**The Corporate Social Responsibility and Financial Performance Debate**

**by**

**Andrew Kent Nunn**

**Advisor: Dan L. Worrell**

**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of Science in Business Administration in Finance.**

**Sam M. Walton College of Business**
**University of Arkansas**
**Fayetteville, Arkansas**

**May, 2015**

**TABLE OF CONTENTS**

## Executive Summary

Much controversy surrounds the theoretical link between corporate social responsibility (CSR) and financial performance. Many different empirical studies have reached conclusions that this link is either positive, neutral, negative, or non-existent. In this paper, a thorough literature review is conducted seeking an explanation for the contradiction and disagreement present in current literature on the subject. Six key factors causing this contradiction were highlighted and examined in the review. A comprehensive understanding of the contradiction in this field will help researchers avoid historic pitfalls in future research, and may eventually lead to a definitive understanding of the financial implications of CSR.

## Introduction

Before the popularization of Corporate Social Responsibility (CSR) in business practice, firm motivations were stereotypically short-term in their considerations (Moura-Leite and Padgett, 2011). The ideal of profit maximization characterized the management philosophies of the day. Generally, firms did not consider the effects of their actions on society because they did not recognize a linkage between the two (Carroll, 1999). Over time however, the once inconspicuous concept of CSR began to find relevance in the general public with the publication of Howard R. Bowen's groundbreaking book *Social Responsibilities of the Businessman* in 1953. In it, Bowen proposes that in society there exists "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". (Bowen, 1953, p. 6). This early outlook on CSR characterized popular sentiment for the rest of the decade (Drucker, 1954). The rough definition lead itself to viewing CSR through the lens of philanthropy, which contributed to the belief that the chief societal role of business was in doing "good deeds" for society (Vogel, 2005).

As Carroll (1999) describes, the view of CSR evolved from this early philanthropic framework into a more robust definition in the 1960's. By the latter half of the decade, a clear interdependence between the health of business and the health of society was beginning to be acknowledged (Davis, 1967). The actions of corporations were no longer seen as an autonomous, but rather, as integrally connected to the well-being of the public as a whole and vice versa (Ullman, 1985). As a result, large corporations began to see the efficacy of adopting and implementing socially beneficial initiatives into their practices (Moura-Leite and Padgett, 2011). This growing social consciousness expanded the role of corporations in the 1960's not only as philanthropic organizations, but also entities with obligations to customers, shareholders, and employees (Heald, 1970).

The transition from the 1960's to the 1970's saw a shift in the focus of CSR from external, by discussing a firm's role in society at large, to internal, by contemplating the ways in which a firm might operate responsibly towards the members and systems within its organization (Moura-Leite and Padgett, 2011). Beginning in this decade, the theory of "enlightened self-interest" typified the corporate mindset towards social responsibility (Vogel, 2005). The theory poses that actions done for the good of others, or the good of the collective, will ultimately translate into an outcome that is good for the individual. The adoption of this perspective is significant because it depicts a substantial change in motivational thinking among firms. Whereas businesses had once rationalized actions exclusively in a short term, profit driven framework, firms in the 1970's also began to consider the long term holistic implications of their actions (Lee, 2008). Moreover, CSR as a concept encountered "a change in the orientation of [its] research from normative to positive" ([59] Lee, 2008).

The literature of the 1980's mainly focused on taking Corporate Social Responsibility from a concept to practical application and implementation. Increasingly, academia sought a relevant system by which social practices could be tailored to different areas within the firm (Carroll, 1999). In his influential book, Strategic Management: A Stakeholder Approach, Freeman (1984) devised such a system. By defining stakeholders in a corporation as any individual or party that is impacted by or is able to impact the realization of the firm's goals. Furthermore, by viewing stakeholders within these compartmentalized groups, a business' management may tailor their initiatives to the pressing needs of each individual group as opposed to stakeholders as a single whole (Freeman, 1984). It was also during this decade when essays began to tackle the dynamic between CSR and financial performance (Cochran and Wood, 1984; Aupperle, Carroll, and Hatfield, 1985; Ullmann, 1985; McGuire, Sundgren, and Schneeweis, 1988). Many articles at that time generally theorized that CSR should ultimately increase profits through better management practices (Drucker, 1984; Cochran and Wood, 1984).

Propelled by the growing evidence of business case for social responsibility, the 1990's through present day have seen the widespread adoption of CSR policies among large corporations in the United States. The growing acceptance and relevance of CSR by these large corporations was highlighted in a study 2002 survey by PricewaterhouseCoopers. The survey found that 70 percent of CEO's around the world believed that CSR was integral to the profitability of their corporation (Simms, 2002). In response to the growing demand for research in the field of the financial implications of CSR, many other articles in CSR theory have been published the 1990's. Interestingly, a consensus has been anything but reached as article after article has found either positive, neutral, or negative correlations for this relationship.

Clearly, the ever-changing landscape in the academic world regarding the proper definition and integration of CSR makes quantifying its effects on society difficult. From the beginnings of CSR research many studies have sought out to prove a correlation between the socially responsible initiatives of companies and their resulting financial performance outcomes, either positive or negative. The main focus of this paper is the increasing division in scholarship on the business performance of CSR. More specifically, the question this paper is concerned with addressing is: "why is there such contradiction in the findings of CSR performance research?"

## Literature Review

Many different factors play a role in the lack of agreement within the debate on the true nature of financial performance linked with CSR (Hull and Rothenberg, 2008; McWilliams and Siegel, 2000). The following literature review is an analysis of a sample of twenty three heavily-referenced and respected articles spanning from 1975 to 2012. In line with the purpose of this paper, only studies which were specifically concerned with the CSR-financial performance link were included in the review. While this examination is not exhaustive of all the available research on the topic, the investigations chosen vary greatly in their approaches and, thus, provide a window into the key factors within the debate of the greater body of literature. After a thorough investigation of the underlying inputs of the twenty three different empirical studies on this relationship, six common key factors are extrapolated which contribute to the discord in conclusions. These six factors are:

1. The questionable direction of causation within these studies
2. The different measures used to assess CSR
3. The different measures used to examine performance
4. The questionable validity of measures used
5. The different industries and time periods examined
6. The multidimensionality of CSR.

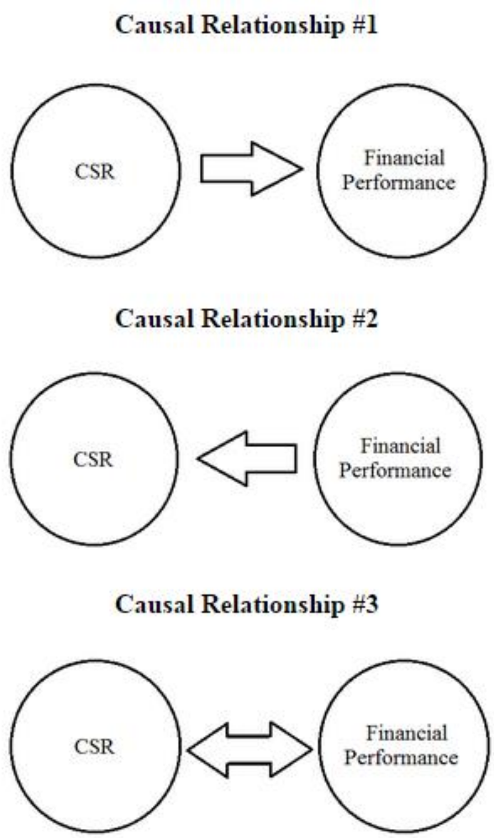
The following paragraphs will examine each of these six key factors in a format similar to that of Hiller, DeCHurch, Toshio, and Doty (2011) in their literature review entitled: "*Searching for Outcomes of Leadership: A 25-Year Review*". It will also seek to provide clarity on why these factors lead to the contradiction in the academic world of CSR.

**Issue #1: Questionable Direction of Causation**

Perhaps the most foundational reason for contradiction comes from the differing initial beliefs about the nature of the direction for the causal relationship between CSR and financial performance with which scholars approach their research. Studies can be biased, or at the very least, influenced by these antecedent beliefs. According to Surroca, Tribo, and Waddock (2010), three main beliefs are possible about this relationship, if there is any relationship at all. Figure 1 (shown below) illustrates these different causal possibilities.

**Figure 1**

**Possible Causal Relationships**




The first belief is that corporate socially responsible actions result in corporate financial performance, meaning that the former is the cause of the latter. This belief is the most common stance tested by the scholars included in this paper’s literature review (Cochran and Wood, 1984;

Waddock and Graves, 1997; Ahmed, Nanda, and Schnusenberg, 2010, etc.). The second belief is the converse, namely that corporate financial performance makes corporate social responsibility possible. Also known as “slack resource theory” Waddock and Graves (1997) sum up this idea well in stating that “better financial performance potentially results in the availability of slack (financial and other) resources that provide the opportunity for companies to invest in social performance domains.” Put another way, only those companies with consistent positive financial returns will be able to afford the costs of practicing social responsibility. Finally, the third theory on the nature of the causal relationship is an attempt to reconcile the prior two ideas. It states that the relationship between CSR and financial performance is synergistic and recursive. Essentially, this would mean that the direction of causality is irrelevant because “[f]inancially successful companies can afford to spend more money on social issues, but CRP also helps them become financially successful” (Surroca, Tribo, and Waddock, 2010). Thus, it does not matter from which point you start, CSR initiatives can lead to financial performance and vice versa. Finally, a fourth belief is held by some that there is no causal relationship in this realm (Aupperle, Carroll, and Hatfield, 1985; Surroca, Tribo, and Waddock, 2010).

These three realms of causational thought represent the current foundational theories tested today. Each empirical study in the literature review of this paper is an attempt to confirm or disprove one of these causal theories. Each empirical study attempts to venture down one of these three initial paths. Not only is there contradiction in the assessment of the financial relationship to CSR, but also the very starting points from which research is conducted. The presence of the disagreement in the direction of causation is important because it shows that the academic disagreement in CSR and corresponding financial performance is not, simply, a failure to use the same measures of assessment in empirical studies. This is the first level of contradiction present in this review.

**Issue #2: Different Measures Used to Assess CSR**

Another reason for the aforementioned contradiction in the world of CSR and financial performance is the wide variety of methodological approaches in empirical studies. In the review I have conducted, six main CSR assessment criteria were recurrent in the reports. These criteria included the use of reputational indices, environmental performance, content analysis, negative media, surveys, and the presence of certain practices within an organization. Much of the literature to date on the subject utilizes a reference to an existing reputational index in order to assess CSR in firms (Vance, 1975; Ahmed, Nanda, and Schnusenberg, 2010; Barnett and Salomon, 2012...etc.). According to Vogel (2005), the most comprehensive and popular reputational measure of CSR is the KLD (Kinder, Lydenberg, Domini & Co.) database of companies. KLD's method employs a search in "surveys, financial statements, articles on companies in the popular press, academic journals (especially law journals), and government reports" (McWilliams and Siegel 2000, 607). The goal of this search is to screen for negative social practices within a firm and generate a subjective reputational score as a result (Peters and Mullen, 2009). While this measure is easy to use, its subjectivity leads many other researchers to attempt a more objective assessment. Unfortunately, the use of more objective measurements (like environmental performance) tend to narrow the definition of CSR and fail to fully encompass its essence. As a result, this increase in measurement methodologies has led to a corresponding increase in contradictory findings (Russo and Fouts, 1997). Without a single agreed upon metric with which to holistically assess CSR in a firm, the explanation for the contradiction from CSR studies becomes clear. When researchers cannot agree upon a starting point, logically, their end points will also be incongruent. Furthermore, because of the lack of repetition in the utilization of assessment criteria, reliability and validity tests become challenging to construct (Griffin and Mahon, 1997). Table 1 (shown below) depicts these criteria within the empirical studies in six assessment groups.

**Table 1**
**Different Measures of CSR Assessment**

| CSR Assessment Criteria | Assessment Example | Article |
|---|---|---|
| Reputation Index | KLD Index (Now a part of MSCI ESG Index) | McWilliams and Siegel, 2000 |
| | | Barnett and Salomon, 2012 |
| | | Hull and Rothenberg, 2008 |
| | | Tang, Hull, and Rothenberg, 2012 |
| | | Peters and Mullen, 2009 |
| | | Waddock and Graves, 1997 |
| | Magazine CSR ranking list | Ahmed, Nanda, and Schnusenberg, 2010 |
| | | McGuire, Sundgren, and Schneeweis, 1988 |
| | Sustainalytics platform database | Surroca, Tribó, and Waddock, 2010 |
| | Other index | Cochran and Wood, 1984 |
| | | Pava and Krausz, 1996 |
| Environmental Performance | Investments in pollution controls | Russo & Fouts, 1997 |
| | | Ahuja and Hart, 1996 |
| | | Konar and Cohen, 2001 |
| Content Analysis | Social accounting in public disclosures | Ullmann, 1985 |
| | | Abbott and Monsen, 1979 |
| Negative CSR Media | Announcements of corporate illegalities | Davidson, Worrell, and Lee, 1994 |
| | | Davidson and Worrell, 1988 |
| Survey | Survey of executives | Aupperle, Carroll, and Hatfield, 1985 |
| | Survey of socially responsible investors | Ruf, Muralidhar, Brown, Janney, and Paul, 2001 |
| | Survey of businessmen and business students | Vance, 1975 |
| | | Alexander and Buchholz, 1978 |
| Presence of Organizational Practices | CSR advertising | McWilliams and Siegel, 2001 |

**Issue #3: Different Measures Used to Examine Financial Performance**

Adding to the fog surrounding the true nature of the relationship between CSR and financial performance is the clear disagreement over proper financial metrics (Cochran and Wood, 1984; Davidson and Worrell, 1990). Return on equity (ROE) and return on assets (ROA) are the most consistently used dependent variables in CSR financial performance research (Davidson and Worrell, 1990; Tang, Hull, and Rothenberg, 2012). An extensive number of supplemental control variables have also been employed in various attempts to fully encompass the financial effects of CSR. The wide array of financial measures used by these studies can be partitioned into one of four main categories: market based measures, accounting based measures, risk measures, and other measures (Pava and Krausz, 1996). Table 2 (shown below) categorizes the results of this paper's findings from the twenty three empirical studies examined in the literature review.

**Table 2**
**Different Measures of Financial Performance**

| Type of Measure | Specific Variables Employed in Articles Reviewed |
|---|---|
| Market Based | Daily Abnormal Returns (Excess Market Valuation) |
| | Dividend Payout Ratio |
| | Market Share |
| | MCPE (Mean Cumulative Prediction Errors) |
| | Price to Book Ratio |
| | Price to Earnings Ratio (P/E) |
| | Return to Portfolio |
| | Share Price |
| | (Change in price +dividends)/Original Price |
| Accounting Based | Return on Assets (ROA) |
| | Return on Equity (ROE) |
| | Return on Sales (ROS) |
| | Profit Margin |
| | Operating Cash Flow to Sales Ratio |
| | Standard Deviation of Operating Income |
| | Assets to Sales Ratio |
| | Return on Investment |
| | Earnings Per Share (EPS) |
| | Beta |
| Risk Based | Debt Ratio |
| | Leverage Ratio |
| | Alpha |
| | Altman's Z Score |
| | Debt to Equity Ratio |
| | Current Ratio |
| | Quick Ratio |
| | Interest Coverage |
| | Industry Concentration Ratio |
| Other | Firm Growth Rate |
| | Firm Size |
| | Capital Intensity |
| | R&D Intensity |
| | Advertising Intensity |
| | Sales Growth |
| | Tobin's Q |
| | Perceptual Measures |
| | Total Assets or Logarithm of Total Assets |
| | Operating Income Growth |
| | Operating Leverage |
| | Import Consumption Ratios |
| | Total Sales |
| | Long Term Debt to Assets Ratio |

All in all, forty one different variables were used throughout the twenty three studies. Four studies employed only one variable in their financial analysis (Aupperle, Carroll, and Hatfield, 1985; Vance, 1975; Ullman, 1985; Abbott and Monsen, 1979). The rest of the studies used a multidimensional approach by including multiple different indicators. Despite the existence of some overlap in the financial metrics used in these studies, each new study seems also to attempt to pioneer new metrics, and promote them as the key to understanding the CSR-finance relationship. As learned from the situation for CSR assessment measures, the lack of a repeated use of the same financial metrics in the research on this subject has made validating the reliability of these measures difficult (Griffin and Mahon, 1997). Furthermore, it becomes increasingly difficult to pose a convincing overarching definitive argument regarding the relationship of CSR and financial performance, because the research generally measures different things (Vogel, 2005). All of this confusion is what lead Robert Jensen (1976, p. 2) to quip that "in most instances we are still groping in the dark concerning what to disclose, how to disclose it, and how to compare and evaluate business enterprises." The foundation of financial performance assessment is still unclear, thus researchers do not know what ground to build upon.

**Issue 4: Questionable Validity of Measures Used**

Another issue contributing to the contradiction in findings in CSR research is the disagreement over the validity of measures used (Aupperle, Carroll, and Hatfield, 1985). I will start the discussion in the realm of CSR assessment measures. For instance, two of the most widely adopted assessment measures of CSR are the KLD index and firm reputational surveys (Vogel, 2005). While these measures are helpful because of their ease of replication in future studies, they are also prone to subjective bias as those tasked with assigning a CSR score for each firm may "make decisions based on erroneous information or on their impressions of what the firm has done (and not what the firm has actually done)" (Griffin and Mahon, 1997, p. 14). This is due largely to the fact that reputational surveys are nearly entirely perceptual, and a large portion of the KLD rating system relies on subjective perceptual inputs (Griffin and Mahon, 1997).

In response to this problem, some researchers have attempted to assess CSR through a more objective lens (Davidson and Worrell, 1988, Davidson, Worrell, and Lee, 1994; Ahuja and Hart, 1996; Russo and Fouts, 1997; Konar and Cohen, 2001). However according to Vogel (2005), these more objective lenses tend to constrain the dynamic topic of CSR into too narrow of a definition, so they are able only to partially capture the true essence of CSR. Attempts to mitigate this error by using more broad assessment criteria fail to clearly portray which specific practices in a business improve financial performance.

CSR assessment measures are not the only measures whose validity is under question. The metrics used to analyze financial performance have also been put under much scrutiny. McGuire, Sundgren and, Schneeweis (1988) hold that accounting based measures tend to explain CSR more effectively than market based measures. However, Davidson and Worrell (1990), point out that numerous issues surround the validity of accounting based measures without the use of control variables. These include the flexibility in accounting practices among firms. The nature of this flexibility makes direct comparison of ratios difficult. Similarly, an increase of corporate debt can lead to the gross overvaluation on financial measures like net income. On an individual level, commonly used ratios like ROA and ROE have faced criticism because their implementation in studies is usually done in a manner which disregards the effects of inflation. These practices can lead to false connections between CSR and financial performance that are better explained by tweaks in the method of recording data in financial statements.

Many other criticisms exist on performance measures in CSR analysis, but investigating each measure is beyond the scope of this paper. In a general sense, the examples provided above serve to highlight key factors in the controversy over the validity of CSR assessment measures, both in concept and in financial performance. This controversy leads different researchers to employ different measures which they deem valid. This variety, in turn, leads to the different empirical results and implications of CSR and its corresponding financial performance. Ultimately, these different findings help to explain the contradiction and debate in which this paper is concerned with understanding in the realm of CSR scholarship.

**Issue # 5: Different Industries and Time Periods**

Davidson and Worrell (1990, p.8) pointed out a major in deficiency in CSR research when they noted "accounting measures of financial performance are inadequate for researchers making large cross-sectional comparisons across industries”. In their study, they show that financial measures helpful for analyzing CSR in one industry become invalid when stretched and applied cross-sectionally to all industries. This is common practice among most contemporary empirical CSR studies (Carroll, 1979). A major reason for the industry argument is the reality that most studies do not consider internal and external pressures unique in specific industries. These include governmental regulation, different consumer expectations, and different stakeholder relationships (Griffin and Mahon, 1997). These pressures can benefit or hurt CSR financial performance but are not directly caused by any specific firm practice.

The issue of timing pertains to the issue of the delay in the release of financial statements. Most financial statements are released every three months or every year (Davidson and Worrell, 1990). Thus, within any given financial period, it is very difficult to establish a direct link between a single CSR practice and its effect on a firm’s individual financial measures. Any change in these measures could be due to any number of businesses practices that have occurred simultaneously in the life of business operation alongside these socially responsible practices over the time period.

**Issue #6: The Multidimensionality of CSR**

CSR is an enigma. It is a dynamic concept that is characterized by an ever evolving landscape encompassing 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” (Wood, 1991, p. 693). In this definition, Wood makes an attempt to paint the portrait of CSR that stretches from the heart of a business (it’s principles and values), through its implementation in the firm’s structuring, all the way down to the practical outworking of those organizational structures (the firm’s business actions). The issue is that such a broad definition of CSR lends itself to great analytical difficulties.

How should scholars approach the investigation of such a robust concept? As seen in the literature review, most studies employ measures which capture only a fraction of this multidimensionality in any given company (McGuire, Sundgren, and Schneeweis, 1988). Robert Jensen (1971, p.1) explains the conundrum well when describing the measurement of CSR as being “like a kaleidoscope in that the same pieces turned a little differently form a whole new pattern”. Reports conducted in this manner tend to be too narrow. Others, however, have made ambitious attempts to build all-encompassing frameworks with which to encompass the multidimensionality of CSR. Perhaps the most impressive model to-date is Carroll’s (1979) three dimensional model, which attempted to categorize business activities into four responsibilities in order of descending importance: economic, legal, ethical, and discretionary. Social responsibility was categorized into the discretionary, considered to be the least pressing of a firm’s obligations (Aupperle, Carroll, and Hatfield, 1985). Historically, however, framework attempts like Carroll’s still seem to fall into one of two issues. First, these fail to provide an explanation for which firm-specific practices lead to financial performance or the degree of that performance (Vogel, 2005). Second, these frameworks are often too ambitious, making them difficult if not impossible to test empirically (McWilliams and Siegel, 2001). The reality is that CSR, in its fullest definition, is a concept that involves business principles, business organizational structure, and business practices. The problem present in 1975, of having "no accounting techniques, analytical tools, or statistical methods which will objectively differentiate companies that are socially responsible from those that are not", seems to still be persistent today (Parket and Eilbirt, 1975). The great difficulty in the field of CSR is creating a universally accepted framework that is both broad and specific. It must capture the fullness of the multidimensionality of the concept, while it simultaneously measures the specific financial implications of each individual dimension and responsible business practice. Studies have yet to create such a dynamic framework.

**Implications**

From top to bottom, CSR scholars cannot find common ground to build upon. In each of the six disputed areas examined in this literature review, debate is commonplace. The lack of consensus in the findings of CSR research is important because without an established link between responsible practices and corporate responsibility, firms will be less motivated to devote company funds to those responsible practices. Throughout this review, it became clear that research is initially sectioned off into one of three (or four) different islands of causal thought. This initial sectioning is then further subdivided into opinions over which CSR and financial assessment measures are most effective for use in empirical studies. Finally, the partitioning culminates in the formation of different sides of an argument regarding the validity of these historically-used measured. Taking a step back from all of the chaos, it should be noted that all of these arguments disagree in their very presuppositions, and therefore arguing results is not helpful because foundational consistency is not present. At its very core, there is still much debate over the causal nature of this relationship. Even more pertinent is the very definition of CSR.

I contend that the reason for debate within these areas and the contradictory findings in CSR research in general is caused by an inadequate frameworks for CSR itself. It is clear that researchers are not sure what the concept of corporate social responsibility really means on a practical level. In the realm of theory, there is certainly some consensus. However, when the rubber meets the road, popular definitions are not fully helpful as an impetus for conducting research. Scholars are tasked not only with measuring the outworking of a concept, but also with providing a measurable definition of CSR. A definition or construct, which captures the fullness of the multidimensionality of this concept, while it simultaneously identifies the relevant, individual, and measurable dimensions to consider within a business, is necessary before any further strides in this field can be made. Until this groundwork is laid, the debate over positive, neutral, or negative financial implications of CSR will not be settled.

**Future Direction**

The main question this paper set out to explain was “why is there such contradiction in the findings of CSR research?” Perhaps the best way to approach this section of future research is by posing another question: “what could be a solution to the contradiction in these findings?” As previously stated, I contend that the next steps necessary in providing a definitive solution to this contradiction is the creation of an all-encompassing yet empirically measurable definition of CSR. Assuming this takes place, the next steps in terms of building upon this framework is to conduct further research into the true direction of the causal relationship on CSR and financial performance. Research should make an effort to employ historically used measures of CSR.

Also, researchers should similarly employ consistently utilized financial measures (preferably market based as opposed to accounting) for both dependent and control variables. The repetition in these variables will help add validity and reliability to metrics as they will be more easily compared and improved upon over time. Studies should also make an attempt to limit their research scope to single industries in order to avoid cross-sectional error. Finally, controls should be implemented in each study to account for the issue of delayed timing in financial statements. As more research is conducted in the consistent manner prescribed above, the true direction and nature of a financially positive, neutral, or negative causal relationship may be more clearly seen; and the debate may ultimately reach definitive conclusions.

**Conclusion**

Despite having over sixty years of development, corporate social responsibility remains a difficult concept to quantify. From its broad value-based beginnings in the 1950's, many great developments have helped to develop a link between CSR implementation and corresponding financial performance. It was the proposition of this link that helped CSR to evolve into a widely researched and investigated topic in business scholarship today. Unfortunately, different studies lead to much contradiction in empirical findings. In this paper, the question was posed: "why is there such contradiction in the findings of CSR research?" A thorough literature review unveils that the answer lies not only in inconsistent or invalid assessment measures, but also in the inadequacy of CSR frameworks themselves. The concept of corporate social responsibility has great potential to be both a catalyst for sustainability in business as well as a path to mutual beneficiality for both the business world and society. However, as seen in this paper, some barriers must still be overcome before this world of corporate social conscientiousness may be fully realized. Once an adequate framework has been developed, and a depth of consistent and valid empirical research has been accumulated, then we may finally live in a world where the priority of business and the priority of society is one and the same.

## References


Abbott, Walter F., and R. Joseph Monsen. "On the Measurement of Corporate Social Responsibility: Self-Reported Disclosures as a Method of Measuring Corporate Social Involvement." *Academy of Management Journal* 22.3 (1979): 501-15. Web. 16 Apr. 2015.

Ahmed, Parvez, Sudhir Nanda, and Oliver Schnusenberg. "Can Firms Do Well While Doing Good?" Applied Financial Economics 20.11 (2010): 845-60. Web. 16 Apr. 2015.

Ahuja, G., and S. L. Hart. "Does It Pay to Be Green? an Empirical Examination of the Relationship between Emission Reduction and Firm Performance." Business Strategy & the Environment (John Wiley & Sons, Inc) 5.1 (1996): 30-37. Web. 16 Apr. 2015.

Alexander, Gordon J., and Rogene A. Buchholz. "Research Notes. CORPORATE SOCIAL RESPONSIBILITY AND STOCK MARKET PERFORMANCE." Academy of Management Journal 21.3 (1978): 479-86. Web. 16 Apr. 2015.

Aupperle, Kenneth E., Archie B. Carroll, and John D. Hatfield. "An Empirical Examination of the Relationship between Corporate Social Responsibility and Profitability." Academy of Management Journal 28.2 (1985): 446-63. Web. 16 Apr. 2015.

Barnett, Michael L., and Robert M. Salomon. "Does It Pay to Be Really Good? Addressing the Shape of the Relationship between Social and Financial Performance." Strategic Management Journal 33.11 (2012): 1304-320. Web. 16 Apr. 2015

Bowen, Howard R. Social Responsibilities of the Businessman. New York: Harper, 1953. Print.

Cochran, Philip L., and Robert A. Wood. "Corporate Social Responsibility and Financial Performance." Academy of Management Journal 27.1 (1984): 42-56. Web. 16 Apr. 2015

Carroll, Archie B. "A Three-Dimensional Conceptual Model of Corporate Performance." The Academy of Management Review 4.4 (1979): 497-505.JSTOR. Web. 16 Apr. 2015.

Carroll, Archie B. "Corporate Social Responsibility." Business & Society 38.3 (1999): 268. Business Source Complete. Web. 16 Apr. 2015

Davidson III, Wallace N., and Dan L. Worrell. "The Impact of Announcements of Corporate Illegalities on Shareholder Returns."Academy of Management Journal 31.1 (1988): 195-200. Web. 16 Apr. 2015.

Davidson III, Wallace N., Dan L. Worrell, and Chun I. Lee. "Stock Market Reactions to Announced Corporate Illegalities." Journal of Business Ethics 13.12 (1994): 979-87. Web. 16 Apr. 2015.

Davidson, Wallace N., III, and Dan L. Worrell. "A Comparison and Test of the Use of Accounting and Stock Market Data in Relating Corporate Social Responsibility and Financial Performance." Akron Business and Economic Review Fall (1990): n. pag. Web. 10 Apr. 2015

Davis, Keith. "Understanding The Social Responsibility Puzzle." Business Horizons 10.4 (1967): 45. Business Source Complete. Web. 16 Apr. 2015.

Drucker, Peter F. The Practice of Management. New York: Harper & Row, 1954. Print.

Drucker, Peter F. "Converting Social Problems into Business Opportunities: The New Meaning of Corporate Social Responsibility." California Management Review 26.2 (1984): 53-63. Web.

Freeman, R. Edward. Strategic Management: A Stakeholder Approach. Boston: Pitman, 1984. Print.

Griffin, J. J., and J. F. Mahon. "The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research." Business & Society 36.1 (1997): 5-31. Web

Heald, Morrell. The Social Responsibilities of Business, Company, and Community, 1900-1960. Cleveland: Press of Case Western Reserve U, 1970. Print

Hiller, N. J., L. A. Dechurch, T. Murase, and D. Doty. "Searching for Outcomes of Leadership: A 25-Year Review." Journal of Management 37.4 (2011): 1137-177. Web.

Hull, Clyde Eiríkur, and Sandra Rothenberg. "Firm Performance: The Interactions of Corporate Social Performance with Innovation and Industry Differentiation." Strategic Management Journal 29.7 (2008): 781-89. Web

Jensen, Robert E. Phantasmagoric Accounting: Research and Analysis of Economic, Social, and Environmental Impact of Corporate Business. Sarasota, FL: American Accounting Association, 1976. Print.

Konar, Shameek, and Mark A. Cohen. "Does the Market Value Environmental Performance?" Review of Economics and Statistics 83.2 (2001): 281-89. Web.

Lee, Min-Dong Paul. "A Review of the Theories of Corporate Social Responsibility: Its Evolutionary Path and the Road Ahead." International Journal of Management Reviews 10.1 (2008): 53-73. Web.

Mcguire, Jean B., Alison Sundgren, and Thomas Schneeweis. "Corporate Social Responsibility and Firm Financial Performance." Academy of Management Journal 31.4 (1988): 854-72. Web. 16 Apr. 2015

Mcwilliams, Abagail, and Donald Siegel. "Corporate Social Responsibility: A Theory of the Firm Perspective." Academy of Management Review 26.1 (2001): 117-27. Web. 16 Apr. 2015.

Mcwilliams, Abagail, and Donald Siegel. "Corporate Social Responsibility and Financial Performance: Correlation or Misspecification?" Strategic Management Journal 21.5 (2000): 603. Web. 16 Apr. 2015.

Moura- Leite, Rosamaria C., and Robert C. Padgett. "Historical Background of Corporate Social Responsibility." Social Responsibility Journal 7.4 (2011): 528-39. Web.

Parket, I. Robert, and Henry Eilbirt. "The Practice of Business Social Responsibility: The Underlying Factors." Business Horizons 18.4 (1975): 5-10. Web.

Pava, Moses L., and Joshua Krausz. "The Association Between Corporate Social-Responsibility and Financial Performance: The Paradox of Social Cost." Journal of Business Ethics 15.3 (1996): 321-57. Web. 16 Apr. 2015

Peters, Richard, and Michael R. Mullen. "Some Evidence of the Cumulative Effects of Corporate Social Responsibility on Financial Performance."Journal of Global Business Issues 3.1 (2009): 1-14. Web. 16 Apr. 2015

Ruf, Bernadette M., Krishnamurty Muralidhar, Robert M. Brown, Jay J. Janney, and Karen Paul. "An Empirical Investigation of the Relationship Between Change in Corporate Social Performance and Financial Performance: A Stakeholder Theory Perspective." Journal of Business Ethics 32.2 (2001): 143-56. Web. 16 Apr. 2015.

Russo, Michael V., and Paul A. Fouts. "A Resource-based Perspective on Corporate Environmental Performance and Profitability." Academy of Management Journal 40.3 (1997): 534-59. Web. 16 Apr. 2015.

Surroca, Jordi, Josep A. Tribó, and Sandra Waddock. "Corporate Responsibility and Financial Performance: The Role of Intangible Resources." Strategic Management Journal 31.5 (2010): 463-90. Web. 16 Apr. 2015.

Simms, Jane. "You Know It Makes Sense." Accountancy 130.1311 (2002): 48-50. Business Source Complete. Web. 16 Apr. 2015.

Tang, Zhi, Clyde Eiríkur Hull, and Sandra Rothenberg. "How Corporate Social Responsibility Engagement Strategy Moderates the CSR-Financial Performance Relationship." Journal of Management Studies49.7 (2012): 1274-303. Web. 16 Apr. 2015.

Ullmann, Arieh A. "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 (1985): 540-57. Web. 16 Apr. 2015.

Vance, Stanley G. "Are Socially Responsible Corporations Good Investment Risks?" Management Review 64.8 (1975): 18. Web. 16 Apr. 2015.

Vogel, David J. "Is There a Market for Virtue? The Business Case for Corporate Social Responsibility." California Management Review 47.4 (2005): 19-45. Web.

Waddock, Sandra A., and Samuel B. Graves. "The Corporate Social Performance- Financial Performance Link." Strategic Management Journal 18.4 (1997): 303-19. Web. 16 Apr. 2015.

Wood, Donna J. "Corporate Social Performance Revisited." The Academy of Management Review 16.4 (1991): 691-718. Web.