maximization when fulfilling their fiduciary duty (Orts, 1992), the Delaware Court endorsed this same idea in 1989 when it allowed Time's management to reject a lucrative tender offer from Paramount Communications to pursue other non-shareholder interests (Johnson & Millon, 1990).

What might be most intriguing, however, is the activity beyond the halls of government that has focused on the corporation's role in society.

Non-governmental organizations (NGOs) have worked tirelessly in recent years to establish worldwide standards for corporate social accountability. Ranganathan (1998) compiled a list of forty-seven such initiatives; more recently, Business for Social Responsibility, a national business association, prepared a document in 2000 that compares and contrasts eight of these standards (http://www.bsr.org/resourcecenter). Lacking enforcement capability, NGOs nonetheless offer a host of principles (the Reverend Louis Sullivan's Global Sullivan Principles), management standards (the Institute of Social and Ethical Accountability's AccountAbility 1000), best practice guidelines (the OECD Principles of Corporate Governance) and reporting initiatives (the CERES' Global Reporting Initiative), all designed to foster exemplary social and environmental performance. Alongside NGOs, foundations are using their money to advance a business-led social change agenda (see, for example, the Aspen Institute's Initiative for Social Innovation through Business). Other groups, such as the Prince of Wales Business Leaders Forum, work in partnership with business, government, and community leaders to promote business models that emphasize the public good.

Beyond government and NGOs, other parties put their money where their values lie as well. Activist investors try to pressure firms to be more responsive to social problems. Examples range from TIAA-CREF's board diversity initiatives (Carleton, Nelson & Weisbach, 1998), to the Interfaith Center on Corporate Responsibility's (ICCR) tactic of taking an equity position in a company to advance their social change agenda (see http://www.iccr.org),[2] to the wide variety of socially screened mutual funds that offer individuals and institutions an opportunity to invest in firms that meet their social performance objectives (see http://www.socialinvest.org).

Business academics have examined the relationship between business and society for years. Founded in 1971, the Social Issues in Management division of the Academy of Management counted 821 members 29 years later. The annual set of essays collected in *Research in Corporate Social Performance* *and Policy* has been published since 1984. The fields of marketing and accounting have long been interested in the relationship between their disciplines and social welfare (see Bloom & Gundlach, 2001 for the current state of thinking in marketing, and Epstein & Birchard, 1999 for contemporary thought in accounting). Business school students have also organized to consider and advance ideas about how firms may work to solve social problems. Membership in NetImpact, a student group paralleling the corporate-led Business for Social Responsibility, has grown from 150 members in 1993 to 5,000 members in 2000. Academic institutions and their leaders are responding to these trends. The School of Management at the University of Bath in Great Britain offers a Master of Science degree in "Responsibility and Business Practice," for example, and after interviewing forty CEOs, the Dean of the Yale School of Management is now encouraging large organizations to work with governments around the world to ameliorate social problems (Garten, 2001).

Advocates for broader corporate activity in the social arena have written a number of books to chronicle corporations' good deeds (see for example, Makower (1994), Reder (1994), Sagawa & Segal (2000), Svendsen (1998), Tichy, McGill & St. Clair (1997), and Wheeler & Sillanpaa (1997)). Perhaps not surprisingly, firms themselves are organizing to share their own best practices in the area of corporate social responsibility. Business for Social Responsibility (BSR), now counts over 1400 members and affiliated members. Representing tens of thousands of business interests worldwide, the United States Chamber of Commerce recently founded the Center for Corporate Citizenship, whose purpose is to provide an institutional mechanism to assist humanitarian and philanthropic business initiatives around the world. There appears to be something of a social movement underway, or at least a convergence of opinion, captured powerfully – and emblematically – by Mary Robinson, the United Nation's High Commissioner for Human Rights. Tying together the themes of social misery and intensified appeals to corporations, Robinson made an historic plea in her keynote address at the 1999 BSR annual meeting. Acknowledging many of the problems identified in Table 1, including the foreign direct investment trends that position multinational firms alongside the United Nations as perhaps the only other powerful

[2] As just one example, General Electric's 2001 proxy statement included a shareholder's proposal, submitted by the Missionary Oblates of Mary Immaculate, to amend the company's code of conduct so it would include the

transnational institution on the world's stage, she urged corporate leaders to commit their firms' resources to fight these social ills.

Misery loves companies. The question, though, is whether or not a firm should devote its resources to combat such problems as malnutrition, infant mortality, illiteracy, pollution, and pernicious wealth inequality. Calls for corporate help clash with traditional conceptions of a firm's purpose. It is not at all clear how firms should respond to these calls to action.

A number of constraints may limit, if not prohibit, a corporation's response to social ills. Appeals for corporate involvement quickly implicate a long and contentious debate about the theory and purposes of the firm. Bradley, Schipani, Sundaram and Walsh (1999) reviewed the two protagonists' arguments, arguments between contractarians and communitarians. Despite a long history of communitarian protest (Morrissey, 1989) and the manifest limitations of the contractarian model (e.g., third party externalities and contracting voids at the intersection of sovereign boundaries), the contractarian perspective prevails. Communitarians write eloquently about the problems and limitations of the contractarian model, but they have not yet offered a positive logic to organize a society's economic production. The dominant contractarian perspective sees the firm as a nexus of contracts in which managers' preeminent responsibility is to maximize the firm's value. While contractarians may be as interested in ameliorating human misery as anyone else, they see no reason for a corporation to divert its resources to solve society's problems directly. Milton Friedman's (1970) well-known critique of the social responsibility movement captures the essence of the contractarian argument. Corporations can contribute best to society if they do what they do best: provide high quality goods and services to the marketplace and, in so doing, fulfill people's needs and create wealth. Socially responsible initiatives may be seen as an undisciplined double tax on a firm, a tax that leaves managers unfocused and investors frightened.

The challenge facing advocates of corporate social initiatives is to find a way to promote social justice in a world where the shareholder wealth maximization paradigm reigns supreme. Advocates for corporate social initiatives must be prepared to argue with a Nobel laureate in economics that such social initiatives do indeed benefit shareholders. This daunting task has attracted a large number of business

---

International Labor Organization's core labor standards.

researchers over the years. Their hope is that business scholarship will play a central role in sorting out the relationship between shareholders, with their economic interests, and society, with its interest in broader well being and human development. The reformers' challenge has been to demonstrate that corporate attention to human misery is perfectly consistent with maximizing wealth: that there is, in the words of United Nations' Secretary General Kofi Annan, "a happy convergence between what your shareholders want and what is best for millions of people the world over" (Annan, 2001). Annan is responding to the often-heard (and often skeptical) refrain from business leaders to "Show me the 'business case' for this kind of social investment activity." The now 30-year search for a correlation between corporate social performance (CSP) and corporate financial performance (CFP) reflects the enduring quest to find this persuasive "business case" – to substantiate claims, such as the one made in Annan's recent appeal to U.S. corporations, that "by joining the global fight against HIV/AIDS, your business will see benefits on its bottom line" (Annan, 2001).[3]

The purpose of this paper is to reorient debate and research surrounding the social initiatives of business. We argue for a fresh research agenda by undertaking three integrated tasks. First, we document the 30-year history of empirical work on this CSP–CFP relationship. Second, we critically appraise the quality of this work. Despite continual efforts to improve research into the connection between social and financial performance, that research continues largely unaltered.[4] In assessing the most comprehensive set of studies to date, we draw on philosophy to explore the inherent dilemmas that confront those who do this research (Zald, 1996). Although our critical review may stimulate ideas for improving research into

---

[3] Speaking to the U.S. Chamber of Commerce on June 1, 2001, Annan reasoned that AIDS affects a firm directly by decreasing the size of its labor market and by limiting the number of consumers that can buy its goods and services. More indirectly, Annan explained, AIDS increases poverty, and in so doing, it increases wealth inequality, which then fuels a backlash against globalization that ultimately undermines regional and global security – all of which provides a very inhospitable climate for business (Annan, 2001).

[4] Twelve reviews of this work were published between 1978 and 1999. Taken in historical order: Aldag and Bartol (1978) reviewed 10 studies; Arlow and Gannon (1982) reviewed 7 studies; Cochran and Wood (1984) reviewed 14 studies; Aupperle, Carroll, and Hatfield (1985) reviewed 10 studies; Ullmann (1985) reviewed 13 studies; Wokutch and McKinney (1991) reviewed 20 studies; Wood and Jones (1995) reviewed 34 studies; Pava and Krausz (1996) reviewed 21 studies; Griffin and Mahon (1997) reviewed 51 studies; Preston and O'Bannon (1997) reviewed 8 studies; Richardson, Welker and Hutchinson (1999) reviewed 14 studies; and Roman, Hayibor and Agle (1999) reviewed 37 studies. Unfortunately, these reviews have done little to alter the course of research in this area. Researchers continue to investigate this same question (e.g., we count 95 studies as compared to the range of 7 to 51 captured in the current reviews) and continue to weather the same criticisms (e.g., all twelve reviews bemoan the difficulty of measuring CSP).

the link between CSP and CFP, it also challenges the underlying premises of that research. That sets up our third task: we introduce a set of new research questions that we believe offer greater promise for understanding social initiatives by business and the role of corporations in civil society.

Research to date has been motivated, at least in part, by the belief that a manifest relationship between CSP and CFP will persuade firms to invest in social initiatives if the relationship is positive, or dissuade firms from doing so if the relationship is negative. While the existing body of research can be used to justify or invalidate corporations' social investments in financial terms – and thus can be mustered in debates over the appropriate role of the firm – a fundamental fact is often missed: firms already engage in social initiatives. We propose a research agenda that takes these initiatives, these investments, as a starting point, and not as an ultimate policy objective. We suggest a set of questions that focus on how companies make their social investments and execute their initiatives, examining the effectiveness of corporate social initiatives – even as debates continue about whether or not a firm should invest in these initiatives at all. As research into the relationship between CSP and CFP continues, and as theoretical debate over the legitimate province of the firm continues as well, we seek to open a complementary line of scholarly work that wrestles empirically and theoretically with the practical reality of the role companies are being called upon to play in combating social misery. As business conspicuously takes on a larger role in society, this new research agenda prompts us in the end to consider the role that research scholars play, and can play, in guiding the conduct of the business enterprise.

An Overview of the Empirical CSP–CFP Literature

Ninety-five empirical studies published between 1972 and 2000 examined the relationship between companies' socially responsible conduct and their financial performance (Margolis & Walsh, 2001).[5] Bragdon and Marlin published the first study in 1972, with 20 other studies following during the 1970s, 32 in the 1980s, and 42 in the 1990s. In the most recent five-year period from 1996 through 2000, researchers published 31 new studies. Notwithstanding a long empirical history, interest in this question seems to be gaining momentum.

[5] See Frooman's (1997) review of corporate social irresponsibility for a look at this extensive companion literature.

Corporate social performance is treated as an independent variable, predicting financial performance, in 80 of the 95 studies. In these studies, the majority of results (53%) point to a positive relationship between corporate social performance and financial performance. Corporate social performance is treated as a dependent variable, predicted by financial performance, in 19 of the 95 studies. In these studies, the majority of results (68%) point to a positive relationship between corporate financial performance and social performance. Five studies investigate the relationship in both directions, which explains why there are more results than studies. Table 2 reveals which authors found which results, including the negative, mixed, and null relationship results.

INSERT TABLE 2 ABOUT HERE

A clear signal emerges from these 95 studies. There is a positive association, and certainly very little evidence of a negative association, between a company's social performance and its financial performance. The question about this empirical relationship seems to be answered. Why then does research into a link between these two constructs persist? Research persists because of ongoing efforts to attend to the many methodological and theoretical problems that confound this work. Again, grounded in a philosophical sensibility (Zald, 1996), we examine these problems to determine the likelihood of their redress, as well as the promise of a new research tack.

A PHILOSOPHY-BASED APPRAISAL

An appreciation for the philosophy of science asks us to take three different approaches to critique this body of work. Complementary epistemological, ontological, and pragmatic critiques offer a solid foundation to redouble empirical research efforts, or perhaps to abandon the quest for the answer to this 30-year old question. The three critiques emerge from a single question. How do we know how socially responsible a company is? This question challenges sources of knowledge, judgments about a company's nature, and the value of any answer that is generated. When scholars determine whether CSP and CFP are linked, they rely on two significant premises. The first is that we can know how socially responsible a company is, that we have access to knowledge about the company's performance. The second is that, assuming we have that knowledge and that it is valid, we can draw conclusions about the nature of the company, about its social responsibility. The first two philosophical questions assess the research record by destabilizing these premises. The third question steps back from these premises and challenges the practical significance of the quest for a link. While disconcerting for the existing line of inquiry, these deeper philosophical questions inspire a reconsideration of the questions that researchers might pursue.

An Epistemological Critique: How Do We Know that CSP and CFP are Linked?

Epistemology is the division of philosophy that investigates the nature and origins of knowledge. It addresses questions of how people come to know what they know. In this case, an epistemological critique asks us to consider how we know that a company is socially responsible, as well as how we know that this responsible orientation influences financial performance. Basic features of research methodology are called into question. As a result, what appears to be a definite link turns out to be far less stable. Taking stock of the entire body of empirical work, we examine the research samples that have been examined since 1972, the control variables that have been used to better assess the relationship between CSP and CFP, and, of course, the ways that CFP and CSP have been empirically measured.

Sampling. More than one half of the extant 95 studies examine exemplary “saints” (N=19), notorious “sinners” (N=17), or very large companies (N=20). The most common sample of companies corresponds to the most common measure of social performance, *Fortune* magazine’s database of corporate reputations (N=15). This annual survey conducted by *Fortune* ranks the most admired American corporations by asking executives, outside directors, and corporate analysts to evaluate the companies they admire most on eight attributes. Several lists of companies, sorted according to their social performance, were compiled by Milton Moskowitz, an early editor of the *Business and Society Review*, and used by others to examine the CSP–CFP connection (N=4). Researchers have also relied heavily on the path-breaking work of the Council on Economic Priorities (CEP), which compiled and released reports on the environmental records of companies in heavily polluting industries (N=6). CEP reports focused on pollution control during the late 1960s and 1970s but later expanded to cover other dimensions of social performance as well. In addition to CEP’s records, researchers have assembled their own samples of firms in notoriously dirty industries (the "sinners"), such as chemicals, oil, pulp and paper, steel, and textiles (N=11). Along with saints and sinners, the studies of a CSP–CFP link have tended to focus on large firms, drawing samples from popular rankings of the largest corporations. The *Fortune* 500 (N=11) and *Fortune* 1250 (N=2), Standard & Poor's 500 (N=5), *Forbes* 500s (N=1), and the *Business Week* 1000 (N=1) have all been used.

The tendency to rely on prominent companies, whether prominent in size or conduct, compromises our efforts to establish causal inferences about the CSP–CFP relationship. It does so in two ways. First, with over ten thousand publicly traded companies in the United States, samples that favor large companies are not representative. Indeed, as Cottrill (1990) and Fry and Hock (1976) suggested, firm size and visibility are key determinants of social performance. Firms in notorious industries – such as heavily polluting ones – or those with obvious public contact are more likely to be pressed for involvement in social initiatives. Indeed, Seider's (1974) study of 474 speeches made by top executives in 11 industries from 1954-1970 found that oil, retail, and automotive executives turned out to be the most socially responsible in their statements. Fry, Keim and Meiners (1982) also found that charitable contributions, like advertising expenditures, corresponded to the extent of a company's public contact. What about other firms, neither the biggest, the best, nor the worst? If the research aim is to understand, first, whether social performance and financial performance are connected and, if so, why they are connected, then it is crucial to acknowledge that the nature of the connection may depend upon characteristics of the firm. What we know about the positive association between social and financial performance may be due, in part, to the samples used. More representative samples of all business enterprises seem vital if we are to be more confident in our knowledge.

There is a second problem posed by favoring certain samples. The majority of the studies of social performance focus on the environment. In terms of data quality, this is good news. Thanks to government regulation, valid and reliable data are available about corporate environmental conduct, either directly from government records, or from such third parties as the CEP and IRRC. Despite the quality and availability of data, researchers investigating environmental practices may enter a world unto themselves. There is good reason to argue that environmental practices are not representative of social performance more broadly, especially in how they bear upon financial performance. As Jaffe, Peterson, Portney and Stavins (1995: 158) noted, "for all but the most heavily regulated industries, the cost of complying with federal government regulation is a relatively small cost of production." Exceptions they name include electric utilities, chemical manufacturers, petroleum refiners, and basic metal manufacturers – industries that form the focus for many of the CSP–CFP studies. In other industries, "labor cost differentials, infrastructure inadequacy, and other factors would indeed overwhelm the environmental effect" (Jaffe et al., 1995: 158). The effect that social performance has upon financial performance in polluting industries is not necessarily generalizable to other industries, where other costs will outweigh the effect of CSP costs. Therefore, looking at polluting industries magnifies the impact environmental performance seems to have upon financial performance. Moreover, looking at environmental performance as an indicator of broader social performance distorts the inferences that might be drawn. Regulation is thick and well established in the environmental domain. This regulation intensifies the bottom-line implications of positive and negative environmental performance. What holds true for the impact of corporate environmental conduct on financial performance, however, may not hold true for social performance more broadly. Regulatory intensity is simply not as great in other domains of social performance. It may be that the salient costs and scarce resources with which corporations must contend mediate the relationship between social and financial performance. For example, in industries with scarce talent, or for companies situated in less desirable locations, social initiatives that focus on employees, or on the communities in which they live, may prove to have a sizable effect on financial performance. What we know about corporate environmental practices may not be a sound foundation for generalizing that knowledge to all aspects of CSP.

Controls. This discussion of regulatory intensity and resource scarcity serve as a reminder that there is more to understanding a firm's financial performance than its social initiatives (see Capon, Farley & Hoenig (1990) for a broad review and Schmalensee (1985), Rumelt (1991), McGahan & Porter (1997) and McGahan (1999) for how this quest has unfolded in the economics and corporate strategy literatures). Whether researchers are trying to predict financial performance or social performance, the other factors that may bear on each need to be specified better. While industry (N=41), company size (N=32), and market risk (N=13) are measured in many of the studies, the multiplicity of the controls makes it very difficult to compare results across studies. In fact, 19 of the 95 studies employed no controls and forty-seven different controls were investigated in the remaining 76 studies. Without a consistent set of controls, the accumulated body of knowledge about the CSP–CFP link is not as sound as it first appears.

Timing and Causal Mechanisms. Most studies are silent about the timing of the relationship between social and financial performance. If indeed social performance does contribute to financial performance, then when would that impact be revealed? Few studies address this question or its converse. Aside from the 16 event studies, which are designed to examine the stock market reaction following a specified event, only 20 of the 79 remaining studies incorporate a time lag in testing the relationship between social and financial performance. Ambiguity about the timing of the relationship stems from a larger theoretical issue. Despite ongoing investigation into the link between social and financial performance, little attention has been devoted to specifying the causal mechanisms that might account for an observed link. Too much research emphasis has been placed on establishing the presence of a connection, rather than on unearthing how that connection unfolds. To know whether CSP and CFP are connected, and if so, in which direction, more work needs to be done specifying the nature of the causal link: articulating the mechanisms connecting the two, identifying controls, and testing the sequence of effects.

Financial Performance. To this point, the assumption has been made that measures of the independent and dependent variables are sound. Unfortunately, that is not so. One might think that measuring financial performance is a straightforward task, but consider the empirical record. There is no measurement consensus. Financial performance is measured in 70 different ways in the 95 studies. Accounting and market measures abound, with some in each category reflecting returns (14 accounting measures and 7 market measures) and some reflecting risk (11 accounting measures and 3 market measures). Although the largest number of studies assesses return on equity (N=42) and return on assets (N=31), or some variant of the two, there is little consensus about how best to assess performance. The attendant difficulty in comparing and aggregating results frustrates efforts to build a consistent body of insight.

The choice between employing an accounting rate of return or a stock market return is not without controversy. The two sets of measures represent different perspectives on how best to evaluate a firm's financial performance (Holthausen & Larcker, 1992). Accounting measures capture past performance and thus indicate how that historical record has been influenced by, or went on to influence, social performance. In contrast, market measures are forward looking, taken to reflect estimates about the net present value of expected future earnings. When used in conjunction with research on social performance, market measures indicate shareholder expectations about the impact socially responsible practices will have upon future earnings.

Neither measure is right nor wrong; both may be suited to questions about the CSP–CFP link. But research could be enhanced if the choice of measures were theoretically driven, justified in terms of whether a particular study deems prospective or historical measures more appropriate. Perhaps most enlightening is the use of both sets of measures. Ogden and Watson (1999), for example, demonstrated that costly practices targeted at certain stakeholders do indeed reduce profitability, an accounting measure, but do not reduce the expectations of future returns, as reflected in market measures. In their early work investigating pollution control, Spicer (1978) and Chen and Metcalf (1980) used both accounting and market measures. More recently, McGuire, Sundgren and Schneeweis (1988) and McGuire, Schneeweis and Branch (1990) also examined both sets of measures. Although using both sets of measures provides methodological coverage, ultimately, the appropriate measure to use for evaluating financial performance hinges upon a researcher's theoretical account for how CSP and CFP are causally linked. As noted above, such an account is rare.

Social Performance. Problems plague the measurement of a corporation's social performance as well: it is operationalized in so many different ways that it is nearly meaningless to aggregate the results. CSP might be measured by some kind of rating along a set of multidimensional screening criteria, such as the use of the Kinder Lydenberg Domini (KLD) rating system (Waddock & Graves, 1997; Berman, Wicks, Kotha & Jones, 1999); a survey of business students (Heinze, 1976) or business faculty members (Moskowitz, 1972); or a company's reputation among business executives, as we see in the *Fortune* surveys (McGuire, Sundgren & Schneeweis, 1988; McGuire, Schneeweis & Branch, 1990; Herremans, Akathaporn & McInnes, 1993; Preston & O'Bannon, 1997). CSP has also been assessed by noting a firm's conduct in South Africa (Meznar, Nigh & Kwok, 1994; Teoh, Welch & Wazzan, 1999), the presence or absence of women and minority directors (Lerner & Fryxell, 1988), the quality of an organization's environmental management record (Russo & Fouts, 1997; Dowell, Hart & Yeung, 2000), and the magnitude of a company's philanthropic contributions (Fry, Keim & Meiners, 1982; Galaskiewicz, 1997). Sometimes the assessments are almost whimsical. One of Sturdivant and Ginter's (1977) measures of human rights included a consideration of whether or not employers should be able to dictate the specific length of their employees' hair. Again, every one of the twelve reviews of this literature (see footnote 4) bemoans the difficulty of measuring CSP. This difficulty, we suggest, is endemic to the two methods of measuring CSP: subjective evaluations and behavioral indicators. Each measurement method casts doubt upon what in fact can be known about corporations' actual social performance.

Subjective Indicators

A commitment to a unified underlying CSP construct, together with the difficulty in pinning that construct down, leads researchers to rely heavily on subjective indicators of corporate social performance. Gathering the opinions of informed observers has been a persistent means for measuring social performance. It preserves the notion that there is a discernible entity, yet it dodges the need to specify that entity's content. Early work relied on the surveyed judgments of business school students and people in business (Alexander & Buchholz, 1978; Belkaoui & Karpik, 1989; Cochran & Wood, 1984; Heinze, 1976; Sturdivant & Ginter, 1977; Vance, 1975) to assess the social performance of corporations. Scholars' observations of CSP leaders and laggards (Cochran & Wood, 1984; Moskowitz, 1972; Vance, 1975) also formed the basis of early attempts to investigate the link to financial performance. More recent work has drawn extensively on the annual *Fortune* magazine survey of the most admired U.S. corporations. Appearing in 15 studies, the *Fortune* rankings are the most commonly used source of data for measuring social performance. These subjective indicators, though, make it unclear what, in fact, is being measured. For example, the *Fortune* rankings of social responsibility reflect a firm's past financial performance (Brown & Perry, 1994). Therefore, studies that use the *Fortune* rankings may be using financial performance, in the guise of social performance, to predict itself.[6] Another new reputation index, one using the Harris-Fombrun reputation quotient, reveals similar bias problems. Recently, Johnson & Johnson emerged as the top company overall, and number three in social responsibility (Alsop, 1999). However, the company's reputation may owe as much to an availability bias (Tversky & Kahneman, 1974) as it does to its actual performance. Despite Johnson & Johnson's wide acclaim for its credo and handling of the 1982 Tylenol poisoning, its record on social performance is subject to far greater doubt (Badaracco, 1997). By asking evaluators simply to assess a company's social performance, subjective indicators are designed to sidestep the difficulty in specifying CSP. However, the basis upon which evaluators come to their judgments remains unclear.

Even if free of biases and based on specific information about a company's performance, observers can draw different conclusions about a corporation's social performance. In the fall of 1999, as General Motors was being celebrated at the annual meeting of Business for Social Responsibility, celebrated in fact by the Environmental Protection Agency and Nature Conservancy for its air-quality initiatives, the company was simultaneously targeted by activists from the Ozone Action Coalition at the University of Michigan, who called on the University to divest itself of holdings in GM because of the company's stance on the Kyoto Protocol to reduce emissions (Grass, 1999). In this case, different parties arrived at different assessments of the same company. Whether it is the perspective of the judge, his or her inference process, or the underlying information that differs, constructing knowledge about a company's social performance is not at all straightforward. It is difficult to know what is being measured when the variable used to assess CSP is a subjective evaluation proffered by observers, with little clarity about the standards they are using.

Behavioral Indicators

Aware of the limitations of subjective measurement, others have used behavioral indicators to measure a firm's social performance. Next to the *Fortune* rankings, researchers most frequently turn to official corporate disclosures to assess a firm's CSP – both in 10Ks filed with the Securities and

[6] The centrality of this measure in the literature prompted Brad Brown (1997, 1998; Brown & Perry, 1995a, 1995b) to lead an effort to remove the financial halo from the *Fortune* rankings. This exercise created its own controversy.

Exchange Commission (SEC) and in annual reports to shareholders. Fourteen studies examine disclosures; five of them use the Ernst & Whinney (originally Ernst & Ernst) survey of social performance disclosures, an annual survey which emerged and disappeared with the push for corporate social responsibility in the1970s (*Business Week*, 1972). Of the fourteen, four use disclosure itself as the sole indicator of CSP, while the other ten measure a variety of items being disclosed, in five instances also including disclosure itself as an indicator of social performance. In addition to the fourteen studies using corporate disclosures, another six measure social performance by conducting content analyses of annual reports. Despite the popularity of these objective sources, there is no way to determine if the social performance data revealed by corporations are under-reported or over-reported. Verrecchia (1983) has pointed out that firms may be motivated to both share and conceal information, regardless of whether the news is good or bad. When it comes to reporting CSP, impression management and disclosure risks may render behavioral indicators grossly inaccurate.

Information about corporate social performance is open to questions about impression management (Esrock & Leichty, 1998). Philip Morris spends approximately $75 million per year on charitable activities but launched a $100 million corporate-image campaign in 1999 to publicize its charitable actions (Levin, 1999). In a study of institutional investors' attitudes toward social performance disclosures, Teoh and Shiu (1990: 75) quote one institutional investor who observed, "Companies that disclose information of this kind would not necessarily have a particularly good record in social areas." Indeed, that is just what Wiseman (1982) found with regard to environmental performance.

Impression management may contaminate data in more subtle ways (Westphal & Zajac, 1998). Several studies suggest that the disclosure of social performance activities (Blacconiere & Northcut, 1997; Blacconiere & Patten, 1994), and, in particular, certain types of disclosure (Freedman & Stagliano, 1991), mitigate the negative stock market effects that can strike when a disaster occurs or a new regulation is enacted. This effect is independent of the accuracy of the disclosed information. Therefore, the supposedly objective information used to assess the link between CSP and CFP may rest on measures of social performance that may be neither valid nor reliable.

Fryxell and Wang (1994), Simerly (1999) and Szwajkowski and Figlewicz (1997) dispute the need to do so.

The dearth of direct information about a firm’s actual social performance may be even more troubling than coming to grips with companies’ image burnishing activities. The selective disclosure of information about corporate philanthropy, for example, inspired one U.S. representative to introduce legislation mandating that companies report their charitable donations (Gillmor & Bremer, 1999). Legal scholars have recently called for SEC regulation requiring more extensive disclosure of charitable activities (Bagley & Page, 1999; Kahn, 1997). Without regulatory coercion, crosscutting motives confound managers’ decisions to disclose their activities in this domain.

Companies that invest in corporate social performance face two kinds of disclosure risk. If a firm’s financial performance is strong, critics may complain that the firm is unfairly taxing shareholders for its CSP initiatives. If a company encounters financial difficulties, its socially responsible practices may become a lightning rod for protest. Those investments may serve as rhetorical ammunition, if not *prima facie* evidence, for arguments that the firm is mismanaged. Boeing faced criticism of this sort (Gillmor & Bremer, 1999; Jennings & Cantoni, 1998) for reporting a $178 million operating loss in 1997 while simultaneously donating $51.3 million to charity. Levi-Strauss’s languishing financial performance has been attributed, perhaps as wrongly as its once superior financial performance was, to its social values (Munk, 1999; Sherman, 1997). Corporate social performance may even give critics an easy rationale to penalize or fire the CEO. After finding a significant negative relationship between external perceptions of corporate social performance and executive compensation, Riahi-Belkaoui (1992: 36) concluded, “executives may be penalized for such activities.” Aside from these concerns about self-preservation and criticism, some companies may not report their good deeds for fear that publicity corrupts their well-intentioned motives. LensCrafters, for example, sees efforts to derive acclaim or financial value from socially responsible practices as hostile to those practices. For a variety of reasons, therefore, executives may be inclined to keep their social investments very quiet, regardless of what a company is doing and why it is doing it.

Ironically, the second disclosure risk is sometimes rooted in humanitarian criticism. Those who generally support extensive corporate social performance can assail a firm’s initiatives as well. The classic utilitarian question that confounds many sympathetic executives is, “How much is enough?”

Advocates may criticize a company for doing too little, especially when the company has been explicit about its social performance record. Breast Cancer Action, for example, has criticized Avon Products on a number of fronts for its sponsorship of fund-raising activities and cancer research (Beam, 2000; Brenner, 2000). Despite their commitment to social performance – or perhaps because of it – leading socially responsible companies have been harshly criticized for inconsistencies. Ben & Jerry's with rainforest nut sourcing and salary inequities (Dreifus, 1994; Shao, 1994), The Body Shop with animal testing and fair trade (Entine, 1994), and Levi-Strauss with child labor in Bangladesh and slave-like working conditions in Saipan (Katz & Paine, 1994; Sherman, 1997; Cassel, 2001) have all been excoriated for their social irresponsibility. No company is perfect, and, indeed, these three companies used this criticism to spur reforms. However, this kind of criticism can provide sufficient motivation for even the most socially active corporations to keep the full extent of their deeds quiet.

Conclusion. Getting to know how socially responsible a company is introduces significant obstacles in the quest to link social and financial performance. It is unclear how to ascertain actual corporate performance. As challenging, researchers have yet to explain how the connection between CSP and CFP comes about. Evidence of an association cannot lead to sound conclusions without systematic controls and models that indicate how and when the two influence one another. But even if researchers were able to develop a comprehensive assessment of a firm's social performance, that assessment would still leave us with equivocal evidence. Building systematic knowledge about companies' social performance, though crucial, would still not relieve an equally pressing challenge in determining just how responsible a company is.

An Ontological Critique: How Socially Responsible is a Company?

Ontology is the division of philosophy that investigates an entity's nature. It examines questions about being and existence. The ontological critique suggests that it is difficult to determine just how responsible, or irresponsible, a company is because the fundamental nature of a company is elusive. As a result, comparing firms and linking their social performance to financial performance is problematic. A summary judgment of a company's underlying nature must weigh different sorts of corporate activities, both positive and negative, in which a company might be involved. Efforts to specify the CSP construct have not helped to delineate which of these activities are to be counted, nor have they provided a means for understanding how various activities might be weighed and combined, so as to grasp a company's true nature and compare it to that of others.

The Corporate Social Performance Construct. Corporate social performance remains an amorphous construct. Despite successive efforts to define social performance (Clarkson, 1995; Wood, 1991a, 1991b; Wood & Jones, 1995), Clarkson (1995: 92) noted that there are no definitions "that provide a framework or model for the systematic collection, organization, and analysis of corporate data." Theoretical work has refined the CSP construct, but each phase in its evolution has been accompanied by yet another source of ambiguity.[7] That ambiguity makes it difficult to understand how good, or bad, a company truly is.

Early definitions focused on corporate social *responsibility*, leaving its dominion wide open and unspecified (Wood & Jones, 1995). Empirically, CSP emerged simply as a list of activities. For example, while Davis (1973:312) defined social responsibility as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm," Moskowitz (1975:29) enumerated the following set of criteria for identifying stellar and poor social performers:

> Pollution control, equal employment opportunity, minority and female representation on the board of directors, support of minority enterprise, responsible and irresponsible advertising, charitable contributions, community relations, product quality, plant safety, illegal politicking, disclosure of information, employee benefits, respect for privacy, support for cultural programs, responsiveness to consumer complaints, fair dealings with customers.

Theory subsequently developed around corporate social *performance* (Clarkson, 1995; Wood, 1991a, 1991b; Wood & Jones, 1995). Wood's (1991a: 693) reigning conception defines corporate social performance as "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships." Within this tripartite definition of social performance, Wood specified three principles of social responsibility, three processes of social responsiveness, and three socially relevant sets of policies, programs, and outcomes. These comprehensive definitions of corporate social performance, however, have proven no more tractable than the early vague definitions (Clarkson, 1995). The range of activities that comprise social performance has expanded. Social performance has come to encompass, for example, actions driven by economic motives (Carroll, 1979; Wartick & Cochran, 1985) and initiatives that address problems not only generated by a firm, but also those "related to their business operations and interests" (Wood, 1991a: 697; Preston & Post, 1975). Virtually any corporate activity might count as social performance under these definitions.

Systematic conceptualizations of corporate social performance have certainly brought order to the disparate ideas attached to the construct, but they have not helped identify the boundaries between what does and does not constitute social performance.[8] That makes it especially difficult to distinguish which aspects of actual corporate conduct should be seen as social performance. To characterize the true nature of a company, so that the relationship to CFP can be investigated, a method for sorting companies by their conduct is needed. But which conduct counts as CSP? Judgments about companies' social performance can vary based on what is included.

Stakeholder theory (Freeman, 1984) has entered the breach, introducing concrete points of focus for researchers. In what might be seen as a third phase of theoretical development, corporate social performance has been broken into silos. Scholars now operationalize CSP by looking at corporate actions as they bear upon salient stakeholder groups (Clarkson, 1995; Wood & Jones, 1995). Rather than some amorphous amalgam of activities, corporate social performance consists of a company's treatment of discrete constituencies – shareholders, customers, employees, suppliers, the community, and the

---

[7] Several articles trace the history and development of this construct (see Clarkson, 1995; Wood, 1991a, 1991b; and Wood & Jones, 1995).

[8] In her critique of corporate philanthropy, Kahn (1997: 628-629) states, "There is no authoritative definition of corporate social responsibility, but its central tenet can be described as the belief that businesses, especially large, public corporations, have an obligation to contribute to the betterment of society in a manner distinct from the maximization of corporate profit and obedience to the law." Many will welcome this bright line, clearly demarcating socially responsible conduct. However, the definition turns on whether those practices are designed to maximize profit. If not, they are done for the betterment of society and as such, they constitute socially responsible practices. Of course, by this standard, we would never expect to see a positive association between CSP and CFP.

environment. Fortuitously, the most prominent stakeholder categories roughly correspond to the dimensions along which corporations are evaluated by the KLD index.

As available data and theoretical advances have come closer together, questions about convergence have come into sharp relief as well. Once a firm's performance toward a specific stakeholder group is assessed, what then is to be done? The tendency has been to aggregate across all stakeholder groups, to come to some unified assessment of a company's social performance, and to test its relationship to financial performance. Aggregation is a tricky business, however.[9] This in fact is one of the main motivations for introducing disaggregated analysis of discrete stakeholder groups in the first place. Stakeholder analysis makes the construct of social performance manageable and measurable. But by doing so, it also constrains any grand synthesis of the various components, frustrating efforts both to come to a summary assessment of a firm and thus, in turn, to connect firms' social performance as a whole to financial performance.

Corporate Social Performance: Incommensurable Dimensions. The press to disaggregate a firm's activities according to the affected stakeholder group is just the first complication in determining how responsible or irresponsible a company is. In addition to the particular group affected by corporate social initiatives, corporate activities can be categorized along two dimensions: the origin of the problem being redressed and the company's response. Figure 1 captures the typology that classifies firms' responses to social problems.

INSERT FIGURE 1 ABOUT HERE

The first dimension, origin, divides CSP activities by the source of the social problem. Is the company itself the source of the problem, as Exxon was with the 11 billion gallon crude oil spill in Alaska's waters in 1989? Or is the company responding to Mary Robinson's plea to redress problems not of its own making, as Merck has repeatedly been celebrated for doing when it supplied Mectizan to West Africa to combat river blindness (Useem, 1998)? Here we are drawing a sharper distinction than the one Wood (1991a) and Preston and Post (1975) draw between a company's primary and secondary involvement. Primary involvement entails righting corporate wrongs. Secondary involvement refers to activities where firms "are responsible for helping to solve problems and social issues related to their business operations and interests" (Wood, 1991a: 697). In contrast, we simply identify whether the firm has contributed to the problem or not.

The second dimension for characterizing corporate initiatives categorizes how the company responds to the problem, whatever its source. Companies can ameliorate the problem, ignore it, or exploit it for gain. Exxon spent over $3 billion to clean up the Valdez spill, attempting to ameliorate the problem it created. In contrast, General Electric legally dumped PCBs in New York's Hudson River for years until this lethal practice was banned more than 25 years ago. To this day, GE resists the tide of protest that asks the company to clean up the river (Johnson, 2000), ignoring a problem the company helped to create. An example of exploitation might be Nestlé's practice in the early 1970s of giving away its infant formula to impoverished mothers, until they stopped lactating and had no choice but to spend their limited funds on formula, dilute the formula to make it last longer, or simply watch their babies die of starvation. Another example of exploitation, the "race to the bottom" phenomenon (Tonelson, 2000), fuels global protest (*The Economist*, 1999) and is just now beginning to attract scholarly attention in our field (Dowell, Hart & Yeung, 2000). Firms did not create the unequal labor markets and regulatory regimes around the world, but they are surely tempted to exploit these differences for competitive advantage. Thomson Consumer Electronics, for example, moved its Bloomington, Indiana television assembly operation (and more than 1000 jobs) to Juarez, Mexico in 1997. Why Mexico? Including benefits, Thomson's employees in Indiana earned $19 per hour, while those in Mexico earned a little more than $2 per hour (Werth, 1998).[10] We have already noted that Merck's work to treat river blindness in Africa is an example of a firm stepping up to respond to Mary Robinson's plea, ameliorating a problem not of its

---

[9] In a question that reflects a methodological quandary as well as deeper philosophical probing, Wood and Jones (1995: 239) ask how data about different stakeholders can be pooled so as to respect the relative importance of the different stakeholders and the degree of their treatment (or mistreatment).

[10] While we know that Mexican workers in foreign-owned enterprises benefit from such investment (Aitkin, Harrison & Lipsey, 1996), there is little evidence of a wholesale substitution of foreign workers for U. S. workers in multinational firms (Brainer & Riker, 1997; Slaughter, 2000).

own making.[11] Identifying specific companies that ignore a problem of others' making seems almost capricious. A host of companies could fit this profile. T. J. Rodgers, the Cypress Semiconductor CEO, made news in 1996, however, when he publicly opposed Sister Doris Gormley's appeal (representing the ICCR) to place more women and minorities on the company's board of directors (Rodgers, 1996). Whether one judges Rodgers to be right or wrong, his action can be characterized as actively ignoring a social problem that Cypress Semiconductor did not create.

In all, placing a corporate activity in any particular cell may be quite difficult. Judgment is required both to assess the origin of a problem and the nature of a company's response to it. Perrow (1984) clearly showed that attributing cause to complex problems is no simple task. Assessing a response may be no easier. Maintaining business operations in South Africa under the system of apartheid could have been seen as corporate exploitation, using apartheid and its attendant low labor costs for profit. Alternatively, it could have been seen as an ameliorative attempt by firms to provide jobs and economic leverage to people who were otherwise unjustly caught in a racist grip of poverty and exploitation. Determining whether a company is sufficiently responsive to problems also requires care. Johnson & Johnson was thought to be responsive to the Tylenol poisoning scare, but Union Carbide was criticized for not doing enough to attend to the suffering following the Bhopal tragedy. The line between ameliorating and ignoring a problem may be finer than imagined.

Even if corporate actions can be placed reliably in different cells, isolating the relationship between CSP and CFP requires that some way be found to aggregate and compare across cells. But here the challenge becomes more intense. How socially responsible is the Ford Motor Company, renowned for its espoused environmental concern and commitment to educational reform, yet slapped with a sexual harassment suit and the fourth-largest Equal Employment Opportunity settlement in history (Swoboda, 1999)? Complicating matters even more, what is to be made of Ford's environmental and safety problems with its sports utility vehicles when it is so quick to acknowledge the problems? Firms engage in a wide array of activities, some good and some not so good. In addition, safety, natural resources,

[11] In accord with Freeman's (1994) argument against what he deems the "separation thesis" – the thesis that business pursuits and moral aims are inherently antithetical – companies can ameliorate problems not only through charitable

honesty, justice, and education are all to be valued, but in different ways and for different reasons. Activities in different origin-response cells are incommensurable largely because human values do not fall neatly along a single continuum that permits measurement along a uniform scale (Anderson, 1993; Berlin, 1992; Nagel, 1979). Commensurability problems become even knottier when attempting to compare firms. The set of activities, both good and bad, that count toward one firm's social performance will be quite different from another's. How would Ford fare in a comparison to Cypress Semiconductor or to Philip Morris, purveyor of alcohol and tobacco, yet a generous supporter of the arts and a noted provider of emergency relief to victims of natural disasters (http://www.philipmorris.com/pmcares)?

Whether the research aim is to tie social performance to financial performance or, more simply, to come to terms with the totality of a firm's societally oriented activities, the firm's social initiatives need to be identified, classified, and combined in some fashion. Alert to this challenge, some researchers have proposed survey-based methods for assigning weights to different activities in the hope that these assessments can be combined to create an omnibus assessment of a firm's CSP (Wokutch & Fahey, 1986; Wokutch & McKinney, 1991; Ruf, Muralidhar & Paul, 1998). Much like the problem with the reputation rankings, however, this approach begs the validity question. How can judges make sense of all the nuanced distinctions that we have just raised and come to a valid CSP assessment? What would their assessment be capturing? These questions lie at the heart of the ontological challenge.

Corporate social performance consists of a set of practices that cannot be aggregated and compared in a meaningful way. The origin of problems being addressed (or ignored), the extent of corporations' responses to them, and the grounds upon which different socially responsible practices are valued (or not) make any unitary assessment of a company's social performance illusory. Determining exactly how responsible a company is – in order to place companies along a uniform scale so as to compare their financial performance – is elusive. If a company's activities cannot be aggregated into a meaningful CSP construct, then CSP may mean nothing at all. Again, though, even if this fundamental challenge were ignored, we would be left wondering whether summary judgments of corporate social

---

activities, as Merck did, but also through for-profit provision of goods and services (Prahalad & Hart, 2000).

performance, when linked to measures of financial performance, tell us anything worthwhile. That introduces the third philosophical challenge.

A Pragmatic Critique: What Difference Does a CSP–CFP Link Make?

A third philosophical challenge directly questions the search for a link between social and financial performance. Suppose that there were reliable and valid ways of knowing a company's socially responsible practices, and suppose that the diverse aspects of a company's social performance could be synthesized to identify how responsible it really is, so as to compare its true nature to that of other firms. What would be the practical implication of proving that social performance contributes to financial performance? This is the question of pragmatic philosophy that William James best articulates:

> Grant an idea or belief to be true, it [pragmatism] says, what concrete difference will its being true make in anyone's actual life? How will the truth be realized? What experiences will be different from those that would obtain if the belief were false? What, in short, is the truth's cash-value in experiential terms? (James, 1975: 97).

While scholars continue to debate whether social performance contributes to financial performance, ironically, companies continue to invest in a wide range of social initiatives. Beyond making the obvious point that researchers could not investigate the CSP–CFP relationship without evidence of CSP, we should point out that companies' philanthropic contributions more than quadrupled, in real terms, between 1950 and 2000 (Caplow, Hicks & Wattenberg, 2001). Of course, BSR would not be able to count 1400 members and commission a book to document the benefits that accrue from socially responsible practices (Makower, 1994) were such practices unknown. The reasons executives give for these investments typically have more to do with an ineffable sense that this work is the right thing to do (Donnelly, 2001; Galaskiewicz, 1997; Holmes, 1976) than with the anticipated returns that shareholders will reap from these investments.[12] Indeed, business executives make decisions every day without

[12] In response to Kofi Annan's appeal for corporate contributions to a global AIDS fund, Greg Lebedev, the chief operating officer of the US Chamber of Commerce, noted that humanitarian appeals to corporations, rather than self-interested ones, might turn out to be most effective (Donnelly, 2001). To the extent that business leaders need a "business case" to justify their social investments, they may need a compelling social account that lets them trace how their social investments may ultimately redound to the shareholders' benefit (Blumstein, Carssow, Hall, Hawkins, Hoffman, Ishem, Maurer, Spens, Taylor & Zimmerman, 1974; Scott & Lyman, 1968), even if the effect takes years to reveal itself, if at all. See Weiser & Zadeck (2000) for a summary attempt to come to grips with this challenge.

calculating the net present value of those decisions. Would evidence of an empirical CSP – CFP link, one way or the other, fundamentally change these investment decisions? We suspect not.

What if this research points to a large and statistically significant negative relationship between CSP and CFP? Consider Meznar, Nigh and Kwok's (1994) event study of firms announcing their divestment from South Africa[13] or the event study of TIAA-CREF's diversity initiative for boards of directors (Carleton, Nelson & Weisbach, 1998). Both were met with negative market reactions. Does that mean that firms should have stayed to work with an apartheid government or that attempts to add African-American directors to boards should be halted? Financial performance may not be the final arbiter of questions that implicate a range of values and concerns, even when firms are the actors. Tetlock (2000: 323) may have pinpointed the essential futility of the 30-year research quest to link CSP and CFP:

> Disagreements rooted in values should be profoundly resistant to change. . . . Libertarian conservatives might oppose the (confiscatory) stakeholder model even when confronted by evidence that concessions in this direction have no adverse effects on profitability to shareholders. Expropriation is expropriation, no matter how prettified. And some egalitarians might well endorse the stakeholder model, even if shown compelling evidence that it reduces profits. Academics who rely on evidence-based appeals to change minds when the disagreements are rooted in values may be wasting everyone's time.

The question that needs to be investigated in this value-laden domain – the question that needs to be examined to determine if CSP makes a concrete difference – is not whether social initiatives make a difference to shareholders, but rather whether such initiatives make a difference to their intended beneficiaries. This question has been ignored. What is most wanting is not evidence of a link between CSP and CFP, but deep insight into how corporate social performance can benefit those to whom it is directed. Faith in the power of corporate social performance can only be substantiated or discarded by examining whether and how social performance works.[14]

---

[13] The decision to divest from South Africa has attracted extensive research attention, generating a wide range of results. Teoh, Welch & Wazzan (1999) have since conducted the most comprehensive investigation, but a series of articles were published as the divestment debate was occurring (e.g., Grossman & Sharpe, 1986; Rudd, 1979, 1981; Wagner, Emkin & Dixon, 1984).

[14] Note that the dominant corporate paradigm is a pragmatic belief as well: maximizing shareholder value improves social welfare (Allen, 1992; Davis & Useem, 2000; Gilson, 1981). People act as though that were true and then observe the world to determine if the practices enacted indeed improve welfare. The world that results may indeed be one in which shareholder value is maximized. But is it one in which human welfare is enhanced to the greatest extent? Even if people believe that maximizing shareholder value enhances human welfare, the belief does not make it so. What results from acting as though that belief were true must then be evaluated. That is the difference between pragmatism and religion.

Research that aims to establish a relationship between CSP and CFP distracts attention from investigating questions that would make a difference. Lost in trying to connect social performance to financial performance is the logic for pursuing CSP in the first place. Regardless of the controversy surrounding the intentions that motivate a company's social investment decisions, intentions deemed noble by some and misguided by others, information is needed about the consequences – intended and unintended, good and bad – that these social investments have upon their intended beneficiaries. Our research bears opportunity costs. Indeed, as a field, we may have committed an "error of the third kind" (Mitroff, 1974): for thirty years, we have been trying to solve the wrong problem. We need to turn our research attention to a new set of questions raised now in the final section of the paper.

OUR RESEARCH FUTURE

The relationship between CSP and CFP attracts so much research attention because those who want to ameliorate human misery see hope in a compelling "business case" that might emerge from a (preferred) set of empirical results. Proponents of a broader role for the firm in society could then point to the positive and neutral financial returns associated with social investments as proof that an expanded set of responsibilities neither jeopardizes the financial role of the firm nor squanders its resources. This practice-based quest is fueled by an ambition to resolve a longstanding and unresolved theoretical dispute about the purposes of the firm (see Berle (1931) and Dodd (1932) for the classic outlines of the debate and then Macintosh (1999) for a look at the contemporary importance of this early debate). Demonstrating the bottom-line benefits of CSP makes room for humanitarian concerns within the shareholder wealth-maximization paradigm. If social performance is shown to be consistent with the neo-classical model of the firm, then both sides can claim victory and proclaim the debate resolved. But firms already invest in social initiatives, making the search for an action-inducing business case moot. Still, the search for an empirical rapprochement to the theoretical debate promises future research on this question, regardless of Tetlock's (2000) well-placed pessimism.

Before researchers continue to investigate the CSP–CFP link, the epistemological and ontological questions we identified must be addressed. Although these questions may elude answers, there are practical research steps that would make the philosophical challenges less crippling. First, the relationship between CSP and CFP needs to be investigated in a random sample of publicly traded firms, not simply in the largest companies or those in notoriously problematic industries (the study of closely held firms, albeit difficult, might build upon this effort). Second, extensive descriptive work is needed to identify concrete examples of corporate social performance; how they are revealed or obscured from the public; and the mechanisms that lead from these activities to a variety of outcomes. Chronicling and comparing the behavioral evidence of various CSP investments across a wide variety of data sources (e.g., SEC filings, press accounts, web pages, company interviews and beneficiaries' reports) would move research closer to reliable and valid measures of social performance. Comparing these indicators of corporate social performance to the subjective *Fortune* and KLD ratings would provide some sense of what in fact is being measured. Indicators of actual corporate conduct must accompany, if not supplant, impressionistic assessments (Gephart, 1991). Third, when the relationship between CSP and CFP is reexamined, researchers need to include both accounting and market indicators of CFP.[15] Fourth, causal models need to be developed, which will guide the selection of control variables, posit time lags, and allow for analysis of the mechanisms that might link social and financial performance. The status of work on CSP mirrors where scholarship stands in understanding human resource management (HRM) practices. After years of research, it seems evident that HRM practices bear some relationship to financial performance (Delery & Doty, 1996; Huselid, 1995), but it is not certain why. A CSP–CFP correlation, without a documented causal account, will not move a skeptical executive to invest in social initiatives, let alone resolve a 70-year theoretical debate.

While we can identify ways to improve our understanding of the CSP–CFP relationship, our ambition for this paper is to do more than move the CSP–CFP research agenda forward. An alternative set of research questions is equally pressing. These questions are grounded in two research premises that differ markedly from those anchoring prior research. First, the underlying question motivating research should no longer be the normative question, "Why should firms invest in corporate social performance?"

[15] Event studies may be most revealing. However, unlike studies of corporate social irresponsibility (Frooman, 1997), it has been difficult to collect data on discrete CSP events (Shane & Spicer, 1983 is a notable exception).

Rather, research should be oriented toward the empirical question, "How do firms invest in corporate social performance?" Because companies are already responding to social ills – sometimes those of their own making, sometimes those with broader origins – it is imperative to understand how companies are, and are not, responding. What are companies doing in this domain? The second orienting question expands the focus of research beyond the firm itself to look at society: "Under what conditions should society call upon firms to invest in social initiatives?" Just because a firm can address social misery does not mean that it should. Together, these two orienting questions suggest a series of prescriptive questions about how firms might best devote their resources.[16] These prescriptive questions can be asked from both the firm and society's perspective. We consider the research agenda that follows from asking these prescriptive questions, first from the perspective of the firm and then from the perspective of society.

A Focus on Firms

Once the focus shifts to examine the social investments firms do in fact make, unanswered questions revolve around how best to manage this process. These questions include where firms should invest, how much they should invest, how they make their investments, and then how they manage and discipline the process over time. We will consider each in turn.

Where to invest? Whether the decision is to select a supplier, build a manufacturing facility, or move into a new product market, economic logic typically guides a firm's decision process. The question of where firms should target their social performance, though, is more a pragmatic, moral, and political decision than an economic one. How should a firm decide whom to serve?

Should social initiatives be pragmatically driven, emerging from where the firm can produce results – tied specifically, perhaps, to the firm's core competence (Dunfee & Hess, 2000)? No one will question Merck's ability to manufacture and distribute Mectizan or UPS's expertise in advising food-recovery programs on logistics. The Ford Motor Company, however, developed high school curriculum

The descriptive work we advocate to investigate CSP may be quite helpful in isolating such discrete activities.

[16] Here we use the helpful distinction that decision scientists draw between three theoretical categories in their own work (Bell, Raiffa & Tversky, 1988). Normative theories explain how rational agents should ideally behave. Descriptive theories indicate how real agents, in fact, do behave. Prescriptive theories provide normative advice tailored to the realities of human conduct, advising people how to act in light of their limitations.

materials. Even if Ford needs a well educated workforce, some might wonder if developing secondary school curriculum materials falls within its set of distinctive competencies.[17]

Moral and political considerations might drive a firm's choice of activities. Mary Robinson makes a moral appeal to companies. The nature and magnitude of the kinds of problems identified in Table 1 beg for help, regardless of whether a firm is responsible for their creation or uniquely qualified to help. Based on moral considerations alone, perhaps a firm should respond first to problems of its own making and next to society's most pressing needs. Moral considerations, however, rarely register as the only considerations. A variety of political pressures may also compel a firm to take action (Galaskiewicz, 1997). Governments may explicitly ask for help, often in exchange for allowing an economic investment in their countries. Social comparison pressures among the firms' elite decision-makers may also propel some investments. Moral and political factors may interact, as they did with Ford Motor Company's curriculum initiatives. Recognizing compelling education needs in Michigan, the governor's office asked Ford to consider developing what later became known as the Ford Academy. Pragmatic, moral, and political considerations may all come together in shaping a company's investment choices. If the firm has distribution channels to move building materials, food, and medicine to Sub-Saharan Africa, for example, then moral considerations suggest that they should use them – and government officials may explicitly ask them to do so.[18]

Economic logic is not wholly absent from these decisions. The rise of the cause-marketing phenomenon reveals that firms are quite aware that they can leverage their social investments to build their brands (Smith & Alcorn, 1991). Brown and Dacin (1997) and Sen and Bhattacharya (2001), marketing scholars, provide some evidence that consumers will respond to a company's CSR activities. Adkins (1999) provides a summary picture of the phenomenon and describes how companies poll customers to identify particular social passions, which helps firms choose where to make their social

[17] Menon and Kahn (2001) provide some experimental evidence suggesting that consumers might react differently to firms' CSP activities depending upon whether those activities are congruent with their normal product-market activities.
[18] This is not far removed from Coca-Cola's decision to introduce AIDS prevention and education programs for its workers in Africa, where it is the largest employer (*New York Times*, 2001).

investments. Firms might well go further and query their employees, suppliers, host communities, and other constituent groups about their social investment preferences.

The next research step is to examine empirically just how firms choose their social investment domains. How do they choose, how do they weigh the opportunity costs of choosing one social investment over another, and how do they balance these social investments with their other business investments?[19] The catalogue of actual considerations could inform normative debate about where firms ought to invest (e.g., Holmes, 1976), especially when those considerations are linked to subsequent assessments of how these investments did or did not benefit the intended recipients. A thorough understanding is needed of how firms decide where to invest and whether or not these decision criteria are linked to the ultimate effectiveness of their social initiatives.

How much to invest? Economic logic suggests that firms will invest in positive net present value projects. Our critique of the CSP–CFP research indicates, though, that in the social domain, economic returns are quite difficult to estimate. Moreover, economic logic does not necessarily govern social performance decisions. We suggested that the negative market reactions to divestment from South Africa (Meznar, Nigh & Kwok, 1994) and to TIAA-CREF's board diversity initiatives (Carleton, Nelson & Weisbach, 1998) do not necessarily make these actions imprudent, wasteful, or wrong. The problem is that alternative guiding principles are not practical either. A utilitarian logic (Smart & Williams, 1973) creates an insatiable demand on the firm, since there is always one more step the firm could take to improve the lot of the world. At the limit, such investments will threaten a firm's viability. The question of how much to invest bedevils sympathetic decision makers.

How much investment is enough, and how do managers determine what constitutes "enough"? In one of the early studies in this area, Bowman and Haire (1975) posed this question and found that companies reporting neither the least nor the most corporate social responsibility activities enjoyed the highest returns on equity. Is an "intermediate" investment level most beneficial for the recipients of

[19] A CEO's values may come into play here as well. History tells us that those with enormous wealth often held a sense of *noblesse oblige*. Lasch (1995: 4) pointed out that "wealth was understood to carry civic obligations. Libraries, museums, parks, orchestras, universities, hospitals, and other civic amenities stood as so many monuments to upper-class munificence." While Lasch bemoaned the demise of *noblesse oblige* among the new

corporate social performance too? Do social investments bring diminishing returns for all concerned? Determining the proper amount of social performance remains an open question. Once again, descriptive research will tell us how managers make these decisions and then provide guidance for prescriptive thinking about how they should make these decisions.

How to invest? Once firms determine what to do and how much to invest, they face three options for executing their social initiative: make, buy, and hybrid. When firms have a relevant capability (Dunfee & Hess, 2000), perhaps firms should do it themselves. This would be the "make" option. Intel offers a variety of math and science education initiatives in the United States and abroad (http://www.intel.com/education); UPS drew upon its logistics capabilities to develop a technical services manual for food rescue programs (www.community.ups.com). Charitable contributions, the "buy" option, may make more sense when a firm lacks any specific capability to address a social need or when existing institutions have excellent capabilities in the area where the firm seeks to invest. A make/buy "hybrid" strategy, in the form of a partnership, may be the option of choice when the firm has something to give and gain from direct involvement (Austin, 2000; Bartel, 2001). This partnership theme oriented the 1999 BSR meeting: representatives from business and civil society gathered to discuss their successful and unsuccessful partnership experiences. A much better understanding must be developed of how firms choose among these different investment modes. It would also be illuminating to determine when and why a firm would choose to pay for these initiatives from its operating budget or through a foundation (Gillmor & Bremer, 1999). Research into the investment choices companies actually make can inform efforts to guide companies' strategic choices in the social domain.

How to manage the process? Companies face two central management challenges with their social performance initiatives. Social initiatives need to be managed so they are beneficial to recipients. At the same time, corporate resources devoted to these programs should be deployed constructively and efficiently. Just as selection of social performance practices abides by a different logic from the selection of suppliers, operations, and markets, researchers need to be alert to the distinctive challenges of

---

moneyed class, elite values clearly orient corporate social investment decisions (Galaskiewicz, 1997). One implication for research is to examine the impact of CEO succession on a firm's CSP investment decisions.

managing social performance. Empirical research can explore those distinctive challenges, as well as the management challenges CSP shares with other domains of a firm's operations. Researchers might start by identifying the range of CSP management practices used, the factors that bear upon selecting these, and the relative effectiveness of various practices. Performance measures suited to corporate social performance would help support corporate efforts. These measures must evaluate the impact upon recipients and assess the use of resources, before moving to any evaluation of the benefits accruing to the firm itself. Again, academic research can examine the nuances and challenges of evaluating CSP.

How to discipline the investment process? Evaluation, along with monitoring, is also necessary to ensure that corporate resources are being used efficiently and effectively in social initiatives. Waste and abuse certainly need to be curtailed. Akin to concerns about managerial perquisites, logic might suggest that a firm should direct its contributed resources to their best use, and not just to a CEO's favorite project, a friend or family member's favorite cause, or perhaps even to some compelling societal need where the firm has no peculiar capability. Although for some, disciplining this activity may be a simple matter of curtailing the misuse of what is rightfully the property of shareholders in the first place (Friedman, 1970; Gillmor & Bremer, 1999), there are legitimate governance issues to consider as firms make, and continue to make, social investments. Governance is comprised of internal and external corporate control processes (Walsh & Seward, 1990). Little is known about how a firm (including the board) internally monitors its social investment decisions. Firms will need to find ways to monitor and maintain the consistency of social initiatives with the underlying pragmatic, moral, and political considerations that motivate those initiatives. This novel form of discipline will then pose the additional challenge of being integrated with financial discipline, without being overwhelmed by it.[20] Research into the disciplinary process will reveal the criteria companies use to assess the "best use" of their resources and the methods applied to ensure that use.

[20] Interestingly, if some social investments do bring financial benefit to the firm, then some social investment decisions may be even more difficult to make tomorrow than they are today. It may well be that some social needs will never be addressed because the financial analysis does not warrant action. Whitman (1999), for example, suggests that the current impulse to link corporate philanthropy to the firm's bottom line will lead many companies to contribute less to health, welfare and the arts (and more to primary and secondary education). Social justice advocates who hope to find a persuasive "business case" that will compel firms to act may be quite uncomfortable with the after-effects that such a business logic might bring to this social domain.

Externally, activist investors use their ownership positions to launch proxy challenges or to engage in private reform conversations (Carleton et al., 1998), regarding social initiatives among other reforms, but there is little systematic evidence that speaks to the effectiveness of these external-monitoring mechanisms.[21] Transparency, of course, is always a necessary condition for accountability. Calls for SEC-regulated disclosure of philanthropic contributions (Bagley & Page, 1999; Gillmor & Bremer, 1999; Kahn, 1997) may be part of a future solution. The takeover market is an essential component of external corporate control. We know of no takeover motivated by an attempt to discipline and improve a company's social investment strategy. However, takeovers and corporate restructurings of all kinds pose significant challenges to CSP investment programs. Sustaining corporate social performance amid changes in organizational form raises an intriguing set of management issues. Be they mergers and acquisitions or spin-offs and equity carve-outs, corporate restructurings pose unique management challenges for social performance programs. Without a compelling connection to shareholder wealth maximization – the orientation that typically prompts such restructurings – social investments may come under intense scrutiny. Indeed, they may be made a scapegoat for past financial woes (Freedman & Jaggi, 1982; Mills & Gardner, 1984). Determining how social performance practices can be preserved amid restructuring, well enough diffused to new divisions of a company during a merger or acquisition, invites empirical research. Of course, it will be just as interesting to learn how a company disengages from its social commitments (during a restructuring or, for that matter, any time) or how it manages to limit its social investments to, say, only one division in a multi-divisional firm. Coming to understand the governance and control of CSP is a ripe new arena for research.

A Focus on Society

Is society well served by corporate responses to misery? Instead of focusing on the questions of why and how firms might find it in their interest to engage in socially responsible practices, academic

[21] There is some anecdotal evidence that investor actions can precipitate corporate activity in the social domain. See, for example, http://www.citizensfunds.com/Live/about/approach_activism.asp#March_2000. It has been shown, however, that activist investors must juggle a host of complex and sometimes competing interests (see Pozen, 1994).

work needs to examine the conditions under which society should or should not call upon firms to engage in these activities. Under what conditions are firms best situated to respond to social misery, and how are firms to conduct themselves in such instances to best aid society? What are the benefits, risks, and consequences, intended and unintended alike, of having firms commit their resources to ameliorating social ills? Should some boundaries be erected around corporate initiatives? We have lost sight of the early orientation in the social audit movement to evaluate the firm's impact on social life from the point of view of society, and not the firm itself (see Carroll & Beiler (1975) for a discussion of the Krep's Audit of 1940). Empirical research can illuminate the conditions under which society is well served by corporate social initiatives, and which societal needs are best served by those initiatives. In the rush to encourage corporations to ameliorate social misery, care must be taken to assess the benefits and costs of involving them in this work. Foundations that fund innovative philanthropic programs generally fail to explore the effectiveness of those programs (Porter & Kramer, 1999). Researchers in this domain cannot make this same mistake. Understanding the full range and subtlety of the effects of corporate involvement in civil society is as important as understanding the circumstances in which corporate social performance is likely to be the unalloyed good that it is often portrayed to be. Asking when society is well-served by corporate social initiatives introduces a set of research questions that parallel those posed from the perspective of corporate managers, directors, and owners. Only now, these questions are posed from the perspective of citizens and society.

Where to Invest? The question of where to invest again focuses on whether it is best to have firms address society's most pressing needs or whether society is made better off when firms address those social needs that fall squarely within the scope of their distinctive capabilities. These are prescriptive questions that beg for empirical insight.

Context looms large in the effects that CSP is likely to have. Multinational corporations may be the most trustworthy entities in some countries (Matthews, 1997; Spar, 1998). Whether a country is in transition from one economic regime to another or whether a country's leaders are simply corrupt, the multinational corporation may be the only "local" institution that people can depend upon. With little or no local institutional infrastructure, corporations can be called upon to address a range of needs that would otherwise go unmet and hamper basic business operations as well as human development. When the question is asked, whether corporate social performance is good for society, it is crucial to be clear about which society is being considered. Even in the United States, qualms about the subtle consequences of corporate involvement need to be balanced with the bare fact that corporations may be the only institution poised to respond to certain social problems. Research also needs to be attentive to the domain – the environment, poverty, education, or health, for example – in which corporate assistance is sought. A corporate presence may prove to be helpful in one domain and harmful in another.

How Much to Invest? At first blush, we might imagine that from society's point of view, there should be no limit to corporate involvement. The scale of human misery is nearly incomprehensible. The more help, the better. On the other hand, enthusiasm for corporate social performance needs to be tempered with a degree of caution. Looking only at life inside the corporation, organizational scholars have warned of the suffocating grip of the corporation when it attempts to insinuate itself into all aspects of an employee's life (Kunda, 1992; Rosen, 1985; Wilmott, 1993). In this spirit, Featherstone (1999) argued that the socially responsible practices of corporations actually threaten the interests of those they allegedly assist. Sandel (1997: 23) made a similar point about education: "The corporate invasion of the classroom threatens to turn schools into havens of hucksterism." Education provides just one vivid example of the challenges entailed in welcoming corporate investment into the broader public domain. How can education accommodate a firm's desire to train future employees and cultivate new consumers with society's goal of educating a mindful, self-directed, and independent citizenry? As corporations move, and are called upon to move, into the broad arena of social performance, researchers need to stay alert to the perverse effects – perhaps unintentional – that this activity may hold.

Kahn (1997: 635) expressed concern with "the dangers implied by the concentration of not only the factors of production, but also communal resources in the hands of corporate management." Welfare capitalism, for example, clearly serves the interest of the corporation (Jacoby, 1997), so Wood (1991a: 711) justifiably wondered if a firm's motives affect the outcomes of its social performance. The street protests against the work of the World Trade Organization (*The Economist*, 1999) and both the International Monetary Fund and the World Bank (*The Economist*, 2000) suggest that members of society are asking these same kinds of questions as well. Other observers warn that corporate social initiatives displace government from its appropriate role, all the while creating societal expectations of firms that they cannot possibly meet (Avishai, 1996; Reich, 1998).[22] Corporate social initiatives might not be the unmitigated good for society that its advocates claim them to be. Just the same, they might not be the evil and insidious plot to seduce and coopt humanity in service of competitive advantage that some imagine them to be either. Nevertheless, asking about appropriate investment levels alerts us to the range of consequences that might follow such corporate social investments. Research can tell us about the myriad consequences that might attend to varying levels of investment, informing discussion of just how much is appropriate.

How to Invest? From society's perspective, the question about the form that a firm's social investment may take invokes the same make, buy, and hybrid options. The reasons society might prefer one option over another, however, may differ from the reasons that corporate leaders might employ. For example, partnerships with local public schools – a hybrid option – may sustain public involvement, which society may value in its own right. Such an approach to education might be a surer way to serve the public's interest in educating its citizens, rather than simply preparing future employees for a multinational corporation or cultivating consumers. Privately sponsored schools – the make option – may attenuate such public involvement but promise a quicker response to the pressing need for educational reform and experimentation. Researchers need to investigate the effectiveness of the different kinds of social investment modes, not just for the firm and the problem at hand, but also for society as a whole and the range of ends its citizens value. Which investment option is an optimal solution to which problem, in which context? These questions orient an essential research agenda.

How to Manage the Process? How society is to manage the corporation's investment in social life opens perhaps the most difficult set of issues to be investigated. From society's perspective, social initiatives by business should somehow strike a balance between a democratic process that is accessible

[22] No one should mistake corporate involvement in K-12 education for new education policy. Salamon (1999) reports that in 1995, the US spent $302.4B to educate 50.5M students in its 113,218 elementary and secondary schools. To place the magnitude of that investment in context, consider the sales revenue of KLD's most recent top ten best corporate citizens (including such companies as Proctor and Gamble, Hewlett-Packard, Fannie Mae, Motorola, and IBM). Their combined 1999 sales totaled only $283.3B (http://www.business-ethics.com).

and responsive to all, and a corporate process that capitalizes on the efficiencies born of competition. The ability to exercise voice in the formulation of public policy, in developing and delivering social programs, and in the opportunity to express one's ultimate approval or disapproval of these initiatives in the voting booth are all assumed rights in Western democracies – and no less a set of guiding ideals when considering public policy initiatives elsewhere. But human misery is laid on the doorstep of companies in large part to capture their expertise, distinctive capabilities, and managerial problem solving ability – especially in countries lacking the kind of governing infrastructure that marks developed nations and Western democracies. How do, and should, companies involve various external constituencies, including those directly affected by their social initiatives, as they develop and deliver their programs? If a constituent group is not directly implicated in the efficient delivery of a specific program, how should their interests and concerns be recognized?

Ironically, whatever dangers corporate social initiatives may pose for public input, corporations may turn out to be more responsive than the state. The capacity of firms to respond quickly not only to social problems themselves but also to citizens' exercise of voice throws into question assumptions about the proper boundaries between the firm and society. If the firm can take care of a specific social problem better than the state, or if the firm provides better access and proves to be more responsive to citizens' input, then perhaps it is a proper institution to develop social policies and practices. But if true, what is to become of government as we know it?[23] Where are boundaries to be drawn?

Corporate social initiatives may be so alluring in part because they remove certain issues and programs from the inevitably messy process of politics and governing. There may be sound reasons for doing so, but caution is warranted on two fronts. First, despite the inevitable inefficiencies of politics, certain issues are intentionally left for the public domain (Friedman, 1970; Sandel, 1996, 1998). Second, recall that at the turn of the last century, the progressives who professed such faith in technical solutions to deep-seated societal problems also served their own interests in advancing their faith. As technological

[23] We should point out that the KLD index, as well as the socially responsible mutual fund business, exists in large part because of government regulation and the press for transparency. The threat of government action ensures corporate efforts to reduce negative social impacts (Kuttner, 1998). It is not at all clear that society can trust firms to act in its best interests absent some governmental oversight.

"experts," they set themselves up in power as the only ones who could solve these problems (Haber, 1964). We must stay alert to the possibility of similar tendencies in the CSP domain. However noble the intentions and efficient the initiatives, there is a danger of arrogating power that is rightfully distributed more broadly.

How to discipline the process? Society faces four significant challenges in disciplining corporate social initiatives. The first has already been foreshadowed. How can the political process and the values it embodies (for example, public debate and participation) be preserved? Second, from a societal perspective, the resource allocation process demands discipline. How are citizens to determine and ensure that resources are divided appropriately between corporate activities devoted to the production of goods and services, and thus contributing to material welfare, and those activities devoted directly to improving broader social welfare? Markets may discipline the production of goods and services, but they do not serve as a mechanism for channeling resources between these two domains. Third, within the domain of social initiatives, how can the allocation process be disciplined so that resources are devoted to the range of significant social problems and not just to the investing firms' idiosyncratic interests? Society's interests may conflict quite directly with firms' interests and capabilities. Fourth, in what ways can society guard against the unintended consequences of corporate involvement in the social domain? Examples might range from the unforeseen side effects of specific corporate initiatives to the broader social consequences of corporate involvement itself. Will such initiatives impoverish the political sphere and civil society, co-opting public institutions for private gain, and elevate private executives to *de facto* positions of public servants, insulated from public accountability? Alternatively, what happens if state organizations prohibit firms from making social investments? Who could have foreseen that the decision by Unicef and the World Health Organization in 1981 to prohibit the distribution of free infant formula would prove to be a source of intense controversy twenty years later? An estimated 1.1 to 1.7 million babies died from AIDS after contracting the disease from their mothers' infected breast milk. Many activists are now calling upon Nestlé and other infant formula makers to contribute free infant formula in the Third World. Unicef, however, continues to uphold the ban, prompting much controversy (Freedman & Stecklow, 2000) and raising complex questions about the relationship between business and society.

Some might argue that these kinds of difficult questions themselves are evidence enough that firms must stay out of the public domain (Sternberg, 1997). This, though, seems unrealistic. Companies already occupy significant space in the public domain, and the infant formula case notwithstanding, citizens and political leaders alike have already asked firms for help, and corporations have already responded. Careful research and lively academic debate need to focus, not on building a case for or against corporate involvement, but on the role firms do, can, and should play as they address human misery, in order to ensure that citizens are left better off as a result.

CONCLUSION

Organization and management scholarship can play an important role in society. As society appeals to the corporation to provide innovative solutions to its problems, scholarship can play a central role in understanding and even guiding these investments. This role, though, differs from the one that has been embraced by the scholars who have investigated these issues to date. After 30 years and 95 empirical studies, the relationship between corporate social performance and financial performance remains equivocal. There may still be reasons to pin down the nature of this relationship, especially the mechanisms that might link the two. For those interested in these questions, we have identified a host of reasons why the existing body of work cannot be relied upon for answers. In so doing, we have outlined steps that will improve future empirical efforts. However, our critique reveals perhaps even more fundamental – and more fruitful – questions that beg for attention. Ironically, the efforts to support corporate social performance by seeking evidence of its financial benefits distract attention from research that might enhance the effectiveness of these initiatives.

To develop an alternative research agenda, we augmented the methodological and theoretical critiques typical in organizational studies. Our philosophical analysis pushes research about corporate social performance beyond incremental and path-dependent fixes. Epistemological, ontological, and pragmatic questions ask us to examine our own questions, and even our good intentions, in ways we otherwise would have missed. This kind of critique may advance other well-traveled terrain in organizational research and theory as well.

Human misery and corporate ingenuity should remind us that our central challenge lies in matching the two. Before rushing off to find the missing link between social and financial performance, all in hopes of advancing the cause of social performance, researchers need to investigate which corporate practices best assuage human misery. Ultimately, we need to understand the conditions under which a corporation's efforts benefit society. This means questioning corporate social performance down to its very roots. The many organizational scholars who have investigated the relationship between social and financial performance have been eager to alleviate human misery. We hope that Sandelands (1990: 254) is correct when he says, "contact with theory may bring out new ways of practice." The stakes are very high. We aspire to develop empirically informed theory that stimulates, if not guides, practice. But the guidance that scholars propose, and how it is proposed, must be constantly scrutinized. Paradoxically, by pursuing the new questions introduced in this paper, organizational scholars have the opportunity to inform practice – and thereby help society – where past advocacy-based research programs have fallen short. Personal values and commitments certainly orient scholarship. To honor those values and commitments, however, we must acknowledge and question them. Such appraisals ensure the quality of our research and the integrity of our commitments.

Table 1
A 1998 Snapshot of Social Life
In The World's Most Populous Nations

Nation	Population in Millions	% Pop. Living on < $2/day	% Share of Income/ Consumption: Bottom 10% vs. Top 10%	% Children Aged 10-14 in Labor Force	Infant Mortality per 1000 Live Births	% Pop. With Access to 20 Essential Drugs	% Pop. with Access to Sanitation	Illiteracy Rate Among 15-24 year olds: % Male / % Female	Telephone Mainlines per 1000 People	Personal Computers per 1000 People	FDI as a % of Gross Domestic Investment (1980/1998)
China	1,238.6	53.7	2.4 / 30.4	9	31	85	21	1 / 5	70	8.9	0 / 11.9
India	979.7	86.2	3.5 / 33.5	13	70	35	16	22 / 37	22	2.7	.2 / 2.6
USA	270.3	---	1.8 / 30.5	0	7	---	---	- / -	661	458.6	3.1 / 7.5
Indonesia	203.7	66.1	3.6 / 30.3	9	43	80	51	2 / 4	27	8.2	1.0 / -2.7
Brazil	165.9	17.4	.9 / 47.6	15	33	40	67	10 / 6	121	30.1	3.5 / 19.3
Russia	146.9	25.1	1.7 / 38.7	0	17	---	---	0 / 0	197	40.6	- / 6.1
Pakistan	131.6	84.7	4.1 / 27.6	16	91	65	30	25 / 53	19	3.9	1.4 / 4.6
Japan	126.4	---	4.8 / 21.7	0	4	100	100	- / -	503	237.2	.1 / .3
Bangladesh	125.6	77.8	3.9 / 28.6	29	73	65	35	40 / 61	3	---	0 / 3.3
Nigeria	120.8	90.8	1.6 / 40.8	25	76	10	36	12 / 19	4	5.7	-5.4 / 12.7
Mexico	95.8	42.5	1.4 / 42.8	6	30	92	66	3 / 4	104	47.0	3.6 / 10.7
Germany	82.0	---	3.3 / 23.7	0	5	100	---	- / -	567	304.7	- / 2.3
Vietnam	76.5	---	3.6 / 29.9	7	24	85	21	3 / 3	26	6.4	- / 15.4

Table 2
An Overview of the CSP–CFP Results

Corporate Social Performance as Independent Variable

Positive		Positive		Zero		Negative		Mixed	
Anderson & Frankle	1980	Moskowitz	1972	Abbott & Monsen	1979	Boyle, Higgins & Rhee	1997	Belkaoui & Karpik	1989
Belkaoui	1976	Nehrt	1996	Alexander & Buchholz	1978	Meznar, Nigh & Kwok	1994	Berman, Wicks, Kotha & Jones	1999
Blacconiere & Northcut	1997	Newgren, Rasher, LaRoe & Szabo	1985	Aupperle, Carroll & Hatfield	1985	Vance	1975	Bowman & Haire	1975
Blacconiere & Patten	1994	Parket & Eilbirt	1975	Bowman	1978	Wright & Ferris	1997	Brown	1997
Bragdon & Marlin	1972	Porter & van der Linde	1995	Chen & Metcalf	1980			Cochran & Wood	1984
Brown	1998	Posnikoff	1997	Fogler & Nutt	1975			Diltz	1995
Christmann	2000	Preston	1978	Fombrun & Shanley	1990			Graves & Waddock	1994
Clarkson	1988	Preston & O'Bannon	1997	Freedman & Jaggi	1982			Guerard (b)	1997
Conine & Madden	1986	Preston & Sapienza	1990	Freedman & Jaggi	1986			Holman, New & Singer	1990
Dowell, Hart & Yeung	2000	Russo & Fouts	1997	Fry & Hock	1976			Kedia & Kuntz	1981
Freedman & Stagliano	1991	Shane & Spicer	1983	Guerard (a)	1997			Marcus & Goodman	1986
Graves & Waddock	2000	Sharma & Vredenburg	1998	Hamilton, Jo & Statman	1993			McGuire, Schneeweis& Branch	1990
Griffin & Mahon	1997	Simerly	1995	Ingram & Frazier	1983			Ogden & Watson	1999
Hart & Ahuja	1996	Spencer & Taylor	1987	Lashgari & Gant	1989			Pava & Krausz	1996
Heinze	1976	Spicer	1978	McWilliams& Siegel	2000			Rockness, Schlachter & Rockness	1986
Herremans, Akathaporn & McInnes	1993	Stevens	1984	O'Neill, Saunders & McCarthy	1989				
Ingram	1978	Sturdivant & Ginter	1977	Patten	1990				
Judge & Douglas	1998	Tichy, McGill&St. Clair	1997	Teoh, Welch & Wazzan	1999				
Klassen & McLaughlin	1996	Verschoor	1998	Waddock, Graves & Gorski	2000				
Klassen & Whybark	1999	Waddock & Graves	1997						
McGuire, Sundgren&Schneeweis	1988	Wokutch & Spencer	1987						

Corporate Social Performance as Dependent Variable

Positive		Zero		Mixed	
Brown & Perry	1994	Buehler & Shetty	1976	Johnson & Greening	1999
Cottrill	1990	Cowen, Ferreri & Parker	1987	Lerner & Fryxell	1988
Fry, Keim & Meiners	1982	Patten	1991	McGuire, Schneeweis & Branch	1990
Galaskiewicz	1997				
Levy & Shatto	1980				
Maddox & Siegried	1980				
Marcus & Goodman	1986				
McGuire, Sundgren&Schneeweis	1988				
Mills & Gardner	1984				
Navarro	1988				
Preston & O'Bannon	1997				
Roberts	1992				
Waddock & Graves	1997				

Figure 1
A Typology of Social Initiatives by Business

Source of the Problem		**Corporate Response**		
		Ameliorate	Ignore	Exploit
	Others	Merck's river blindness drug "Mectizan"	Cypress Semiconductor's response to the ICCR's diversity initiative	Thomson's move from Indiana to Mexico
	Firm	Exxon Valdez oil spill	GE's PCB pollution of the Hudson River	Nestlé's infant formula scandal

REFERENCES

Abbott, Walter F. and R. Joseph Monsen
1979 "On the measurement of corporate social responsibility: Self-reported disclosures as a method of measuring corporate social involvement." *Academy of Management Journal*, 22 (3): 501-515.

Adkins, Sue
1999 *Cause related marketing: Who cares wins*. Oxford: Butterworth-Heinemann.

Aitken, Brian, Ann Harrison and Robert E. Lipsey
1996 "Wages and foreign ownership: A comparative study of Mexico, Venezuela, and the United States." *Journal of International Economics*, 40: 345-371.

Aldag, Ramon J. and Kathryn M. Bartol
1978 "Empirical studies of corporate social performance and policy: A survey of problems and results." *Research in Corporate Social Performance and Policy*, 1: 165-199.

Allen, William T.
1992 "Our schizophrenic conception of the business corporation." *Cardozo Law Review*, 14: 261-281.

Alexander, Gordon J. and Rogene A. Buchholz
1978 "Corporate social responsibility and stock market performance." *Academy of Management Journal*, 21 (3): 479-486.

Alsop, Ronald
1999 "The best corporate reputations in America." *Wall Street Journal*, 23 September: B1, B6.

Anderson, Elizabeth
1993 *Value in Ethics and Economics*. Cambridge, MA: Harvard University Press.

Anderson, John C. and Alan W. Frankle
1980 "Voluntary social reporting: An iso-beta portfolio analysis." *The Accounting Review*, 55 (3): 467-479.

Annan, Kofi
2001 "Unparalleled Nightmare of Aids." Address to the United States Chamber of Commerce. Washington, D.C.: Http: www.un.org/News/Press/docs/2001/sgsm7827.doc.htm.

Arlow, Peter and Martin J. Gannon
1982 "Social responsiveness, corporate structure, and economic performance." *Academy of Management Review*, 7 (2): 235-241.

Attaran, Amir and Jeffrey Sachs
2001 "Defining and refining international donor support for combating the AIDS pandemic." *The Lancet*, 357 (January 6): 57-61.

Aupperle, Kenneth E., Archie B. Carroll and John D. Hatfield
1985 "An empirical examination of the relationship between corporate social responsibility and profitability." *Academy of Management Journal*, 28 (2): 446-463.

Austin, James E.
2000 *The Collaboration Challenge: How Nonprofits and Businesses Succeed through Strategic Alliances*. San Francisco: Jossey-Bass.

Avishai, Bernard
1996 "Social compact, version 2.0." *American Prospect*, July-August: 28-34.

Badaracco, Joseph L., Jr.
1997 *Defining Moments*. Boston, MA: Harvard Business School Press.

Bagley, Constance E. and Karen Page
1999 “The devil made me do it: Replacing corporate directors' veil of secrecy with the mantle of stewardship.” *San Diego Law Review*, 36: 897-945.

Bales, Kevin
1999 *Disposable People: New Slavery in the Global Economy*. Berkeley, CA: University of California Press.

Bartel, Caroline A
2001 “Social comparisons in boundary spanning contexts: Effects of community outreach on members' organizational identity and identification.” Unpublished manuscript, Stern School of Business, New York University.

Beam, Alex
2000 “TGIF: Calling on Avon to help provide cancer answers.” *Boston Globe*, May 12: C1, C9.

Belkaoui, Ahmed
1976 “The impact of the disclosure of the environmental effects of organizational behavior on the market.” *Financial Management*, 5 (4): 26-31.

Belkaoui, Ahmed and Philip G. Karpik
1989 “Determinants of the corporate decision to disclose social information.” *Accounting, Auditing, and Accountability Journal*, 2 (1): 36-51.

Bell, David E., Howard Raiffa and Amos Tversky
1988 *Decision Making: Descriptive, Normative, and Prescriptive Interactions*. New York: Cambridge University Press.

Berle, Adolph A., Jr.
1931 “Corporate powers as powers in trust.” *Harvard Law Review*, 44 (7): 1049-1074.

Berlin, Isaiah
1992 “The pursuit of the ideal.” In *Crooked Timber of Humanity*: 1-19. New York: Vintage Books.

Berman, Shawn L., Andrew C. Wicks, Suresh Kotha and Thomas M. Jones
1999 “Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance.” *Academy of Management Journal*, 42 (5): 488-506.

Blacconiere, Walter G. and W. Dana Northcut
1997 “Environmental information and market reactions to environmental legislation.” *Journal of Accounting, Auditing, & Finance*, 12 (2): 149-178.

Blacconiere, Walter G. and Dennis M. Patten
1994 “Environmental disclosures, regulatory costs, and changes in firm value.” *Journal of Accounting and Economics*, 18: 357-377.

Bloom, Paul N. and Gregory T. Gundlach (Eds.)
2001 *Handbook of Marketing and Society*. Thousand Oaks, CA: Sage Publications, Inc.

Blumstein, Philip W., Kathryn Groves Carssow, Janet Hall, Barbara Hawkins, Ronald Hoffman, Ernest Ishem, Caroll Palmer Maurer, Dana Spens, John Taylor and D. Lee Zimmerman
1974 “The honoring of accounts.” *American Sociological Review*, 39 (August): 551-566.

Bowman, Edward H.
1978 “Strategy, annual reports, and alchemy.” *California Management Review*, 20 (3): 64-71.

Bowman, Edward H. and Mason Haire
1975 “A strategic posture toward corporate social responsibility.” *California Management Review*, 18 (2): 49-58.

Boyle, Edmund J., Mark M. Higgins, and S. Ghon Rhee
1997 "Stock market reaction to ethical initiatives of defense contractors: theory and evidence." *Critical Perspectives on Accounting*, 8: 541-561.

Bradley, Michael, Cindy A. Schipani, Anant K. Sundaram and James P. Walsh
1999 "The purposes and accountability of the corporation in contemporary society: Corporate governance at a crossroads." *Law and Contemporary Problems*, 62 (3): 9-86.

Bragdon, Joseph H., Jr. and John A. T. Marlin
1972 "Is pollution profitable?" *Risk Management*, 19 (4): 9-18.

Brainard, S. Lael and David A. Riker
1997 "Are U. S. multinationals exporting jobs?" National Bureau of Economic Research, working paper number 5958.

Brenner, Barbara
2000 "The cancer walk: Who foots the bill?" *Washington Post*, May 21: B6.

Brown, Brad
1997 "Stock market valuation of reputation for corporate social performance." *Corporate Reputation Review*, 1 (1 & 2): 76-80.

Brown, Brad
1998 "Do stock market investors reward reputation for corporate social performance?" *Corporate Reputation Review*, 1 (3): 271-282.

Brown, Brad and Susan Perry
1994 "Removing the financial performance halo from Fortune's "most admired" companies." *Academy of Management Journal*, 37 (5): 1347-59.

Brown, Brad and Susan Perry
1995a. "Halo-removed residuals of Fortune's "Responsibility to the community and environment" – a decade of data." *Business & Society*, 34 (2): 199-215.

Brown, Brad and Susan Perry
1995b. "Some additional thoughts on halo-removed Fortune residuals." *Business & Society*, 34 (2): 236-240.

Brown, Tom J. and Peter A. Dacin
1997 "The company and the product: Corporate associations and consumer product responses." *Journal of Marketing*, 61 (January): 68-84.

Buehler, Vernon M. and Y. K. Shetty
1976 "Managerial response to social responsibility challenge." *Academy of Management Journal*, 19 (1): 66-78.

Business Week
1972 "The first attempts at a corporate 'social audit.'" September 23: 88-92.

Caplow, Theodore, Louis Hicks and Ben J. Wattenberg
2001 *The First Measured Century: An Illustrated Guide to Trends in America, 1900-2000*. Washington, DC: The AEI Press.

Capon, Noel, John U. Farley and Scott Hoenig
1990 "Determinants of financial performance: A meta-analysis." *Management Science*, 36 (10): 1143-1159.

Carleton, Willard T., James M. Nelson and Michael S. Weisbach
1998 "The influence of institutions on corporate governance through private negotiations: Evidence from TIAA-CREF." *Journal of Finance*, 53(4): 1335-1362.

Carroll, Archie B.
1979 "A three-dimensional conceptual model of corporate performance." *Academy of Management Review*, 4 (4): 497-505.

Carroll, Archie B. and George W. Beiler
1975 "Landmarks in the evolution of the social audit." *Academy of Management Journal*, 18 (3): 589-599.

Cassel, Douglass
2001 "Human rights and business responsibilities in the global marketplace." *Business Ethics Quarterly*, 11 (2): 261-274.

Chen, Kung H. and Richard W. Metcalf
1980 "The relationship between pollution control record and financial indicators revisited." *The Accounting Review*, 55 (1): 168-177.

Christmann, Petra
2000 "Effects of "best practices" of environmental management on cost advantage: The role of complementary assets." *Academy of Management Journal*, 43 (4): 663-680.

Clarkson, Max B. E.
1988 "Corporate social performance in Canada, 1976-86." In L. E. Preston (Ed.), *Research in Corporate Social Performance and Policy*, vol. 10: 241-265. Greenwich, CT: JAI Press.

Clarkson, Max B. E.
1995 "A stakeholder framework for analyzing and evaluating corporate social performance." *Academy of Management Review*, 20 (1): 92-117.

Cochran, Phillip L. and Robert A. Wood
1984 "Corporate social responsibility and financial performance." *Academy of Management Journal*, 27 (1): 42-56.

Conine, Thomas E, Jr. and Gerald P. Madden
1986 "Corporate social responsibility and investment value: The expectational relationship." In W. K. Guth (Ed.), *Handbook of Business Strategy: 1986/1987 Yearbook*. Boston, MA: Warren Gorham and Lamont.

Conley, Dalton
1999 *Being Black, Living in the Red*. Berkeley, CA: University of California Press.

Cottrill, Melville T.
1990 "Corporate social responsibility and the marketplace." *Journal of Business Ethics*, 9: 723-729.

Cowen, Scott S., Linda B. Ferreri and Lee D. Parker
1987 "The impact of corporate characteristics on social responsibility disclosure: A typology and frequency-based analysis." *Accounting, Organizations and Society*, 12 (2): 111-222.

Danaher, Kevin
1996 *Corporations are Gonna Get Your Mama: Globalization and the Downsizing of the American Dream*. Monroe, ME: Common Courage Press.

Davis, Gerald F., and Michael Useem
2000 "Top management, company directors, and corporate control." In Andrew Pettigrew, Howard Thomas, and Richard Whittington (Eds.), *Handbook of Strategy and Management*: 233-259. London: Sage.

Davis, Keith
1973 "The case for and against business assumption of social responsibilities." *Academy of Management Journal*, 16: 312-322.

Delery, John E and Harold Doty
1996 "Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions." *Academy of Management Journal*, 39 (4): 802-835.

Diltz, David J.
1995 “The private cost of socially responsible investing.” *Applied Financial Economics*, 5 (2): 69-77

Dodd, E. Merrick, Jr.
1932 “For whom are corporate managers trustees?” *Harvard Law Review*, 45 (7): 1145-1163.

Donnelly, John
2001 “US firms urged to lead fight.” *Boston Globe*, June 2: A10.

Dowell, Glen, Stuart Hart and Bernard Yeung
2000 “Do corporate global environmental standards create or destroy market value?” *Management Science*, 46 (8): 1059-1074.

Dreifus, Claudia
1994 “Passing the scoop: Ben & Jerry.” *New York Times Magazine*, December 18: 38-41.

D’Souza, Dinesh
2000 *The Virtue of Prosperity: Finding Values in an Age of Techno-affluence*. New York: The Free Press.

Dunfee, Thomas W. and Hess, David
2000 “The legitimacy of direct corporate humanitarian investment.” *Business Ethics Quarterly*, 10 (1): 95-109.

The Economist
1999 “The battle in Seattle.” November 27: 21-23.

The Economist
2000 “Angry and effective.” September 23.

Entine, Jon
1994 “Shattered image.” *Business Ethics*, September/October: 23-28.

Epstein, Marc. J and Bill Birchard
1999 *Counting What Counts: Turning Corporate Accountability to Competitive Advantage*. Reading, MA: Perseus Books.

Esrock, Stuart L. and Greg B. Leichty
1998 “Social responsibility and corporate web pages: Self-presentation or agenda-setting?” *Public Relations Review*, 24 (3): 305-319.

Featherstone, Liza
1999 “‘It’s business, man!’” *Dissent*, Fall: 53-57.

Fogler, H. Russell and Fred Nutt
1975 “A note on social responsibility and stock valuation.” *Academy of Management Journal*, 18 (1): 155-160.

Fombrun, Charles and Mark Shanley
1990 “What’s in a name? Reputation building and corporate strategy.” *Academy of Management Journal*, 33 (2): 233-258.

Freedman, Alix M. and Steve Stecklow
2000 “Bottled up: As Unicef battles baby-formula makers, African babies sicken.” *The Wall Street Journal*, A1.

Freedman, Martin and Bikki Jaggi
1982 “Pollution disclosures, pollution performance and economic performance.” *Omega*, 10 (2): 167-176.

Freedman, Martin and Bikki Jaggi
1986 “An analysis of the impact of corporate pollution disclosures included in annual financial statements on investors’ decisions.” In M. Neimark (Ed.), *Advances in Public Interest Accounting*, 1: 193-212.

Freedman, Martin and A. J. Stagliano
1991 "Differences in social-cost disclosures: A market test of investor reactions." *Accounting, Auditing & Accountability Journal*, 4 (1): 68-83.

Freeman, R. Edward
1983 *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman/Ballinger.

Freeman, R. Edward
1994 "The politics of stakeholder theory: Some future directions." *Business Ethics Quarterly*, 4 (4): 409-421.

Friedman, Milton
1970 "The social responsibility of business is to increase its profits." *New York Times Magazine*, September 13: 32-33, 122, 124, 126.

Frooman, Jeff
1997 "Socially irresponsible and illegal behavior and shareholder wealth: A meta-analysis of event studies." *Business & Society*, 36 (3): 221-249.

Fry, Fred L. and Robert J. Hock
1976 "Who claims corporate responsibility? The biggest and the worst." *Business and Society Review*, 18: 62-65.

Fry, Louis W., Gerald D. Keim and Roger E. Meiners
1982 "Corporate contributions: Altruistic or for profit?" *Academy of Management Journal*, 25: 94-106.

Fryxell, Gerald E. and Jia Wang
1994 "The Fortune corporate 'reputation' index: Reputation for what?" *Journal of Management*, 20 (1): 1-14.

Galaskiewicz, Joseph
1997 "An urban grants economy revisited: Corporate charitable contributions in the twin cities, 1979-81, 1987-89." *Administrative Science Quarterly*, 42: 445-471.

Galbraith, James K.
1998 *Created Unequal: The Crisis in American Pay*. New York, NY: The Free Press.

Garten, Jeffrey E.
2001 *The Mind of the C.E.O.* New York, NY: Basic Books.

Gephart, Robert P., Jr.
1991 "Multiple methods for tracking corporate social performance: Insights from a study of major industrial accidents." In James E. Post (Ed.), *Research in Corporate Social Performance and Policy*, vol. 12: 359-383. Greenwich, CT: JAI Press.

Gillmor, Paul E. and Christopher E. Bremer
1999 "Disclosure of corporate charitable contributions as a matter of shareholder accountability." *Business Lawyer*, 54 (3): 1007-1022.

Gilson, Ronald C.
1981 "A structural approach to corporations: The case against defensive tactics in tender offers." *Stanford Law Review*, 33: 819-891.

Grass, Michael
1999 "OAC wants 'U' to divest." *The Michigan Daily*, October 29: 1, 7.

Graves, Samuel B. and Sandra A. Waddock
1994 "Institutional owners and corporate social performance." *Academy of Management Journal*, 37: 1034-1046.

Graves, Samuel B. and Sandra A. Waddock
2000 "Beyond built to last . . . Stakeholder relations in "Built-to-Last" Companies." *Business and Society Review*, 105 (4): 393-418.

Greider, William
1997 *One World, Ready or Not: The Manic Logic of Global Capitalism*. New York: Simon & Schuster.

Griffin, Jennifer J. and John F. Mahon
1997 "The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research." *Business & Society,* 36 (1): 5-31.

Grossman, Blake R. and William F. Sharpe
1986 "Financial implications of South African divestment." *Financial Analysts Journal*, July/August: 15-29.

Guerard, John B., Jr.
1997a "Is there a cost to being socially responsible in investing?" *The Journal of Investing,* Summer, 6 (2): 11-18.

Guerard, John B., Jr.
1997b "Additional evidence on the cost of being socially responsible in investing." *The Journal of Investing,* Winter, 6 (4): 31-36.

Haber, Samuel
1964 *Efficiency and Uplift: Scientific Management in the Progressive Era, 1890-1920*. Chicago, IL: University of Chicago Press.

Hamilton, Sally, Hoje Jo and Meir Statman
1993 "Doing well while doing good? The investment performance of socially responsible mutual funds." *Financial Analysts Journal,* Nov/Dec: 62-66.

Hart, Stuart L. and Gautam Ahuja
1996 "Does it pay to be green? An empirical examination of the relationship between emission reduction and firm performance." *Business Strategy and the Environment*, 5: 30-37.

Heinze, David C.
1976 "Financial correlates of a social involvement measure." *Akron Business and Economic Review,* 7 (1): 48-51.

Henderson, Hazel
1996 *Building a Win-Win World: Life Beyond Global Economic Warfare*. San Francisco, CA: Berrett-Koehler Publishers.

Herremans, Irene M., Parporn Akathaporn and Morris McInnes
1993 "An investigation of corporate social responsibility reputation and economic performance." *Accounting, Organizations and Society*, 18 (7/8): 587-604.

Holman, Walter R., J. Randolph New and Daniel Singer
1990 "The impact of corporate social responsiveness on shareholder wealth." In Lee Preston (Ed.), *Corporation and Society Research: Studies in Theory and Measurement*: 265-280. Greenwich, CT: JAI Press.

Holmes, Sandra L.
1976 "Executive perceptions of corporate social responsibility." *Business Horizons*, 19 (3): 34-40.

Holthausen, Robert W. and David F. Larcker
1992 "The prediction of stock returns using financial statement information." *Journal of Accounting and Economics*, 15(2/3): 373-411.

Huselid, Mark A.
1995 "The impact of human resource management practices on turnover, productivity, and corporate financial performance." *Academy of Management Journal*, 38: 635-672.

Ibbotson Associates
2000 *Stocks Bonds Bills and Inflation: 2000 Yearbook*. Chicago: Ibbotson Associates.

Ingram, Robert W.
1978 "An investigation of the information content of (certain) social responsibility disclosures." *Journal of Accounting Research*, 16(2): 270-285.

Ingram, Robert W. and Katherine Beal Frazier
1983 "Narrative disclosures in annual reports." *Journal of Business Research*, 11: 49-60.

Jacoby, Sanford M.
1997 *Modern Manors: Welfare Capitalism Since the New Deal*. Princeton, NJ: Princeton University Press.

Jaffe, Adam B., Steven Peterson, Paul Portney, and Robert N. Stavins
1995 "Environmental regulation and the competitiveness of U.S. manufacturing: What does the evidence tell us?" *Journal of Economic Literature*, 33: 132-163.

James, William
1975 *Pragmatism and the Meaning of Truth*. Cambridge, MA: Harvard University Press.

Jennings, Marianne and Craig Cantoni
1998 "An uncharitable look at corporate philanthropy." *Wall Street Journal*, December 22: A18.

Johnson, Kirk
2000 "G. E. facing order to remove poisons from the Hudson." *New York Times*, December 6.

Johnson, Lyman and David Millon
1990 "The case beyond Time." *Business Lawyer*, 45: 2105-2125.

Johnson, Richard A. and Daniel W. Greening
1999 "The effects of corporate governance and institutional ownership types on corporate social performance." *Academy of Management Journal*, 42 (5): 564-576.

Judge, William Q. Jr. and Thomas J. Douglas
1998 "Performance implications of incorporating natural environmental issues into the strategic planning process: An empirical assessment." *Journal of Management Studies*, 35 (2): 241-262.

Kahn, Faith Stevelman
1997 "Pandora's box: Managerial discretion and the problem of corporate philanthropy." *UCLA Law Review*, 44: 579-676.

Kapstein, Ethan B.
1999 *Sharing the Wealth: Workers and the World Economy*. New York, NY: W. W. Norton and Company.

Katz, Jane Palley and Lynn Sharp Paine
1994 "Levi Strauss & Company: Global Sourcing." Harvard Business School Case No. 395-127.

Kedia, Banwari L. and Edwin C. Kuntz
1981 "The context of social performance: An empirical study of Texas banks." In L.E. Preston (Ed.), *Research in Corporate Social Performance and Policy*, vol. 3: 133-154. Greenwich, CT: JAI Press.

Klassen, Robert D. and Curtis P. McLaughlin
1996 "The impact of environmental management on firm performance." *Management Science*, 42 (8): 1199-1214.

Klassen, Robert D. and D. Clay Whybark
1999 "The impact of environmental technologies on manufacturing performance." *Academy of Management Journal*, 42 (6): 599-615.

Korten, David C.
1995 *When Corporations Rule the World*. West Hartford, CT: Kumarian Press and San Francisco, CA: Berrett-Koehler Publishers.

Kunda, Gideon
1992 *Engineering Culture: Culture and Commitment in a High-Tech Corporation*. Philadelphia: Temple University Press.

Kuttner, Robert
1998 *Everything for Sale: The Virtues and Limits of Markets*. New York, NY: Alfred A. Knopf.

Lasch, Christopher
1995 *The Revolt of the Elites and the Betrayal of Democracy*. New York: W. W. Norton & Company.

Lashgari, Malek K. and David R. Gant
1989 "Social investing: The Sullivan principles." *Review of Social Economy*, 47: 74-83.

Lerner, Linda D. and Gerald D. Fryxell
1988 "An empirical study of the predictors of corporate social performance: A multi-dimensional analysis." *Journal of Business Ethics*, 7: 951-959.

Levin, Myron
1999 "Philip Morris' new campaign echoes medical experts." *Los Angeles Times*, October 13: C-1.

Levy, Ferdinand K. and Gloria M. Shatto
1980 "Social responsibility in large electric utility firms: The case for philanthropy." In L.E. Preston (Ed.), *Research in Corporate Social Performance and Policy*, vol. 2: 237-249. Greenwich, CT: JAI Press, Inc.

Macintosh, John C. C.
1999 "The issues, effects and consequences of the Berle-Dodd debate, 1931-1932." *Accounting, Organizations and Society*, 24: 139-153.

Maddox, Katherine E. and John J. Siegfried
1980 "The effect of economic structure on corporate philanthropy." In John J. Siegfried (Ed), *The Economics of Firm Size, Market Structure and Social Performance*: 202-225. Washington, D.C.: Bureau of Economics, Federal Trade Commission.

Madeley, John
1999 *Big Business, Poor Peoples: The Impact of Transnational Corporations on the World's Poor*. London: Zed Books.

Makower, Joel
1994 *Beyond the bottom line: Putting social responsibility to work for your business and the world*. New York: Simon and Schuster.

Marcus, Alfred A. and Robert S. Goodman
1986 "Compliance and performance: Toward a contingency theory." In L.E. Preston and J.E. Post (Eds.), *Research in Corporate Social Performance and Policy*, vol. 8: 193-221. Greenwich, CT: JAI Press.

Margolis, Joshua Daniel and James Patrick Walsh
2001 *People and Profits? The Search for a Link between a Company's Social and Financial Performance*. Mahwah, NJ: Lawrence Erlbaum and Associates.

Mathews, Jessica T.
1997. "Power shift." *Foreign Affairs*, 76 (1): 50-66.

McGahan, Anita M.
1999 "The performance of U.S. firms: 1981-1994." *Journal of Industrial Economics*, 47 (4): 373-398.

McGahan, Anita M and Michael E. Porter
1997 "How much does industry matter, really?" *Strategic Management Journal*, 18 (Special Summer Issue): 15-30.

McGuire, Jean B., Thomas Schneeweis and Ben Branch
1990 "Perceptions of firm quality: A cause or result of firm performance." *Journal of Management*, 16 (1): 167-180.

McGuire, Jean B., Alison Sundgern and Thomas Schneeweis
1988 "Corporate social responsibility and firm financial performance." *Academy of Management Journal*, 31 (4): 854-872.

McWilliams, Abagail and Donald Siegel
2000 "Corporate social responsibility and financial performance: Correlation or misspecification?" *Strategic Management Journal*, 21: 603-609.

Menon, Satya and Barbara E. Kahn
2001 "Corporate sponsorship of philanthropic activities: Do they help the sponsor?" Unpublished manuscript, University of Illinois at Chicago and the University of Pennsylvania.

Meznar, Martin B., Douglas Nigh and Chuck C. Y. Kwok
1994 "Effect of announcements of withdrawal from South Africa on stockholder wealth." *Academy of Management Journal*, 37 (6): 1633-1648.

Miringoff, Marc and Marque-Luisa Miringoff
1999 *The Social Health of the Nation: How America is Really Doing*. New York, NY: Oxford University Press.

Mills, Dixie L. and Mona J. Gardner
1984 "Financial profiles and the disclosure of expenditures for socially responsible purposes." *Journal of Business Research,* 12 (4): 407-424.

Mishel, Lawrence, Jared Bernstein and John Schmitt
1999 *The State of Working America: 1998-1999*. Ithaca, NY: Cornell University Press.

Mitroff, Ian
1974 "On systemic problem solving and the error of the third kind." *Behavioral Science*, 19(6): 383-393.

Morrissey, Daniel J.
1989 "Toward a New/Old Theory of Corporate Social Responsibility." *Syracuse Law Review*, 40: 1005-1039.

Moskowitz, Milton
1972 "Choosing socially responsible stocks." *Business and Society Review*, 1: 71-75.

Moskowitz, Milton
1975 "Profiles in corporate responsibility: The ten worst, the ten best." *Business and Society Review*, 13: 28-42.

Munk, Nina
1999 "How Levi's trashed a great American brand." *Fortune*, April 12: 83-90.

Nagel, Thomas
1979 "The fragmentation of value." In *Mortal questions*: 128-141. New York: Cambridge University Press.

Navarro, Peter
1988 "Why do corporations give to charity?" *Journal of Business,* 61 (1): 65-93.

Nehrt, Chad
1996 "Timing and intensity effects of environmental investments." *Strategic Management Journal*, 17: 535-547.

Newgren, Kenneth E., Arthur A. Rasher, Margaret E. LaRoe and Martha R. Szabo
1985 "Environmental assessment and corporate performance: A longitudinal analysis using a market-determined performance measure." In Lee E. Preston (Ed.), *Research in Corporate Social Performance and Policy,* vol. 7: 153-164. Greenwich, CT: JAI Press.

New York Times, "Clinton Prods Executives to 'Do the Right Thing.'" May 17, 1996, pp.1, C4.

New York Times, “U.S. Effort to Add Labor Standards to Agenda Fails.” December 3, 1999, pp. 1, A12.

New York Times, “U.N. Chief Calls on U.S. Companies to Donate to AIDS Fund.” June 2, 2001, p. 3.

Ogden, Stuart and Robert Watson
1999 “Corporate Performance and stakeholder management: Balancing shareholder and customer interests in the U.K. privatized water industry.” *Academy of Management Journal*, 42 (5): 526-538.

O’Neill, Hugh M., Charles B. Saunders and Anne Derwinski McCarthy
1989 “Board members, corporate social responsiveness and profitability: Are tradeoffs necessary?” *Journal of Business Ethics*, 8: 353-357.

Orts, Eric
1992 “Beyond Shareholders: Interpreting Corporate Constituency Statutes.” *George Washington Law Review*, 14: 14-135.

Parket, I. Robert and Henry Eilbert
1975 “Social responsibility: The underlying factors.” *Business Horizons*, 18(4): 5-10.

Patten, Dennis M.
1990 “The market reaction to social responsibility disclosures: The case of the Sullivan principles signings.” *Accounting, Organizations and Society*, 15 (6): 575-587.

Patten, Dennis M.
1991 “Exposure, legitimacy, and social disclosure.” *Journal of Accounting and Public Policy*, 10: 297-308.

Pava, Moses L. and Joshua Krausz
1996 “The association between corporate social-responsibility and financial performance: The paradox of social cost.” *Journal of Business Ethics*, 15: 321-357.

Perrow, Charles
1984 *Normal Accidents: Living with High Risk Technologies*. New York: Basic Books.

Porter, Michael E. and Mark R. Kramer
1999 “Philanthropy’s new agenda: Creating value.” *Harvard Business Review*, 77 (6): 121-130.

Porter, Michael E. and Class van der Linde
1995 “Green and competitive: Ending the stalemate.” *Harvard Business Review*, 73 (5): 120-134.

Posnikoff, Judith F.
1997 “Disinvestment from South Africa: They did well by doing good.” *Contemporary Economic Policy*, 15 (1): 76-86.

Pozen, Robert C.
1994 “Institutional investors: The reluctant activists.” *Harvard Business Review*, January- February: 140-149.

Prahalad, C.K. and Stuart L. Hart
2000 “Raising the bottom of the pyramid: Strategies for sustainable growth.” Unpublished manuscript, University of Michigan Business School and the Kenan-Flagler Business School at the University of North Carolina

Preston, Lee E.
1978 “Analyzing corporate social performance: Methods and results.” *Journal of Contemporary Business*, 7: 135-150.

Preston, Lee E. and Douglas P. O’Bannon
1997 “The corporate social-financial performance relationship: A typology and analysis.” *Business & Society*, 36 (4): 419-429.

Preston, Lee E. and James E. Post
1975 *Private management and public policy: The principle of public responsibility*. Englewood Cliffs, NJ: Prentice-Hall.

Preston, Lee E. and Harry J. Sapienza
1990 "Stakeholder management and corporate performance." *Journal of Behavioral Economics*, 19 (4): 361-375.

Ranganathan, Janet
1998 "Sustainability Rulers: Measuring Corporate Environmental & Social Performance." *World Resources Institute*: http://www.wri.org/meb/sei/state.html.

Reed, Lyman, Kathleen Getz, Denis Collins, William Oberman and Robert Toy
1990 "Theoretical models and empirical results: A review and synthesis of JAI volumes 1-10." In Lee Preston (Ed.), *Corporation and Society Research: Studies in Theory and Measurement*: 27-62. Greenwich, CT: JAI Press.

Reder, Alan
1994 *In Pursuit of Principle and Profit: Business Success through Social Responsibility*. New York, NY: G. P. Putnam's Sons.

Reich, Robert B.
1998 "The new meaning of corporate social responsibility." *California Management Review*, 40 (2): 8-17.

Riahi-Belkaoui, Ahmed
1992 "Executive compensation, organizational effectiveness, social performance and firm performance: An empirical investigation." *Journal of Business Finance and Accounting,* 19 (1): 25-38.

Richardson, Alan J., Michael Welker and Ian R. Hutchinson
1999 "Managing capital market reactions to corporate social responsibility." *International Journal of Management Reviews*, 1 (1): 17-43.

Roberts, Robin W.
1992 "Determinants of corporate social responsibility disclosure: An application of stakeholder theory." *Accounting, Organizations and Society,* 17 (6): 595-612.

Rockness, Joanne, Paul Schlachter and Howard O. Rockness
1986 "Hazardous waste disposal, corporate disclosure and financial performance in the chemical industry." *Advances in Public Interest Accounting,* 1: 167-191.

Rodgers, T. J.
1996 "A letter to a shareholder." *Directors & Boards*, 20 (4): 13-19.

Roman, Ronald M., Sefa Hayibor and Bradley R. Agle
1999 "The relationship between social and financial performance." *Business & Society*, 38 (1): 109-125.

Rosen, Michael
1985 "Breakfast at Spiros: Dramaturgy and dominance." *Journal of Management*, 11(2): 31-48.

Rudd, Andrew
1979 "Divestment of South African equities: How risky?" *The Journal of Portfolio Management*, 5 (3): 5-10.

Rudd, Andrew
1981 "Social responsibility and portfolio performance." *California Management Review*, 23 (4): 55-61.

Ruf, Bernadette M., Krishnamurty Muralidhar and Karen Paul
1998 "The development of a systematic, aggregate measure of corporate social performance." *Journal of Management*, 24 (1): 119-133.

Rumelt, Richard P.
1991 "How much does industry matter?" *Strategic Management Journal*, 12(3): 167-185.

Russo, Michael V. and Paul A. Fouts
1997 "A resource-based perspective on corporate environmental performance and profitability." *Academy of Management Journal*, 40 (3): 534-559.

Sagawa, Shirley and Eli Segal
2000 *Common Interest, Common Good: Creating Value through Business and Social Sector Partnerships*. Boston, MA: Harvard Business School Press.

Salamon, Lester M.
1999 *America's Nonprofit Sector* (2nd edition). New York: The Foundation Center.

Sandel, Michael J.
1996 *Democracy's Discontent: America in Search of a Public Philosophy*. Cambridge, MA: Belknap Press of Harvard University Press.

Sandel, Michael J.
1997 "Ad nauseam." *The New Republic*, September 1: 23.

Sandel, Michael J.
1998 "Branded." *The New Republic*, January 19: 11.

Sandelands, Lloyd E.
1990 "What is so practical about theory? Lewin revisited." *Journal for the Theory of Social Behaviour*, 20(3): 235-262.

Schmalensee, Richard
1985 "Do markets differ much?" *American Economic Review*, 75(3): 341-351.

Seider, Maynard S.
1974 "American big business ideology: A content analysis of executive speeches." *American Sociological Review*, 39 (December): 802-815.

Sen, Sankar and C. B. Bhattacharya
2001 "Does doing good always lead to doing better? Consumer reactions to corporate social responsibility." *Journal of Marketing Research*, in press.

Simerly, Roy L.
1995 "The institutional ownership, corporate social performance, and firms' financial performance." *Psychological Reports*, 77: 515-525.

Sklar, Holly
1995 *Chaos or Community: Seeking Solutions, not Scapegoats for Bad Economics*. Boston, MA: South End Press.

Scott, Marvin B. and Stanford M. Lyman
1968 "Accounts." *American Sociological Review*, 33 (February): 46-62.

Shane, Philip B. and Barry H. Spicer
1983 "Market response to environmental information produced outside the firm." *The Accounting Review*, 58 (3): 521-538.

Shao, Maria
1994 Ben & Jerry's grows up. *Boston Globe*, July 3: 65, 68.

Sharma, Sanjay and Harrie Vredenburg
1998 "Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities." *Strategic Management Journal*, 19: 729-753.

Sherman, Stratford
1997 "Levi's as ye sew, so shall ye reap." *Fortune*, May 12.

Simerly, Roy L.
1999 "Measuring corporate social performance: An assessment of techniques." *International Journal of Management*, 16 (2): 253-257.

Slaughter, Matthew J.
2000 "Production transfer within multinational enterprises and American wages." *Journal of International Economics*, 59:449-472.

Smart, J. J. C. and Bernard Williams
1973 *Utilitarianism: For and against.* New York: Cambridge University Press.

Smith, Scott M. and David S. Alcorn
1991 "Cause marketing: A new direction in the marketing of corporate responsibility." *Journal of Consumer Marketing*, 8 (3): 19-35.

Spar, Debora L.
1998 "The spotlight and the bottom line: How multinationals export human rights." *Foreign Affairs*, 77 (2): 7-12.

Spencer, Barbara A. and G. Stephen Taylor
1987 "A within and between analysis of the relationship between corporate social responsibility and financial performance." *Akron Business and Economic Review*, 18 (3): 7-18.

Spicer, Barry H.
1978 "Investors, corporate social performance, and information disclosure: An empirical study." *The Accounting Review*, 53: 94-111.

Sternberg, Elaine
1997 "The defects of stakeholder theory." *Corporate Governance*, 5(1): 3-10.

Stevens, William P.
1984 "Market reaction to corporate environmental performance." *Advances in Accounting*, 1: 41-61.

Sturdivant, Frederick D. and James L. Ginter
1977 "Corporate social responsiveness: Management attitudes and economic performance." *California Management review*, 19 (3): 30-39.

Svendsen, Ann
1998 *The Stakeholder Strategy: Profiting from Collaborative Business Relationships.* San Francisco, CA: Berrett-Koehler Publishers.

Swoboda, Frank
1999 "Ford to pay record fine in harassment settlement." *Washington Post*, September 8: E1.

Szwajkowski, Eugene and Raymond E Figlewicz
1997 "Of babies and bathwater." *Business & Society*, 36 (4): 362-286.

Teoh, Hai Yap and Godwin Y. Shiu
1990 "Attitudes towards corporate social responsibility and perceived importance of social responsibility information characteristics in a decision context." *Journal of Business Ethics*, 9: 71-77.

Teoh, Siew Hong, Ivo Welch and C. Paul Wazzan
1999 "The effect of socially activist investment policies on the financial markets: Evidence from the South African boycott." *Journal of Business*, 72 (1): 35-89.

Tetlock, Phillip E.
2000 "Cognitive biases and organizational correctives: Do both disease and cure depend on the politics of the beholder?" *Administrative Science Quarterly*, 45(2): 293-326.

Tichy, Noel M., Andrew R. McGill and Lynda St. Clair
1997 "Introduction: Corporate global citizenship – why now?" In Noel M. Tichy, Andrew R. McGill, and Lynda St. Clair (Eds.), *Corporate Global Citizenship: Doing Business in the Public Eye*: 1-22. San Francisco: The New Lexington Press.

Tonelson, Alan
2000 *The Race to the Bottom: Why a Worldwide Worker Surplus and Uncontrolled Free Trade are Sinking American Living Standards*. Boulder, CO: Westview Press.

Tversky, Amos and Daniel Kahneman
1974 "Judgment under uncertainty: Heuristics and biases." *Science*, 185: 1124-1131.

Ullmann, Arieh A.
1985 "Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of U.S. firms." *Academy of Management Review*, 10 (3): 540-557.

Useem, Michael
1998 *The Leadership Moment*. New York, NY: Times Books.

Vance, Stanley C.
1975 "Are socially responsible corporations good investment risks?" *Management Review*, 64: 18-24.

Verrecchia, Robert E.
1983 "Discretionary disclosure." *Journal of Accounting and Economics*, 5: 179-194.

Verschoor, Curtis C.
1998 "A study of the link between a corporation's financial performance and its commitment to ethics." *Journal of Business Ethics*, 17: 1509-1516.

Waddock, Sandra A. and Samuel B. Graves
1997 "The corporate social performance-financial performance link." *Strategic Management Journal*, 18 (4): 303-319.

Waddock, Sandra A., Samuel B. Graves and Renee Gorski
2000 "Performance characteristics of social and traditional investments." *Journal of Investing*, 9(2): 27-38.

Wagner, Wayne H., Allen Emkin and Richard L. Dixon
1984 "South African divestment: The investment issues." *Financial Analysts Journal*, 40 (6): 14-20.

Walsh, James P. and James K. Seward
1990 "On the efficiency of internal and external corporate control mechanisms." *Academy of Management Review*, 15 (3), 421-458.

Wartick, Steven L. and Philip L. Cochran
1985 "The evolution of the corporate social performance model." *Academy of Management Review*, 10 (4): 758-769.

Werth, Brian
1998 "Thomson loss part of economic shift." *Bloomington Herald-Times*, January 29: A-1.

Wheeler, David and Maria Silanpaa
1997 *The Stakeholder Corporation: THE BODY SHOP Blueprint for Maximizing Stakeholder Value*. London: Pitman Publishing.

Weiser, John and Simon Zadek
2000 *Conversations with Disbelievers: Persuading Companies to Address Social Challenges*. New York: The Ford Foundation.

Westphal, James D. and Edward J. Zajac
1998 "The symbolic management of stockholders: Corporate governance reforms and shareholder reactions." *Administrative Science Quarterly*, 43: 127-153.

Whitman, Marina v.N.
1999 *New World, New Rules: The Changing Role of the American Corporation*. Boston, MA: Harvard Business School Press.

Willmott, Hugh
1993 "Strength is ignorance; slavery is freedom: Managing culture in modern organizations." *Journal of Management Studies*, 30: 515-552.

Wiseman, Joanne
1982 "An evaluation of environmental disclosures made in corporate annual reports." *Accounting, Organizations and Society*, 7 (1): 53-63.

Wokutch, Richard E. and Liam Fahey
1986 "A value explicit approach for evaluating corporate social performance." *Journal of Accounting and Public Policy*, 5: 191-214.

Wokutch, Richard E. and Elizabeth W. McKinney
1991 "Behavioral and perceptual measures of corporate social performance." In James E. Post (Ed.), *Research in Corporate Social Performance and Policy*, 12: 309-330.

Wokutch, Richard E. and Barbara A. Spencer
1987 "Corporate saints and sinners: The effects of philanthropic and illegal activity on organizational performance." *California Management Review*, 29 (2): 62-77.

Wolman, William and Anne Colamosca
1997 *The Judas Economy: The Triumph of Capital and the Betrayal of Work*. Reading, MA: Addison-Wesley Publishing Company.

Wood, Donna J.
1991a. "Corporate social performance revisited." *Academy of Management Review*, 16 (4): 691-718.

Wood, Donna J.
1991b. "Social issues in management: Theory and research in corporate social performance." *Journal of Management*, 17 (2): 383-406.

Wood, Donna J. and Raymond E. Jones
1995 "Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance." *The International Journal of Organizational Analysis*, 3 (3): 229-267.

World Bank
2000 *World Development Indicators 2000*. Washington, DC: The World Bank.

Wright, Peter and Stephen P. Ferris
1997 "Agency conflict and corporate strategy: The effect of divestment on corporate value." *Strategic Management Journal*, 18: 77-83.

Zald, Mayer N.
1996 "More fragmentation? Unfinished business in linking the social sciences and the humanities." *Administrative Science Quarterly*, 41: 251-261.