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Differential Economic Impacts
of Corporate Responsibility Issues

DIFFERENTIAL ECONOMIC IMPACTS OF
CORPORATE RESPONSIBILITY ISSUES

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DIFFERENTIAL ECONOMIC IMPACTS OF CORPORATE RESPONSIBILITY ISSUES

The study examines whether there are systematic differences in the economic impacts of different corporate responsibility issues and finds that the content of corporate responsibility does matter for the economic impacts. Economic impacts are more positive for corporate responsibility issues that reduce negative externalities rather than generate positive externalities, as well as for issues whose outcome benefits market stakeholders rather than nonmarket stakeholders.

INTRODUCTION

Since the 1970s, more than 100 quantitative empirical studies have attempted to uncover the relationship between corporate responsibility and economic performance, but with mixed results (for recent reviews, see Margolish & Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003). Among the many reasons for the varying findings, it has been noted that how corporate responsibility, which is a very broad metaconstruct, is defined and measured, can in fact predetermine the outcome of such studies (Griffin & Mahon, 1997; Orlitzky, Schmidt & Rynes, 2003; Rowley & Berman, 2000; Zahra & LaTour, 1987).

This problem has been addressed by focusing on whether corporate responsibility is measured through corporate self-disclosures, reputation ratings by third parties, observable outcomes, or managerial values and principles (Griffin & Mahon, 1997; Orlitzky et al., 2003). However, in addition to distinguishing corporate responsibility measures on the basis of the type of the measurement, it is important to consider also the substantive content that is being measured. Corporate responsibility covers a myriad of widely different issues that range from child labor through health and safety to atmospheric emissions. There is no theory to suggest, and indeed no reason to believe a priori, that the relationship with economic performance would be identical across these widely varying issues.

In fact, a number of authors have argued that the relationship between corporate responsibility and economic performance is likely to differ across issues (see, for example, Husted, 2000; Lankoski, 2000; Pava & Krausz, 1996; Zahra & LaTour, 1987). Rowley and Berman (2000) go as far as stating that researchers ought to examine corporate responsibility only in narrowly defined operational terms instead of attempting to capture the whole concept with some aggregate measure. But, in the vast empirical literature on the relationship between corporate responsibility and economic performance, only a handful of studies report findings separately for two or more components of corporate responsibility (e.g. Berman, Wicks, Kotha & Jones, 1999; Blackburn, Doran & Shrader, 1994; Diltz, 1995; Epstein & Schnietz, 2002; Rennings, Schröder & Ziegler, 2003); all of these studies report different findings for different corporate responsibility components. Moreover, the meta-analysis by Orlitzky et al. (2003) found that the relationship with economic performance was less positive for environmental issues than for other social issues. However, with the exception of Gilley, Worrell, Davidson and El-Jelly (2000) who found that the economic impacts were more positive for product-driven than process-driven environmental initiatives, and Hillman and Keim (2001), who found that the economic impacts were more positive for issues relating to primary stakeholders than for other issues, the differential impacts have not been the primary focus of analysis.

It may thus be said that the 35-year effort to understand the relationship between corporate responsibility and economic performance has left us with surprisingly little knowledge on the differential economic impacts of different corporate responsibility issues. Approaching the relationship from a content-specific perspective is important not only for the direct results that may be obtained, but also because it may help us to understand better the eventual causal links between corporate responsibility and economic performance and thus contribute to theory development (see also Rowley & Berman, 2000). The present study examines the economic impacts of corporate responsibility from this perspective: whether there are differences in these impacts between issues, and whether some patterns may be discovered from these differences.

THEORY AND HYPOTHESES

Corporate responsibility has been defined in a number of ways, and while no single definition has become the “correct” one, it has recently been argued that a focus on the outcomes of corporate

responsibility activities would be useful (Orlitzky et al., 2003). Accordingly, when seeking a theoretical rationale to connect corporate responsibility with economic performance, this study defines corporate responsibility in terms of the environmental and social performance outcomes of the firm.

From this perspective, we may make a distinction between situations where the corporate responsibility outcome itself is a causal factor for economic performance, and situations where the corporate responsibility outcome and the economic outcome arise jointly from some other activity (Rowley & Berman, 2000). An example of the latter is improving efficiency through the reduction of pollution and waste (Porter & van der Linde, 1995), or the development of new competencies, resources, and capabilities through corporate responsibility activities (Hillman & Keim, 2001; Orlitzky et al., 2003). Cases where undertaking a corporate responsibility activity results jointly in such internal benefits in addition to the environmental or social outcomes are valid, they are interesting, and they may differ between issues, but they will not be studied in this paper.

In the case that the corporate responsibility outcome itself is a causal factor for economic performance, two further situations may be distinguished. One possibility (however, with limited applicability) is that this outcome directly affects the firm's own production process. For example, in certain sectors such as fisheries, irresponsible behavior by the firm may destroy the natural resource that the very production of the firm depends on.

The second possibility, which is also the focus of this study, is that the corporate responsibility outcome is linked to the firm's economic performance through the stakeholders of the firm. Stakeholder theory (Freeman, 1984; Donaldson & Preston, 1995), in its instrumental form, "establishes a framework for examining the connections, if any, between the practice of stakeholder management and the achievement of various corporate performance goals" (Donaldson & Preston, 1995). Stakeholder theory has gained wide popularity in explaining the causal relationship between corporate responsibility and economic performance (for example, Berman, Wicks, Kotha & Jones, 1999; Hillman & Keim, 2001; Orlitzky et al., 2003; Rowley & Berman, 2000; Wood & Jones, 1995).

What is essential is the expectational gap (Husted, 2000), and stakeholders are the source of expectations with regard to corporate responsibility (Wood and Jones, 1995). Stakeholders may have different expectations regarding different corporate responsibility issues. Especially, corporate responsibility may be seen to consist of actions which promote either a reduction of negative externalities or a generation of positive externalities (Jones, 2005), and stakeholder expectations may be different for these two types of actions. Margolish and Walsh (2003) discuss how the ethical case for responsible behavior is different when the firm is actually contributing to the environmental or social problem than when it is not. Thus, stakeholders may expect that, as a priority, a firm should take care of reducing those harmful externalities that it is directly causing. Taking an active stance in generating positive environmental or social externalities would come only secondary in stakeholder expectations.

There are some indications in empirical literature that give indirect support to this idea. Wood and Jones (1995) noted in their review that the relationship between corporate responsibility and economic performance that was found with market-based measures was expressed only in negative terms: corporate irresponsibility hurts economic performance, but there was no evidence that corporate responsibility improves economic performance. Creyer and Ross (1996) found that ethical business behavior was not rewarded, but unethical behavior was punished; similarly, Meijer and Schuyt (2005) found that for consumers, corporate responsibility served more as a hygiene factor to avoid boycotts than as a motivator to buy a product. Mattingly and Berman (2006) found that positive and negative social action (defined based on the strengths and weaknesses in the KLD Ratings Data) were both empirically and conceptually distinct constructs. While not distinguishing clearly between negative and positive externalities, these studies, nevertheless, imply that it may be more important for a company to "do no harm" to avoid punishment from stakeholders than to "do good" to be rewarded by stakeholders. Furthermore, Folkes and Kamins (1999) specifically

distinguished between refraining from unethical behavior and acting prosocially in hiring practices. They found that, in line with the prediction of a negativity bias (negative actions are weighed more heavily than positive actions), a failure to avoid unethical behavior had a larger impact on consumer attitudes than did engaging in prosocial activity. Thus, we may posit the following hypothesis:

H1: The economic impacts of corporate responsibility are more positive for issues reducing negative externalities than for issues generating positive externalities.

In addition to setting expectations, stakeholders also experience the effects of corporate responsibility outcomes (Wood & Jones, 1995). Stakeholders who experience the effects of a corporate responsibility issue are more likely to act on behalf of that issue (Jones, 1991; Rowley & Berman, 2000). Thus, as suggested also by Wood and Jones (1995), the key question is “Who benefits from the corporate responsibility outcome?” Different corporate responsibility issues affect different stakeholders. Stakeholders (“any group or individual who can affect or is affected by the achievement of the organization’s objectives”, Freeman, 1984: 46) have been grouped in many ways, but for the purposes of this study, the division into market and nonmarket stakeholders is useful. Market stakeholders are those that engage in market exchanges with the firm, whereas nonmarket stakeholders are those who do have some interaction with the firm but without engaging in market exchanges. Because of the higher power and thus salience (Mitchell, Agle & Wood, 1997) of market stakeholders, it may be more important for the economic impacts how stakeholders with direct market links with the firm experience the corporate responsibility outcomes.

Again, support for this idea may be found from previous empirical studies. Berman et al. (1999) found that how a firm managed its relationships with employees and customers affected financial performance, but attention to community, diversity, and the natural environment did not. Gilley et al. (2000) found that reactions to product-driven initiatives were different from reactions to process-driven ones. Although they framed this result in a reputation framework, arguing that stakeholders will receive less information about process-driven initiatives, it could also be argued that product-driven initiatives affect consumption externalities which are directly experienced by the customers (for example, energy use of a refrigerator), whereas process-driven initiatives affect production externalities which are not directly experienced by the customers (for example, energy used in the process of manufacturing the refrigerator). And, Hillman and Keim (2001) found that corporate responsibility activities that were directly tied to primary stakeholders improved economic performance, but activities beyond the direct stakeholders harmed economic performance. Thus, we may hypothesize that

H2: The economic impacts of corporate responsibility are more positive for issues benefiting market stakeholders than for issues benefiting nonmarket stakeholders.

DATA AND METHODS

Research approach

The data consist of an executive survey on the potential of different corporate responsibility issues to affect the economic performance of the company. Instead of relying on executive perceptions, empirical studies on the relationship between corporate responsibility and economic performance typically correlate measures of environmental and social performance with some measures of economic performance. However, it should be recognized that stock market measures of economic performance, used in the majority of the empirical studies (see Margolis & Walsh, 2003), also rest entirely on investor perceptions. Considering the information asymmetry between investors and managers, management perceptions may potentially be even more valuable than

investor perceptions. The difference, however, is that whereas stock market data represent revealed perceptions, a management survey consists of stated perceptions. The possibility of strategic responding thus enters. Since this study only examines the *differential* between the economic impacts of different corporate responsibility issues and ignores the absolute answers given - a fact that the respondents were not aware of - the problem of strategic responding is circumvented.

Population and sample

The research population was defined to be those senior executives in global companies who are experts in issues relating to corporate responsibility. This is a population whose perceptions are most interesting for a number of reasons. Senior executives deal with strategic decisions and competitiveness questions such as those examined here. Global companies face many corporate responsibility issues through their global supply chains and operations in countries with different regulatory systems. Expert opinions may be expected to be more educated than layman perceptions in a topic area such as corporate responsibility where many subjective, emotional opinions prevail.

The sampling frame for this population was defined through the policy commissions of the International Chamber of Commerce (ICC). The ICC, a global organization to represent world business, operates 16 policy commissions where representatives of member companies and business associations meet to discuss various policy issues. Five ICC policy commissions were deemed relevant for the present study: the Commissions on Anti-Corruption, Business in Society, Environment and Energy, Marketing and Advertising, and Trade and Investment Policy. The survey questionnaire was sent to all members of these five policy commissions, excluding, however, business associations and law firms (that represent not themselves but corporate clients), as well as multiple representatives from the same company. Hence, the final sample consisted of 171 executives.

Questionnaire

A survey questionnaire was designed where the respondents were asked to assess the potential of a number of corporate responsibility issues to influence the economic success of their company. For each issue, they were asked to consider all the direct and indirect, positive and negative impacts of the issue, and to select one alternative that described their assessment of the overall impact. The response options ranged from -2 (will greatly harm economic success) through 0 (will not affect economic success) to 2 (will greatly improve economic success). Response options -1 and 1 were also provided, but were not verbally described to ensure that the response scale may be interpreted as an interval scale. The response option "not applicable" was provided for situations where the issue was entirely irrelevant to the company because of the nature of the business.

To operationalize the corporate responsibility issues, a tangible, categorical principle was formulated with regard to each issue, and the respondents were asked to imagine that their company would decide to implement the principle now. In case that the company had already taken measures suggested in the principle, the respondents were advised to imagine that it would take such measures only now, and to respond accordingly. This approach was selected to harmonize the benchmark across respondents and across issues: because the economic impacts may not be constant across performance levels (Lankoski, 2000), the economic impacts of further improvements are different when the starting point is different. In the selected approach, the questions cover the economic impacts of each corporate responsibility issue both with regard to measures that the company had already taken and with regard to measures that the company had not taken.

It was also necessary to introduce a specific time frame into the questionnaire. Whenever there is a temporal asymmetry in the distribution of costs and benefits, as may be the case with many corporate responsibility issues, the choice of a time frame affects the outcome. The questionnaire

asks the respondents about economic impacts in five years' time, which represents a medium-term perspective.

The corporate responsibility issues covered in the survey are listed in Table 1. This list was compiled on the basis of corporate responsibility themes that have been brought up in academic literature, business initiatives, and intergovernmental policy fora. However, it differs from the current corporate responsibility debate in that human rights have not been listed as a separate issue group but merged in other groups. Human rights provide the foundation for many of the issues in the table, and the issues in the table reflect human rights as they impinge upon employees, consumers, the community, or society at large. This grouping, while retaining the essence of human rights issues, may be more practical from a management perspective. While this list is not exhaustive, it is representative in that all important issue groups are covered. Thus, the final questionnaire contained 20 structured choice questions (see Table 1) organized in random order. Background questions on sector, size, and consumer orientation were also asked.

Insert Table 1 about here

Examination of the data

The ICC administered the questionnaire to the sample through e-mails and in English, which is their standard procedure for communicating with the Commission members. Two follow-up mailings were sent. Altogether 38 responses were received, which constitutes a response rate of 22.2 per cent. Although low, this response rate is in line with those published recently on related topics (e.g. Christmann, 2004; Karagozoglu & Lindell, 2000) and significantly higher than response rates typically obtained from mailed surveys to executives (10 to 12 percent only, Hambrick, Geletkanycz & Fredrickson, 1993, cited in Christmann, 2004).

To test for possible non-response bias, the responses received after the first, second, and third mailing were compared. The Kruskal-Wallis test showed that there were no significant differences between any of the respondent groups in 19 of the 20 variables in the questionnaire. For one questionnaire item (product health and safety, Q20), there was a marginally statistically significant difference ($p = 0.045^*$) between respondent groups. A closer examination of responses to this question revealed that this difference was produced between the second and third response groups but did not represent any systematic trend: compared to the first wave, the mean of the responses in the second wave was higher but in the third wave again lower.

Due to lack of data, it was not possible to compare the respondents to the whole sample in terms of the background questions on sector, size, and consumer orientation. However, it was possible to examine the responses received in light of these variables. The responses received showed no differences according to consumer orientation; as for sector, firms in the secondary production sector gave different (lower) ratings than firms in the primary production sector for two questionnaire items (fair marketing practices, Q3, and habitat and biodiversity, Q6) but showed no differences for the remaining 18 items. No differences were discovered between any other sectors. As for size, the sample practically consists only of large firms, which, however, is a reflection of the underlying population rather than of non-response bias.

Even though nothing in the data thus points towards any important non-response bias, it is nevertheless prudent to treat the results with caution. The means and standard deviations for the 20 survey items are reproduced in Table 1.

Methods

The objective was to test for differences between variables. Table 1 shows that there are differences in the mean values between the survey items, and a statistical test can ascertain whether these differences indicate a real population difference. As none of the survey variables nor any of

the constructed variables were normally distributed, it was necessary to turn to non-parametric methods. Because non-parametric tests are less powerful than parametric tests and a small sample is less likely to yield a significant result than a large sample, the methods used in this study are compatible with the cautious and conservative approach taken to the data, as any difference would need to be relatively large in order to be detected.

The economic impacts of corporate responsibility are a product of both firm characteristics and issue characteristics (Lankoski, 2006). To remove the effects of individual firm characteristics that are external to the research question of whether there are differences in the economic impacts between issues, the data need to be regarded as originating from a dependent samples design. A dependent samples design recognizes the fact that the same respondents are measured repeatedly with regard to several variables, calculates the difference between variables for each respondent, and examines the distribution of this difference variable. The non-parametric, dependent samples test for detecting significant differences between two groups is the Wilcoxon Signed Ranks test.

In order to test for Hypothesis 1, the variables in the questionnaire were split in two groups based on whether the issue was related to reducing a negative externality or to generating a positive externality. It is not always obvious where to draw the line between the negative and positive impacts of the firm: What if the firm provides employment, but only insecure employment? What if it provides a salary, but only a low one? Here, the yardstick for deciding this was to assume that the firm did not exist and to assess whether the environmental or social impact, which thus also “ceased to exist”, was positive or negative. Accordingly, the variables concerning employment security (Q10), wages and benefits (Q5), and philanthropy (Q16) create the variable “generating positive externalities”. The remaining variables in the questionnaire create the variable “reducing negative externalities”.

To test for Hypothesis 2, the questionnaire variables were again split in two groups based on which stakeholder group benefits from the environmental or social outcome of the corporate responsibility issue. The market stakeholders represented in this data include customers and employees, and the nonmarket stakeholders include the community and the general public. Note that, in contrast to most previous studies, the natural environment is not considered a stakeholder of the firm. This is not to deny its importance, but to acknowledge that it can be represented only indirectly through some other stakeholders (“groups or individuals”, according to Freeman’s 1984 definition).

Corporate responsibility issues whose outcome directly benefits the customers include fair marketing practices (Q3), product health and safety (Q20), and product environmental effects (Q4). Issues benefiting employees include wages and benefits (Q5), employment security (Q10), employee health and safety (Q15), and work-family conflict (Q13). Together, these issues create the variable “market stakeholders”. The remaining variables, in turn, “only” benefit the local community or the general public, and create the variable “nonmarket stakeholders”. It may be argued, however, that not all product environmental effects are such as to directly benefit the customers; moving the item to nonmarket stakeholders would not affect the substantive results in Table 2. Similarly, whether employment security (Q10) should be allocated to market stakeholders (employees) or to nonmarket stakeholders (the community, in the form of reduced unemployment) could be debated, since as soon as layoffs materialize, the affected persons lose their market stakeholder status. Reclassifying Q10 to a nonmarket stakeholder issue would not affect the substantive results in Table 2.

RESULTS

The results for the hypotheses can be found in Table 2. There is a highly significant difference ($p = 0.000***$) between reducing negative externalities and generating positive externalities. As hypothesized, the economic impacts are more positive for issues reducing negative externalities

than for issues generating positive externalities. Thus, Hypothesis 1 is supported. Similarly, there is a highly significant difference ($p = 0.000^{***}$) between corporate responsibility issues whose outcomes benefit market vs. nonmarket stakeholders. Again, the economic impacts are more positive for issues benefiting market stakeholders than for issues benefiting nonmarket stakeholders, and Hypothesis 2 is supported.

Insert Table 2 about here.

A simultaneous examination of the two hypotheses shows that there is a significant difference between market and nonmarket issues both within negative externalities ($p = 0.000^{***}$) and within positive externalities ($p = 0.042^*$). The difference between negative and positive externalities, in turn, is significant within market issues ($p = 0.000^{***}$) as well as within nonmarket issues ($p = 0.010^{**}$). Overall, the issues may be grouped in three groups with different economic impacts. The economic impacts from the most positive to the least positive are: (1) market stakeholder issues reducing negative externalities (mean = 1.16), (2) nonmarket stakeholder issues reducing negative externalities (mean = 0.79), (3) market stakeholder issues generating positive externalities (mean = 0.61), and (4) nonmarket stakeholder issues generating positive externalities (mean = 0.27). However, the difference between (2) and (3) is not statistically significant, wherefore there are only three groups.

DISCUSSION

The key conclusion of this paper is that the content of corporate responsibility matters for the economic implications. Different corporate responsibility issues have different economic impacts, and there are systematic patterns in these differences according to whether the issue represents reducing a negative externality or generating a positive externality, and whether the outcome of the issue benefits market or nonmarket stakeholders.

The results of this study describe the issue-specific relationship between corporate responsibility and economic performance as perceived by managers. Arguably, managers may be better informed than others about this relationship, but management perceptions may also be inaccurate and shaped by social, cultural, and institutional arrangements (see e.g. Hoffman & Ventresca, 1999; Smircich & Stubbart, 1985). Moreover, although the research design circumvented the problem of strategic responding, it cannot be entirely ruled out that the social desirability bias would be different for different issues and thus affect the answers.

The disaggregation of corporate responsibility to its component issues represents a departure from the majority of previous literature examining the link between corporate responsibility and economic performance. Additionally, those previous studies that do disaggregate corporate responsibility tend to treat environmental performance as one issue, whereas in this study it is treated as one dimension consisting of many different issues. While the hypotheses tested in this study are new, the findings may be considered to support the two earlier studies (Gilley et al., 2000; Hillman & Keim, 2001) that test hypotheses on the differential economic impacts of different corporate responsibility activities.

For managers, the immediate implication of the results is that because the economic impacts may be different for different issues, it may not be useful to examine corporate responsibility solely in an aggregated manner in strategy design if corporate responsibility is regarded as instrumental to profit maximization (see Donaldson & Preston, 1995; Jones, 1995). Berman et al. (1999) found that corporate responsibility was approached through an instrumental perspective in firms, but even with some other perspective to corporate responsibility, it is always useful to be aware of the extent of eventual trade-offs and complementarities between corporate objectives.

That different issues may have different economic implications may be intuitively known by managers, evidenced by the fact that the corporate responsibility performance of a firm is often not equal across issues. It is especially interesting to note that the results of this study bear a striking resemblance to those obtained by Mattingly and Berman (2006) who discovered underlying taxonomy in data on firm performance with regard to corporate responsibility issues and also differentiated the performance issues along two dimensions that correspond closely (although not exactly) to the negative externality – positive externality and market stakeholder – nonmarket stakeholder distinctions made in this study. Despite certain differences, the resemblance leads one to ask whether the distinctions found in actual corporate responsibility performance by Mattingly and Berman might reflect distinctions in manager perceptions of issue profitability found in this study.

The results of this study imply that, from a profit point of view, it is more important for managers to satisfy market stakeholders than nonmarket stakeholders, and to “do no harm” than to “do good”. The most profitable corporate responsibility issues are those that reduce negative impacts towards market stakeholders, and the least profitable corporate responsibility issues are those that generate positive impacts towards nonmarket stakeholders. The economic impacts of issues that meet one of these criteria, either benefit market stakeholders or reduce negative externalities, lie between these extremes. Recall that this study only examined the differential in the economic impacts between different corporate responsibility issues and does not claim anything on the magnitude or even the direction of the absolute economic impacts.

The immediate implication for empirical research is clear. Since the economic impacts differ between issues, aggregated research on the link between corporate responsibility and economic performance will either not be able to find a relationship (if the impacts are different enough to offset each other) or will find an “average” relationship (if the differences are less important) which may, however, be less useful for managers who must make decisions on specific activities contributing to specific corporate responsibility issues, not on some “average” corporate responsibility activities. Recall again that in addition to issue characteristics, differences in the economic impacts of corporate responsibility activities are also produced by firm characteristics which were not examined in this study. It would, however, be an interesting task for further research to examine the relative importance of firm characteristics versus issue characteristics in determining the economic impacts.

The results propose certain clarifications to the causal link between corporate responsibility and economic performance. They suggest that, in order to result in economic impacts from stakeholders, the corporate responsibility issue must trigger powerful stakeholders (Mitchell et al., 1997) to act. The experiences of nonpowerful stakeholders may be legitimate and urgent (Mitchell et al., 1997), and have intrinsic value (Donaldson & Preston, 1995), but they will not affect the economic performance of the firm unless powerful stakeholders act. This distinction may appear blurred because of the overlapping membership (Mattingly & Berman, 2006) of people in different stakeholder groups.

Powerful stakeholders will act if one of two conditions is satisfied. First, the powerful stakeholders may be the ones experiencing the outcome of the corporate responsibility issue, in which case they will act based on self-interest, usually a strong motivator. Indeed, it may be very important from a theoretical point of view whether it is the corporate responsibility activity or its outcome that we are talking about, as suggested by Rowley and Berman (2000). When examining internal benefits such as capabilities, competencies, learning, and efficiency (Hillman & Keim, 2001; Orlitzky et al., 2003) the activity itself is important. But, when examining external benefits resulting from the stakeholders, it may be useful to focus more explicitly on the outcomes of corporate responsibility and on which stakeholders are the beneficiaries of those outcomes.

Second, powerful stakeholders may decide to act on behalf of others if they feel that the corporate responsibility issue is worth defending for ethical reasons. Jones (1991) proposes the concept of moral intensity to explain the act-provoking character of an issue. One component of

Jones' moral intensity is the social consensus about the importance of an issue, present for reducing negative externalities but absent for generating positive externalities in light of the data of this study. Note that when the stakeholders are organizations, themselves with their own stakeholders, the self-interested or ethical motivation may have arisen further down the value chain from where it travels upward through supplier requirements.

As clear as the results were, the study has certain limitations, and further research is required before the differential economic impacts of different corporate responsibility issues are fully understood. Future studies can improve on the present study at least in the following ways. First, the coverage of individual issues could be increased. The results of this study imply that results concerning the relationship between corporate responsibility and economic performance are sensitive to what issues exactly are included. This provides an explanation for contradictory findings in previous work, but applies equally to the very hypotheses tested in this study. Moreover, operationalizing each issue with more than one questionnaire item would increase the validity of the measurement. All this, of course, leads to the always difficult balancing act between the comprehensiveness and length of the questionnaire and the response rate that can be obtained.

Other hypotheses than these two could be examined. As noted, this study did not address the economic impacts that may be produced internally. Yet, it seems obvious that there may be differences between corporate responsibility issues, for example, in the scope that they provide for efficiency improvements through savings in inputs. Examining such internal economic impacts would be an important complement to the externally produced economic impacts studied here.

In addition, the generalizability of the findings could be tried by using a different sample. The results in this study reflect the perceptions of large companies' senior executives who are experts in corporate responsibility issues; a different group of managers may view the issues differently. Other time frames could also be examined. This study examines economic impacts in the medium term, but since different corporate responsibility issues may have different payback times, the results might look different in the short term or in the long term. Cost-side and revenue-side impacts could be examined separately to gain more insight into the causal mechanisms at work. And, it could be examined whether these results are borne out by other research designs than the executive survey presented here.

Finally, the results of this study raise some interesting questions beyond the immediate topic area of the corporate responsibility – economic performance relationship. One is whether reducing negative externalities and generating positive externalities should not be distinguished more clearly in the debate on the role of business in society. For example, such a distinction is absent in the much-quoted article by Friedman (1970) where he argues that the only social responsibility of business is to increase its profits. If it is true that reducing negative externalities and generating positive externalities are different in stakeholder expectations, such a distinction might clarify the debate. Another question is whether it is rigorous that under the umbrella of corporate responsibility, as generally conceived and defined, a mixture of both market and nonmarket outputs (private and public goods) can be found. If for some corporate responsibility issues it is indeed a market stakeholder that directly benefits from the outcome, then these issues do not represent public goods but private goods for the concerned market stakeholders. A separation of these two might prove fruitful at least in some analyses. A third question is whether the examination of corporate responsibility should not begin to acknowledge more fully the dimension of economic responsibility in addition to the environmental and social dimensions. Economic responsibility is a much richer concept than simple economic performance, and some issues relating to the provision of employment and to wages, for example, classified under social responsibility in this and in many other studies, could also usefully be considered as part of economic responsibility. Without due attention to all three responsibility dimensions, the picture on sustainable business remains incomplete.

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TABLE 1

Corporate responsibility issues covered in the questionnaire, questionnaire items, means and standard deviations of the responses

Dimension	Issue group	Issue	Questionnaire item (item no.)	Mean	Std.dev.
Social	Labor	Employment security	We will not use layoffs and plant closures to achieve cost savings in profitable operations (Q10)	0.06	1.00
		Child labor	We will not use child labor (Q18)	0.86	0.88
		Wages and benefits	We will ensure that all our employees receive a compensation that can provide at least minimally satisfactory living conditions (Q5)	1.03	0.83
		Employee health and safety	We will provide working conditions that safeguard the health and safety of our employees (Q15)	1.32	0.70
		Work-family conflict	We will provide working conditions that enable our employees to combine family life with work (Q13)	0.95	0.93
	Product or service	Fair marketing practices	We will adhere to the highest ethical standards in our marketing and advertising practices (Q3)	1.11	0.85
		Product health and safety	We will ensure that all our products and services are healthy and safe for customers to use (Q20)	1.33	0.78
	Community	Transparency and accountability	We will report on the economic, social and environmental aspects of our activities and accomplishments in a transparent manner (Q12)	1.00	0.75
		Supplier relations	We will ensure that our suppliers and subcontractors comply with fundamental labor and human rights requirements (Q9)	0.58	1.03
		Philanthropy	We will help build local infrastructure (such as schools, hospitals, roads) when we are operating in areas where this is lacking (Q16)	0.27	1.15
Environmental	Inputs	Raw material use	We will minimize our consumption of raw materials (Q8)	1.13	0.94
		Energy use	We will minimize our consumption of non-renewable energy (Q19)	0.55	1.20
		Habitat and biodiversity	We will ensure that our operations do not endanger biodiversity (Q6)	0.81	0.86
	Production practices	Animal treatment	We will ensure that our operations do not contribute to the inhumane treatment of animals (Q17)	0.43	0.93
		Purchasing policy	We will ensure that our suppliers and subcontractors comply with fundamental environmental requirements (Q11)	0.61	1.00
	Outputs	Atmospheric	We will ensure that our operations do not endanger air quality	0.79	0.95

		emissions	(Q7)		
		Effluent discharges	We will ensure that our operations do not endanger water quality (Q2)	1.03	0.73
		Solid waste	We will minimize the amount of wastes that result from our operations (Q14)	1.06	0.67
		Accidents and spills	We will take stringent measures to prevent accidents and spills that result in the release of oil or chemicals into nature (Q1)	0.93	0.86
		Product environmental effects	We will design our products and services so that their negative environmental effects during use and disposal are minimized (Q4)	1.12	0.86

TABLE 2
Results of tests for differences between means

Group means			Wilcoxon signed ranks test	
	Mean	Std.dev.	Z	Sig.
Reducing negative externalities	0.91	0.56	-3.74	0.000*** (one-tailed)
Generating positive externalities	0.53	0.86		
Market stakeholders	1.00	0.64	-3.69	0.000*** (one-tailed)
Nonmarket stakeholders	0.75	0.62		

p<0.001*** highly statistically significant

n=38

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